

## Global Economics &amp; Strategy

## US &amp; Global Economics Outlook 2026-2027

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# US forecast '26 – '28: resilience?

**Figure 1: US economic outlook summary table**

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<u>Variable</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Change in real GDP	3.4	2.4	2.0	2.0	2.1	2.6
Unemployment rate	3.8	4.2	4.5	4.5	4.4	4.3
PCE inflation	2.9	2.6	3.0	2.8	2.3	2.0
Core PCE inflation	3.3	3.0	2.8	3.0	2.4	2.0
Federal funds rate	5.375	4.375	3.625	3.125	2.875	2.875

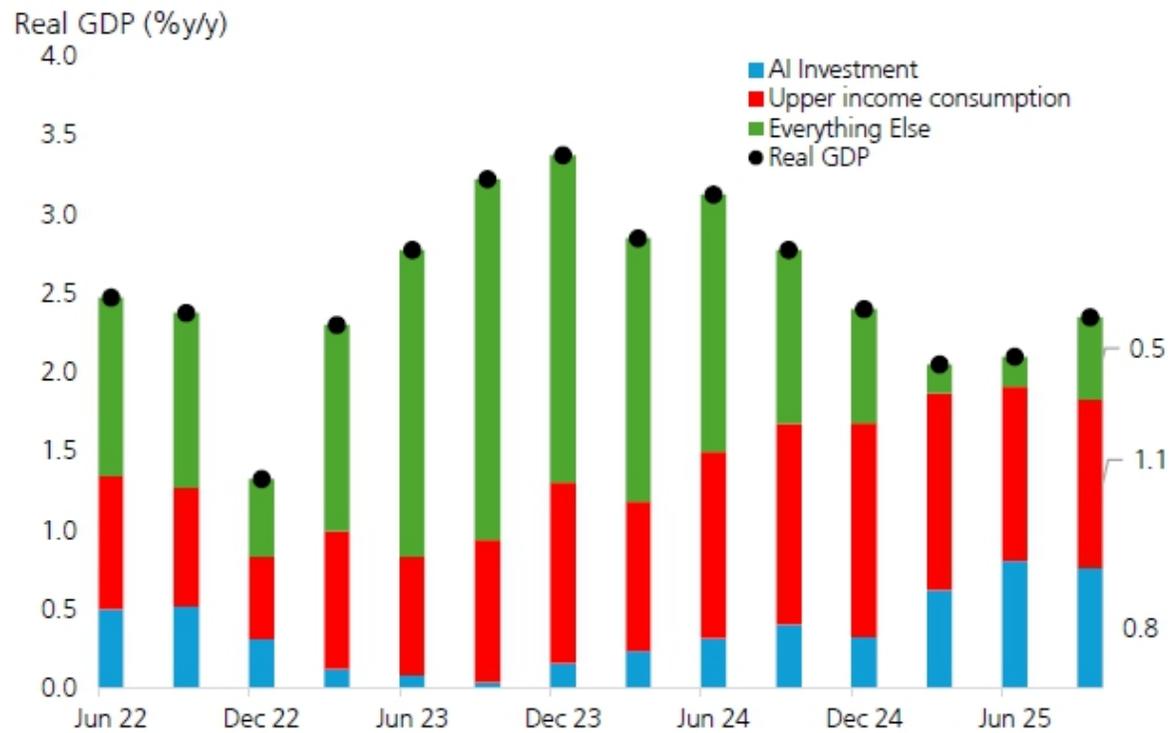
Note: Q4/Q4 % basis except the unemployment rate which is a Q4 quarterly average. The federal funds rate reflects the year-end mid-point of the target range.

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Source: BEA, BLS, Federal Reserve. UBS projections from 2025 onward

# US growth is increasingly narrow

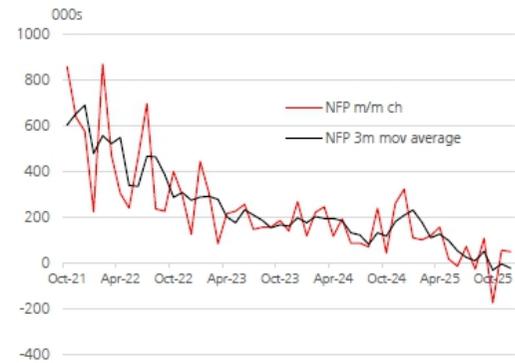
Figure 4: Tech/AI theme continues to drive growth



