

Another test for the global economy

A peek into the International Monetary Fund's latest views on growth and inflation as disruptions through the Strait of Hormuz are rippling across international markets

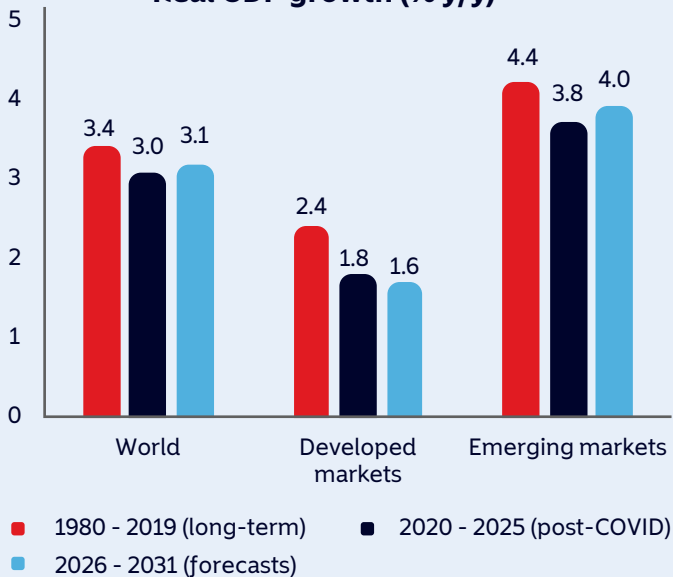
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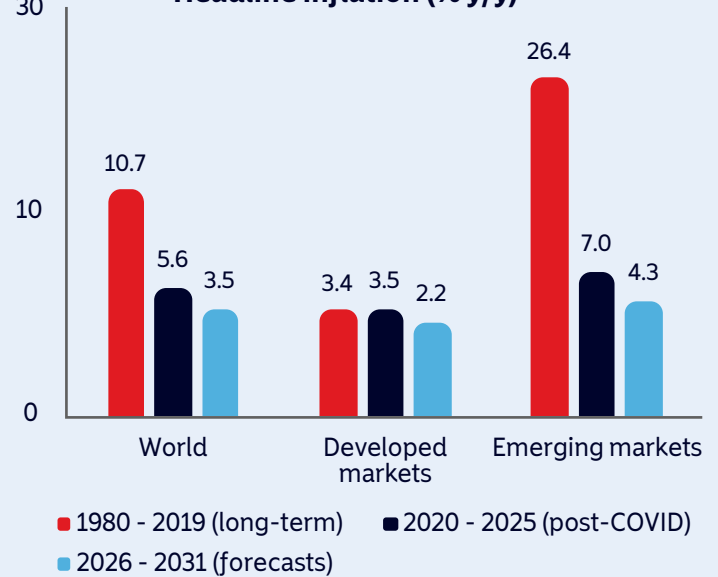
A harder growth climb but a gentler inflation path:

Medium-term growth forecasts will struggle to keep up with longer-term averages while inflation in the same period should be better behaved

Real GDP growth (% y/y)



Headline inflation (% y/y)



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IMF guidance on policies for a more resilient economy in a shock-prone world

Promote medium-term growth by improving regulation, harnessing technological progress, advancing the energy transition, and addressing domestic economic imbalances.

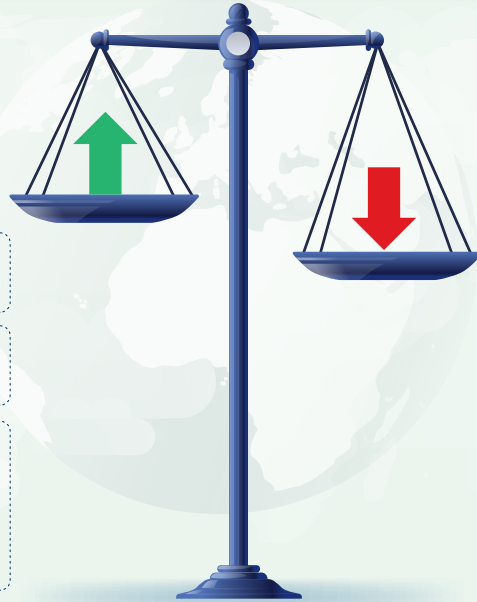
Uphold debt sustainability by protecting vulnerable groups while maintaining fiscal discipline and rebuilding fiscal buffers to restore space eroded by successive global shocks and high debt levels.

