



Quarterly economic outlook: Wall Street bulls, Main Street bears.

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SEI recently released its fourth-quarter economic outlook. Here is a summary of our key perspectives, focusing on global economic growth, monetary policy, inflation, geopolitics, elections across the globe, and equity markets.

- **U.S. growth leadership expected to continue:** The U.S. is projected to remain the standout performer among developed economies, with momentum from strong consumer spending and ongoing investment in AI and technology infrastructure.
- **Global growth divergence:** The eurozone is expected to see an uptick in growth in 2026, supported by fiscal stimulus and low interest rates. In contrast, the U.K. may experience further slowing due to tighter fiscal policy and elevated inflation. Canada faces another challenging year, with tough USMCA trade negotiations ahead.
- **Trade policy uncertainty:** U.S.-Canada trade relations will be tested as the USMCA treaty comes up for review. The Supreme Court will decide whether the reciprocal tariffs are constitutional; a ruling against the Trump administration's position would reduce goods inflation but sharply cut government revenues and increase the deficit.
- **Demographic shifts:** By 2050, major economies including China, Japan, and South Korea, will see significant declines in their working-age populations, while the U.S., U.K., and Canada are expected to register gains—assuming continued immigration and stable fertility rates.
- **Inflation outlook:** U.S. core inflation is forecast to fluctuate in the 2.75%–3.25% range in 2026. There is potential for lower inflation if tariffs are scaled back or found unconstitutional, but near-term pressures remain owing to recent tariff increases.
- **Monetary policy:** Central banks have limited room for further rate cuts. The Bank of England may cut rates to counteract the deflationary effects of tax increases, while the Federal Reserve's future direction could be influenced by a new Fed chair more sympathetic to the administration's views.
- **Fiscal expansion:** Fiscal policy is expected to be even more expansive in 2026 in the U.S., Canada, the U.K, Europe and Japan.
- **Geopolitical risks:** Ongoing conflicts (Ukraine-Russia, U.S.-Venezuela) and trade tensions (U.S.-China, U.S.-Canada) will continue to shape the global landscape but are not expected to cause major market disruptions unless oil markets become more volatile.
- **Investor sentiment:** Analysts expect robust earnings growth in 2026; earnings in emerging markets remain healthy, though sentiment is tempered by political and economic risks.
- **Political calendar:** The U.S. mid-term elections in November 2026 could lead to even worse policy gridlock in 2027 if the Democrats regain control of the House.

A full-length paper is available if you wish to learn more about these timely topics.

GLOSSARY AND INDEX DEFINITIONS

For financial term and index definitions, please see: <https://www.sei.com/ent/imu-communications-financial-glossary>

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