Source: BEA, Haver, UBS

# US labour market treading water

**Figure 19: NFP trend looks pretty weak**



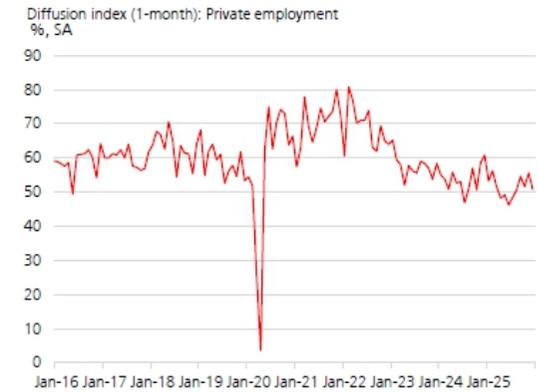
Source: BLS, Haver, UBS

**Figure 22: Unrounded workweek low**



Source: BLS, Haver, UBS

**Figure 23: Diffusion index fell back near 50**



Source: BLS, Haver, UBS

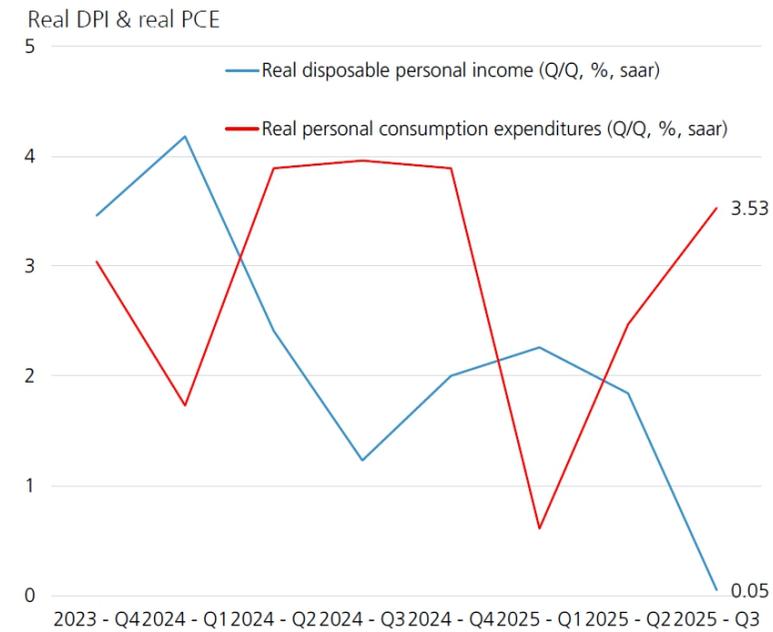
**Figure 29: Consumers' labor market concerns elevated**



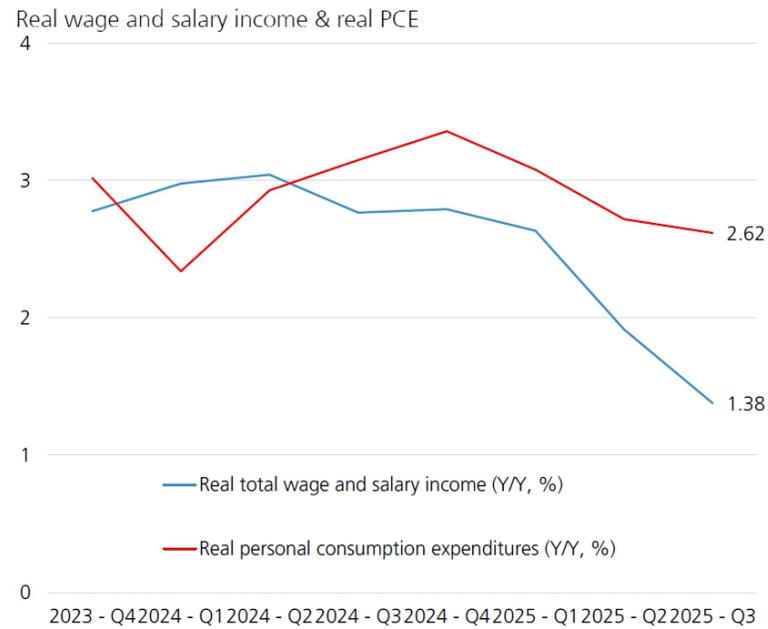
Source: University of Michigan, Haver, UBS

# Spending is decoupled from income

The labor market slowdown has spilled over into slower income growth. However, household spending has been running ahead of income growth with essentially flat real DPI in Q3 and a boomy 3.5% pace of consumption growth.



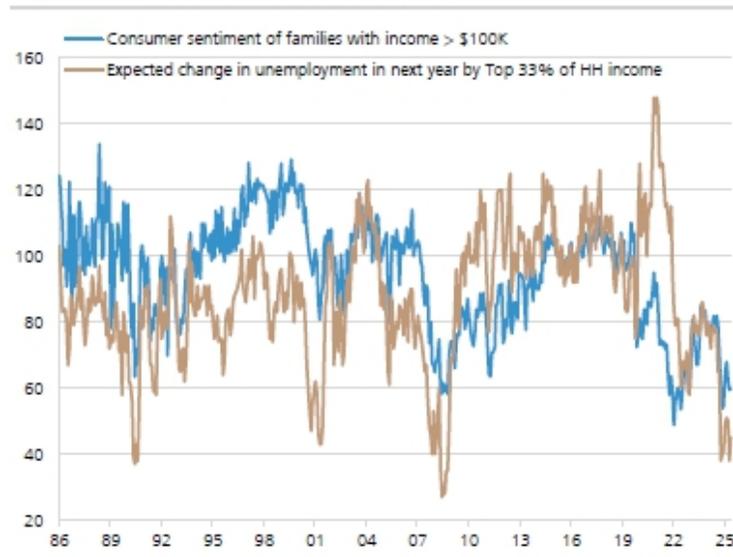
Source: BEA, Haver, UBS



Source: BEA, Haver, UBS

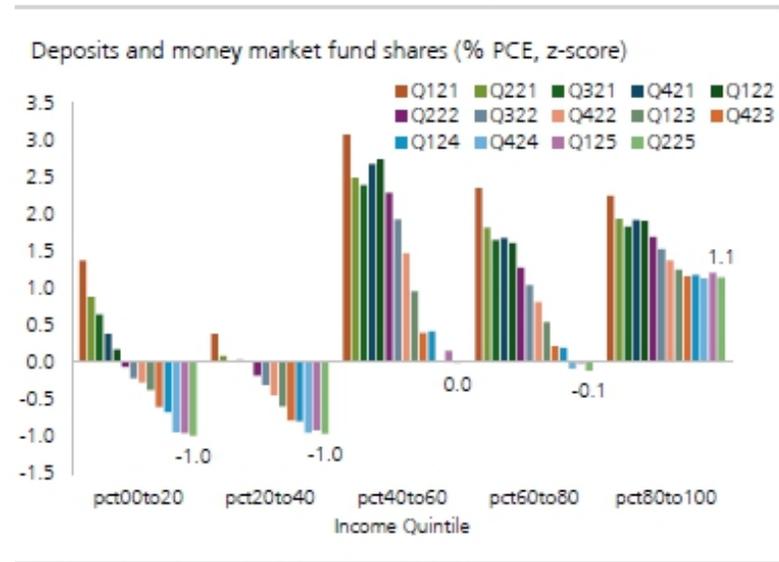
# Declining confidence among top incomes despite still high liquidity?

**Figure 86: US Consumer confidence and employment expectations of top income earners**



Source: Haver, UBS.

