

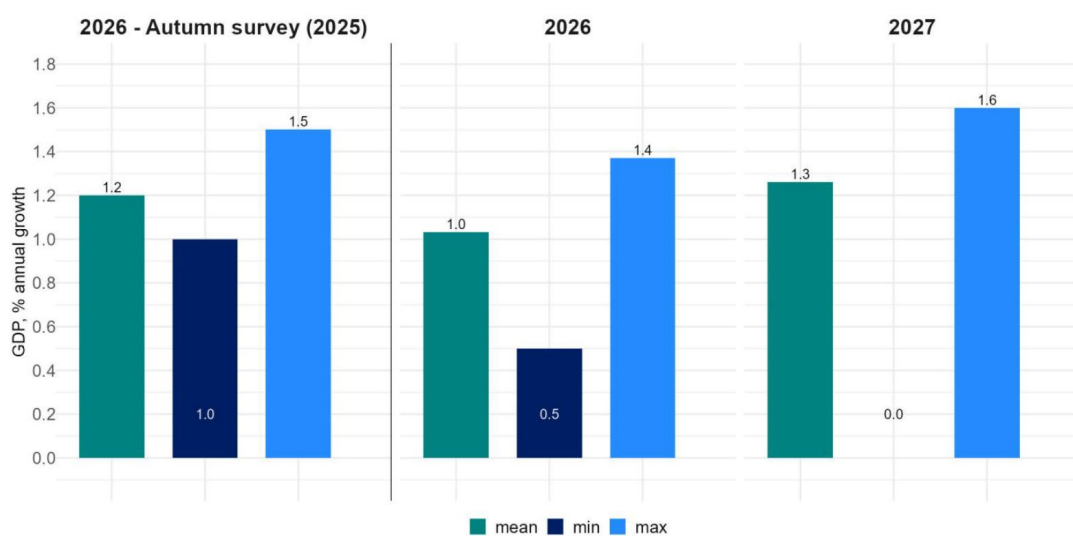
## Executive Summary of the Spring 2026 AIECE General Report

Stockholm, 22 May 2026

# AIECE Institutes See Global Growth Slowing Amid Geopolitical Uncertainty

Worldwide growth is slowing in 2026. AIECE members project it to reach 2.7% after 3.4% in 2025, amid a geopolitical context that is stoking inflationary pressures and heightening uncertainty. The euro area will not be spared: the different forecasts from AIECE members yield a mean forecast of 1.0% in 2026 (after 1.5% in 2025), with a slight acceleration to 1.3% in 2027 (see Figure 1). However, the current uncertainty is weighing on members' forecasts for the euro area, which for 2026 range from 0.5% to 1.4%. 81% of institutes have revised their forecasts downward, and three quarters expect downward risks for their 2026 forecasts. In this context, the European Central Bank has cut its 2026 growth forecast for euro area by 0.3 percentage points to 0.9%, while the IMF also revised its 2026 forecast down by 0.2 percentage point for 2026 for the world output.

Figure 1: Euro Area GDP Growth Forecasts of AIECE Institutes



## Investment and Demand Weighed Down by Rising Uncertainty

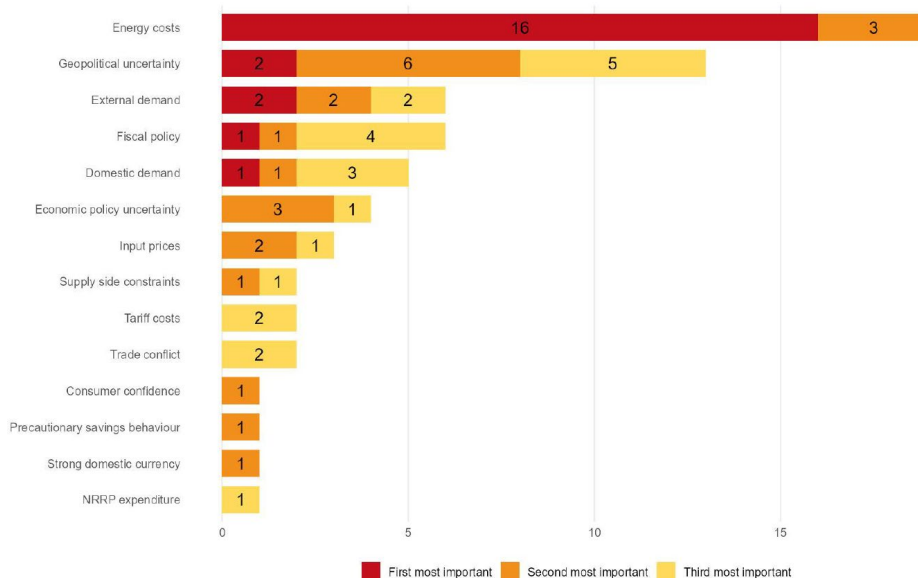
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This weak growth outlook for 2026 reflects softer investment and private demand. Increased geopolitical uncertainty is certainly taking a toll on European countries. AIECE members highlight that its impact mainly comes through delayed corporate investment decisions, increased volatility in financial markets and greater demand for strategic autonomy.

