

OECD Economic Outlook 2026

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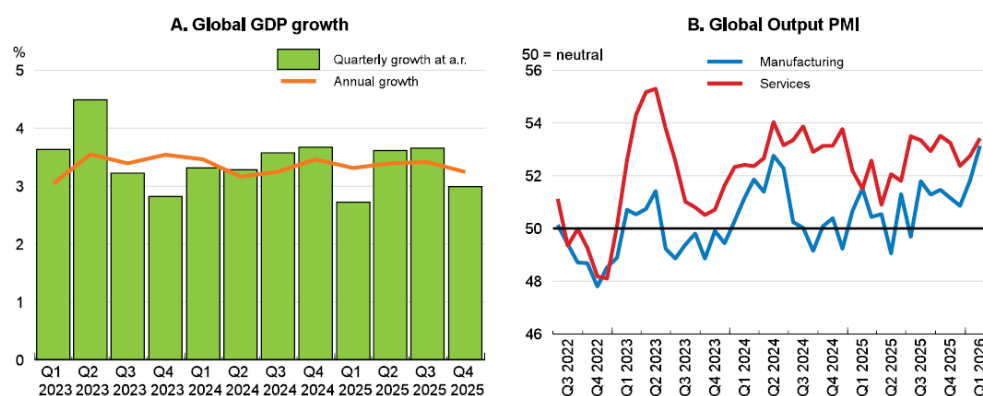
Introduction

The OECD's *Testing Resilience* report examines the forces shaping the global economy in early 2026. The report finds that despite geopolitical tensions, trade disruptions, and inflationary pressures, global economic growth has remained relatively resilient. However, escalating conflict in the Middle East, rising energy prices, and continued uncertainty around global trade and financial markets present significant challenges for policymakers. Alongside these risks, the report identifies artificial intelligence-driven investment and technological innovation as emerging sources of growth that may help strengthen economic resilience over the coming years.

Global Growth Remains Resilient

Before the recent escalation of conflict in the Middle East, global economic activity had remained stronger than expected. Strong consumer demand, supportive fiscal policies, favourable financial conditions, and significant investment in AI-related technologies helped sustain growth across many economies. Technology-related production expanded rapidly, particularly in the United States and Asia, while global trade continued to recover. As a result, the OECD projects global GDP growth at 2.9 per cent in 2026 and 3.0 per cent in 2027, reflecting continued resilience despite growing external risks.

Figure 1. Global growth remained resilient prior to the conflict



Note: In Panel A, annual growth denotes the change over the year to the quarter shown. Quarterly growth at a.r. denotes quarter-on-quarter growth at an annualised rate. The global aggregates are PPP-weighted measures. In Panel B, data are shown up to February. Source: OECD Interim Economic Outlook 119 database; S&P Global; and OECD calculations.

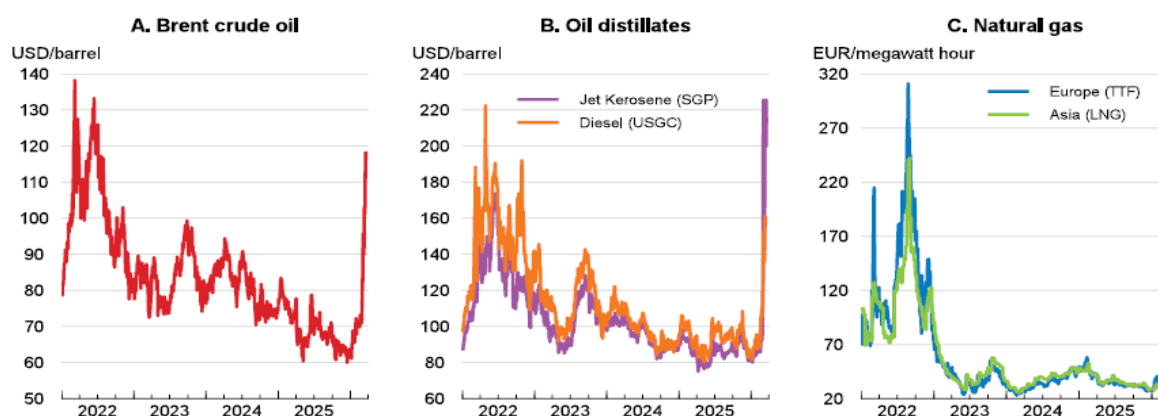
Geopolitical Tensions and Energy Market Disruptions