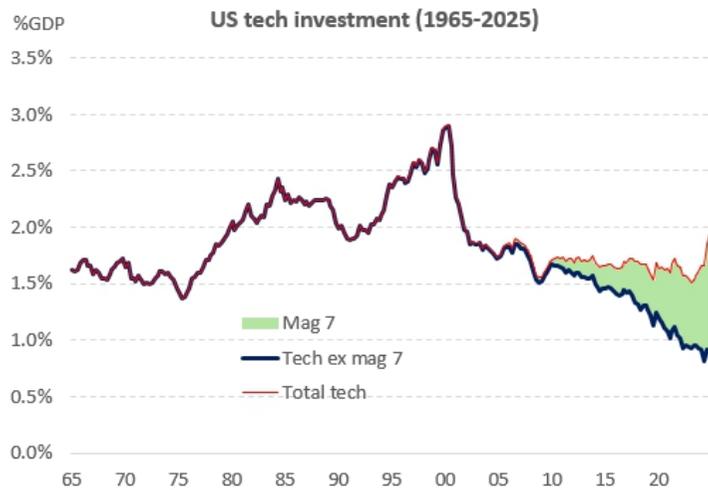
**Figure 329: Upper income concentration of liquid assets**



Source: Federal Reserve, Haver, UBS calculations

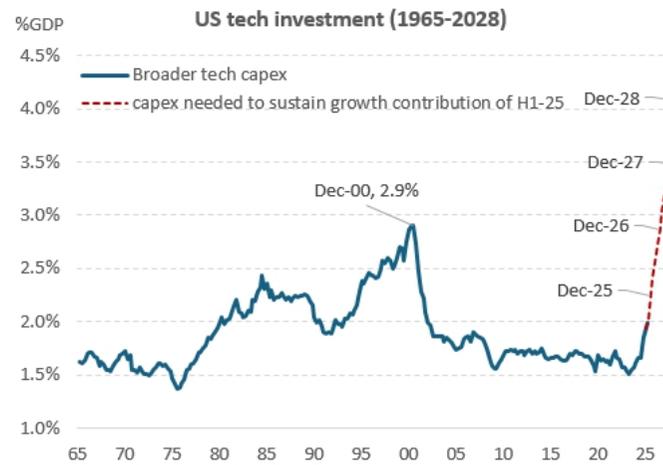
# Where are we in the tech cycle? (1)

**Mag 7 tech capex is moving sharply higher but other tech capex is falling**



Source: UBS, Haver

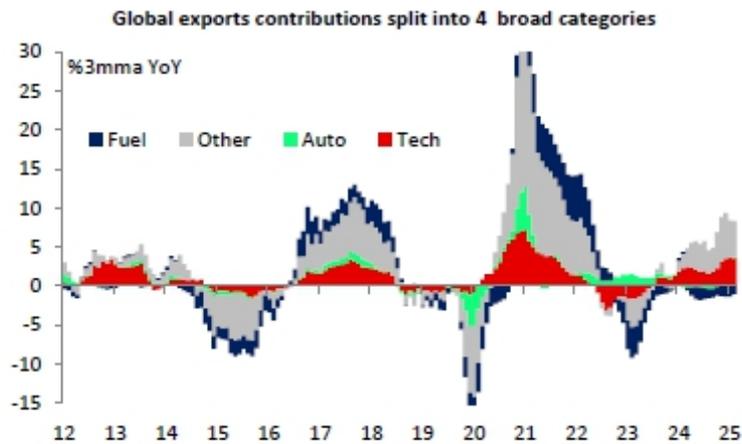
**To sustain the current tech capex contribution to US growth would require ever higher levels of capex**



Source: UBS, Haver

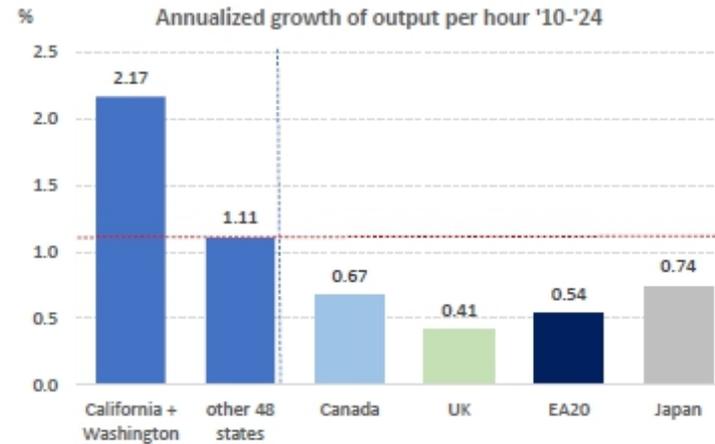
# Where are we in the tech cycle?