### Energy Costs and Weak Confidence Continue to Restrain Growth

Growth is expected to edge slightly higher in 2027 as energy pressures ease, but it will remain below historical averages. As expected, 16 out of 23 institutes identified energy costs as the top-ranked factor affecting economic growth in the euro area in 2026, and 3 ranked them as the second most important (see Figure 2). Geopolitical uncertainty comes next by a wide margin, echoing both the energy-cost factor and US political uncertainty. External demand follows, reflecting weaker export growth and subdued global goods trade, and in fifth place comes domestic demand. On the domestic side, households have remained cautious: the saving rate stayed elevated amid geopolitical risks and uncertainty. Consumer confidence also plummeted in April 2026, far below its long-run average and reaching its lowest level since late 2022.

Figure 2: Factors Affecting European Economic Growth in 2026



### Domestic Demand Remains Fragile Despite Investment Resilience

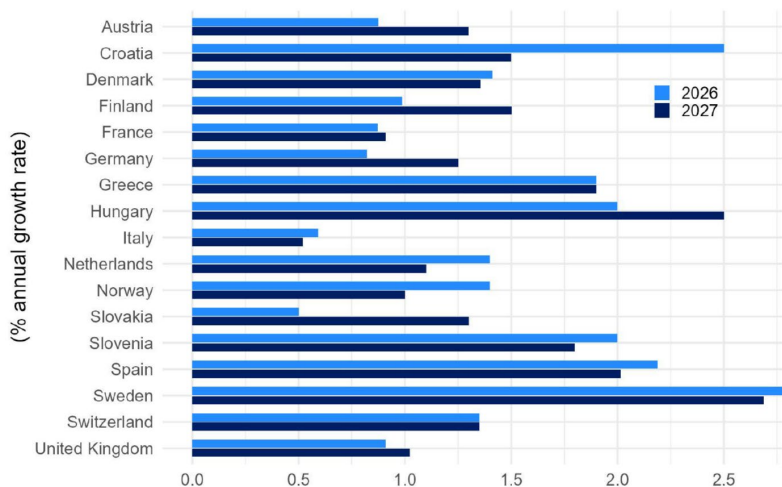
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Private consumption in the euro area is expected to moderate to +1.2% in 2026 and 2027 (after 1.5% in 2025). Public consumption will be higher in 2026 than in 2027, at +1.5% compared with +1.3%. Finally, the AIECE forecast for gross fixed capital investments is +2.2% in 2026 and +2.3% in 2027, although forecasts vary widely across institutes. While domestic demand still remains the main driver, it is being dampened by weaker income growth. Household real incomes are being eroded by higher energy costs, and consumer confidence has weakened since late 2025. Business investment also remains sluggish because of policy uncertainty and tighter financing conditions. In this dire context, 48 % of institutes expect corporate margins in their country to decline in 2026, while only 15 % think they will improve.

### Diverging Growth Prospects Across European Economies

At the country level, the picture is highly uneven (see Figure 3). While Sweden, Spain, Slovenia, Hungary and Croatia are expected to exceed the 2 % growth threshold in 2026, Italy, France and Germany are still below 1 % in 2026, although Germany's growth is expected to accelerate to 1.25% in 2027, underpinned by its substantial fiscal stimulus package. According to AIECE institutes, the most likely drivers of heterogeneity in growth across European countries in 2026 are mainly exposure to global trade and industrial cycles (40%), followed by energy mix and sensitivity to price shocks (20%).

