



By: Daniel Lacalle

No recession in 2026, but a period of poor growth continues



The IMF estimates for 2026 show no signs of recession. However, the global economy remains in a period of poor growth, high debt, persistent inflation and low productivity.

There may not be a recession, but citizens feel poorer as net real wages decline in most economies, remaining below pre-pandemic levels. Why? Because in most developed economies, GDP growth is bloated by government spending, which means high debt, followed by rising taxes that hurt investment and productivity.

The IMF has had to revise its United States estimates to more than double what they expected in early 2025, while Argentina clearly outperforms both the global and regional averages.

Global GDP growth is projected at 3.3% in 2026 and 3.2% in 2027, slightly above the October 2025 projections and broadly in line with 2025 levels.

US outperforms advanced economies

The positive surprise is the United States. Advanced economies are expected to grow by about 1.8% in 2026 and 1.7% in 2027 thanks to higher US figures, while emerging markets and developing economies reach around 4.2% and 4.1%, respectively, despite a slowdown in China.

The IMF calls this “resilient growth” after a year of warning about risks. This is surprising, because many analysts point out that we should be worried when the IMF starts giving bullish messages.

Despite the ironic comments, the IMF does warn about the poor levels of economic development in the leading economies.

The main drivers of economic strength come from AI-related investment, accommodative financial conditions and private sector flexibility, which offset the negative impact of

geopolitical risk and trade negotiations.

The US will be the only G7 economy escaping stagnation in 2025-2027

The Fund was clearly wrong about its estimates for the US economy published last year.

It now projects **US growth** at 2.4% in 2026, another relevant upward revision from its October 2025 forecast, considering stronger-than-expected 2025 data and a powerful impulse from AI-related capital spending (data centres, chips, digital infrastructure).

For 2027, US growth is expected to moderate to about 2.0%, still above the advanced-economy average.

The US will be the only G7 economy escaping stagnation in 2025-2027 and outperforming all its major peers with lower immigration, lower taxes and a reduction in government spending, while the major peers, Germany, Japan, France, UK and Canada, continue to disguise the private sector recession with more public spending and rising immigration.

The IMF has not admitted its mistake in assuming stagnation and elevated inflation due to tariffs and prefers to explain the massive upgrades justifying them on lower policy rates, ongoing fiscal support, and high-tech investment.

It is not important. The reality is that the US has proven wrong all the fearmongers and doom predictors and has turned into one of the main drivers of global demand in this forecast round.

Argentina: growth above global and regional averages

The IMF expects **Argentina** to grow by around 4% in both 2026 and 2027, clearly above the

3.3% world pace and significantly ahead of Latin America's projected 2.2% in 2026 and 2.7% in 2027.

This comes after an estimated 4.5% expansion in 2025, following a 1.3% contraction in 2024. The International Monetary Fund explicitly links this impressive trajectory to the policies of President Milei and recent macrostabilisation efforts.

Argentina moves from chronic underperformer to clear outperformer in the IMF's baseline

Argentina moves from chronic underperformer to clear outperformer in the IMF's baseline, especially with a weak outlook for Mexico and Brazil.

Supply-side policies, private sector focus and abandoning interventionism in energy are among the factors that put a faster-growing US and Argentina as the "pockets of strength" that allow global growth to stay around 3.3% despite the euro area and LatAm stagnation.

Low growth in Europe

For the euro area, the IMF shows moderate but gradually improving growth. However, most of it comes from Germany's increasing debt.

Real GDP is projected to expand by 1.3% in 2026 and 1.4% in 2027, a slight upward revision versus the October 2025 outlook and consistent with the ECB's own projections.

However, we cannot forget that this disastrous economic growth comes in the middle of the **Next Generation EU** stimulus plan and with rate cuts.

Germany is expected to recover from near-stagnation towards 1.1% in 2026 and 1.5% in 2027 only due to a more than debatable public spending and indebtedness programme.

France is expected to show no real growth by about 1.0% and 1.2%, driven by government spending.



We may not have a recession, but weakness in developed and emerging economies is unjustified, and the main culprit is government interventionism - Daniel Lacalle

The IMF's message is that, compared with the United States, the euro area remains a low-growth region, constrained by weak productivity and excessive regulation and taxes.

For the United Kingdom, the Fund keeps an optimistic forecast at 1.3% growth in 2026 and 1.5% in 2027. It is said that, after the US, the UK and Canada are the fastest-growing G7 economies.

This reminds us that net zero, high taxes and big government are the recipe for **stagnation**.

Canada is projected to expand by just 1.4% per year in 2026 and 2027. **Japan** will only show 0.7% growth in 2026 and 0.6% in 2027, according to the IMF, despite years of government spending on so-called stimulus.

In Asia, the IMF focuses its attention on the Chinese slowdown, offset by the strength in India.

China is projected to grow by 4.5% in 2026 and 4.0% in 2027, slower than its 5% growth in 2025. However, it is still one of the main engines of global expansion, despite the ongoing challenges facing the real estate sector.

India remains the fastest-growing large

economy in the IMF's outlook, with growth around the 6% range in both 2026 and 2027, driven by domestic demand. India is, according to the IMF, the high beta growth story in Asia.

The IMF should recover economic sanity recommendations and remind governments that supply-side and market-oriented economies focused on strengthening the private sector are the drivers that the global economy requires, and that constant public sector expansion hinders growth and creates financial weakness.

We may not have a recession, but weakness in developed and emerging economies is unjustified, and the main culprit is government interventionism.