**Figure 42: Tech exports currently make up 50% of global exports and 66% of Asia's exports**



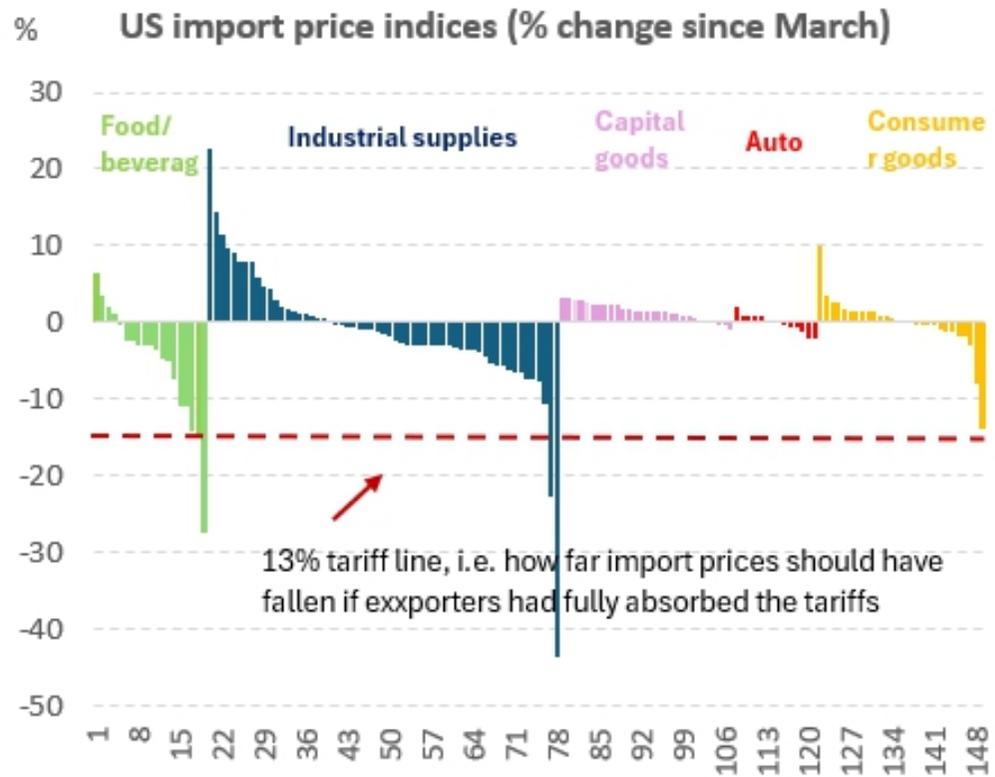
Source: UBS, Haver

**Figure 43: The productivity gap between the two US 'tech' states and the other 48 US states is larger than the gap between those other states and the rest of DM**



Source: UBS, Haver

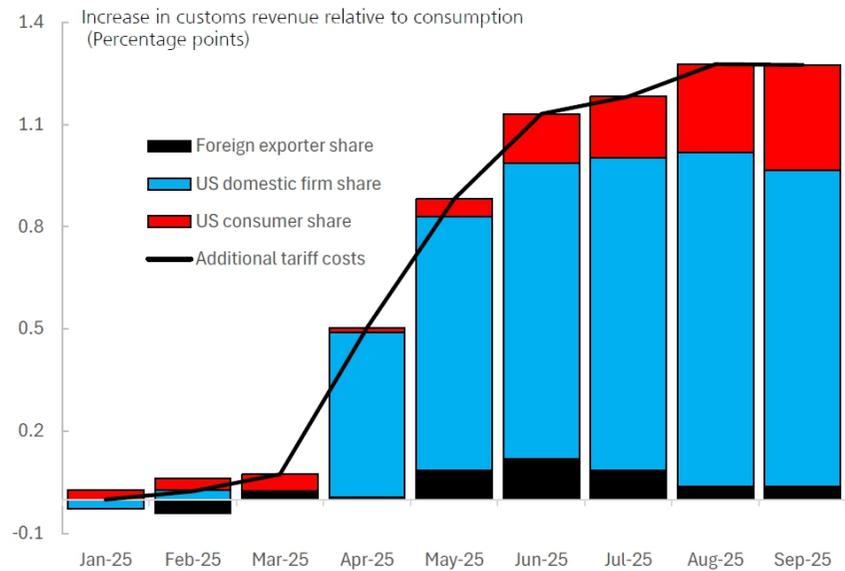
Exporters outside the US are not absorbing the tariffs or lowering their export prices (in aggregate)



Source: UBS, Haver

# Tariff transmission to weigh further on growth in coming months

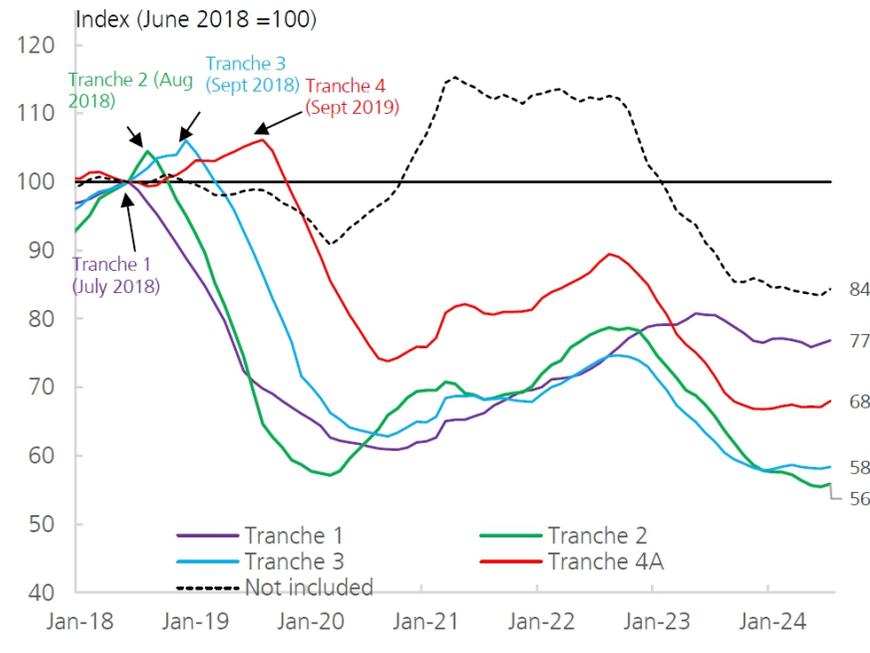
**Figure 39: Most of the tariffs have so far been absorbed in corporate margins but we expect them to keep rotating to prices**



Source: UBS. based on an assumption of import prices in September 2025 being the same as in August 2025.

