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Contact Information

Helmi Mrad

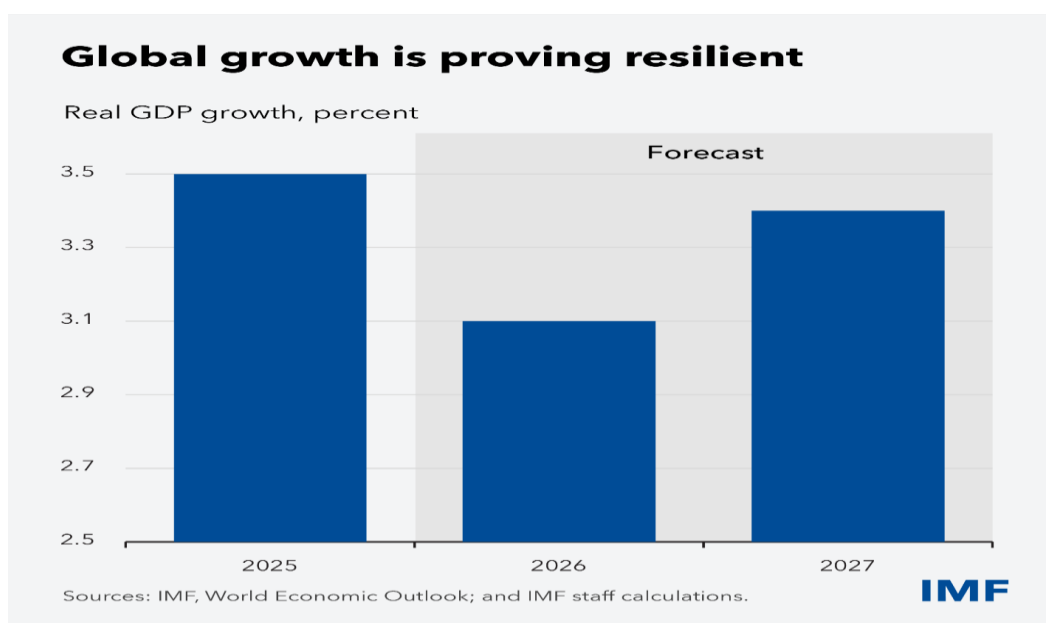
Senior Research Specialist

helmi.mrad@blominvestbank.com

This editorial examines the presentation by Ms. Silvana Tenreyro, Economic Counsellor and Director of the Research Department at the International Monetary Fund (IMF), on the October 2026 World Economic Outlook (WEO).

The global economy has faced an extraordinary sequence of shocks since 2020, yet economic activity has remained reasonably robust. The period started with the COVID-19 pandemic, which disrupted global supply chains, followed by the Russia–Ukraine war and escalating conflicts and geopolitical tensions in the Middle East. These developments have interrupted energy supplies and contributed to instability in oil and other commodity prices, including food and fertilizer inputs, with significant implications for production costs and living standards.

Furthermore, shifts in trade barriers and international trading relationships have tested the resilience of households, financial markets, and regimes. Despite these challenges, the global economy has continued to expand, even though its capacity to resist additional major shocks is becoming increasingly constrained. Global activity is estimated to grow at 3.1% in 2026 and 3.4% in 2027.



Two key forces have helped sustain economic activity: adjustments in energy markets and the boom in artificial intelligence (AI)-related investment. Maintaining this resilience therefore requires rebuilding fiscal buffers and strengthening supply capacity before existing shock absorbers are exhausted.