Figure 3: Country GDP Forecasts of AIECE Institutes

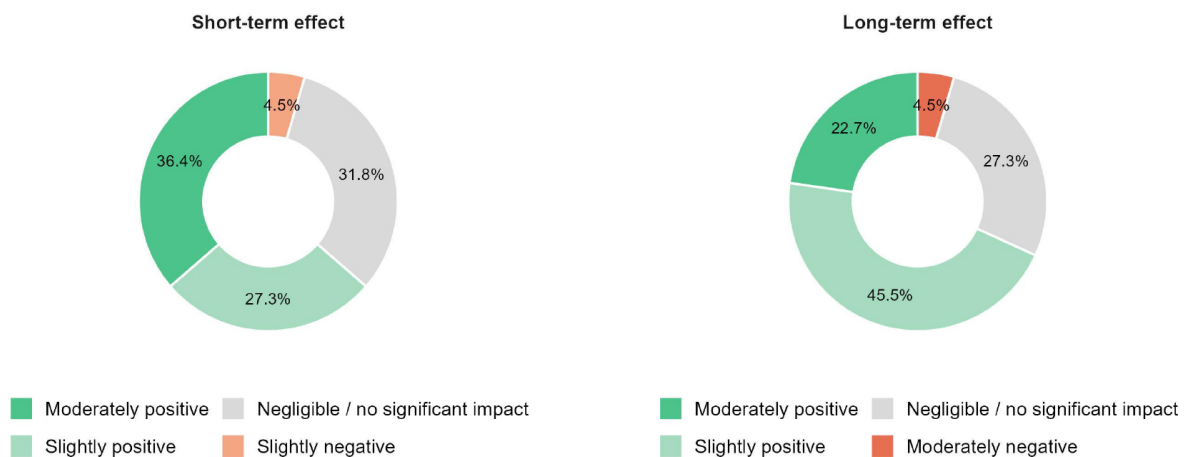


### Private Consumption and Defence Spending Drive National Differences

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These differences can also partly be explained by disparities in private consumption, which remains very strong in Spain and Sweden but sluggish in Italy and France. Furthermore, there could be differences in terms of public investments as European countries increase their military budgets gradually, with an uneven impact on economic growth. According to AIECE institutes, 64 % see higher military spending as having a positive short-term effect, and this share rises to 68 % for the long-term effect over the next ten years, although the magnitude of the positive effect is less pronounced (see Figure 4).

Figure 4: Projected Effects of Military Spending



### Shared Economic Challenges Across Europe

Nevertheless, most countries are currently facing broadly similar challenges, with 15 institutes out of 23 citing energy costs as one of the three most important factors weighing on economic growth in their country, 10 pointing to fiscal policy, 8 to geopolitical uncertainty, and a quarter to external demand or domestic demand.

### Energy Inflation Remains the Main Inflationary Pressure

Energy inflation will therefore be the main factor slowing growth in 2026. On an annual basis, AIECE members expect Brent crude oil price per barrel to fall from \$83.1 in 2026 to \$73.6 in 2027. Headline inflation is expected to reach 2.5% in annual terms in 2026 and to ease to 2.1% in 2027 as energy prices decline. 21 out of 23 AIECE members ranked

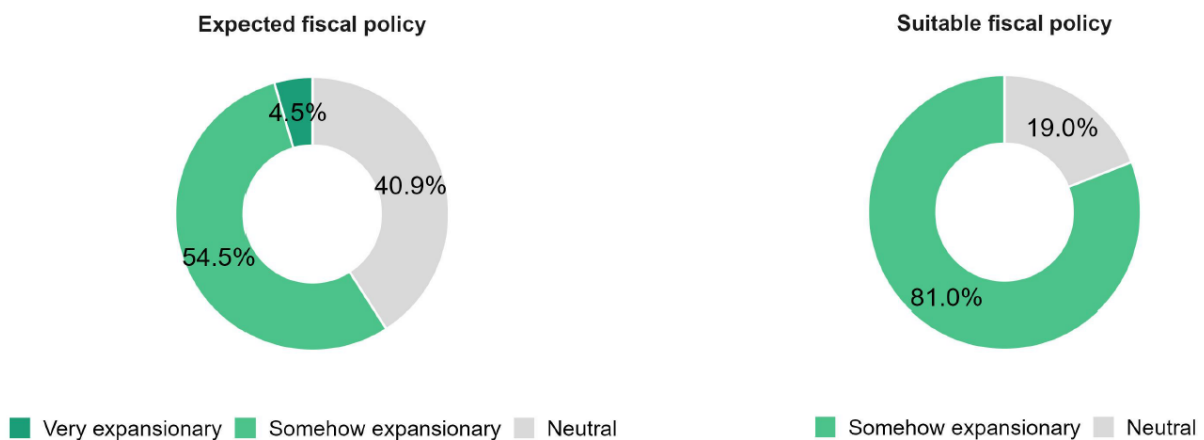
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commodity prices as the first most important factor affecting inflation in 2026. Indeed, euro area annual inflation stood around 3.0% in April according to Eurostat, following a sharp rise to 2.6% in March 2026, up from 1.9% in February. Looking ahead, ECB staff project inflation to average 2.6% in 2026 before moving back toward 2.0% in 2027, broadly in line with AIECE expectations. It is also worth noting that the ECB’s March 2026 projections were revised up by 0.7 percentage points for 2026, owing to the energy shock. For AIECE institutes, the Middle East conflict has prompted a strong upward revision of inflation forecasts for their own countries, by around 1 percentage point for Finland, Italy and Spain, and by up to 1.6 percentage points for the UK.