# Tariff transmission to weigh further on growth in coming months

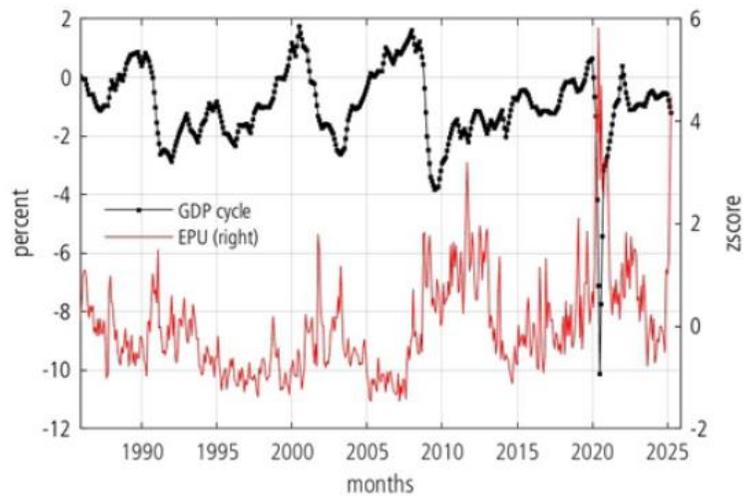
**Figure 260: Real US imports from China**



Source: UBS, Haver

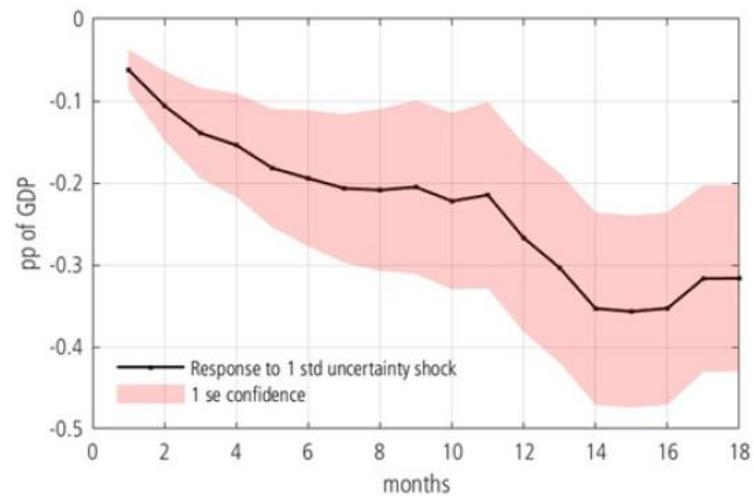
# Policy uncertainty potentially has a large impact on growth

