



The Edge Economic Update

World Bank Global Outlook 2026

January 2026



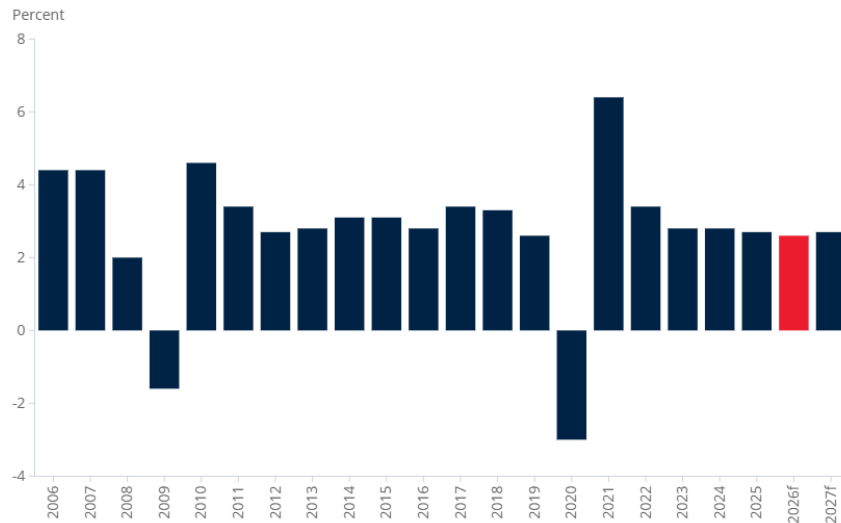
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Executive Summary

The World Bank’s Global Economic Prospects report, released in January 2026 ([Download Link](#)), highlights that the world economy showed unexpected resilience through 2025, but a slight slowdown is anticipated in 2026. Global growth is projected at 2.6% in 2026, easing from an estimated 2.7% in 2025. This moderation reflects fading one-off boosts – such as last year’s surge in advance trade shipments – and softer demand in major economies. Inflation pressures are abating: global inflation is forecast to decline to about 2.6% in 2026, thanks to cooling labor markets and lower energy costs. Commodity prices are expected to soften further. In particular, oil prices – which averaged around \$69 per barrel in 2025 – are projected to fall to roughly \$60 in 2026 amid increased supply from OPEC+ and weakening demand. By 2027, global growth may inch up to 2.7% as monetary easing gains traction and trade uncertainty diminishes.

Even so, the 2020s remain on track to be the slowest-growing decade since the 1960s, underscoring challenges ahead. Risks are tilted to the downside: a flare-up in trade tensions, deteriorating financial sentiment, or other shocks could further dampen the outlook. Overall, 2025’s robust rebound – supported by stockpiling and an AI-driven investment boom – has given way to a cautious 2026 outlook marked by more subdued trade and gradually easing price pressures.

Global Output Growth

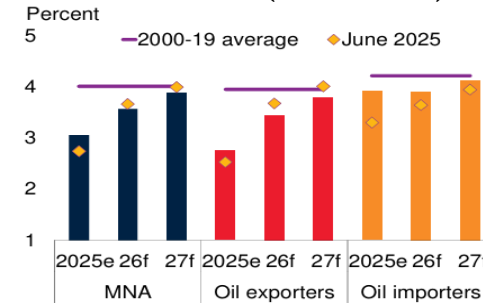


Source: World Bank Group. Note: f = forecast. Data for 2025 are estimates. GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.