### Policy Support Expected Through Expansionary Fiscal Measures

As countries face a difficult economic environment, 60% of institutes are expecting an expansionary fiscal policy in the euro area in 2026, while 81% think that an expansionary fiscal policy would be suitable for 2026, as it can support demand when households and firms remain cautious and private spending is struggling to pick up again, while also acting as a buffer against the energy shock (see Figure 5). Monetary policy is expected to remain neutral by 60 % of institutes, while 30 % expect it to be contractionary, and 60 % think the suitable monetary policy should be neutral, while 30 % think it should be expansionary.

Figure 5: Assessment of Euro Area Fiscal Policy

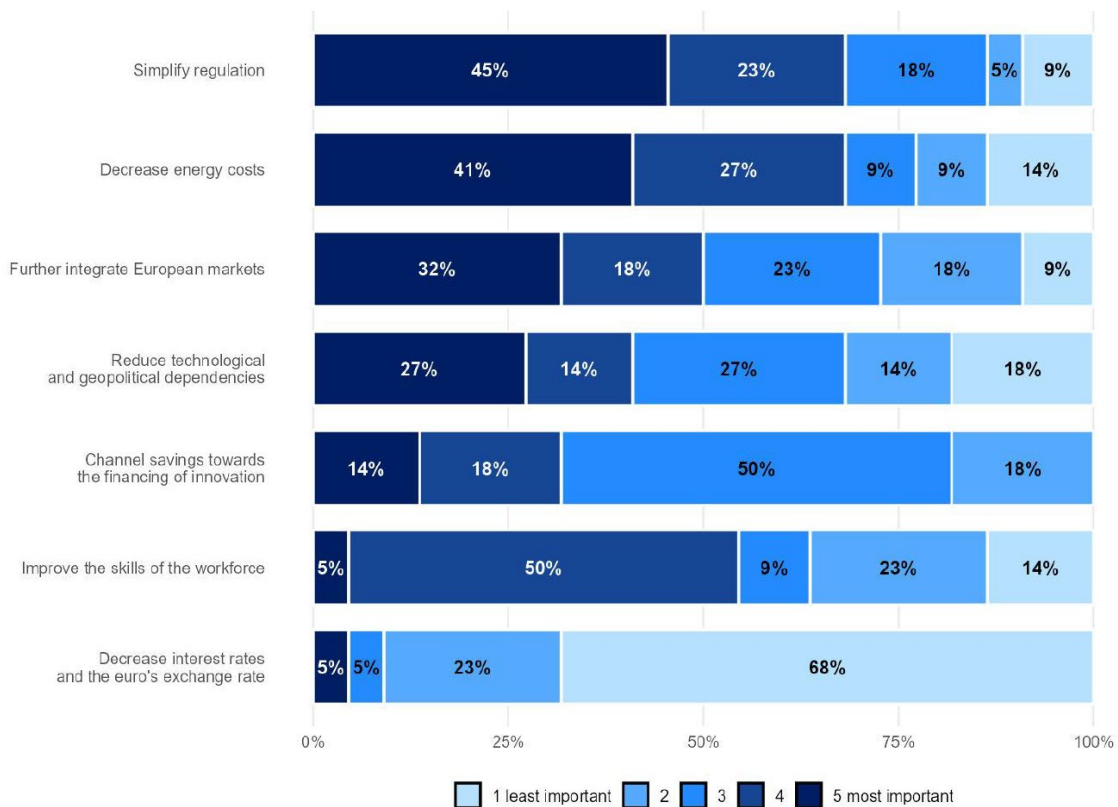


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### Competitiveness Under Pressure from Global Trade Tensions

Regarding market shares, AIECE members mainly expect a moderate decline, amid competition from China and US tariffs, meaning that net exports may remain a drag on growth in 2026. More broadly, this reflects a context in which the euro area’s competitiveness is under pressure. Against this backdrop, AIECE members identified the main priorities for restoring competitiveness as lower energy costs, simpler regulation and better integration of countries within the European market (see Figure 6).