**Figure 10: Policy uncertainty is 4 standard deviations above normal**



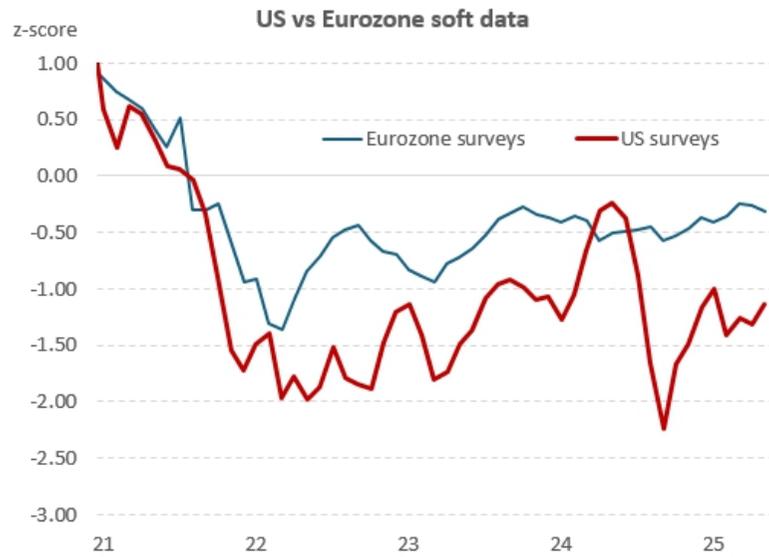
Source: UBS, Haver

**Figure 11: Controlling for the GDP cycle, each 1 stdev unit of uncertainty lowers US GDP by 35bp**



Source: UBS, Haver

# US confidence indicators in the US have been much more volatile than in the Eurozone



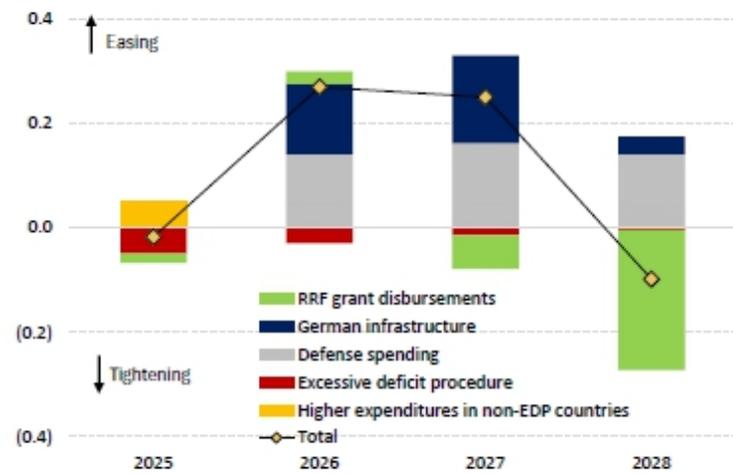
Source: UBS, Haver



Source: UBS, Haver

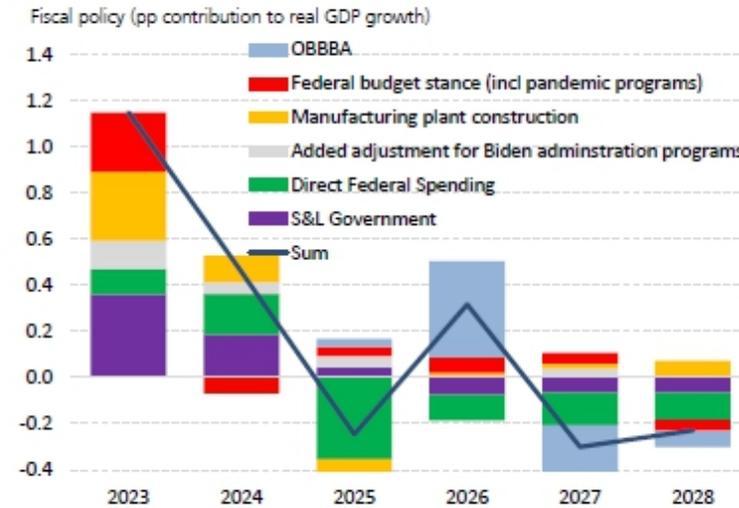
# How much fiscal stimulus next year

**Figure 114: Eurozone – Fiscal contribution to growth (pp)**



Source: Haver, UBS

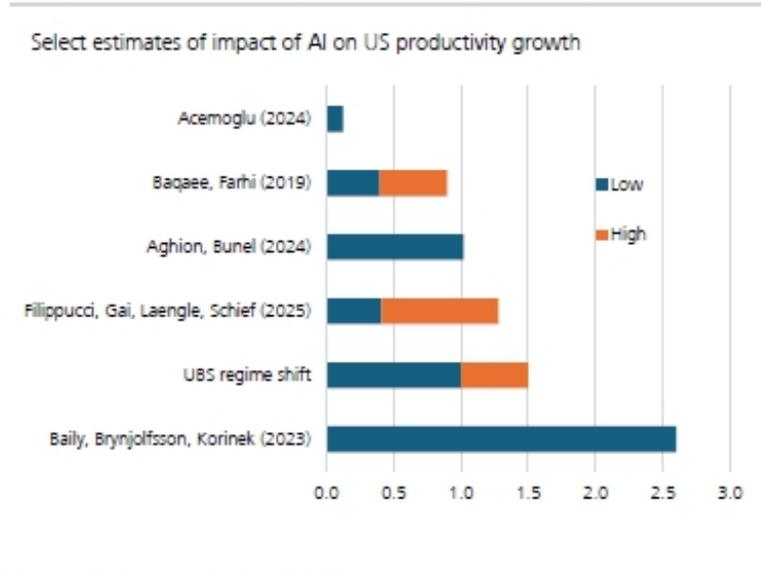
**Figure 115: US – Fiscal contribution to growth (pp)**



Source: UBS, Haver

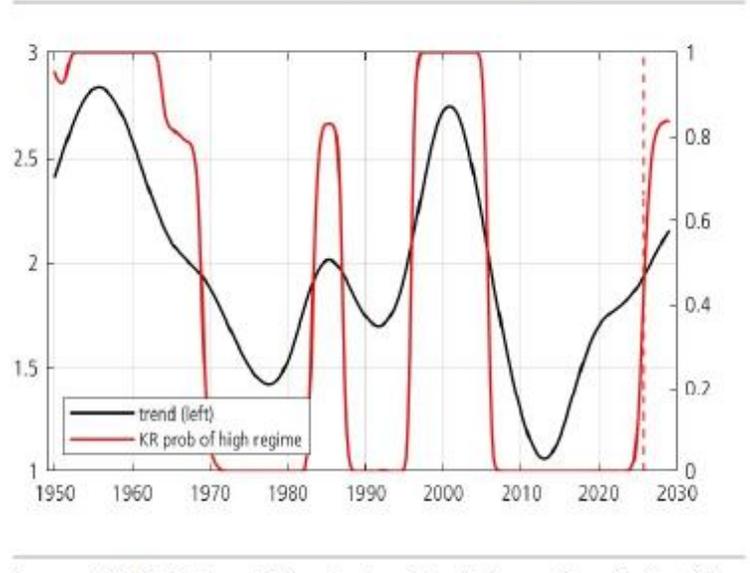
# What is the evidence of AI driven increases in productivity?

**Figure 338: Range of estimated impacts**



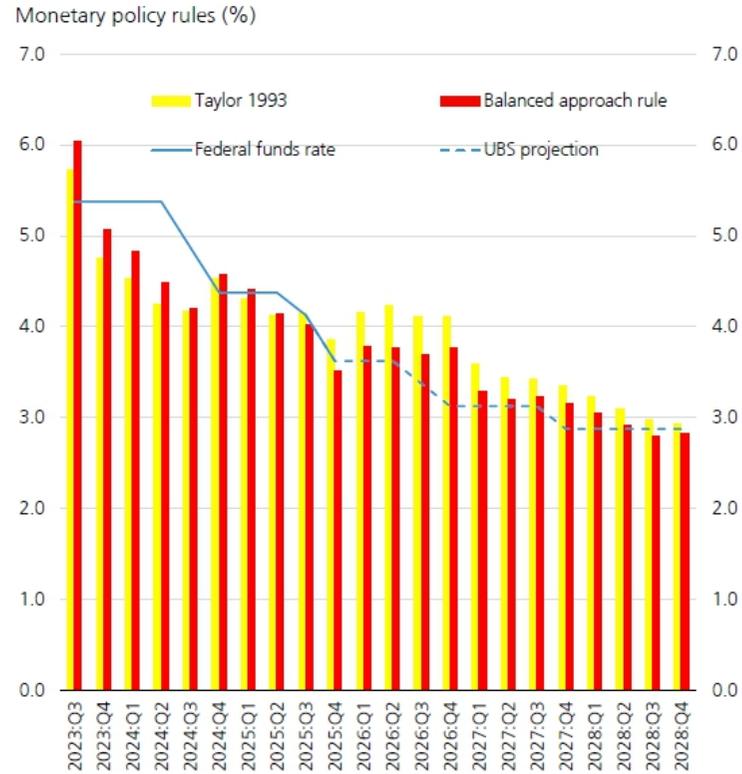
Source: UBS, OECD (2024, 2025), authors as noted in chart

**Figure 339: We forecast high odds of regime shift to come**



Source: BLS, BEA, Haver, UBS estimates. Note that smoothing implies future conditions may affect current levels.