Preserve price and financial stability by responding to commodity shocks, communicating clearly and consistently, safeguarding central bank independence, allowing flexible but orderly exchange rates, and strengthening prudential oversight amid heightened uncertainty and geopolitical risk.

Restore predictable international economic rules by resolving trade tensions and strengthening global cooperation.



Risks to the outlook for the world economy are tilted to the downside



- ↑ Materialisation of AI-related productivity gains
- ↑ Enhanced policy predictability as trade talks make progress
- ↑ Structural reforms in the areas of labour, innovation, competition and business regulations

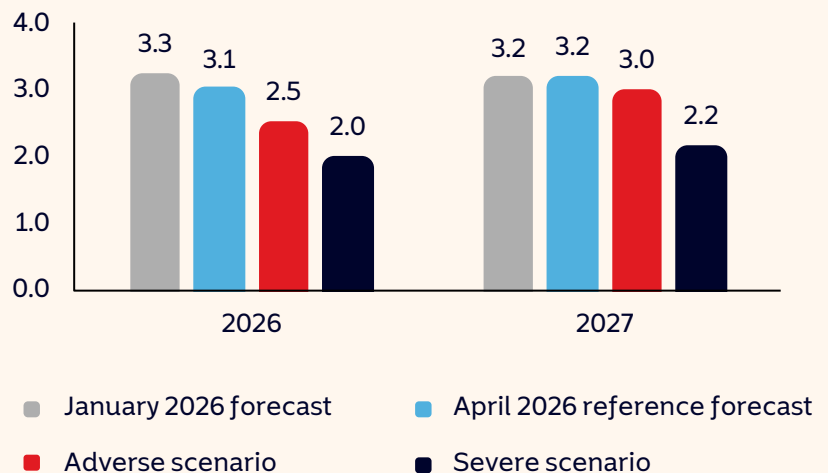
- ↓ A more pronounced conflict resulting in a major energy crisis
- ↓ Increased retaliatory tariff and non-tariff measures, particularly on critical inputs
- ↓ Higher political pressure on independent central banks and policy institutions eroding their ability to fulfil their mandates
- ↓ Overly optimistic AI-driven profitability projections
- ↓ Tighter financial conditions triggered by fiscal vulnerabilities



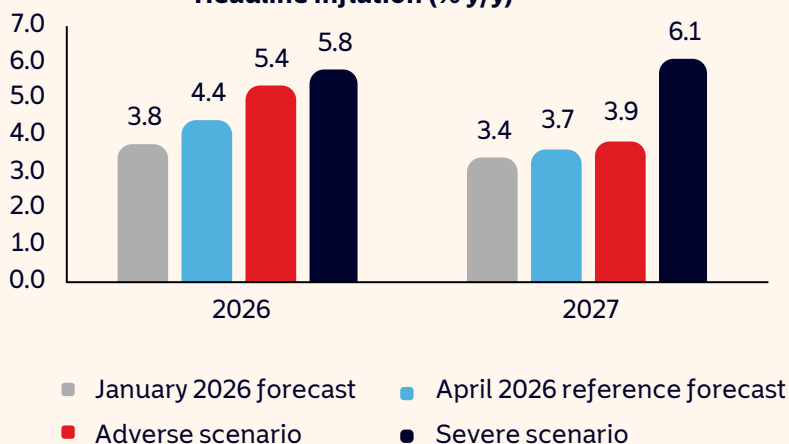
Mapping the road to downside scenarios

In the IMF's **adverse scenario**, a sharp commodity shock drives oil and gas prices significantly higher in 2026 before easing gradually, while food prices also edge up. Inflation expectations rise across most economies, more so in emerging markets, alongside a broad tightening in financial conditions as risk premia and sovereign spreads increase. Monetary policy is assumed to prioritise inflation control over output stabilisation, amplifying the growth impact before conditions gradually normalise from 2027.

