

Macro Monthly

Economics
Global

Resilient but uneven global growth

- ◆ Disruption around the Strait of Hormuz continues to impact energy prices and the inflation outlook...
- ◆ ...but the AI cycle is playing a key role in keeping pockets of the global economy growing quickly...
- ◆ ...resulting in a 'K-shaped' economy that's hard to interpret for policymakers

The global economy continues to perform better than expected, despite persistent risks. Ongoing conflicts, elevated debt levels, and the accelerating impact of AI are pulling the data in different directions and driving divergent economic outcomes across regions and sectors.

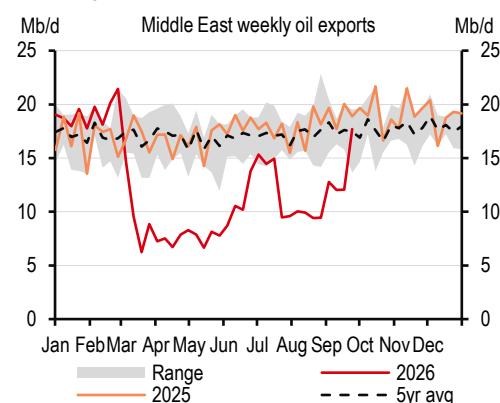
Prices remain contained

While flows of crude oil from the Middle East may be picking up, this is at a higher cost (Charts 1 and 2), and refined fuel prices and gas prices are a pressing inflationary concern. But there is still **limited evidence of this spreading into core prices**. Indeed, core inflation remains under control in the US and Europe, with rental costs accounting for a key part of the remaining stickiness in the US.

Core prices are yet to rise meaningfully

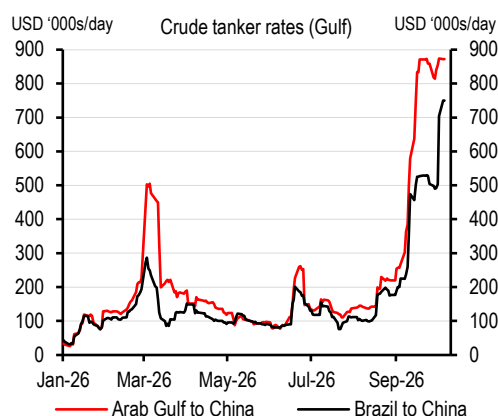
While the persistence of higher energy costs and the growing impact of El Niño on food prices poses upside inflation risks – weaker labour markets (partly due to the threats from AI), slower wage growth, and productivity improvements continue to **keep broader inflation in check**. Where costs are rising, firms are seemingly finding it hard to pass these on.

1. Middle East oil exports have picked up recently...



Note: Based on departures.
Source: Bloomberg

2. ...but it's costing more to get product out



Note: Latest data: 6 October.
Source: Bloomberg

Bond yields are rising amid continued fiscal concerns

Rates moving higher

Nonetheless, more central banks are feeling that they can't take too many chances and have either delivered rate rises or have signalled that they plan to (or do more). Rising policy rates haven't helped bond market concerns over fiscal credibility in much of the world – and **higher bond yields are posing an additional concern** to indebted governments that face rising fiscal pressures from ageing populations.

Year-to-date growth has largely beaten expectations

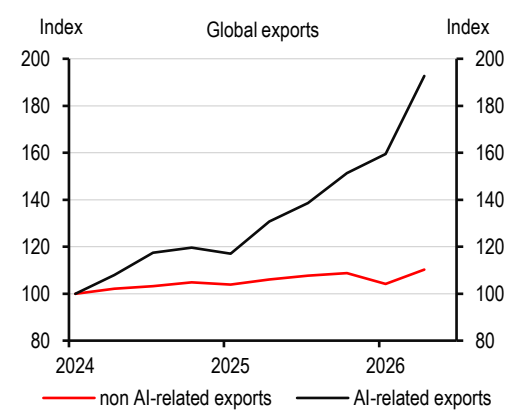
Resilient growth

But despite all of this, **the global economy continues to show remarkable resilience**. The global composite PMI is at a 40-month high, consumer demand is holding up (Chart 3), and trade flows are being supported by the wave of AI-related shipments (Chart 4). Growth in the first three quarters of 2026 has outstripped expectations in most economies.