Middle East, North Africa, Afghanistan, and Pakistan (MNA) Region

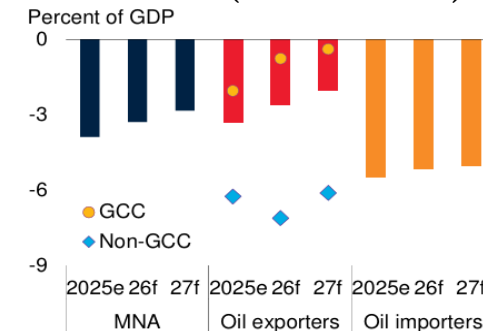
The World Bank defines the MNA region to include the Middle East, North Africa, Afghanistan, and Pakistan. Economic performance across MNA remains diverse, shaped by oil dependence, geopolitical dynamics, and policy responses. Oil exporters—particularly GCC countries—are benefiting from rising hydrocarbon output and non-oil investment, while oil importers like Egypt are navigating recovery amid inflation and fiscal pressures. The region is projected to see real GDP growth rise from 3.5% in 2025 to 3.9% in 2027, with inflation and poverty expected to decline steadily.

Real GDP Growth (2025e–2027f)



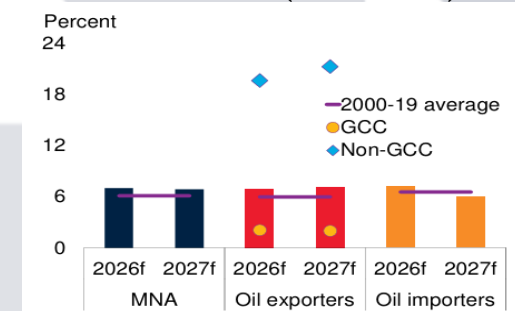
Source: World Bank Group. Economic growth in MNA is expected to strengthen steadily through 2027. Oil importers and GCC countries are projected to surpass their 2000–2019 growth average by 2026, while oil exporters show a steady recovery.

Fiscal Balances (Percent of GDP)



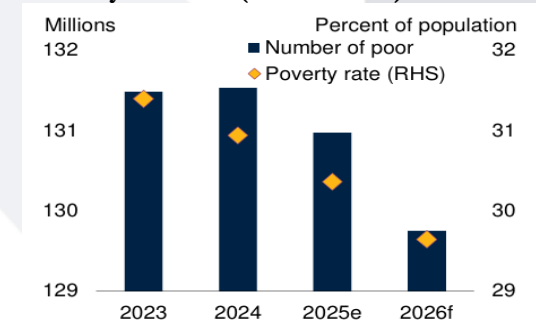
Source: World Bank Group. GCC countries are projected to maintain smaller fiscal deficits than non-GCC oil exporters. Oil importers continue to face more constrained fiscal space.

Headline Inflation (2026f–2027f)



Source: World Bank Group. Inflation is expected to remain moderate across MNA, with GCC countries maintaining particularly low levels. Non-GCC exporters may face above-average inflation due to structural challenges.

Poverty Trends (2023–2026f)



Source: World Bank Group. The number of poor and the poverty rate across MNA are forecast to gradually decline through 2026, supported by easing inflation and improved macroeconomic stability.

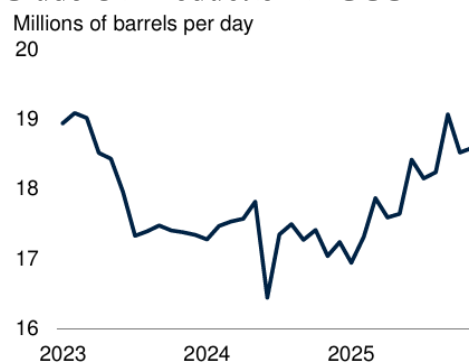


Kuwait and the GCC

Growth in the Gulf Cooperation Council (GCC) economies is expected to accelerate even as global momentum cools. After a modest performance in recent years, GCC output is forecast to rise by about 4.4% in 2026 (up from ~4.0% in 2025). This regional strength largely reflects steady expansion in non-oil sectors alongside a gradual increase in oil production. In fact, non-hydrocarbon activity – accounting for over 60% of GCC GDP – is being bolstered by major investment projects (including in Kuwait and Saudi Arabia) and ongoing diversification efforts. Higher oil output in 2026 will also contribute to growth, although the scope is somewhat limited by big production boosts already delivered in 2025. Kuwait’s economy, which contracted in 2023–24 due to OPEC+ production cuts, is poised to return to growth. Kuwait’s real GDP is projected to expand around 2.6% in 2026, following an estimated rebound of 2.7% in 2025. This moderate pace reflects Kuwait’s cautious oil output increases and a continued recovery in domestic demand. Across the GCC, inflation remains generally contained – helped by

stable exchange rates – and fiscal positions are solid, enabling public investment to proceed. Regional inflation is projected to stay moderate through 2026.