Real GDP growth scenarios (% y/y)



Headline inflation (% y/y)



In the IMF's **severe scenario**, a larger and more persistent commodity shock sees oil and gas prices surge and remain elevated through 2027, with food prices rising more sharply. Inflation expectations increase significantly across economies, especially in emerging markets, while a pronounced risk-off episode drives a sustained tightening in financial conditions, with higher corporate and sovereign spreads. As in the adverse case, monetary policy prioritises curbing inflation over supporting growth, resulting in a deeper and longer-lasting economic hit.

April 2026

UNITED STATES

The International Monetary Fund's (IMF) latest World Economic Outlook (WEO) portrays an American economy that remains resilient, even as momentum gradually softens. The IMF expects growth to moderate to around 2.3% in 2026, which is still respectable for a mature economy. Growth is expected to be supported by resilient consumption and the lingering effects of earlier fiscal support. Yet the expansion looks increasingly unbalanced. Inflation, particularly in core services, is proving sticky, keeping monetary policy tighter for longer, even as the labour market gradually cools from previously overheated levels. Productivity gains, aided by rapid advances in artificial intelligence, offer a welcome offset, though their scale remains uncertain. Beneath the surface, vulnerabilities are accumulating with public debt at 124% of GDP set to rise to 131% by 2031, while the current account deficit continues to widen as domestic demand outpaces supply. With policy uncertainty elevated and fiscal space constrained, the risk is that resilience gives way to fragility if policy missteps mount.

Forecast 2026:

GDP: 2.2%
Core PCE Inflation: 3.1%

Forecast 2027:

GDP: 2.0%
Core PCE Inflation: 2.5%

EUROZONE

The Eurozone looks set to advance, though at a distinctly unhurried pace. The IMF expects growth to slow from 1.4% in 2025 to around 1.1% in 2026, before stabilising near 1.2% thereafter, which is insufficient to meaningfully close the region's output gap. Industrial production remains the weak link, particularly in Germany, where soft external demand and structural rigidities continue to weigh on activity. Disinflation is under way, but uneven. While services inflation remains sticky, a renewed rise in energy costs following the Iran shock is complicating the final leg back to target. Fiscal policy offers only limited support. While some governments are loosening their purse strings, the broader stance is constrained by high debt and the reimposition of fiscal rules, with the Eurozone's debt ratio expected to edge up from roughly 87% of GDP to around 90% by 2031. Without reform to lift productivity and integration, the eurozone may continue to grow, but seldom surprise.

Forecast 2026:

GDP: 0.8%
Inflation: 3.0%

Forecast 2027:

GDP: 1.2%
Inflation: 2.4%

JAPAN

Japan's economy is drifting forward, but only in low gear. Growth, according to the IMF, is projected to slow from 1.2% in 2025 to 0.7% in 2026, leaving activity firmly below potential. The moderation reflects softer external demand, particularly from a weaker global cycle, alongside the lingering effects of energy price shocks linked to geopolitical tensions. As an energy-importing economy, Japan remains exposed to swings in global oil prices, with the recent rise in energy costs adding to import bills and weighing on real household incomes, even as pass-through effects are partly contained. Fiscal measures provide some support to household spending but are insufficient to materially lift overall momentum. The IMF expects inflation to gradually moderate, easing from an expected 3.2% in 2025 to around 2.2% in 2026, before stabilising close to the Bank of Japan's target as commodity pressures fade. Japan's economy remains stable, but with no clear catalyst for stronger growth momentum.

