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Group Economics - Macro Research - Global Outlook 2027 | 10 November 2026

How resilient is resilience?

- **Global economic growth is seen continuing at around trend rates next year, but we see more divergence across regions**
- **The US economy will be boosted by defence spending, with a somewhat slower AI capex impulse more visible elsewhere in the world**
- **Europe is expected to lag behind, with economic growth below-trend on tighter fiscal policy, higher interest rates and political uncertainty**
- **Resilience is not a given; so far shocks have not been big enough to derail the global economy, but an AI bust would likely do the trick**
- **Regional updates: The eurozone economy is resilient, but bruised. Slower growth expected in 2027 on tighter fiscal & monetary policy**
- **Growth to slow in the Netherlands, too, despite ongoing export strength**
- **Germany's recovery should continue, but remain driven by fiscal policy**
- **In the US, the investment impulse is set to shift from AI to defence**
- **Capex to support growth in China, but imbalances have worsened**

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Growth continues, but clouds on the horizon

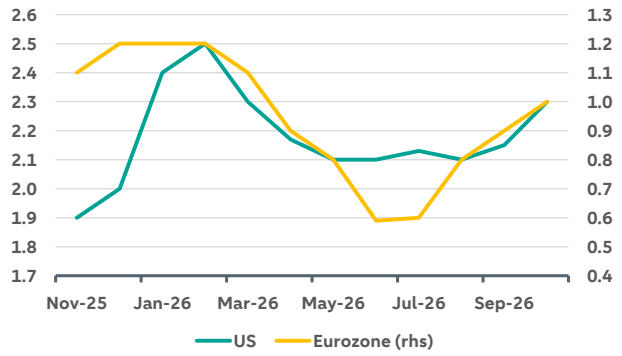
In this publication we present our economic outlook for the year ahead, while also adding our forecasts for 2028 for the first time. The global economy has expanded robustly despite many shocks over the past few years. We will explain why we think the economic expansion will continue, though we could once see more divergence between the US and the rest of the world, with Europe in particular falling behind. In addition, we explore a number of risks hanging over the global economy, which could potentially challenge the global economy's remarkable record of resilience.

Resilience has been the word *du jour*

Resilience has certainly been the defining word when it comes to the global economy, not only in 2026, but over the last few years. It was certainly the most used word at the recent World Bank and IMF Annual meetings (see here), and the general consensus is that it will characterise 2027 as well. Listing the shocks that the global economy has been exposed to over the recent past, which included energy shocks, tariffs, more broad geopolitical uncertainty, fiscal worries and rising interest rates, it is fair to say that the relatively positive economic outcomes have been a source of amazement.

Economist expectations for 2026 GDP

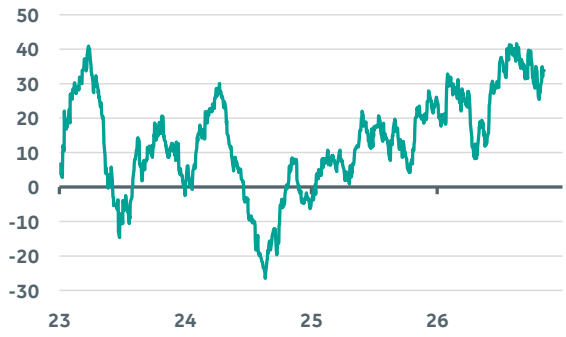
Bloomberg consensus estimate of annual GDP growth, %



Source: Bloomberg, ABN AMRO Group Economics

Positive global data surprises

Index (positive readings = data releases beat expectations)



Source: Bloomberg, ABN AMRO Group Economics

The IMF points out that its world economic forecasts have underestimated global growth three years in a row in the face of negative shocks. In the previous years, shocks had generally led to growth being overestimated. Similarly, economists have generally been upgrading their economic growth forecasts over the last few months as economic data have surprised

positively following downward revisions after the war broke, while their equity analyst colleagues have been raising their expectations for corporate earnings. So what is going on? Is the global economy now shock proof? Unfortunately, the short answer is no.

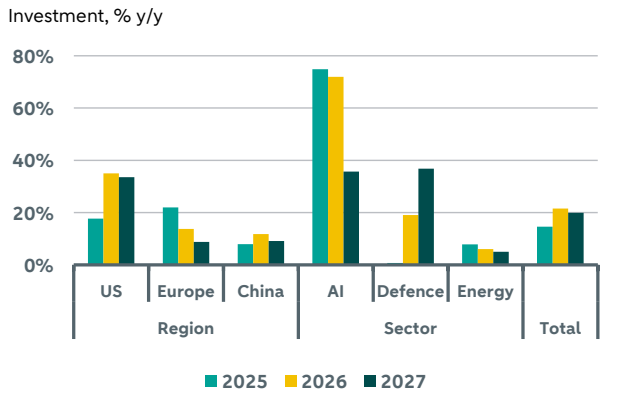
Although the economy has shown an impressive ability to adjust to different conditions over the last few years, two other – potentially more transitory factors – have been more important. First, the scale of the shocks, although sometimes scary initially, turned out eventually to be relatively moderate. Take this year's energy price shock. For reasons we have discussed in detail (see here), it has not been a particularly large one from a historical perspective, despite all the warnings of an energy crisis in the making. There is no guarantee that bigger shocks will not come along, as we discuss below.

Second, these shocks took place against the background of a troika of structural investment booms – in AI, defence and clean energy – which have supported global economic growth. Here too that have been recent doubts about the longevity of the AI capex boom in particular. Meanwhile, fiscal and financial conditions as well as healthy private sector balance sheets remained generally supportive of the economy. Rising equity prices boosted household wealth and hence consumer demand, especially in the US. So essentially, negative shocks have been offset by positive impulses.

Sustained expansion, supported by capex super cycle

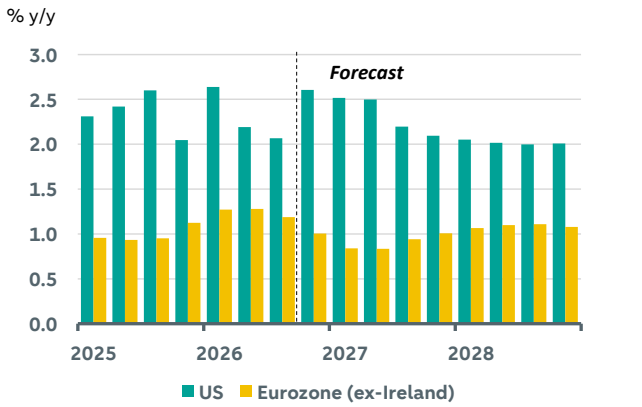
Our central view is that the global economic expansion will continue at around trend rates next year, but that there will be more divergence across regions. Let's first start with big picture. We think that the global capex cycle has legs (see our recent note here). The capex troika amounted to an estimated USD 3.5 trillion across the US, China and the eurozone economies this year, or around 4.5% of the combined GDP of these economies. The aggregate growth impulse for these economies was 0.9% GDP and we expect a similar impulse next year. We estimate that AI capex will rise to USD 1.3 trillion next year on aggregate in these economies, and although this still implies a sharp slowdown from growth rates of around 70% y/y to 35% y/y, the higher base means the impulse to the global economy does not fall away too sharply. In addition, we expect higher investment in defence to offset this driven by the US, with military operations in Iran having created a more immediate need to replenish equipment and munitions.

Capex troika divergence in 2027



Source: Bloomberg, ABN AMRO Group Economics

US-eurozone set for renewed growth divergence



Source: LSEG, ABN AMRO Group Economics

Early energy shock unwind could be an upside risk

Second, we are projecting lower energy prices in the course of next year, and following the US election results, the risk now looks tilted to a more rapid normalisation in energy supply. Prior to the election, we had worried that president Trump would follow through on hints at a re-escalation of the conflict in Iran. Since then, we have been taken aback by the broader Republican turn against the conflict. Although Trump still has the power to re-escalate the conflict given his role as Commander in Chief, given the electoral incentive Republicans now have to distance themselves from Trump, he could run the risk of some senators joining Democrats in voting to impeach the president if he re-escalates without party support. This significantly raises the chance of a deal now being struck that could finally permanently re-open the Strait of Hormuz and enable a full normalisation of energy supply.

Our more cautious base case (which assumes no US-Iran deal) in any case sees Middle East oil supply gradually recovering, while new non-Qatari LNG capacity comes on stream. This should lead to a collapse in inflation during the course of next year. This supports the global economy in two ways. It will help a recovery in household disposable incomes during course of next year. In addition, together with moderate second round effects, it will keep central bank rate hikes moderate and it will eventually open the door for rates cuts by the end of 2027. As financial markets are pricing in a higher

for longer scenario, this will also bring down bond yields, although the impact will be capped at the long end of the curve by rising term premia given rising bond supply.

Divergence between the US and the rest

The US will actually benefit from the shift in capex growth from AI to defence. This is because the direct impulse from AI capex does not necessarily fully land where the spending takes place, as capex tends to be very import-intensive. The countries where the equipment is manufactured benefit at least as much. For instance, according to the IMF, Taiwan and Korea source 62 percent of the net trade in computing hardware related to AI, while Malaysia, Mexico and the Netherlands are also significant net exporters. At the same time, the US and China are responsible for more than 75 percent of the net imports of AI-related computing hardware. This and rising prices is the reason why around half the growth in the value of world trade was related to AI hardware. Meanwhile, defence spending is almost exclusively domestic. So the net effect of this on US economic growth could actually be positive. In contrast, the lower AI capex impulse could well be visible in somewhat slower growth in the leading AI manufacturing economies as well as in world trade growth. In the case of China, ongoing targeted support is expected to offset the impact of weaker trade next year, so we expect economic growth to be close to last year's rate.