3. US consumer spending has held up for now



4. The AI trade remains a key driver of global growth



Tighter fiscal policy and higher rates pose risks

Challenges remain

While there are clearly challenges to this resilience in the coming months from **squeezes to real incomes, tighter fiscal policy, and higher interest rates**, the continued ability for the global economy to ride out these shocks remains encouraging, even if that growth is uneven and is not being felt by everyone.

We forecast 2026 global GDP growth of 2.7%

Growth forecasts

With the exception of economies such as Korea and Taiwan, where we expect more active fiscal policy – fuelled by tech sector revenues – to support stronger domestic demand, **we still forecast some moderation in global growth to the end of the year** with higher inflation and higher interest rates weighing on consumer spending.

The upside surprises to Asian and European growth in 1H largely explains the upward revision to our annual average global GDP forecasts for 2026 from 2.5% to 2.7%. Our 2027 forecast is unchanged at 2.7%.

Key GDP growth forecasts

% year	2026 forecast		2027 forecast		2028 forecast
World	2.7	(2.5)	2.7	(2.7)	2.7
US	2.3	(2.3)	2.3	(2.3)	2.2
Mainland China	4.6	(4.6)	4.7	(4.7)	4.5
Japan	0.8	(0.7)	0.9	(1.0)	1.1
India*	7.7	(6.8)	6.8	(6.4)	6.7
ASEAN-6	5.0	(4.2)	4.7	(4.3)	4.9
Eurozone	1.0	(0.3)	1.0	(0.9)	1.3
UK	1.4	(1.1)	1.1	(1.0)	1.4
Brazil	1.8	(2.0)	1.0	(1.7)	1.6
Mexico	1.2	(1.0)	1.8	(2.0)	2.0

Note: *India data is calendar year forecast here for comparability. Previous forecasts are shown in parenthesis and are from the Macro Monthly dated 7 July 2026.
 Green indicates an upward revision, red indicates a downward revision.
 Source: Bloomberg, HSBC Economics

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
15 Sep	Mainland China	Retail sales (% y-o-y)	Aug	0.4	0.8	0.6	↓
15 Sep	Mainland China	Industrial production (% y-o-y)	Aug	5.2	4.8	4.5	↑
16 Sep	UK	CPI (% y-o-y)	Aug	3.1	3.1	2.9	→
30 Sep	US	Total PCE price index (% y-o-y)	Aug	3.4	3.7	3.4	↓
1 Oct	US	ISM Manufacturing PMI (Index)	Sep	54.5	55.0	54.6	↓
2 Oct	Eurozone	HICP (% y-o-y)	Sep, flash	3.8	3.7	3.2	↑
2 Oct	US	Nonfarm Payrolls, monthly change (000s)	Sep	29	90	162	↓

Note: ↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus.
 Source: Bloomberg, HSBC

Key upcoming events

Date	Market	Release	Period
14 Oct	Mainland China	PPI, CPI	Sep
14 Oct	Mainland China	Exports, Imports	Sep
14 Oct	US	CPI	Sep
15 Oct	UK	GDP	Aug
15 Oct	US	Retail Sales	Aug
19 Oct	Mainland China	GDP, Retail Sales	Aug
20 Oct	Mainland China	People's Bank of China interest rate announcement	-
21 Oct	UK	CPI	Sep
23 Oct	UK	Retail Sales	Sep
23 Oct	EU, UK, US	PMIs	Oct
29 Oct	US	Federal Reserve interest rate announcement	-
29 Oct	US	GDP	Q3
29 Oct	Eurozone	European Central Bank interest rate announcement	-
30 Oct	Eurozone	GDP	Q3
5 Nov	UK	Bank of England interest rate announcement	-

Source: LSEG Eikon, HSBC

Disclosure appendix

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