A central theme of the report is the growing impact of geopolitical uncertainty on the global economy. The conflict in the Middle East has disrupted energy supplies, particularly through the Strait of Hormuz, a critical route for global oil and gas exports. These disruptions have triggered sharp increases in oil, gas, and fertilizer prices, raising concerns about inflation, production costs, and supply-chain stability. Countries heavily dependent on imported energy, especially across Asia, are

expected to face greater economic pressures as higher energy costs affect households and businesses alike.

The report notes that prolonged energy market disruptions could slow economic growth, increase inflation, and place additional strain on government budgets. Rising fertilizer costs may also have longer-term implications for food prices and agricultural production, creating further challenges for both developed and developing economies.

Figure 6. Energy prices have surged



Note: The figure shows data up to 20 March 2026.
Source: LSEG; and OECD calculations.

Balancing Innovation and Uncertainty

While geopolitical tensions and energy market disruptions dominate the near-term outlook, the report also identifies technological innovation as a potential source of long-term economic resilience. Investment in artificial intelligence-related infrastructure, software, and technology has increased significantly in recent years, particularly in the United States and China. Technology companies continue to expand capital expenditure, and business confidence linked to AI adoption remains strong despite broader economic uncertainty.

The report points to early evidence suggesting that AI adoption may already be contributing to productivity improvements. In the United States, sectors with higher levels of AI adoption have recently recorded faster productivity growth than other sectors, indicating that technological innovation could support future economic expansion. However, the report cautions that these gains are still emerging and remain uncertain. The extent to which AI contributes to long-term growth will depend on how effectively businesses integrate new technologies and whether productivity improvements can offset the economic pressures arising from trade disruptions, inflation, and geopolitical instability.

Implications for India

India remains one of the fastest-growing major economies in the OECD's projections, even if growth is moderate in the coming years. GDP growth for India is projected to decline from 7.6 per cent in FY 2025–26 to 6.1 per cent in FY 2026–27 before recovering to 6.4 per cent in FY 2027–28. The report suggests that lower tariff rates on exports to the United States could provide some support to economic activity. However, higher global energy prices, gas supply disruptions, and reduced fiscal support are expected to weigh on growth in the near term.

Inflation is also projected to rise as the effects of lower food and energy prices fade and recent increases in global energy prices feed through to domestic markets. Despite these challenges, India's growth outlook remains comparatively strong relative to many other major economies.

Key Learnings and Recommendations

The report concludes that economic resilience in the coming years will depend on how effectively countries respond to a combination of geopolitical risks, energy market volatility, and technological transformation. While investment in artificial intelligence and emerging technologies offers opportunities to improve productivity and support growth, ongoing conflicts, supply-chain disruptions, and rising energy costs continue to create uncertainty for businesses and policymakers around the world.

The OECD recommends that governments remain vigilant in managing inflation, strengthen fiscal sustainability, invest in energy efficiency, and support innovation that enhances productivity. It also emphasizes the importance of maintaining open trade relationships, avoiding unnecessary trade restrictions, and creating conditions that allow technological advances to contribute to long-term and inclusive economic growth.

For India, the report highlights both opportunities and challenges. While India is expected to remain one of the fastest-growing major economies, sustaining this momentum will require continued investment in infrastructure, skills, technology adoption, and productivity-enhancing sectors. At the same time, India's dependence on imported energy and its integration with global markets make it vulnerable to external shocks arising from geopolitical tensions and supply-chain disruptions. The report suggests that strengthening domestic capabilities, supporting innovation, and building resilience across key sectors will be essential for maintaining growth in an increasingly uncertain global environment.

This edition reminds us that resilience is not only about withstanding shocks but also about preparing for long-term transitions. For countries such as India, balancing economic stability with investments in innovation, skills, and sustainable growth will be critical in navigating the opportunities and uncertainties of the years ahead.

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Author: Raavi Sujith Reddy, Program Development Team