Europe will lag behind

Although we expect the eurozone economy to continue to expand, we expect the pace to be rather lacklustre and to be on average at below-trend growth rates. First, fiscal policy will likely shift from being supportive to economic growth to being a drag. The German fiscal impulse moderates, European funds that have been in particular supporting projects in Southern Europe will dry up, while fiscally vulnerable countries such as France will be implementing austerity. This is partly reflected in the slowdown of the capex troika in Europe. Indeed, although Germany will continue to ramp up defence spending, high import dependence and limited fiscal capacity elsewhere continues to limit the growth impulse. Second, interest rate rises have been somewhat bigger in the eurozone than in the US, while long-term interest rates have even gone up a bit more because of fiscal risks and political uncertainty. Given the eurozone is more of a bank-based, rather than a capital market-based financial system, interest rate rises are more important for the financing conditions faced by companies and households. Europe's lagging performance, and ongoing sovereign risks and political uncertainty in France and elsewhere (see below), should keep the euro at current discounted levels against the dollar next year.

License to shock

Although our central view is one of continued expansion, there are a number of clouds hanging over the horizon that could create shocks big enough to derail the global economy. The principal identifiable risks are 1) an AI crash, and 2) sovereign debt worries escalating in France (or elsewhere). We tackle these below in more detail, but beyond these, the past year taught us that there are also 'unknown unknowns', particularly when it comes to geopolitical risk. We did not expect a conflict in Iran to be a likely economic shock this time last year, and although efforts have been stepped up recently to bring about an end to the Russia-Ukraine war, barely a day goes by without headlines over hybrid warfare in Europe and the risk that the conflict could escalate to one with NATO. On the trade front, meanwhile, our base case (see here) is that the EU and China work through their differences in a far less explosive manner than the US did with China, but we cannot rule out a more serious escalation in trade tensions.

AI boom to die another day

Investor concerns about an AI bust have built over recent months. Attention initially focused on whether revenues could justify the enormous investment in compute capacity, before shifting to how that investment would be financed, with the sell-off in data centre bonds seen as a canary in the coal mine. More recently, the Democrats' stunning Midterms victory has added a political dimension, raising the risk of tighter restrictions on data centres and frontier AI development. But investment can shift to more supportive states or potentially federal land, while Donald Trump retains a veto over federal AI legislation. The election may therefore slow the AI buildout, but is unlikely to derail the boom.

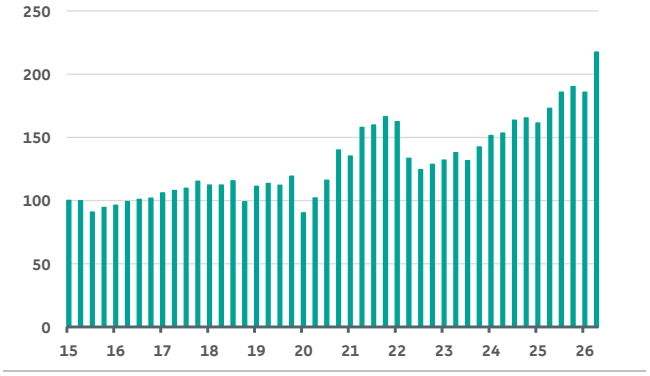
An AI bust would nevertheless hit the global economy hard. The sheer scale of AI capex means there is a long way down, while falling equity prices and wider credit spreads would tighten financial conditions and hit household wealth. A recent Fed paper (see here) estimates that, given today's much larger household equity holdings, even a 25% fall in equity prices

could trigger an outright contraction in consumer spending. This is therefore one shock that could seriously test the global economy's resilience.

But is this the big one, or just a drill? Our view remains that the AI boom will die another day (see our note here for more details). A correction is likely at some point, as revenues and productivity gains ultimately need to justify spectacular investment spending. For now, fundamentals remain supportive: revenues are growing strongly, compute demand continues to outstrip supply, and GPU rental prices are still rising. Valuations are also far from the extremes seen ahead of the ICT bust. The boom may be entering a more challenging phase, but we do not think it is over yet.

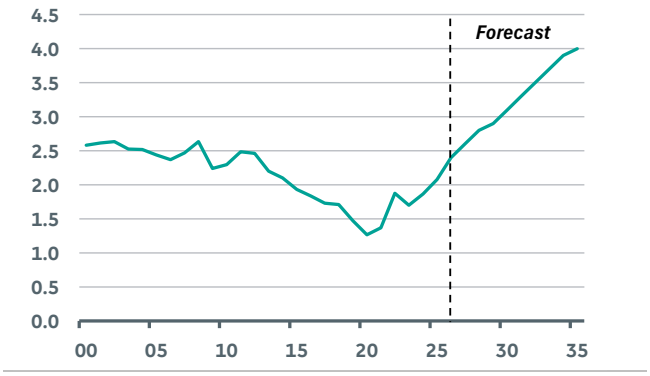
US household direct equity holdings

% disposable income



Interest burdens make fiscal consolidation imperative

French government interest payments, % GDP



Source: Bloomberg, ABN AMRO Group Economics

From France with Risk

France is another potential source of a bigger shock, although our base case remains one of muddling through rather than crisis. France's fiscal trajectory is troubling, but we expect a diluted 2027 budget to pass, while even a Marine Le Pen presidency need not trigger a crisis: market pressure, the constraints of office and, in our base case, the absence of an RN majority in the Assembly should encourage some 'Meloni-isation'. The tail risk is that these constraints fail. An RN majority could enable fiscal slippage and confrontation with Europe to reinforce one another. If rising yields prompted defiance rather than moderation, pressure on banks, growth and the public finances could turn into a vicious cycle, eventually leading investors to price redenomination risk. France does not need to choose Frexit for this to become destabilising. Markets only need to stop treating it as unthinkable (see here for more).

France is not the only source of fiscal risk. Belgium is in a similarly difficult fiscal predicament, while Italy also faces risks from next year's parliamentary elections. PM Meloni may need to rely on Futuro Nazionale, a more right-leaning coalition partner, to retain her majority, which could test Italy's commitment to EU fiscal rules. And bond market stress has a habit of spreading indiscriminately once it gets going. As the IMF warned in its latest Fiscal Monitor, "the effects of fiscal indiscipline does not stop at the border." The risk is not just that bond market stress escalates in a particular country, but that this triggers widespread contagion to other countries, leading to a broader crisis. We do not see signs of this yet, and in Europe at least, the potential deployment of the ECB's TPI should help to prevent such a dynamic from taking hold. But this does not mean bond markets are immune to contagion. Lastly, against the background of rising debt service costs around the world, governments will face a fiscal squeeze and will have to make tough choices. For instance, although perhaps not an immediate issue, Europe's currently debt-fuelled ramp up in defence spending will eventually have to be paid for by making difficult choices around taxes and spending. Whether markets force it or not, the fiscal reckoning cannot be put off forever.

Informing our key judgement calls, we explored the following five themes in the lead up to this publication:

- AI capex boom to die another day – 28 October 2026 – Rogier Quaedvlieg & Nick Kounis
- Will China Shock 2.0 trigger an EU-China trade war? - 3 November 2026 - Arjen van Dijkuizen & Jan-Paul van de Kerke
- Eurozone inflation: Another wave, but not a repeat of 2022 – 5 November 2026 – Aggie van Huisseling & Bill Diviney
- AI and the neutral rate: Live and let rise – 5 November 2026 – Rogier Quaedvlieg & Nick Kounis
- We need to talk about France – 6 November 2026 – Bill Diviney

In the below table, we summarise our key judgement calls and assumptions for macro and financial market developments in 2027.

Theme	View
Growth: Resilient, not shock-proof	• **Global growth to remain around trend in 2027**, as investment and easing energy pressures offset headwinds • Recent resilience reflects the relatively moderate scale of negative shocks and strong positive offsets. **A larger shock could still overwhelm these supports**
Investment: The capex troika has legs	• **AI, defence and clean-energy investment to remain important growth drivers** • **Stronger defence investment partly offsets slower AI capex growth**, keeping the combined investment impulse broadly similar to 2026
Regional divergence: US strength, European weakness	• **US to benefit from a shift to more domestically concentrated defence spending**, while slower AI investment growth weighs on hardware exporters and world trade • **Eurozone (ex-Ireland) growth to move below trend**, as fiscal policy tightens and higher interest rates weigh on demand • **Targeted policy support in China to offset weaker trade**, keeping growth broadly unchanged from 2026
Energy and inflation: Shock unwinds	• **Energy prices to fall during 2027**, as Middle East oil supply gradually recovers and new non-Qatari LNG capacity comes on stream • **This does not require a US-Iran deal,** but a faster normalisation of energy supply is an upside risk to growth and a downside risk to inflation • **Falling energy inflation and moderate second-round effects to drive a sharp decline in headline inflation**, supporting household real incomes
Monetary policy, yields and FX: Tightening gives way to easing	• **Further near-term rate hikes to remain limited**, with easing inflation eventually opening the door to rate cuts in late 2027 • **Bond yields to decline as markets move towards our less hawkish policy outlook**, but rising term premia and bond supply limit the fall in long-term yields • **The euro to remain at discounted levels against the dollar**, reflecting weaker European growth and persistent sovereign and political uncertainty
Tail risks: AI correction and sovereign stress	• **An AI bust is a risk, not our base case:** fundamentals remain supportive, but a sharp retrenchment could hit growth through capex, household wealth and credit conditions • **France to muddle through rather than enter a sovereign crisis**, but risk that fiscal slippage and market stress could reinforce one another and spread across borders • **Geopolitical and trade escalation remain additional downside risks**; our base case assumes EU-China differences are managed without a major rupture