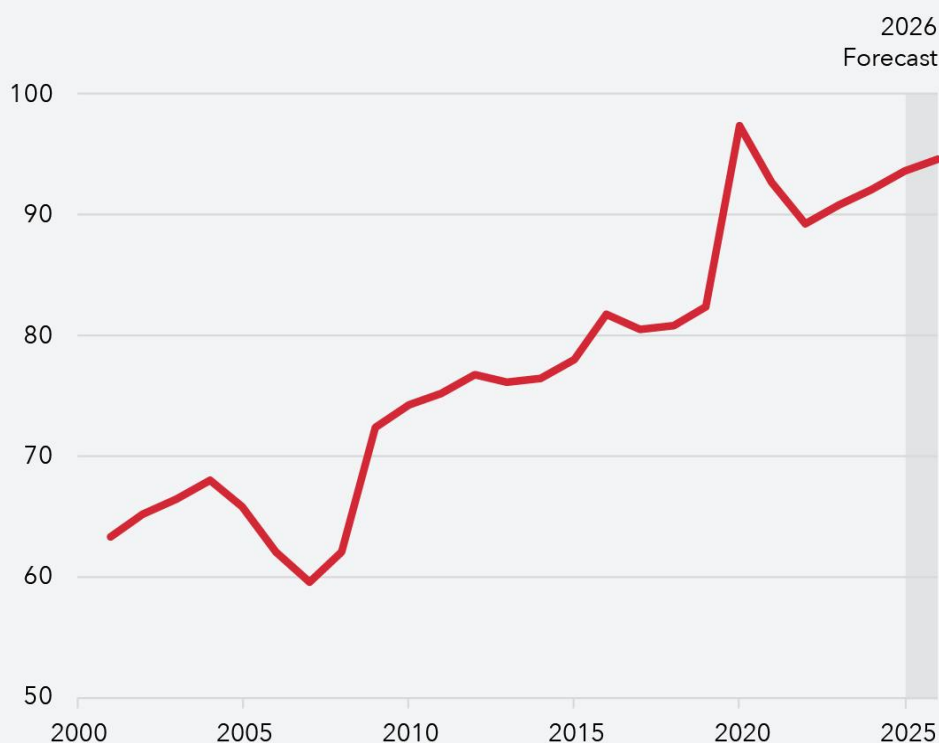
The AI investment boom has strengthened global economic activity and reinforced international trade. Meanwhile, the redirection of energy supplies, increased production in other countries, the use of existing reserves, the conversion to renewable energy sources, and improvements in energy efficiency have helped mitigate the impact of supply disruptions. Nevertheless, prolonged disruptions and deteriorating inventories could deepen energy and fertilizer price pressures, disproportionately affecting low-income countries and contributing to higher food prices. At the same time, although AI-related investment has supported growth, the concentration of this expansion in a relatively small number of companies and sectors exposes the global economy to potential financial and economic risks should investment potentials dwindle or anticipated productivity gains fail to materialize.

Beyond geopolitical tensions and their economic consequences, shrinking policy space has become an additional source of weakness. Rising sovereign borrowing costs, higher public debt, and restricted fiscal buffers have controlled the capacity of some governments to react to successive shocks. The interaction between high debt levels and costly financing can further rise fiscal pressures, leaving governments with less resources to support economic activity when new

disruptions emerge. Rebuilding fiscal buffers and restoring debt sustainability are therefore indispensable to strengthening the capacity to absorb future shocks.

Global public debt is elevated and rising

Percent of GDP



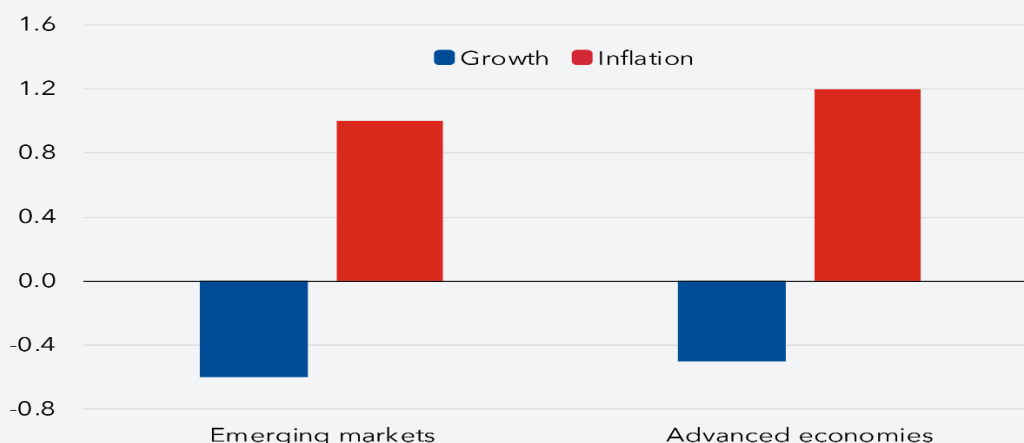
Sources: IMF, World Economic Outlook database; and IMF staff calculations.