Crude Oil Production in GCC



Source: World Bank Group.

Despite heightened geopolitical uncertainties in the broader Middle East, the Gulf economies are relatively insulated and are benefiting from policy reforms and stronger non-oil momentum. The World Bank notes that GCC growth in 2026 will be driven by “steady expansion of non-hydrocarbon activity” (e.g. manufacturing, finance, tourism) alongside incremental gains in oil and gas output. For Kuwait, ongoing investments – such as infrastructure upgrades and oil

sector maintenance – are expected to support a gradual economic upswing. Overall GCC output is set to outpace many other regions, helping lift the Middle East and North Africa’s growth to 3.6% in 2026. Risks remain, however. A sustained drop in oil prices or new regional conflicts could weigh on Gulf prospects. On the upside, continued progress on diversification (for example, Kuwait’s development of its non-oil private sector) and technology investments could further boost medium-term growth. The GCC enters 2026 with favorable macroeconomic fundamentals, positioning the region as a relative bright spot in an otherwise cooling global economy.

Egypt

Egypt’s economy is gradually recovering strength after a challenging period of high inflation and external pressures. The World Bank’s latest outlook keeps Egypt’s growth projections unchanged at 4.3% for FY2025/26 and 4.8% for FY2026/27 (Egypt’s fiscal year runs July–June). This marks an improvement from the estimated 2.4% growth in



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FY2023/24. The recovery is driven by a rebound in exports and a revival of domestic demand. As import and currency restrictions have eased, Egyptian manufacturers have been able to secure inputs, spurring higher production and overseas sales. The Bank notes robust net exports are a key growth engine, supported by a more competitive exchange rate and stronger demand from trading partners. At the same time, private consumption is expected to gradually firm up as inflationary pressures begin to subside. Annual consumer price inflation, which had surged above 30% in 2023, has started to ease thanks to tighter monetary policy and improving supplies of goods. This moderation in inflation, alongside more stable foreign exchange conditions and renewed investor confidence, is creating a slightly calmer macroeconomic backdrop entering 2026.

Egypt's outlook, however, remains cautious. Geopolitical risks in the region are still elevated, and Egypt faces fiscal constraints from high public debt and financing needs. Authorities are pursuing reforms – including reducing subsidies and expanding social support – to shore up fiscal stability and secure external

funding. The World Bank notes that Egypt's growth prospects in 2026 also hinge on continued policy discipline and progress on structural reforms to attract investment. On the positive side, Egypt has benefited from improved global conditions such as lower commodity import prices and returning tourism. Remittance inflows and Suez Canal revenues have remained resilient, aiding foreign reserves. In summary, Egypt is expected to see growth pick up to the mid-4% range by 2026, underpinned by export-led activity and a gradual revival in consumer and business spending. This recovery is modest but meaningful – signaling that Egypt is turning the corner after a period of economic strain, provided that reform momentum is maintained and external shocks are kept at bay.