Eurozone: Resilient, but bruised... *alors, encore?*

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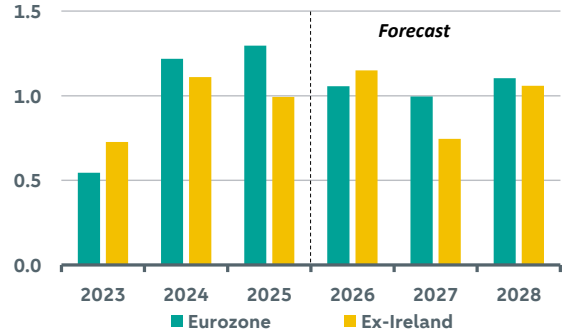
- The eurozone weathered another turbulent year in 2026, with the German fiscal expansion and resilient consumers offsetting the latest energy shock, and intense external competitive pressures
- Growth to slow in 2027 on tighter fiscal and monetary policy and falling employment, but eurozone resilience should live to fight another year
- The ECB's new president could face some challenging judgement calls next year, not least over France. We expect a pivot from rate hikes to cuts as inflationary pressure eases and growth slows

The eurozone economy has taken some serious knocks over the past few years: a pandemic, a historic rise in US tariffs, and now two energy supply shocks. It has almost become an annual tradition. And yet the economy has continuously dodged recessions when it would have been reasonable to expect one. Rather than recession, we find ourselves reaching for that other R word – *resilience*. Is it going to stay that way? We think that it will, but the headwinds from inflation, falling employment, tighter fiscal and monetary policy, and weak external demand are likely to weigh more heavily, while the risks from France's fiscal woes are coming into sharper focus. All told, we expect underlying (ex-Ireland) eurozone growth to slow to 0.7% next year, from an expected 1.2% outturn this year.

To assess the outlook, it helps to first understand why the economy has held up so well. While the usual volatility in Ireland's output muddies the picture of headline GDP growth, underlying growth accelerated in 2026 to 1.2% from 1.0% the year before. As expected, the German fiscal bazooka finally kickstarted the eurozone's biggest economy. And although we have been disappointed by the lack of accompanying reforms to stimulate the private sector (see Germany), the spending boost definitely helped to soften the blow from yet another energy shock. Also supportive were the final Recovery & Resilience Fund (RRF) payments: 2026 is likely to have been a bumper year as countries rushed to meet project milestones to qualify for disbursements before the closure of the programme in August. Some EUR115bn in requests are still under assessment, but if all are approved, disbursement would be almost double that in 2025, at EUR177bn (1.1% of eurozone GDP). This is likely to have supported growth in the biggest recipients in southern Europe, though it also raises risks of a mini 'fiscal cliff' for these economies next year. Indeed, the overall fiscal stance is expected to go from being a clear positive in 2026 to a mild negative in 2027, with Germany's ongoing fiscal expansion offset by the end of the RRF as well as an expected modest fiscal consolidation in France. Given bond market developments, the risks look tilted to additional pressure on governments to reduce deficits rather than less.

Underlying (ex-Ireland) growth to slow in 2027

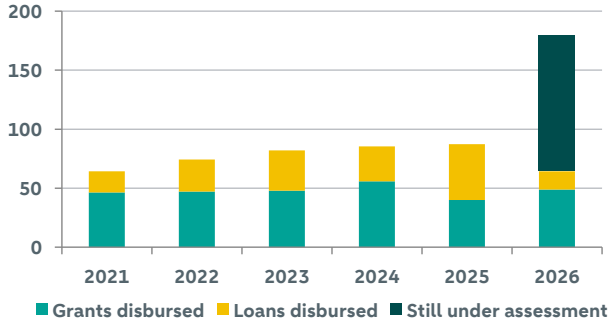
Annual GDP growth, %



Source: LSEG, ABN AMRO Group Economics

2026 likely a bumper year for RRF disbursements

Recovery & Resilience Fund disbursements, EUR bn



Source: European Commission, ABN AMRO Group Economics

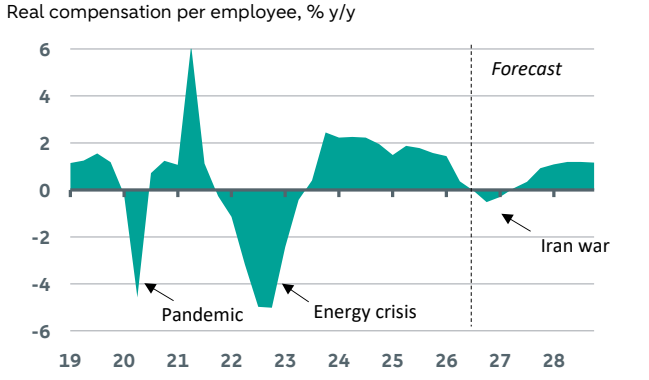
The external environment is also expected to weigh on growth. This year has been a mixed bag. The drag from US tariffs (remember those?) eased, with exports to the eurozone's biggest trade partner picking up again – likely helped by robust US growth. Trade with China was another story, with exports continuing to stagnate, partly thanks to China's rapid shift to EVs and Europe's failure to keep up with Chinese EV makers. This has been a triple whammy for Europe's carmakers, with intense competition in China, third countries, and in Europe itself (see here for more). More broadly, European industry continues to face structural challenges from high energy prices – this year exacerbated by the latest energy shock – as well as the EV transition. These headwinds are unlikely to relent in 2027, though they will be helped by the expected fall in energy prices, and perhaps further EU-China agreements to ease the competitiveness pressures in the car sector. Industry is also seeing some lift from higher defence spending, though the overall boost to GDP growth for now is offset by the

drag from higher imports. Further progress with import substitution in the defence sector would help turn higher spending into more of a growth impulse (as we argued last year, also here), but this is slow-moving. We therefore expect net exports to continue to be a mild drag on growth in 2027.

What about households? They have so far weathered the latest energy shock both better and differently to in 2022-23. Better, because the shock to real incomes is itself much smaller: we expect only a mild negative drag in real compensation per employee compared with the peak drop of around -5% in 2022. Differently, because the response to shocks also seems to have shifted, suggesting households may be adjusting to the new normal. In 2022-23, households raised their savings rates as governments doled out support to cushion the shock. This time, perhaps also linked to the more measly government support, households have lowered their savings rates in order to sustain consumption growth. Savings rates are still on the high side, suggesting caution is still high, but another way of looking at high savings rates is that it suggests households still have some buffer they can draw on if necessary. Our base case assumes households continue to slowly lower their savings rates in 2027, which should enable consumption growth to continue broadly as in 2026 at c1% annually.

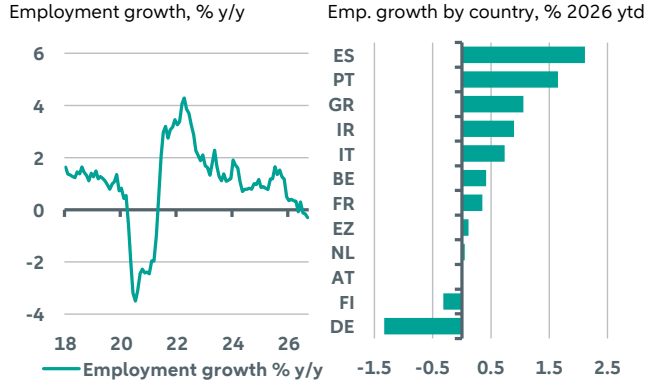
There are risks to this benign view. First, although petrol prices are now falling, diesel remains elevated, and households have yet to feel the full effects from high gas and electricity prices due to the lagged pass-through to energy bills. Second, the rise in interest – especially mortgage – rates will slowly reach those whose fixings are coming due. Third, the labour market – which became noticeably weaker in 2026 – could also start to have a more meaningful impact. The labour market had already been on a long cooling trend, but for the first time since the pandemic, eurozone employment growth turned negative over the summer this year. Industrial weakness in northern Europe seems to be the principal driver, but economic weakness in France has also contributed. Both of these pressures are likely to continue weighing on jobs growth, while southern European labour markets could also cool given the end of RRF spending. The risk is that the labour market slowdown hits confidence, triggering a return to more cautious household behaviour.

Energy hit to real incomes much smaller than in 2022



Source: LSEG, ABN AMRO Group Economics

German industry weakness drives fall in employment



Source: LSEG, ABN AMRO Group Economics

With risks to inflation also not fully ebbing, the new ECB president (whose identity is likely to be decided at the 17-18 December 2026 EU summit) could face some difficult judgment calls next year. Our base case sees two more rate hikes at the December and March meetings, but with the energy shock fading and the economy weakening, March is looking like a close call, and the risk is that the ECB could pivot to cuts sooner than our current Q4 expectation. Aside from growth and inflation, another complicating factor could be France's election outcomes. Polls suggest Marine Le Pen will win the presidency, but a key uncertainty is whether her party wins an outright majority at a (likely) subsequent Assembly election. This will be crucial in shaping how responsive Le Pen is to market and European institutional pressure to credibly rein in the deficit and stabilise France's debt ratio. Our base case is for 'muddle through' to continue, and markets are probably pricing this, but the contradictions in Le Pen's programme suggest the risk is tilted toward more bond market volatility and pressure on the ECB to intervene (which in our view would only happen in exceptional circumstances). Indeed, France's debt woes are arguably the biggest risk to the eurozone outlook next year. We do not foresee a crisis, but the risks are significant (see here for more).