Figure 6: Main Priorities to Improve European Competitiveness



### Ageing Populations Pose Long-Term Growth Challenges

In the longer run, Europe’s ageing population is also a drag on growth. The European Commission forecasts that slower growth of the working-age population will reduce euro-area potential GDP growth from around 1.4% in 2024 to about 1.2% by 2027. Accordingly,

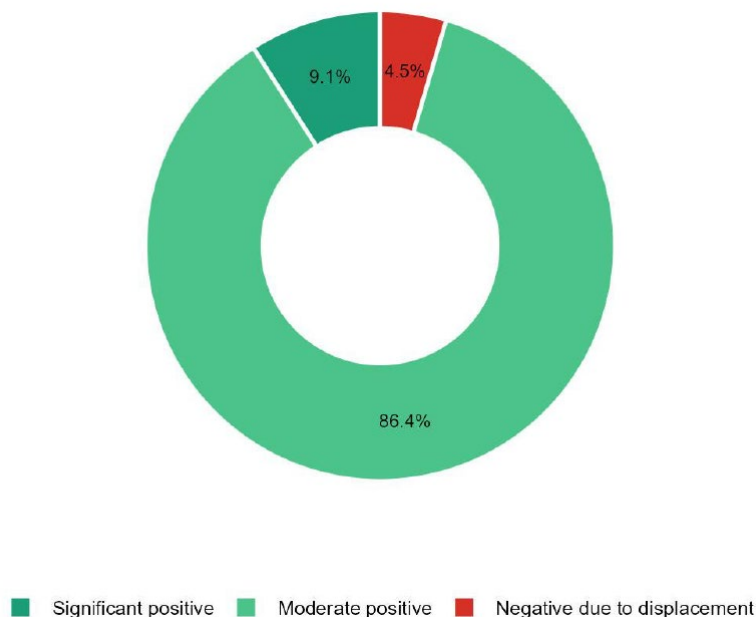
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AIECE members identified the most likely consequences as lower potential growth, greater pressure on public finances and tighter labour-supply constraints.

### Artificial Intelligence Seen as a Gradual Productivity Booster

On the positive side, the rapid adoption of new technology, especially artificial intelligence, could boost productivity. 95 % of AIECE institutes think AI will have a positive impact on labour productivity while only 5 % think the impact will be negative due to displacement. But 86% expect a moderate positive impact, against only 9% expecting a significant positive impact (see Figure 7). Thus, the consensus is that AI helps productivity, but as a gradual diffusion, not a transformative shock.

Figure 7: Expected Impact of AI on Labor Productivity Over the Next 10 Years



### Green Transition Progressing Despite Economic Constraints

Finally, in terms of green transition, 80% of institutes say it is relatively advanced in their own country, with 30 % even saying it is well developed. Nonetheless, they also acknowledge that mainly economic constraints, but also political constraints, remain barriers to its full development.



## **Executive Summary of the Spring 2026 AIECE General Report**

### **About the AIECE**

The AIECE Association of European Economic Research Institutes, founded in 1957, brings together 40 member institutes and observers from 19 countries and five international organizations. The association convenes twice a year to exchange views on the economic outlook for European economies and discuss economic policy as well as structural economic developments. The AIECE serves as an independent, transnational forum for the regular and systematic assessment of Europe's economic outlook. More information is available at: <https://www.aiece.org>.

### **Spring 2026 AIECE General Meeting and Report**

The 134<sup>th</sup> AIECE General Meeting has been held on 21-22 May 2026 in Stockholm, hosted by Konjunkturinstitutet (National Institute of Economic Research), an agency of the Swedish Ministry of Finance. The Spring 2026 AIECE General Report, authored by INSEE (France), offers a comprehensive macroeconomic outlook for the European economy. It also includes detailed assessments from member institutes on key cyclical, policy, and structural issues. Link to the report package: <https://www.aiece.org/general-meetings>.