UNITED KINGDOM

The economy appears set for a soft patch before a modest recovery. The IMF projects growth to slow from 1.3% in 2025 to around 0.8% in 2026, before picking up to 1.3% in 2027, leaving the expansion subdued by historical standards. The drag reflects still-restrictive monetary policy, weak domestic demand and lingering energy price effects, with renewed commodity pressures adding strain. Fiscal policy offers only a limited offset as consolidation continues, even as policy under Prime Minister Keir Starmer tilts toward a more active state role in investment and industrial strategy. This shift has not been without tension given the re-emergence of Peter Mandelson, amid reports of involvement in candidate vetting, reviving questions around centralisation and the balance between electoral discipline and internal party governance. Against this backdrop of cost pressures and policy recalibration, the IMF expects inflation to edge up toward 4% in 2026 before easing back to target by late 2027.

Forecast 2026:

GDP: 0.7%
Inflation: 2.1%

Forecast 2027:

GDP: 0.9%
Inflation: 2.1%



CHINA

Growth in China is moderating gradually as structural pressures intensify. Growth in economic activity is projected to slow from 5.0% in 2025 to 4.4% in 2026 and 4.0% in 2027, according to the IMF, reflecting a combination of a prolonged property sector adjustment, demographic headwinds and softer productivity gains. Domestic demand remains the key weak point, with households cautious and investment increasingly reliant on policy support. External demand is providing a partial offset. Exports have remained resilient, supported by a continued reorientation towards emerging Asia and Europe, even as global trade normalises. The IMF expects inflation to edge higher from very low levels, rising to around 1.2% in 2026 and 1.5% in 2027 as domestic price pressures slowly rebuild. Policy remains focused on stabilising the property sector, managing local government debt risks and supporting consumption. A slower growth outlook in China remains at risk from a prolonged property adjustment and fragile domestic demand.

Forecast 2025:

GDP: 4.1%

Inflation: 4.9%

Forecast 2026:

GDP: 4.0%

Inflation: 4.5%

Forecast 2026:

GDP: 4.5%

Inflation: 0.7%

Forecast 2027:

GDP: 4.5%

Inflation: 0.8%

EMERGING MARKETS

Growth across emerging economies is set to soften before stabilising. The IMF projects output to ease to 3.9% in 2026, before edging up to 4.2% in 2027, masking a considerable divergence beneath the surface. Asia remains the main growth engine, with India and China driving expansion, while Latin America is expected to lag. Meanwhile, Sub-Saharan Africa is anticipated to post modest growth. Inflation remains a constraint. Consumer prices are expected to rise by around 5.5% in 2026, according to the IMF, well above advanced-economy levels, with renewed pressures from higher commodity prices following tensions in the Middle East. The burden is most acute for commodity importers, where rising energy costs and weaker currencies are squeezing real incomes and complicating policy trade-offs. External conditions are becoming less forgiving. Tighter global financial conditions, volatile capital flows and elevated debt levels leave many economies exposed to shifts in investor sentiment. Risks remain tilted to the downside, particularly if geopolitical tensions persist or global demand weakens further, posing a challenge for policymakers to anchor inflation expectations while preserving growth.

Forecast 2026:

GDP: 1.3%

Inflation: 4.0%

Forecast 2027:

GDP: 1.6%

Inflation: 3.5%

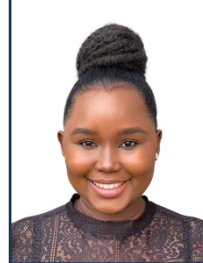
SOUTH AFRICA

South Africa's growth prospects have weakened as earlier tailwinds give way to a more challenging global backdrop. The IMF expects growth to hover around 1.0% in 2026, edging up to 1.3% in 2027, which is well below the pace of its regional peers in sub-Saharan Africa. The IMF notes the drag remains largely domestic. Logistical bottlenecks and subdued private investment continue to weigh on activity, limiting the economy's ability to respond to shifting global conditions. However, external pressures have become less supportive as higher energy prices, linked to geopolitical tensions, are raising import costs, while a softer currency is feeding into domestic price dynamics. Inflation remains contained but not benign, with the IMF expecting a rise in headline inflation from 3.2% in 2025 to around 3.9% in 2026 before easing modestly, as food and fuel costs filter through. The external position is also set to weaken, with the current account shifting further into a deficit position as import demand outpaces export growth. Risks remain tilted to the downside. High unemployment, fragile fiscal buffers and exposure to volatile capital flows leave the economy vulnerable to shocks. Any recovery will depend less on cyclical support and more on the pace and credibility of structural reforms, particularly in energy and logistics. Reserve Bank Governor Lesetja Kganyago has warned that the benefit of earlier, proactive interest rate hikes has allowed policy to be guided more cautiously, leaving the central bank in a position to calibrate future moves in response to evolving inflation risks rather than being forced into a more aggressive tightening cycle.

