

# 2025

## A forecast



• PAX<sup>®</sup> •  
CONSULTING

Pax Consulting

23-12-2025

Index

1. INTRODUCTION..... 3

2. THE ECONOMY IN 2026..... 3

3. CONFLICTS AND GEOPOLITICAL TENSIONS..... 4

    3.1 Ukraine ..... 4

    3.2 USA-China and Taiwan ..... 5

    3.3 Venezuela ..... 5

4. GLOBAL SECURITY AND OTHER CONFLICTS..... 6

5. THE EU, THE THIRD GLOBAL ACTOR..... 7

6. CONCLUSIONS..... 7

# 1. INTRODUCTION

The year 2026 is shaping up to be a period of “continued but divergent expansion” in the global economy, characterized by structural geoeconomic fragmentation. While an imminent global recession is ruled out, growth will be moderate and uneven, influenced by U.S. trade policy (under the Trump administration), the reconfiguration of supply chains, and the persistence of high-intensity armed conflicts. Global security is shifting toward an unstable multipolar model, where competition for critical resources (such as in the Sahel) and the militarization of foreign policy define international relations.

## 2. THE ECONOMY IN 2026.

The global economy will demonstrate resilience, though with a structural slowdown compared to previous decades.

**Global GDP:** Projections place worldwide growth between 2.8% and 3.2% for 2026.

**United States:** The U.S. is expected to surpass consensus estimates with real GDP growth close to 2.2%–2.6%, driven by tax cuts, looser financial conditions, and a boom in Artificial Intelligence (AI) investment.

**China:** Despite headwinds, expansion is projected at 4.5% to 4.8%. Growth will be supported by a strong manufacturing base and robust exports, although domestic demand and the real estate sector will remain weak spots.

The disinflationary trend will continue. Core inflation in developed markets is expected to moderate toward central bank targets (around 2–2.3% in the U.S.). This will allow for a normalization of monetary policy:

- The Federal Reserve could cut rates to the 3–3.25% range.
- The European Central Bank (ECB) would keep rates stable or make slight cuts as inflation falls.

Global trade will face elevated uncertainty due to U.S. tariff policies. The U.S. administration is expected to continue to use tariffs as a coercive tool, not only against China but also against traditional partners such as the EU, Canada, and Mexico. China, for its part, will accelerate its dominance in the export of intermediate goods to embed itself in global supply chains and evade trade barriers.

### 3. CONFLICTS AND GEOPOLITICAL TENSIONS.



#### 3.1 Ukraine

By 2026, the war in Ukraine will remain a "Level I" contingency (high impact, high probability).

**Conflict Dynamics:** An intensification of attacks by both sides against critical infrastructure and population centers is expected. Russia will maintain its offensive to consolidate control over Donbas and Zaporizhzhia.

**Negotiation Scenario:** Although both Moscow and Kyiv will initially resist making major concessions in 2026, diplomatic pressure from the Trump administration—combined with military exhaustion and the U.S. electoral calendar—will increase the likelihood of seeking a negotiated settlement toward the end of the year. Washington could oscillate between tightening sanctions on Russia or threatening to cut aid to Kyiv in order to force both sides to the negotiating table. However it is very unlikely that Trump take any real decision which will jeopardize his relationship with Putin.

**Role of the EU:** Europe will prepare to support Ukraine unilaterally if the U.S. withdraws its support, rejecting any agreements that undermine Ukrainian sovereignty in the long term.

**No changes are expected in the first half of the year.** There will be announces of advancements, but Russia will finally reject any real improvement. Putin will keep on doing so with a double target:

keeping expectations alive while gaining time and a better tactical position on the ground.

Gaining time is vital for Russia as it helps others to admit and assume certain scenarios, burn out Ukrainian supporters, undermine expectations, get other actors used to the current state of events, stagnation in the front and weaken morale.

Russia will try to frustrate any attempt while keeping a good understanding with Trump, which will find it hard to change the tide of his relationship with Russia.

### 3.2 USA-China and Taiwan

The bilateral relationship will remain in a fragile "commercial truce", but technological competition will intensify.

**Military Conflict:** Although China's military, economic and political pressure on Taiwan will increase, a large-scale invasion or total blockade in 2026 is considered unlikely. China will prioritise internal economic stability and wait for the outcome of the 2028 Taiwanese elections. China will keep on developing its projection capabilities, building a fourth aircraft carrier.

**Technology War:** Competition will focus on semiconductors and AI. China will seek to close the technological gap by developing its own ecosystems (such as Huawei's Ascend chips) and could restrict rare earth exports if the trade agreement with the US collapses.