Real GDP Growth in MNA

	2023	2024	2025e	2026f	2027f
Calendar year basis					
Algeria	4.1	3.7	3.8	3.5	3.3
Bahrain	3.9	3.1	3.5	3.1	2.9
Djibouti	6.7	6.0	6.0	6.1	6.0
Iraq ¹	0.5	-1.5	-0.9	6.5	3.8
Jordan	2.9	2.5	2.7	2.8	2.8
Kuwait	-3.6	-2.9	2.7	2.6	2.5
Lebanon ^{2,3}	-0.8	-7.1	3.5	4.0	..
Libya	10.2	1.9	13.3	3.5	3.9
Morocco	3.7	3.8	5.0	4.4	4.4
Oman	1.2	1.7	3.1	3.6	4.0
Qatar	1.5	2.4	2.8	5.3	6.8
Saudi Arabia	0.5	2.7	3.8	4.3	4.4
Syrian Arab Republic ²	-1.2	-1.5	1.0
Tunisia	0.2	1.6	2.6	2.5	2.2
United Arab Emirates	2.9	3.9	4.8	5.0	5.1
West Bank and Gaza	-4.6	-26.6	3.9	5.1	11.6
Yemen, Rep. ²	-2.0	-1.5	-1.5	0.0	..
Fiscal year basis⁴					
Afghanistan	2.3	2.5	4.3	3.8	3.5
Iran, Islamic Rep.	5.3	3.7	-1.1	-1.5	0.6
	2022/23	2023/24	2024/25e	2025/26f	2026/27f
Egypt, Arab Rep.	3.8	2.4	4.4	4.3	4.8
Pakistan ¹	-0.2	2.6	3.0	3.0	3.4

Source: World Bank. Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing global circumstances. Consequently, projections presented here may differ from those in other World Bank documents, even if basic assessments of economies' prospects do not significantly differ at any given moment in time. 1. Data are reported on a factor cost basis. 2. Forecasts for Lebanon (beyond 2026), the Syrian Arab Republic (beyond 2025), and the Republic of Yemen (beyond 2026) are excluded because of a high degree of uncertainty. 3. Forecast for 2026 was not included in the June 2025 edition of the Global Economic Prospects report, and therefore the difference from the June 2025 projection is not computed. 4. Fiscal year runs from March 21 to March 20 in Afghanistan and the Islamic Republic of Iran; and from July 1 to June 30 in the Arab Republic of Egypt and Pakistan.



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United States

The United States economy performed better than anticipated in 2025, giving a welcome lift to the global outlook. U.S. growth for 2025 is now estimated around 2.1%, and it is forecast to hold near 2.2% in 2026. This trajectory, while slower than 2024's roughly 2.8% expansion, suggests a soft landing rather than a sharper downturn. The resilience reflects surprisingly robust business investment and consumer spending in the face of rising interest rates. Firms ramped up capital outlays on new technologies – notably related to artificial intelligence and automation – which helped offset softer household demand. The labor market has also cooled only gradually. By late 2025, U.S. job growth had essentially stalled and wage gains slowed, easing inflation pressures without a spike in unemployment. U.S. inflation has steadily come down from its 2022 peak, aided by the Federal Reserve's aggressive tightening and an unwinding of supply chain bottlenecks. This has allowed the Fed to pause rate hikes; markets even anticipate potential rate cuts in 2026 if disinflation persists.

For 2026, the World Bank expects U.S. growth to moderate but remain positive, helping to stabilize the global outlook. The U.S. contributed significantly to the recent upward revisions in world growth forecasts – a testament to its economic heft. However, several headwinds are apparent. The lingering impact of elevated tariffs (imposed during renewed trade disputes) is dampening U.S. import volumes and industrial activity. Higher borrowing costs have started to weigh on interest-sensitive sectors like housing and commercial real estate. And fiscal support is waning as pandemic-era programs expire and the government pivots toward deficit reduction. These factors are expected to slow U.S. GDP expansion from the robust pace seen in 2021–2022. Even so, the downturn is mild compared to past cycles. By 2026, U.S. output growth around 2% would still lead the G7 economies. Risks to the U.S. outlook include the potential for renewed inflation surprises or financial market volatility. Yet if inflation continues to ease in line with expectations, the Fed and other central banks may have room to gently lower interest rates – providing a cushion for growth. In short, the U.S. is poised for slower but steady growth in

2026, helping sustain global economic momentum even as other regions struggle with headwinds.