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Against this backdrop, decisive policy action is needed to restore stability without sacrificing long-term growth. Credible medium-term fiscal adjustment plans can help rebuild fiscal space and preserve governments' ability to respond to future shocks. Such adjustment should focus not merely on reducing deficits, but also on improving expenditure efficiency, strengthening revenue mobilization, and prioritizing investments that support productive capacity and sustainable growth. Meanwhile, temporary and targeted assistance can protect exposed families from growing living costs without placing excessive burden on public finances, as an alternative to broad-based subsidies that may falsify price signals and prove costly to sustain.

Higher commodity prices and concerns about the fiscal outlook could hurt growth and fuel inflation

Risk scenario; percentage point change from 2027 baseline forecasts



Sources: IMF, World Economic Outlook; and IMF staff calculations. Note: The impact corresponds to total effects in Box 1.2 in the Oct. 2026 WEO. In addition to higher commodity prices, term premium in AEs and EMs excluding China rises by 60 basis points relative to baseline starting in 2026Q4. China term premium rises by 40 basis points. Inflation expectations increase by 30 basis points in AEs and 20 basis points in EMs excluding China. No inflation expectations shock is assumed for China.

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Monetary policy must too remain focused on price stability to preserve purchasing power and maintain economic confidence. Renewed increases in energy and commodity prices could prolong inflationary pressures, complicating monetary policy decisions and potentially delaying interest-rate adjustments. Central banks must therefore remain focused against the risk that temporary supply shocks become embedded in inflation expectations, while accounting for their implications for economic activity. Credible monetary frameworks, clear communication, and appropriate policy flexibility remain essential to maintaining the balance between price stability and sustainable growth.

Strengthening supply-side resilience and international cooperation is equally important. Diversifying energy sources, investing in productive capacity, and enhancing supply-chain flexibility can shrink exposure to external disruptions, while stable and predictable trade relationships can support investment and international commerce. International cooperation also remains critical to handling cross-border jeopardies, preserving financial steadiness, and ensuring that technological advances, particularly AI, translate into broader productivity gains. In an increasingly interconnected world, resilience depends not on economic

isolation, but on stronger domestic fundamentals and more reliable international partnerships.

To cut a long story short, the global economy' s ability to withstand consecutive shocks should not obscure the vulnerabilities accumulating beneath the surface. Rising energy pressures, concentrated investment risks, and diminishing fiscal space highlight the limits of relying on short-term adjustments to sustain economic stability. Rebuilding resilience requires a coordinated policy approach that combines credible fiscal frameworks, disciplined monetary policy, structural reforms, and international cooperation. The objective is not simply to manage the next disruption, but to strengthen economies' capacity to absorb shocks without compromising long-term growth and financial stability. The decisive test for policymakers is whether today' s resilience can be transformed into lasting economic strength before the next shock arrives.

Lastly, the below table reveals IMF' s world economic outlook growth projections of main advanced, emerging market, and developing economies.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2025	2026	2027
World Output	3.5	3.1	3.4
Advanced Economies	2.0	2.1	1.8
United States	2.3	2.3	2.3
Euro Area	1.2	1.1	1.2
Germany	0.2	1.3	1.1
France	0.9	0.4	0.7
Italy	0.5	0.8	0.6
Spain	2.6	2.5	1.8
Japan	1.2	0.7	0.7
United Kingdom	1.2	1.3	1.2
Canada	1.9	1.1	1.7
Other Advanced Economies	3.1	4.2	2.7
Emerging Market and Developing Economies	4.5	3.7	4.4
Emerging and Developing Asia	5.6	5.1	4.9
China	5.0	4.5	4.0
India	7.8	7.0	7.0
Emerging and Developing Europe	2.0	1.7	2.1
Russia	1.0	0.9	0.9
Latin America and the Caribbean	2.5	2.3	2.5
Brazil	2.3	2.2	1.9
Mexico	0.5	1.5	1.8
Middle East and Central Asia	3.7	-0.3	6.3
Saudi Arabia	4.6	-3.3	7.9
Sub-Saharan Africa	4.5	4.5	4.5
Nigeria	4.0	4.2	4.3
South Africa	1.1	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.5	3.6	4.4
Low-Income Developing Countries	4.8	4.8	4.8

Source: IMF, *World Economic Outlook*, October 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 7.4 percent for 2026 and 7.0 percent for 2027 based on calendar year.

For your Queries:

BLOM BANK s.a.l.

Investment & Wealth Management Division

Research Department

Zeituna Bey

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Helmi Mrad

helmi.mrad@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

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