Staying with politics, imminent elections in Spain (29 November) and Italy (likely May/June 2027; by December at the latest) will also be important. Spain is likely to see a shift to the right, which could portend stricter migration controls that ultimately dampen Spain's economic boom. In Italy, PM Meloni may need to rely on Futuro Nazionale, a more right-leaning coalition partner, to retain her majority, which could test Italy's commitment to EU fiscal rules.

The Netherlands: Resilient, but not immune

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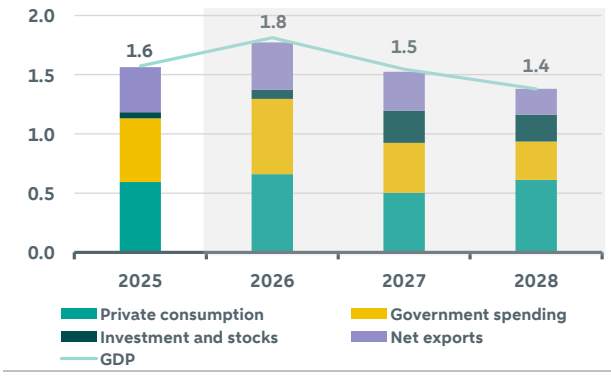
- Solid foundations, the unique position in the semi-conductor supply chain and government spending have helped the Dutch economy withstand another energy shock
- Growth is expected to moderate in 2027–28 as higher interest rates and inflation weigh on demand, despite continued support from exports
- Inflation will remain persistent, while supply bottlenecks limit the economy's growth potential

Why has Dutch economic growth held up?

The Dutch economy proved remarkably resilient in 2026. Another energy shock hit while households and firms were still absorbing the effects of the previous one. Yet activity held up, supported by household finances and private consumption, AI-related export demand, and government spending. The solid growth figures seen in 2026 provide a foundation for 2027 but are not a shield against every headwind. Our growth forecasts for 2026 and 2027 are now just above where they were before the outbreak of the war. Why have we seen solid growth so far, despite geopolitical uncertainty, higher energy prices and resulting inflation? First, wage growth has outpaced inflation, lifting real incomes, and the tight labour market has supported confidence to spend those gains despite global uncertainty. Indeed, private consumption has been solid despite inflation. Specific income groups have seen further purchasing-power gains. Pension reforms have increased spending power among older households and are likely to provide a small further lift to consumption in 2028 (read here). Private-sector balance sheets have become more resilient as debt ratios have continued to decline. The household savings rate remained elevated in recent years amid uncertainty, while financial buffers help consumers absorb higher costs. Second, strong AI-related demand has supported exports from the Dutch semiconductor sector and its suppliers. Machinery manufacturing, which includes several major companies in this sector, increased its value added by 70% between 2019 and 2025. Compared to H1 2025, its value added continued to grow by another 13% in H1 2026. Third, government spending has supported growth. Think for instance of rising spending on healthcare due to greying. Also, despite plans to reduce ministry staffing, employment across the wider public sector continues to expand, giving public spending a substantial role in the growth mix (see left chart below).

Growth outlook quite balanced

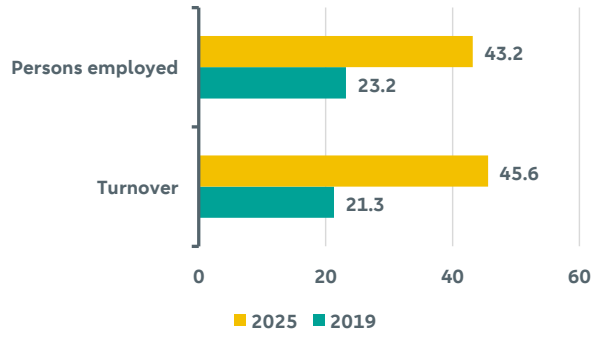
% y/y, contributions in pp



Source: LSEG, ABN AMRO Group Economics

Semicon sector doubled its importance in six years

Revenue in bn, employment in thousands



Source: CBS, ABN AMRO Group Economics

Headline growth solid but cyclical headwinds lead to some moderation

We expect growth to moderate in 2027 and 28. Higher interest rates are already weighing on activity, particularly in the housing market, where we expect transactions to decline in 2027 (read here). Higher inflation will result in a smaller impulse from consumer spending throughout the year, as households see inflation picking up; particularly in the very 'tangible' food prices (see below). Exports offer a mixed picture. AI-related demand continues to support the Dutch semiconductor sector, and several major companies in this sector have recently raised their expectations for 2027. Energy-intensive industrial exporters, however, face ongoing competitive pressure despite planned government compensation for electricity costs. This weighs on export demand. Stronger growth in Germany, the Netherlands' largest trading partner, provides another source of support. German fiscal spending, including investment in defence and infrastructure, is expected to benefit Dutch activity, while also putting strain on scarce capacity in the Western-European infrastructure

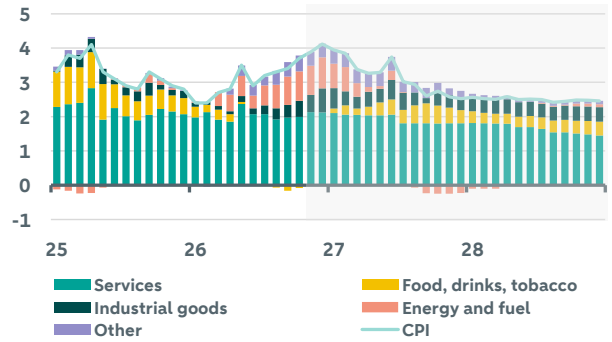
sector. But resilience is not the same as greater capacity to grow. Electricity-grid congestion, nitrogen-related restrictions and other supply constraints are increasingly limiting long-term economic growth.

Inflation to be above 3% for sixth year in a row

The latest energy shock is likely to leave a longer inflation tail in the Netherlands than in other eurozone economies. It arrived while wage growth and underlying inflation were still elevated. Core CPI inflation was still 2.7% in February. Like the eurozone aggregate, we therefore expect both inflation and wage growth to remain elevated for longer (read here). Fixed household energy contracts in the Netherlands slow the pass-through of price increases to inflation but may prolong energy inflation if the shock persists. While global energy prices are expected to cool into 2027 and 28, three channels will keep price pressures alive. First, higher energy costs will continue to feed into other prices, notably food. After a hold this year from several years of strong increases, food prices are expected to pick up again in 2027, also reflecting higher global commodity prices. Second, higher consumer-electronics prices will contribute to goods inflation, partly reflecting rising computing costs and global scarcity. Third, services inflation is expected to ease only slightly over the coming years, partly because of wage growth and since rents are automatically indexed. Policy measures, including fuel levies and the passing on of ETS2 costs, will also affect inflation. Taken together, these factors underpin our forecast of 3.2% inflation in 2027 and 2.5% in 2028, following an average of 3.2% in 2026.

Inflation: surpassing 4% in near term, with a long tail

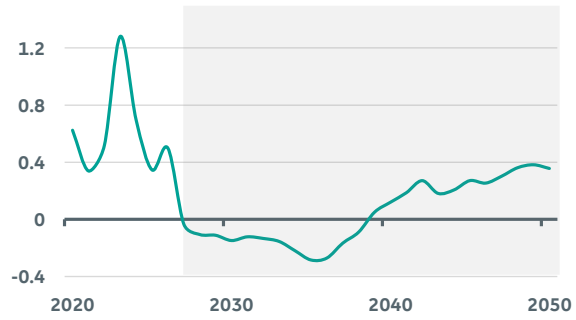
% y/y, contributions in pp



Source: LSEG, ABN AMRO Group Economics

2027: The year ageing starts to bite

% y/y, working age population (20-65 yrs)



Source: CBS, ABN AMRO Group Economics

Labour market: headline steady, slight weakening underneath.

The unemployment rate has held at 4% for three consecutive months, and the labour market remains tight overall. Beneath that stable headline, however, several indicators point to slight easing; for instance a decline in vacancies per unemployed and a rise in short- and long-term unemployment. We expect unemployment to edge up, averaging 4.1% in 2027 and 4.2% in 2028. Still, the greying Dutch working age population adds to tightness. Demand from the public and semi-public sectors remains strong and accounts for a growing share of total new labour demand. Meanwhile, measures to prevent false self-employment are reshaping employment: fewer people are choosing self-employment, while more are moving into employee contracts. We expect this shift to continue in 2027.

Minority cabinet fails to provide much-needed stability so far

In our global outlook of last year, following the early collapse of the Schoof 1 government and extensive period caretaker governments we wrote that the incoming Jetten 1 cabinet, albeit with minority status, could provide more stability. This has not been the case so far. A prime example is the 2027 tax plan, the first full year tax plan of the Jetten cabinet. At the time of writing a majority for the 2027 tax plan has yet to be found. It shows how difficult it is for a minority cabinet to pass legislation. This new experiment where a cabinet with minority status struggles passing legislation follows a continuation of a period where since 2020, the Dutch government had caretaker status for roughly 40% of the time. This is unwelcome for a country where headline growth may be strong, but potential growth is worsening, and labour productivity (while increasing lately again) as well as the many supply-side bottlenecks need addressing. While the coalition agreement featured many steps in the right direction on innovation, education and on these bottlenecks, 2027 will show whether the government finds majorities to take these plans into action. The provincial elections (March 27), which determine the make-up of the Senate will be a new test for the government.

All in all, the Dutch economy has shown its capability of absorbing shocks which provide a solid foundation heading into 2027. Various factors support current activity, but they do not remove binding supply constraints. Expanding capacity to grow in the longer term is a different challenge.