# US monetary policy



Source: BLS, BEA, Federal Reserve, Haver, UBS

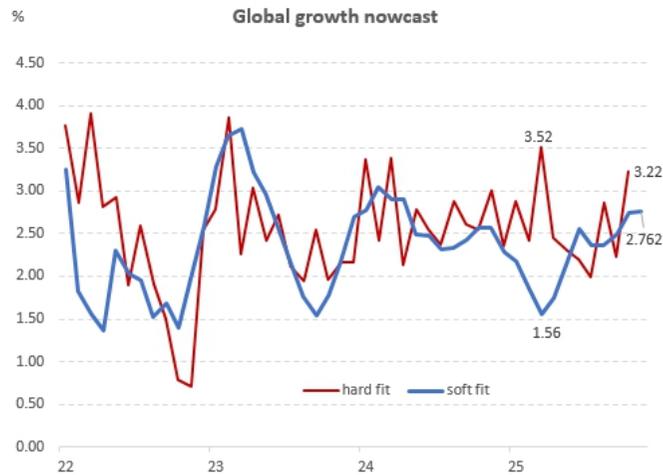
Figure 11: Meeting by meeting projection

Meeting	bottom	top	change	mid-point
2025 Jan	4.25	4.50	0.00	4.375
Mar	4.25	4.50	0.00	4.375
May	4.25	4.50	0.00	4.375
Jun	4.25	4.50	0.00	4.375
July	4.25	4.50	0.00	4.375
Sept	4.00	4.25	-0.25	4.125
Oct	3.75	4.00	-0.25	3.875
Dec	3.50	3.75	-0.25	3.625
2026 Jan	3.50	3.75	0.00	3.625
Mar	3.50	3.75	0.00	3.625
Apr	3.50	3.75	0.00	3.625
Jun	3.50	3.75	0.00	3.625
July	3.25	3.50	-0.25	3.375
Sept	3.25	3.50	0.00	3.375
Oct	3.00	3.25	-0.25	3.125
Dec	3.00	3.25	0.00	3.125
2027 Jan	3.00	3.25	0.00	3.125
Mar	3.00	3.25	0.00	3.125
Apr	3.00	3.25	0.00	3.125
Jun	3.00	3.25	0.00	3.125
July	3.00	3.25	0.00	3.125
Sept	3.00	3.25	0.00	3.125
Oct	3.00	3.25	0.00	3.125
Dec	2.75	3.00	-0.25	2.875

Source: Federal Reserve, UBS projections for 2026 and 2027

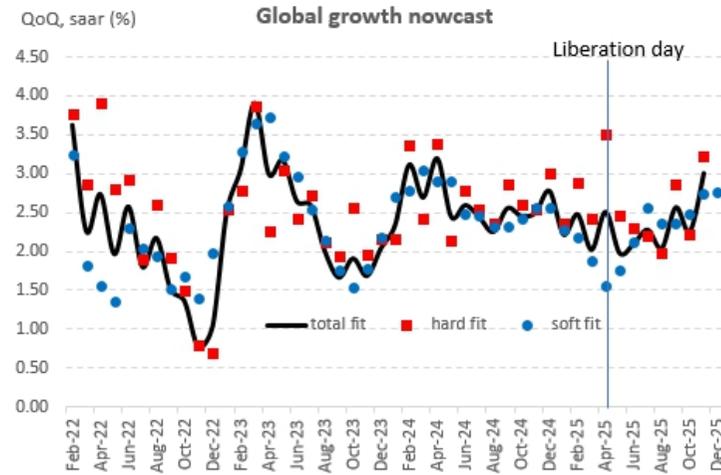
# Global growth rebound from the tariff-induced confidence shock

**Global Nowcast (350 variables): hard vs soft data implied growth**



Source: UBS, Haver

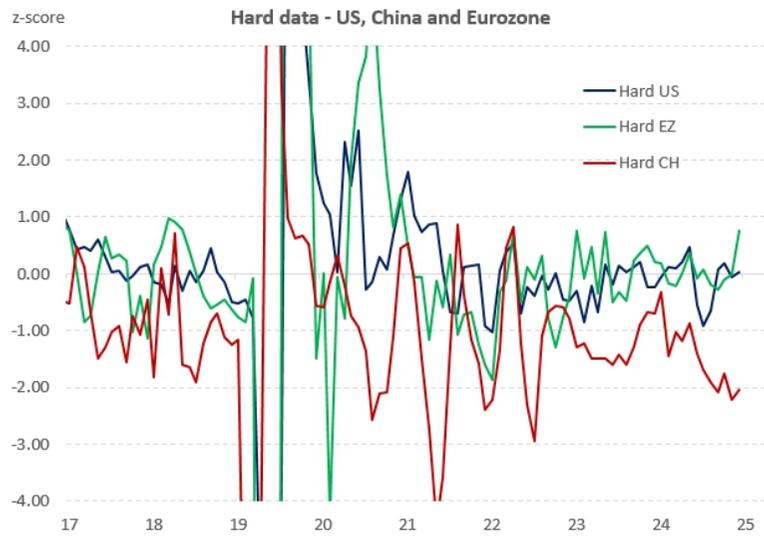
**Global Nowcast: composite growth estimate from hard and soft data combined**



Source: UBS, Haver

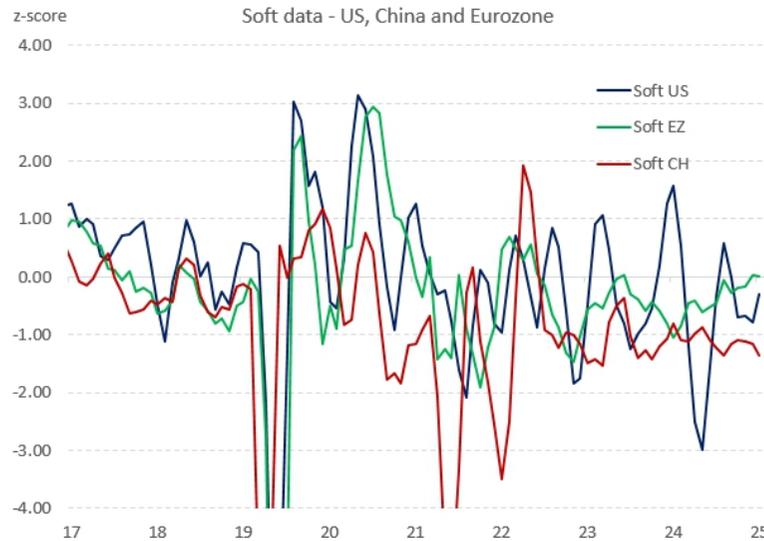
# Hard & Soft data (z-scores) for the US, Eurozone and China