**Decoupling:** Despite the rhetoric, an interim agreement is expected to limit a full escalation of tariffs to prevent massive industrial disruption ahead of the US midterm elections.

### 3.3 Venezuela

Venezuela represents a hotspot of tension in the Western Hemisphere for 2026.

**U.S. Intervention:** There is a high probability that the United States will intensify military operations targeting transnational criminal groups and drug trafficking within Venezuelan territory. These actions could include airstrikes against runways, ports, and bases, aiming to weaken the Maduro regime.

**Regime Survival:** Despite external pressure and kinetic operations, it is likely that Nicolás Maduro

will remain in power, as a U.S. ground invasion is ruled out due to its high political costs. The regime is expected to retain enough support from the security apparatus to prevent an immediate change in government.

But in the middle run scenario analysis shows that there is a 70% of probability that Maduro will be forced to leave the country at some point.

## 4. GLOBAL SECURITY AND OTHER CONFLICTS

The global security architecture will continue to deteriorate, with the number of armed conflicts at its highest point since World War II.

- **Middle East:** There is a high risk of renewed armed conflict between Iran and Israel, driven by Iran's efforts to rebuild its nuclear program. Israel will continue its strategy of attrition and intermittent escalation in Gaza (Hamas) and Lebanon (Hezbollah).
- **The Sahel and Africa:** The Sahel region remains an epicentre of instability. Russia has institutionalized its presence through the "Africa Corps" (successor to Wagner), securing access to resources such as uranium in Niger. Jihadist terrorism (JNIM, ISGS) will continue to expand, threatening the coastal states of West Africa.
- **Maghreb (Morocco-Algeria):** Although neither side desires a full-scale war, a low-intensity conflict continues through the Polisario Front. The greatest risk for 2026 lies in the possibility that Morocco might attempt a unilateral final solution in the Sahara (such as altering the legal status at the UN), or that border incidents could escalate, given that Algeria has severed diplomatic channels and considers Moroccan expansion a red line. China is shifting its traditional diplomatic stance in the region, as it is increasingly investing in Morocco (port in Tanger and a battery factory in Kenitra). Algeria is being internationally isolated, as France and Spain have changed their views on the Sahara issue. Russia is still on Algeria's side, while expanding Russian presence in the Sahel.

There are many more conflicts around the world. Sudan is mired in a civil war, Eritrea and Ethiopia are on the verge of another clash, Thailand and Cambodia, Pakistan and India are always prone to become warring parties.



## 5. THE EU, THE THIRD GLOBAL ACTOR

Although playing a waning role at the world stage, given that its contribution to the global GDP is diminishing and its political influence is weakened, the EU is still a trading power. If it wants to play a political role internationally, it will have to implement deep changes to increase the so-called union and glue member states.

Scenario analysis shows that the EU needs to move towards the financial unification that would increase the political union. It would only be another step among the many the EU still must face. But if it doesn't move in that direction, the analysis confirms that it faces the risk of losing members.

The analysis also shows that although the UK is prone to close ties with the EU (as the reinstatement of the Erasmus programme shows), reintegration is out of the question within five or more years.

The EU will face 2026 in a delicate position, caught between pressure from the U.S. and competition from China.

- **Economy:** Growth is expected to be sluggish, between 1.1% and 1.3%. The eurozone economy is weighed down by demographic decline, overregulation, and high energy costs. Germany could benefit from fiscal stimulus, while Spain is projected to show solid growth.
- **Defence and Security:** The EU will accelerate its rearmament efforts and defence integration (SAFE initiatives) in response to the perception that U.S. security guarantees are less reliable. Brussels will move forward with the gradual phase-out of the remaining Russian gas contracts.
- **Trade:** The implementation of the Carbon Border Adjustment Mechanism (CBAM) will enter the operational phase, which will create trade frictions with key partners. Additionally, the EU will seek to reduce its dependence on critical Chinese minerals through the ReSourceEU initiative.

## 6. CONCLUSIONS

The year 2026 will not mark a return to the pre-pandemic normal but rather the consolidation of a fractured global order. For businesses and governments, success will depend on their ability to navigate an environment characterized by aggressive industrial policies, regionalized supply chains, and chronic geopolitical volatility.

The economy will hold up thanks to the momentum of the U.S. and Asia, but global security will hang by a thread in multiple theatres (Ukraine, the Middle East, Venezuela), where the risk of miscalculation by major powers remains at its highest levels.