Germany: Don’t rest on the economic recovery

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- The current economic recovery will continue in 2027, primarily due to fiscal impulses in the pipeline
- Looking ahead, growth prospects are in line with the potential growth rate of around 0.3 percent
- Inflation will remain an ongoing concern in 2027, but its impact will diminish as the year progresses

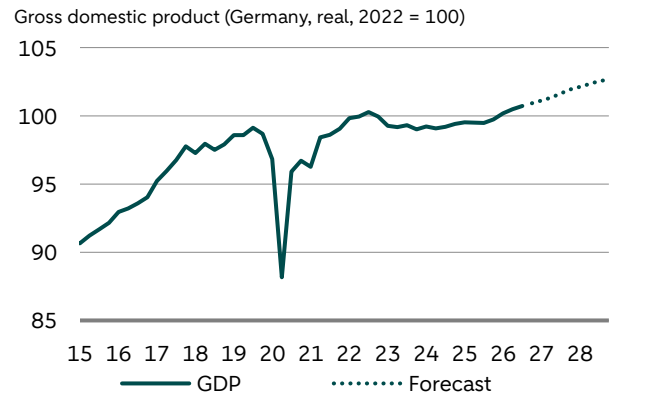
The good news so far this year is that the German economy has emerged from the period of stagnation it experienced in recent years. This assessment remains valid despite the slightly lower GDP growth in the third quarter. We expect an annual GDP growth of 1.3 percent in 2026. This would mean that the economy has, to some extent, weathered the pressures from the sharp rise in energy prices and the heatwave.

However rosy the growth rate for 2026 may appear, it is no cause for celebration. The economic recovery is primarily driven by the impulses from the debt-financed fiscal package for infrastructure and defense enacted by the Federal Government in 2025. Without this, the economic recovery would have been significantly more subdued, regardless of the repercussions of the Iran war. A closer look at the statistical breakdown of the growth rate also reveals that the expected growth of 1.3 per cent is underpinned by a working-day effect of 0.25 percentage points and a higher base level at the start of the year (0.2 percentage points). This shows that the underlying economic momentum was weaker than the rate suggests at first glance. Furthermore, the growth gap with other countries that has accumulated since the end of the COVID-19 pandemic remains substantial.

Economic recovery continues

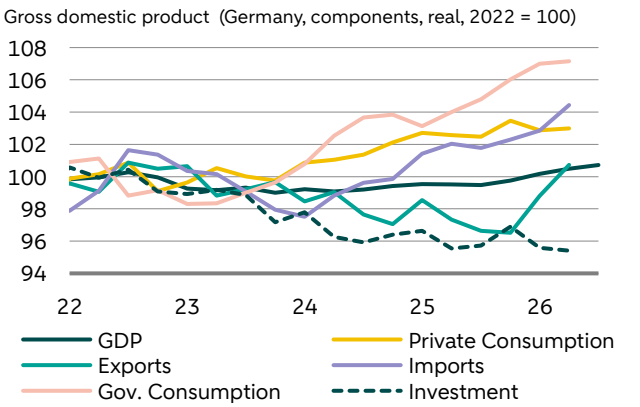
We are confident that the economy will maintain this year’s pace of expansion in 2027. In our view, key sentiment indicators point in this direction. The record-high level of industrial order backlog also gives cause for economic optimism. Across the board, however, we do not see companies showing a firm commitment to utilizing existing production capacity to a significantly greater extent. We consider this reasonable, given the challenging business environment. High energy prices and taxes, as well as a high level of bureaucracy, are just some of the factors involved. As a result, significant competitive disadvantages persist when compared internationally. Rising interest rates and political uncertainties have now been added to the list of pressures, alongside US tariff policies and aggressive low-price strategies from Chinese competitors. Investment for a capacity expansion is therefore out of the question for the foreseeable future. There is little prospect of stronger economic momentum in the quarters ahead. Moreover, jobs are likely to be lost rather than created. This also clouds the outlook for consumer spending. As we do not foresee any prospect of a rapid and significant fall in energy prices, the resulting losses in purchasing power are set to persist for the time being. However, the situation is likely to ease with the fall in crude oil prices we expect in 2027.

Economic recovery remains on track



Source: LSEG, ABN AMRO Group Economics

The state dominates, the private sector struggles



Source: LSEG, ABN AMRO Group Economics

All in all, we expect GDP to grow steadily over the coming quarters, driven by fiscal policy. Our GDP forecast for 2027 stands at 1.0 per cent. In our view, this stems from a renewed, noticeable increase in public consumption and a rise in investment from a low base. Foreign trade, on the other hand, is likely to weigh slightly on economic activity due to an

expected high level of imports. On balance, GDP growth for 2027 will also benefit from a working-day effect of 0.1 percentage points and a higher base level of 0.3 percentage points. Overall in our view it is not a self-sustaining and dynamic recovery. All in all, for 2027 we see limited upward potential in the economic cycle.

Reforms urgently needed

Our expectation for GDP growth in 2028 to fall to 0.7% is due to structural factors. It has long been clear that the economy needs a decisive course of supply-side reform in order to address demographic and geopolitical changes and to boost international competitiveness. From an economic analysis, the rationale for this has long been on the table. There have also been positive experiences with Agenda 2010. However, the spark of reform has failed to catch on in the political sphere. Yet the fact that, in Germany, it is primarily the state that drives economic growth should have given politicians cause for concern long ago. Meanwhile, investment activity has been lying dormant for some time. In a thriving economy, however, the impetus should come primarily from the private sector rather than the state.

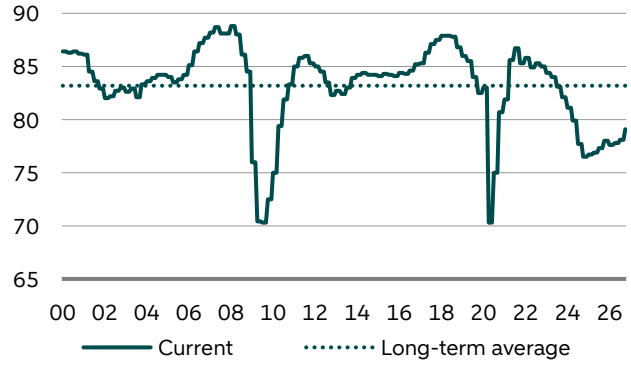
The current positive economic data is therefore no cause to celebrate. Rather, the Federal Government has so far failed to allocate funds from the fiscal package extensively towards investment. Yet it is precisely investment that enables a capacity-boosting effect to be achieved, thereby paving the way for a higher growth trajectory in the long term. On such a trajectory, with capacity utilized at normal levels, it would then be possible to achieve sustained higher GDP growth. Instead, consumption expenditure accounts for a large proportion of spending. Policymakers are unlikely to make any radical changes to this situation, at least for the time being, which is why obstacles to growth are likely to persist. With regard to growth prospects, this paints the following picture for us: 1) The economic recovery in 2026/27 bears strong similarities to a flash in the pan; 2) Beyond 2028, we expect the GDP growth rate to fall to our estimate of long-run potential, around 0.3%; 3) The slowdown in growth will a) lead to growing doubts amongst investors about the sustainability of public debt, which is set to rise further beyond 2027. They are therefore likely to demand higher risk premiums in future. In addition, b) even more intense battles over the distribution of wealth are to be expected than are already being observed. This, however, increases the risk that companies and skilled workforce will continue to turn their backs on Germany, contrary to demographic requirements. The time for political action has therefore arrived long ago, especially as it is likely to take years before the fruits of reform can be reaped.

Inflation remains a concern

Our inflation forecast for 2027 stands at 2.9 percent. This is yet another notch higher than our forecast of 2.7 percent for 2026. Our assumptions regarding energy prices are the key factor determining the course of inflation over the course of the year.

Historically low capacity utilization

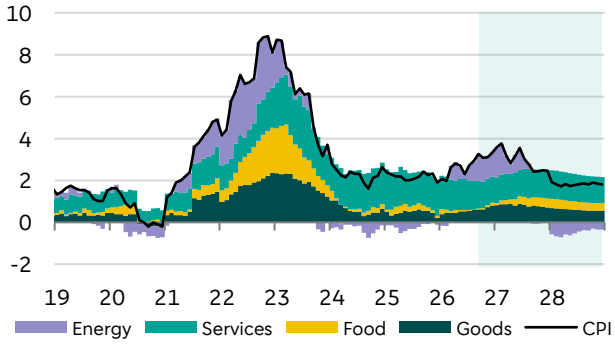
Capacity utilization in manufacturing sector (Germany, ifo, %)



Source: LSEG, ABN AMRO Group Economics

Inflation to remain high for even longer

Consumer prices and components (Germany, % year over year, percentage points)



Source: LSEG, ABN AMRO Group Economics

Our forecast is based on the assumption that prices for diesel, petrol and heating oil will initially remain at a high level and then gradually fall in 2027. The resulting downward pressure on inflation is offset by an opposing effect from gas and electricity prices. This stems from increased costs, which utility companies are likely to pass on to their customers. Ultimately, year-on-year changes in the energy price component will remain positive, driving up consumer prices. The situation is similar (partly due to El Niño) for food prices, which have yet to reflect the indirect effects of the energy price shock. The upward pressure from services prices is likely to be limited. Inflation is expected to rise above 3.5 percent at the start of the year, but will fall into a range of 2.0 to 2.5 percent by the end of the year. As energy prices are expected to have largely normalized by 2027, we anticipate that inflation in 2028 will be in line with the ECB's 2.0 percent price target.