China

China's economic growth is decelerating as the country navigates a challenging structural transition. After rebounding to about 5.0% in 2024, China's GDP expansion is projected to slow to 4.4% in 2026. This cooling trend reflects multiple factors. Domestic demand has been subdued, with consumers and property investors remaining cautious. China's post-pandemic recovery lost steam as confidence in the housing market wavered and credit conditions tightened for indebted developers. Real estate activity – a key driver of China's growth in the past – has weakened markedly, dampening related sectors from construction to appliances. Furthermore, longer-term headwinds like an aging workforce and high corporate debt are weighing on China's growth potential. The World Bank describes China's slowdown as an “ongoing structural” one, meaning it stems from deep-rooted shifts



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(demographics, productivity) rather than just cyclical factors.

On the external front, export demand for China's goods has softened, in part due to trade tensions and tariffs. In 2025, Chinese exports got a temporary lift as firms rushed shipments to the U.S. ahead of tariff hikes, but this boost will fade by 2026. Indeed, higher global trade barriers are expected to be a persistent drag on China's manufacturing sector. To counter these pressures, Beijing has implemented fiscal stimulus and monetary easing. Infrastructure spending has been ramped up and interest rates trimmed to support credit flows. These measures helped China outperform expectations in 2025, but their effect may wane over time. Looking ahead, the World Bank forecasts China's growth to edge down further to 4.2% in 2027 as structural challenges deepen. Private consumption is gradually recovering – aided by improving consumer confidence and labor market gains – yet not enough to fully offset weakness in real estate and exports. The rest of East Asia is also experiencing a slight slowdown in 2026, largely because of China's more sluggish performance. Nonetheless, China remains one of the

faster-growing major economies. Its policymakers have signaled readiness to deploy additional stimulus if needed, though concerns about financial stability may limit large-scale interventions. In summary, China is entering a period of more modest growth by its standards, hovering in the mid-4% range, as it contends with structural rebalancing and a less favorable global trade environment. This managed slowdown is expected to continue barring any significant policy shifts or new external shocks.

Europe

Europe's economic outlook for 2026 is one of subdued but stable growth, with notable divergences between countries. In the Euro Area – the core of Europe's economy – output is forecast to expand by less than 1% in 2026. Germany, France, and Italy are struggling with weak industrial activity and the lingering energy price shocks from earlier years. High inflation in 2024 eroded household purchasing power, and although price rises are slowing, consumer confidence remains cautious. The World Bank projects Eurozone growth around 0.9%

in 2026, following an uptick to about 1.4% in 2025. Soft global demand and trade frictions have weighed on Europe's export-focused industries, especially manufacturing in Germany and Central Europe. Moreover, monetary tightening by the European Central Bank – aimed at curbing inflation – has dampened credit growth and investment. These headwinds are offset somewhat by fiscal support (including EU Next Generation funds) and resilient labor markets. Unemployment in Europe is low, and governments are increasing spending on defense and green infrastructure, providing some stimulus.

Meanwhile, emerging Europe and Central Asia (the broader ECA region) is faring a bit better. Regional growth (including economies like Poland, Turkey, and Kazakhstan) is expected to hold steady at ~2.4% in 2026, then pick up to 2.7% in 2027. This steadiness in 2026 is noteworthy given the weakness in Western Europe. Domestic demand within many ECA countries is robust, aided by easing inflation and improved financial conditions. For instance, Turkey – after overcoming a 2023 inflation spike – is seeing consumer spending recover



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and is projected to be a main engine of the region's slight acceleration by 2027. In Central Europe, EU funding inflows and tight labor markets are supporting consumption and investment. However, Europe's growth as a whole remains modest. The Bank notes that structural constraints – such as aging populations and slow productivity gains – continue to cap the region's potential. Key risks for Europe include the uncertain path of Russia's war in Ukraine, which still poses threats to energy supplies and investor sentiment. A prolongation or intensification of the conflict could impair confidence and trade across the continent. Additionally, if inflation proves stickier than expected, the ECB might maintain higher interest rates for longer, further restraining growth. On the positive side, a faster end to the war or breakthroughs in technology adoption (e.g. AI) could buoy Europe's outlook above the baseline. In all, Europe is charting a course of low growth in 2026, navigating between internal resilience in demand and external drags from global headwinds and geopolitical uncertainty.

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