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April 2026

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (ALSI)	1.65%	-2.60%	30.14%	17.93%	16.56%	15.88%	19.07%	14.26%	11.89%
FTSE/JSE Capped All Share Index	1.65%	-2.57%	30.80%	18.13%	16.39%	16.35%	19.80%	14.61%	11.81%
FTSE/JSE All Share Top 40 Index	1.56%	-2.96%	31.42%	17.79%	17.13%	16.12%	19.09%	14.75%	12.39%
FTSE/JSE Mid Cap Index	0.89%	-6.16%	27.65%	17.14%	12.66%	14.09%	17.65%	10.66%	7.80%
FTSE/JSE Small Cap Index	3.46%	0.01%	27.17%	21.63%	16.95%	19.86%	27.54%	16.94%	10.56%
FTSE/JSE Resources Index	-2.30%	-6.15%	82.81%	24.71%	16.51%	17.73%	24.04%	20.68%	19.36%
FTSE/JSE Financials Index	4.43%	0.81%	28.16%	23.61%	17.23%	20.42%	21.43%	10.88%	9.13%
FTSE/JSE Industrials Index	3.17%	-2.10%	3.13%	9.63%	14.85%	10.97%	13.14%	10.42%	8.16%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (RAFI)	1.62%	-2.92%	48.41%	19.26%	16.93%	19.59%	22.83%	15.46%	13.35%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	1.59%	-3.29%	43.72%	19.11%	16.28%	18.76%	22.34%	14.91%	12.86%
FTSE/JSE SA Listed Property Index (SAPY)	5.40%	-0.75%	26.04%	22.94%	17.70%	16.57%	20.23%	7.24%	3.91%
FTSE/JSE All Property Index (ALPI)	5.76%	-0.94%	26.84%	23.12%	17.42%	16.23%	20.11%	6.83%	2.87%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	3.27%	-2.11%	22.21%	15.95%	13.50%	12.47%	12.83%	10.91%	10.55%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.58%	0.48%	7.95%	9.29%	8.51%	7.71%	7.63%	8.00%	8.32%
FTSE/JSE Inflation-linked Government Index (Ili)	4.46%	1.76%	18.74%	10.72%	8.81%	9.38%	9.97%	7.85%	6.19%
Short-term Fixed Interest Composite Index (Stefi)	0.54%	1.63%	7.20%	7.96%	7.52%	6.81%	6.39%	6.50%	6.78%
Commodities									
NewGold Exchange-Traded Fund	-1.75%	-5.01%	25.19%	28.04%	26.06%	24.33%	15.94%	22.40%	15.08%
Gold price (in rands)	-0.46%	-2.73%	26.07%	28.63%	26.36%	24.92%	16.35%	22.80%	15.54%
Platinum Exchange-Traded Fund	-0.44%	-10.56%	81.25%	18.15%	21.43%	12.86%	14.65%	14.08%	7.63%
Platinum price (in rands)	-1.00%	-4.97%	79.75%	18.33%	20.75%	12.63%	13.97%	13.71%	7.48%
Currency movements									
Rand/euro movements	-0.64%	2.86%	-7.40%	-0.99%	4.07%	2.32%	-0.47%	2.87%	1.89%
Rand/dollar movements	-2.38%	4.35%	-10.22%	-2.96%	1.36%	2.86%	-1.57%	2.20%	1.65%
Inflation Index									
Consumer Price Index (CPI)			3.15%	3.73%	4.56%	4.83%	4.56%	4.50%	4.60%

Important notes

- Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
- Returns for periods exceeding one year are annualised.
- The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
- The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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