US: The energy shock fades, the AI boom doesn't

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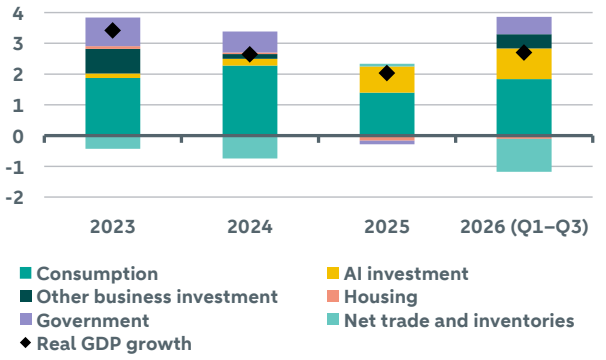
- Investment will keep driving growth in 2027, consumers keep up as falling inflation lifts real incomes
- The energy shocks will fade without second round effects, the AI build-out keeps core inflation elevated
- After one last hike in December, the Fed holds through most of 2027 before easing late in the year

Growth: Investment will lead, can consumers keep up?

Investment remains the engine of the US economy. Spending on IT equipment and software, most of it for AI, has contributed about 1pp a year to GDP growth since 2025, and 1.1pp of the 3.4% growth in the third quarter. We expect AI capex growth to slow from more than 70% to around 40% in 2027. Even so, spending will continue to rise strongly, while defence procurement provides a second source of demand. Defence equipment's high domestic content means less of this demand will leak into imports than with AI hardware, so capex should keep adding to growth at roughly this year's pace. Our analyses put the combined impulse from AI, defence and clean-energy investment at about 1.6% of GDP in 2027.Outside these areas, tighter corporate and consumer credit conditions point to a weaker outlook: we expect other business investment to soften gradually and housing to remain a drag.

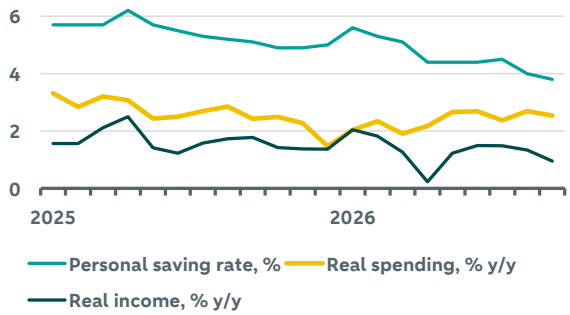
AI investment adds about 1pp gross growth

GDP decomposition, %



Source: LSEG, ABN AMRO Group Economics

Spending outruns income, paid for by saving less



Source: Fed, ABN AMRO Group Economics

Consumption is dependent on an improvement in real incomes. Real spending was 2.5% higher in September than a year earlier, but real disposable income rose only 0.9%. Households bridged the gap by saving less, bringing the saving rate down to 3.8%. In 2027, we expect consumption to rely more on real income gains and less on further declines in saving. Nominal labour income should grow by about 3.5%, with wages rising around 3% and employment by 0.3–0.5%. As oil prices fall, we expect headline PCE inflation to decline from 3.6% to around 2% by late 2027, supporting households' purchasing power. The relief comes from slower price growth, not stronger wage gains. With the labour force barely growing, growth relies on productivity, which has held up at 2.2% a year. As in 2026, however, we expect AI's main contribution to growth in 2027 to come from investment in the technology rather than productivity gains from its use. Sustaining growth and living-standard gains beyond the build-out will therefore require those productivity benefits to emerge as capex growth slows.

Politics: What a Democratic Congress means

Democrats won both chambers in the midterm elections, but still fell far short of the two-thirds needed to override a veto. The result is gridlock, which impacts the economy in two ways. Fiscal uncertainty falls, because there will be no new partisan tax or spending packages. Policy uncertainty does not, because trade and foreign policy, tariffs included, stay with the President. We assume tariffs stay broadly stable. Budget and debt-limit deadlines will be the main fiscal flashpoints. Democrats could use them to push for restoring the healthcare subsidies the administration cut, a small but real support for the lower-income households that are already squeezed. At the same time, Democratic control of Congress limits the administration's ability to push through further spending increases. In particular, additional defence spending through reconciliation would now require Democratic support, reducing the upside risk to our defence capex outlook.

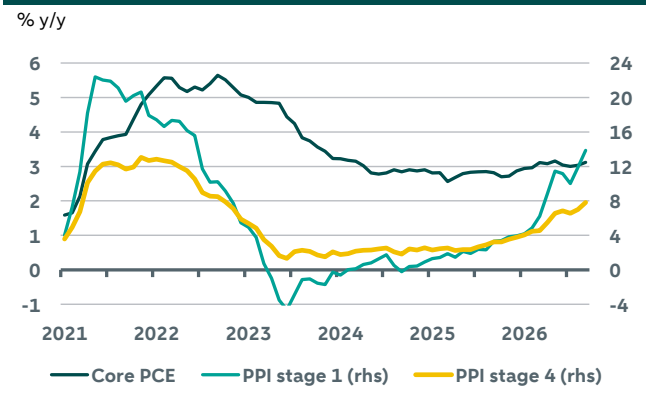
Inflation: The energy shock will fade, AI keeps some heat in

The energy shock is past its peak. The question is whether this was a one-off commodity shock or a cascade that keeps generating inflation through wages and expectations. Producer price indexes by stage of production help track the remaining pipeline pressures. Stage 1 input prices, where energy has the largest weight, were 13.9% higher in September than a year earlier. Stage 4 input prices, closest to final demand, rose 7.8%, compared with about 3% a year ago. This

suggests that cost pressures are still working through the supply chain, helping to keep core PCE inflation close to 3% into early 2027. However, the evidence points to a relatively narrow transmission: stage 3 inflation has converged with stage 4 after exceeding it in the spring. Pressures are concentrated in energy-sensitive freight and chemicals, while final-demand services outside trade and transport are rising at a steady 4%. We see little evidence of broad second-round effects. Wage growth is slowing rather than catching up with inflation: wages and salaries in the employment cost index rose 3.1% in the year to the third quarter and 0.7% in the quarter itself, while headline PCE inflation was 3.6% year on year. Market-based long-term inflation compensation is also stable: the 5y5y breakeven inflation rate is 2.2%, unchanged from a year ago. Higher consumer inflation expectations remain a risk.

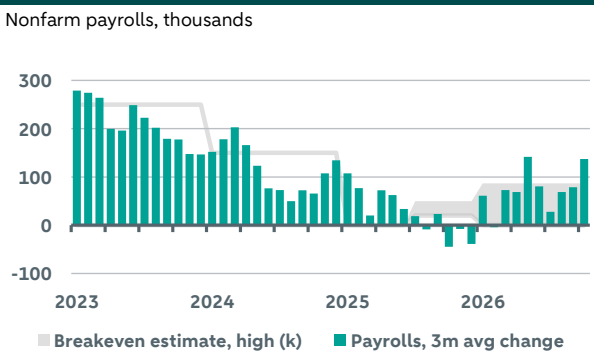
The AI build-out keeps PCE inflation above target. Prices of information processing equipment were 15.7% higher in September than a year earlier, and we expect pressure in this area to persist while the build-out continues. Our forecast is for core PCE inflation to ease only gradually, from 3.1% now to around 2.4% by the end of 2027. Headline PCE inflation falls faster as energy prices drop, from 3.6% now to about 2% by late 2027.

Energy costs are still moving down the chain



Source: LSEG, ABN AMRO Group Economics

Low payroll gains to sustain employment



Source: LSEG, Fed, ABN AMRO Group Economics

Labour market: The new arithmetic of payrolls

The monthly increase in payrolls needed to keep unemployment stable has fallen sharply. Estimates of this breakeven pace have declined from about 250,000 in 2023 to below 50,000 now, with some Fed estimates close to zero. Demographics should keep the breakeven pace low in 2027. Overall labour force participation fell from 62.5% to 61.8% over the past year, while prime-age participation held at 83.7%. With the "Peak 65" retirement wave continuing through 2027 and immigration low, we expect labour force growth to remain close to zero. Monthly payroll gains of 20-50k therefore consistent with stable unemployment, and a single negative month would not, by itself, signal recession. Recent payroll gains have been stronger, averaging 137k a month over the past three months and extending across more sectors than last year. This suggests firmer labour demand, but low labour supply growth means that these gains need not continue at that pace to keep unemployment stable. We expect unemployment to remain broadly stable at 4.3-4.4% through 2027.

Fed: One more hike, then the start of easing

We expect the Fed to raise rates once more in December 2026, to 4.00-4.25%. With core PCE inflation at 3.1%, we expect it to prioritise guarding against persistent inflation rather than immediately looking through the energy shock. Markets price further tightening, with the upper bound peaking at 4.6%. Our view is that one additional hike will be sufficient, followed by a hold through the first three quarters of 2027. A higher neutral rate makes this stance less restrictive than the nominal rate alone suggests. We estimate that the AI build-out is lifting the neutral real rate by about 0.2pp while it lasts, putting the nominal neutral rate at 3.3-3.6%, above the Fed's own estimate of 3.2%. At 4.00-4.25%, policy sits about 0.5-0.8pp above neutral: tight enough to prevent second-round effects, without unduly weakening the broader economy.

The trigger for the first cut is core PCE inflation moving convincingly in the right direction. IT goods inflation will likely stay high through the build-out. But by late 2027 the Fed should be convinced that the energy shock has not passed through to wages and expectations, and that the pressure from IT goods is narrow enough not to warrant tightening across the whole economy. With core PCE inflation back at around 2.4% by then, we expect a first cut in December 2027, to 3.75-4.00%. The uncertainty runs both ways: broad second-round effects or a renewed oil spike would bring another hike instead, while an AI correction or a weaker labour market would bring cuts forward.