**Big 3: hard data**



Source: UBS, Haver

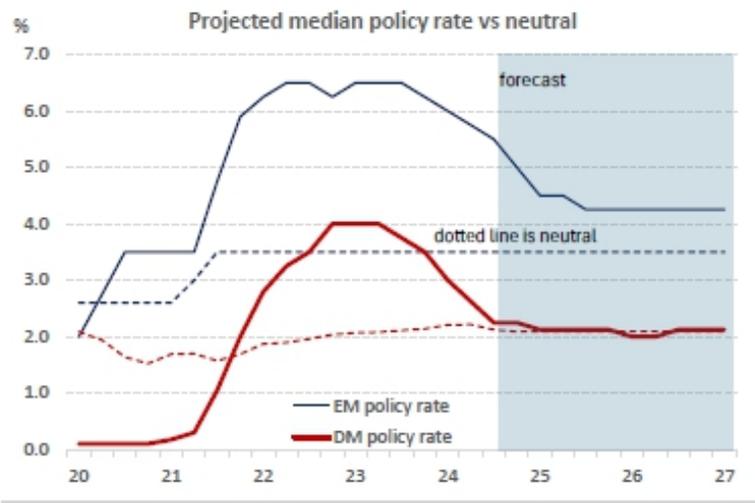
**Big 3: soft data**



Source: UBS, Haver

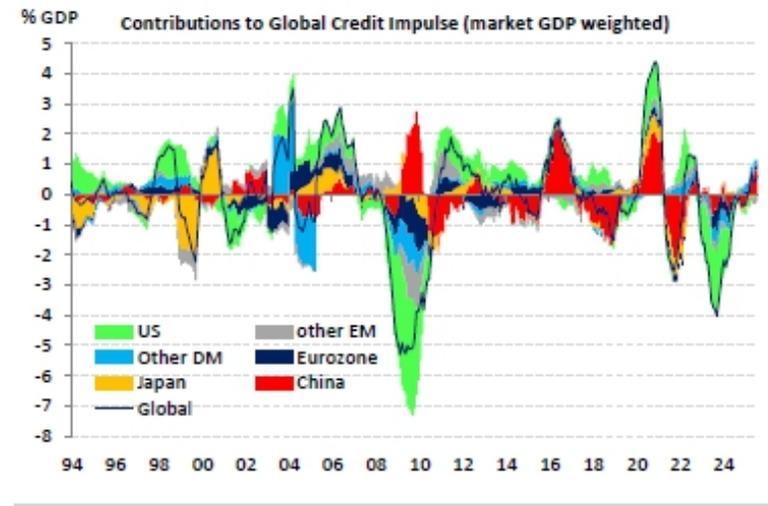
# Global credit is starting to respond to lower policy rates

**Figure 28: Policy rates in DM back to neutral; in EM still a touch above**



Source: UBS, Haver

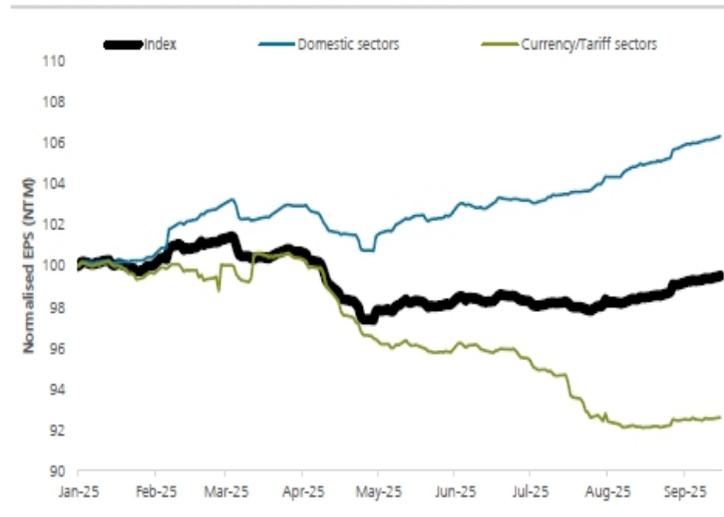
**Figure 29: Global credit impulse back in positive territory**



Source: UBS, Haver

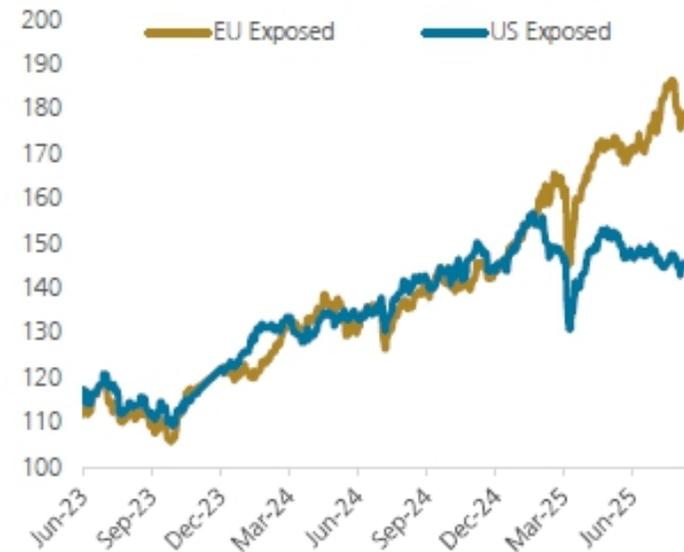
# European equity is a nice illustration of bifurcated European economy

**Figure 4: EPS downgrades/losses for FX/Tariffs (47% of market) are slowing while growth/upgrades continue for domestic sectors (53% of the market)**



Source: UBS, Bloomberg. Based on aggregation of GICS level 1 sector data.

**EU exposures strongly outperform US exposures - on EUR rise and now tariff impact -**



Source: UBS, Bloomberg

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Risks of multi-asset investing include but are not limited to market risk, credit risk, interest rate risk, and foreign exchange risk. Correlations of returns among different asset classes may deviate from historical patterns. Geopolitical events and policy shocks pose risks that can reduce asset returns. Valuations may be adversely affected during times of high market volatility, thin liquidity, and economic dislocation.

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