

IMF WEO Update, July 2026: Global Economy in Crosscurrents of War and Technology



July 30, 2026

Contact Information

Research Department

research@blom.com.lb

The July 2026 update of the IMF's World Economic Outlook was released on July 8, 2026. In the press conference, Ms Petya Koeva Brooks, Deputy Director, Research Department, stated "the global outlook is being shaped by two powerful forces pulling in opposite directions: the lingering effects of the energy shock from the war in the Middle East and a technology-driven investment boom. Developments overnight illustrate the uncertainty and risks that surround the outlook. So far, the net effect of these forces varies significantly across countries depending on their exposure to the war and their position in the technology value chain".

In terms of projections, "we are projecting global growth of 3 percent in 2026 and 3.4 percent in 2027, broadly unchanged from April on a cumulative basis. In effect, we expect a V-shaped recovery, weaker growth this year relative to our pre-war forecast, followed by a rebound next year. On inflation, the picture is somewhat less encouraging. Global headline inflation has been revised up to 4.7 percent this year, while our core inflation forecast is broadly unchanged. Put simply, the disinflation trend that has been in place since early 2024 has stalled".

That said, "the world economy has weathered the shock from the war better than feared so far, with limited evidence of second-round effects. A larger spike in oil prices was avoided thanks to inventory drawdowns, expanded production outside the Gulf, and actions to help soften oil demand. And a steady rise in the renewable energy share, combined with lower energy intensity than just a few years ago, has also made many economies more resilient. And while financial conditions tightened sharply in April, they have since eased and remained supportive by historical standards".

Moreover, “our forecast assumes that the Strait of Hormuz begins reopening in mid-July, with conditions normalizing to the pre-war state by March of 2027. Commodity price assumptions are based on market pricing as of June 10th, which implied an average oil price of \$89 a barrel for 2026. Though I'll note that the futures curve since shifted down a bit, although, of course, developments go in the other direction this morning. We also assume policy and geopolitical uncertainty remain elevated throughout 2027 and that the AI-driven technology cycle moderates from here with no exogenous boost to productivity”.

As to the risks to the outlook, “they remain tilted to the downside, and there's a lot of uncertainty. A renewed escalation in the conflict could reignite commodity price volatility, tighten financial conditions, strain policy buffers, and worsen food insecurity in low-income countries. A market correction driven by a reassessment of AI profitability is another key downside risk. On the upside, faster AI adoption could lift growth, and a swifter than expected normalization of trade through the Strait of Hormuz would also be a positive surprise”.

Turning to policy recommendations, “Central Banks should remain focused on price stability, though the appropriate response will vary by country depending on how commodity prices, the tech-driven demand, and inflation expectations interact. Now, many governments have deployed fiscal tools in response to the war, so far at limited cost. But as the shock fades, energy-related fiscal support should be unwound, and rebuilding fiscal space remains essential given elevated debt. Over the medium term, advancing structural reforms, including the energy transition, and addressing domestic imbalances will be critical to strengthen resilience and sustain balanced growth”.

Lastly, closer to home, it is interesting to note that for the Middle East and Central Asia, growth was adjusted downwards from 1.9 percent to 0.7 percent in 2026; and, specifically, in KSA it was devalued from 3.1 percent to 1.7 percent.

Below are, in order, the July 2026 and the earlier April 2026 estimates:

World Economic Outlook

Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2025	2026	2027
World Output	3.5	3.0	3.4
Advanced Economies	1.9	1.7	1.8
United States	2.1	2.3	2.2
Euro Area	1.4	0.9	1.2
Germany	0.2	0.7	1.0
France	0.9	0.6	0.9
Italy	0.5	0.5	0.5
Spain	2.8	2.1	1.8
Japan	1.1	0.6	0.7
United Kingdom	1.4	1.0	1.3
Canada	1.9	1.1	1.7
Other Advanced Economies	3.0	2.8	2.3
Emerging Market and Developing Economies	4.5	3.8	4.5
Emerging and Developing Asia	5.6	5.0	4.8
China	5.0	4.6	4.1
India	7.7	6.4	6.7
Emerging and Developing Europe	2.0	1.9	2.1
Russia	1.0	1.1	1.1
Latin America and the Caribbean	2.4	2.4	2.7
Brazil	2.3	2.4	2.2
Mexico	0.5	1.2	1.9
Middle East and Central Asia	3.7	0.7	6.5
Saudi Arabia	4.6	1.7	5.5
Sub-Saharan Africa	4.5	4.3	4.5
Nigeria	4.0	4.1	4.3
South Africa	1.1	1.1	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.4	3.7	4.4
Low-Income Developing Countries	4.8	4.8	4.9

Source: IMF, *World Economic Outlook Update*, July 2026

Note: For India, data and projections are presented on a fiscal year (FY) basis, with FY 2025/26 (starting in April 2025) shown in the 2025 column. India's growth projections are 7.0 percent for 2026 and 6.4 percent for 2027 based on calendar year.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2025	2026	2027
World Output	3.4	3.1	3.2
Advanced Economies	1.9	1.8	1.7
United States	2.1	2.3	2.1
Euro Area	1.4	1.1	1.2
Germany	0.2	0.8	1.2
France	0.9	0.9	0.9
Italy	0.5	0.5	0.5
Spain	2.8	2.1	1.8
Japan	1.2	0.7	0.6
United Kingdom	1.3	0.8	1.3
Canada	1.7	1.5	1.9
Other Advanced Economies	3.0	2.6	2.2
Emerging Market and Developing Economies	4.4	3.9	4.2
Emerging and Developing Asia	5.5	4.9	4.8
China	5.0	4.4	4.0
India	7.6	6.5	6.5
Emerging and Developing Europe	2.0	2.0	2.1
Russia	1.0	1.1	1.1
Latin America and the Caribbean	2.4	2.3	2.7
Brazil	2.3	1.9	2.0
Mexico	0.6	1.6	2.2
Middle East and Central Asia	3.6	1.9	4.6
Saudi Arabia	4.5	3.1	4.5
Sub-Saharan Africa	4.5	4.3	4.4
Nigeria	4.0	4.1	4.3
South Africa	1.1	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.4	3.8	4.1
Low-Income Developing Countries	4.8	4.8	4.9

Source: IMF, *World Economic Outlook*, April 2026

Note: For India, data and projections are presented on a fiscal year (FY) basis, with FY 2025/26 (starting in April 2025) shown in the 2025 column. India's growth projections are 6.6 percent for 2026 and 6.7 percent for 2027 based on calendar year.

For your Queries:
BLOMINVEST BANK s.a.l.
Research Department
Zaituna Bay
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Research Department
Tel: +961 1 991 784
research@blom.com.lb

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.