China: The world alone is not enough

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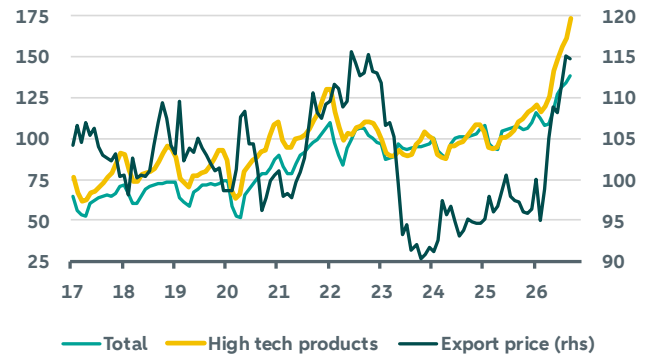
- GDP growth in 2026 supported by spillovers from global AI boom, but imbalances have worsened
- Ongoing targeted, piecemeal support expected to safeguard GDP growth in 2027
- The Six Networks scheme should contribute to a turnaround in investment
- Despite hiccups, we do not expect trade relations with US/EU to spiral out of control next year
- We expect annual real GDP growth to remain around 4.5% in 2027 and 2028

Looking back at 2026: GDP growth supported by global AI/tech boom spillovers...

Real GDP growth held up quite well during 2026, despite drags from the Iran war and the related energy crisis and domestic demand weakness. After a strong start in Q1 (5.0% y/y), real GDP growth slowed in Q2 (4.3%), but recovered somewhat in Q3 (4.5%, in line with our forecast) driven by exports and a recovery in oil refinery output. We expect full-year growth of 4.6% in 2026, at the lower end of Beijing's 4.5-5.0% target zone. Still, growth was again lopsided this year, with domestic supply-demand imbalances worsening. The supply side was bolstered by the global AI/tech boom. Industrial production growth remained solid throughout the year despite the Iran conflict and other disturbances. Export values – and in its slipstream import values – surged, although this was not only driven by AI related products (with car exports booming), while the strength in foreign trade is also explained by higher export and import prices.

Surge in China's exports driven by global AI/tech boom

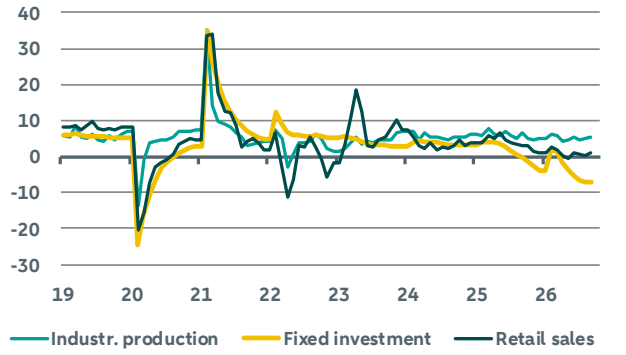
Indices, 3m moving averages, Jan-24 = 100 Index, previous year = 100



Source: Bloomberg, ABN AMRO Group Economics

Domestic imbalances worsen, investment slumps

% y/y (fixed investment: % y/y ytd)



Source: LSEG, ABN AMRO Group Economics

...but domestic supply-demand imbalances have worsened, stoking trade tensions

By contrast, domestic demand remained subdued throughout 2026 so far. The Chinese consumer is still cautious and keeps saving and/or deleveraging, with consumer confidence affected by the ongoing property slump (although with some signs of easing), a weak labour market, softer income growth, and limited safety nets. Retail sales keep lagging industrial production by a wide margin, with durable goods, including cars, particularly weak. Investment returned to contraction territory; this is still driven by the property slump, but investment in manufacturing and infrastructure also turned negative. This investment decline party reflects more stringent rules (e.g. anti-*involution* and corruption campaigns) and more challenging financial positions for many local governments, which traditionally play an important role in public investment plans. These imbalances and the resulting overcapacity feed into higher external surpluses and trade frictions (see below). Demand weakness is also reflected in ongoing low CPI inflation, although PPI inflation has risen, led by higher energy prices. That said, China digested the energy shock well, partly reflecting a switch to other energy sources (electricity, coal). In fact, China emerged as 'global swing consumer' of oil, although it has occasionally cut back oil refinery production and imposed export restrictions – with spillovers to global markets.

Ongoing targeted support expected to safeguard GDP growth in 2027

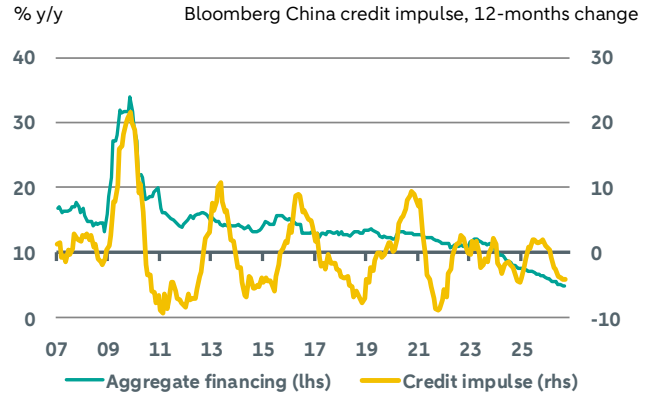
We assume the growth contribution from net exports to soften next year, as trade partners like the EU (see below) take further measures to contain certain imports (like cars) from China, and the global AI/tech boom loses some steam. This implies that policymakers will have to do more to safeguard overall GDP growth in 2027. Stepping up demand support would kill two birds with one stone, although industrial policy/high-tech upgrading will likely remain a dominant strategic goal. This summer we already saw a twist in the policy stance, following 'fiscal underdelivery' in H1 2026. Beijing approved a RMB 800bn loan facility for policy banks to support lending to infrastructure/technology, sectors included in the *Six Networks* scheme (see below). Also, RMB 550bn of local government bond issuance was approved, and measures were

taken to support property. Meanwhile, the PBoC cut the policy rate on the pledged supplementary lending facility, and made some technical changes to its monetary policy framework (including changing its central policy rate to the O/N reverse repo rate). We expect more piecemeal monetary easing (in the form of mini policy rate cuts, and lower reserve requirements for banks), alongside ongoing targeted fiscal support for households and firms (including stronger attempts to clear public sector payment arrears to private suppliers). Further guidance on government support plans for 2027 will likely be given at the annual Central Economic Work Conference in December.

The Six Networks scheme should contribute to a turnaround in investment

Beijing's flagship investment project is the Six Networks, a ±CNY 25 trn multiyear infrastructure scheme for six sectors deemed crucial to solidify China's future high-tech leadership: computers/data/AI, communication, logistics, power grids, underground pipes and water. In nominal terms, these investments would average ±3.5% of 2026 GDP annually in 2026-2030. However, this should be seen against the background of the broader investment slump mentioned above, while these amounts are not 'new money'. The scheme was already included in China's previous 5-year plan: the nominal increase compared to the former plan is 35%. Despite this, we still think the Six Networks scheme is a promising initiative, as it 1) gives a stronger role to the central government, which can bypass obstructions faced by local governments (which may become even more cautious in the run-up to the government reshuffle at the 21th CCP Congress in Q4-27, 2) it seems better coordinated and more future-fit than 'old-school' infrastructure projects typically chosen to boost short-term growth, and 3) it may well contribute to a bottoming out of credit growth (which undergoes a longstanding slowdown on weak credit demand) and a turnaround in overall investment.

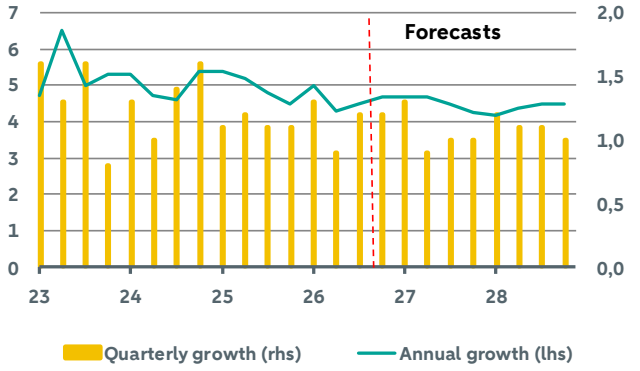
Credit growth slowdown due to weak demand



Source: Bloomberg, ABN AMRO Group Economics

Annual GDP growth to stay around 4.5% in 2027-2028

Real GDP growth, % y/y and % q/q (forecasts from Q4-2026 onwards)



Source: ABN AMRO Group Economics, Bloomberg

Despite hiccups, we do not expect trade relations with US/EU to spiral out of control

We assume the landslide *Blue Wave* in the US midterm elections will not lead to large, immediate changes in the US-China trade relationship. The Trump-Xi meeting in September confirmed both superpowers prefer to stick with the fragile equilibrium. The tariff/chokepoint truce has been extended until 1 January 2027, and is likely to be extended further. The US delayed an additional 7.5% overcapacity tariff, but China had indicated it would tolerate that anyway (following earlier tariff reductions). EU-China trade relations are at a critical juncture at the moment, with the EU expanding its trade toolkit to manage China-related challenges/risks. Although the EU is taking a tougher stance, the approach followed is less disruptive than what the US followed last year, with the recent deal on EU hybrid car imports a clear example of a more cooperative approach. Given their mutual economic interests, we do not expect EU-China tensions to escalate into a full-scale trade war (see our thematic *Will China Shock 2.0 trigger an EU-China trade war?*).

We expect annual GDP growth to remain around 4.5% in 2027 and 2028

All told, in our base case we anticipate more targeted stimulus aimed at stabilising GDP growth, rather than a 'big bazooka' sparking a new boom. We assume Beijing will set a growth target for 2027 of 'around 4.5%' (to be confirmed in the NPC meeting scheduled for early March). We have tweaked our quarterly growth profile somewhat, anticipating targeted stimulus to filter through in early 2027 in particular. We expect full-year annual growth to drop slightly, from 4.6% in 2026 to 4.5% in 2027 and 4.4% in 2028. The main **downside risks** to our growth forecasts are related to 1) disappointing targeted support measures, 2) a more severe (re-)escalation of trade tensions with EU and/or US, and 3) other geopolitical events (such as an intensifying conflict around Taiwan). **Upside risks** would stem from stronger than expected measures to stabilise the real estate sector, boost domestic consumption and investment, or other measures to ease domestic supply-demand imbalances; such rebalancing could also help to soften trade frictions.

Key views on a page

The global economy remains resilient in the face of a succession of shocks. The energy shock is expected to slowly ease, and its effects are more idiosyncratic, with a bigger impact on Europe than the US. Meanwhile, a capex troika centred around AI, defence and the energy transition are continuing to drive growth, which is expected to holding around trend in the US, while more lacklustre growth is expected in the eurozone. The global investment surge is also supporting growth in China, although imbalances there continue to fan trade tensions with the EU. French fiscal stress is a key downside risk. Against this backdrop, inflation will remain elevated over the coming months, and this should keep central banks leaning hawkish, with the ECB, Fed and BoE expected to raise rates further. Our base case sees central banks resuming rate cuts in late 2027.

Macro	Central Banks & Markets
Eurozone – Growth proved resilient again in 2026, supported by German fiscal expansion, RRF spending and households sustaining consumption despite the energy shock. We expect underlying growth to slow from 1.2% in 2026 to 0.7% in 2027 as fiscal policy turns mildly restrictive, employment declines and weak external demand continues to weigh. Falling energy prices should provide some relief, while household savings offer a buffer. Inflation to return to target by end-2027, with limited wage spillovers expected from the energy shock. France's fiscal and political outlook is the key downside risk.	**ECB** – We continue to expect two further rate hikes, in December and March, but the case for the March hike is becoming increasingly finely balanced. As the energy shock fades and economic momentum weakens, we expect the ECB to pivot to rate cuts in Q4 2027, with a risk that easing begins sooner. France poses an additional challenge for the ECB: renewed bond market stress could raise pressure for intervention, although we think this would occur only in exceptional circumstances. The new ECB president (likely confirmed in December) is unlikely to have major implications for policy.
The Netherlands – The Dutch economy proved remarkably resilient in 2026, given geopolitical uncertainty and higher inflation. Activity held up, supported by household finances, AI-related exports, and government spending. Growth is expected to moderate in 2027-28, on the back of higher interest rates, higher inflation, and competitiveness. The Dutch economy remains resilient, but structural bottlenecks weigh on actual and potential growth. Inflation will be above 3% for six years in a row, mainly due to higher energy prices, but the passthrough to the broader inflation basket is limited compared to 2022.	**Fed** – Warsh's communication style means the future path of the Fed's policy rate is surrounded by more uncertainty than usual. We do not think the September hike was an isolated event, but at the same time, recent data flow reduced the urgency to hike further. We expect the Fed to hike once more in the December meeting, keeping the upper bound of the Federal Funds rate at 4.25% until the end of next year, where inflation running a lot closer to target gives room to ease of restrictiveness.
UK – The honeymoon period for PM Burnham continues, with Labour riding high in the polls. If this continues, it raises risks of a snap election next year. The economy has also performed better than expected in recent months. The budget was in line with expectations, with tax rises partly funding limited cost of living measures. Meanwhile, though inflation is expected to stay elevated over the coming months, the much looser labour market means that a renewed pickup in wage growth looks much less likely than in 2022-23.	**Bank of England** – Following the 25bp hike in November, we expect one more hike in in February, to coincide with the BoE's Monetary Policy Report and forecast updates. This would take Bank Rate to 4.25%. Although we expect limited second round effects from the energy shock, and rates are already modestly restrictive, the MPC is minded to tighten further to keep inflation expectations well anchored. Similar to the Fed and the ECB, we expect rate cuts to resume in Q4 2027 once energy prices have fallen back and it becomes clear the wage response is limited.
US – Investment keeps driving growth, with consumers keeping up as moderating inflation lifts real incomes. The energy shock is expected to fade without second round effects, but demand effects related to the investment spree are expected to keep core inflation elevated, even if headline approaches target in the course of the year. The labour market is solid, but not hot. Overall tepid labour demand is in balance with a stagnant labour force, diminished by both a lack of immigration and ageing demographics.	**Bond yields** – The OAT–Bund spread peaked at around 175 and has since tightened, although it remains historically wide as France's political and fiscal outlook is unchanged. US Treasury yields have also fallen following the US midterm elections. We expect short-end yields in Europe and the US to have peaked, as markets move towards our less hawkish monetary policy outlook. The impact will primarily be felt at the short end of the curve, while the effect of rate cuts at the long end will largely be offset by the continued rise in term premia, resulting in a bull steepening of EGB and US Treasuries curves.
China – Real GDP growth held up well in 2026, despite drags from the Iran war, with exports benefiting from the global AI boom. Still, growth remained lopsided, with rising domestic supply-demand imbalances feeding into higher external surpluses and trade frictions. We expect ongoing targeted, piecemeal support to safeguard GDP growth in 2027. The Six Networks investment scheme should contribute to a turnaround in investment. Despite hiccups, we do not expect trade relations between China and US/EU to spiral out of control. All in all, we expect GDP growth to remain around 4.5% in 2027-2028.	**FX** - We expect EUR/USD to remain weak in 2027 as French political uncertainty and stronger US economic growth weigh on the euro. Much of the political risk is already priced in, limiting further downside, although concerns about a possible French exit from the EU could push EUR/USD towards parity or below - a scenario outside the base case. ECB rate increases, fewer Fed hikes than markets currently anticipate and falling energy prices should provide some support. A recovery is expected in 2028 as energy costs decline further and the spread in economic growth, nominal and real yields narrow. We lowered our forecasts for end 2026 from 1.15 to 1.10, and end of 2027 from 1.20 to 1.12.

Main economic & financial market forecasts

	GDP				Inflation				Policy rate			
	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
Eurozone	1.3	1.1	1.0	1.1	2.1	3.1	3.0	1.8	2.00	2.75	2.75	2.25
Netherlands	1.6	1.8	1.5	1.4	3.2	3.2	3.2	2.5				
Germany	0.2	1.3	1.0	0.7	2.2	2.7	2.9	1.8				
UK	1.2	1.4	1.4	1.5	3.4	3.2	3.3	1.7	3.75	4.00	4.00	3.50
US	2.3	2.4	2.3	2.0	2.6	3.4	2.5	1.9	3.75	4.25	4.00	3.50
China	5.0	4.6	4.5	4.4	0.1	0.9	1.1	1.2	3.00	3.00	2.80	2.70

Note: Inflation is HICP for Eurozone, CPI for the Netherlands and Germany, and PCE for the US. Germany GDP is non-calendar adjusted. Annual average for GDP and inflation, end of period for the policy rate

	2026	9-11-2026	27Q1	2027	2028	Energy	2026	9-11-2026	27Q1	2027	2028
US Treasury	5.15	4.88	5.05	4.65	4.40						
German Bund	3.45	3.26	3.35	3.15	3.35	Brent - USD/bbl*	95	93	85	75	70
EUR/USD	1.10	1.12	1.10	1.12	1.18	WTI - USD/bbl*	90	87	80	70	65
USD/CNY	6.70	1.34	6.70	6.60	6.50	TTF Gas - EUR/MWh*	90	82	70	55	40
GBP/USD	1.35	6.67	1.35	1.35	1.40						

*Energy price forecasts are end of period. Brent, WTI: active month contract; TTF: next calender month

	2026				2027				2028			
GDP (q/q)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0.0	0.6	0.4	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Netherlands	0.3	0.7	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
US (saar)	2.5	2.2	3.4	2.3	2.1	2.1	2.2	1.9	2.0	2.0	2.1	2.0
China (y/y)	5.0	4.3	4.5	4.7	4.7	4.7	4.5	4.3	4.2	4.4	4.5	4.5
Inflation	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	2.0	3.0	3.3	4.0	3.8	3.2	2.8	2.1	1.9	1.8	1.8	1.8
Netherlands (CPI)	2.5	3.1	3.3	3.9	3.7	3.4	2.9	2.7	2.6	2.6	2.5	2.5
US (PCE)	3.0	3.6	3.5	3.6	3.2	2.4	2.3	2.0	1.9	1.9	2.0	2.0
China	0.8	1.1	0.7	0.9	1.1	1.1	1.0	1.0	1.1	1.2	1.3	1.1
Unemployment	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	6.4	6.4	6.5	6.5	6.5	6.5	6.4	6.4	6.4	6.3	6.3	6.3
Netherlands	4.0	3.9	4.0	4.0	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2
US	4.3	4.3	4.1	4.3	4.3	4.4	4.4	4.4	4.3	4.3	4.3	4.3
Policy rate	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	2.00	2.25	2.50	2.75	3.00	3.00	3.00	2.75	2.50	2.25	2.25	2.25
US	3.75	3.75	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50
UK	3.75	3.75	3.75	4.00	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50
China	3.00	3.00	3.00	3.00	2.90	2.90	2.90	2.80	2.80	2.80	2.70	2.70

Source: LSEG, Bloomberg, ABN AMRO Group Economics

(saar = seasonally adjusted annual rate)

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