

Looking Towards 2026 – Where Do We Go from Here?

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By Jerry Haar and Altuğ Ülkümen

The business environment in 2026 will be heavily impacted by economic fragility, geopolitical instability, and social volatility. Growing protectionism, elevated public debt, populist demands for increased social spending, and the costs of an aging population worldwide (healthcare, social services, pensions) could usher in a period of high inflation and stagnant growth.

Charles Dickens's *A Tale of Two Cities* opens with the famous line: "These are the best of times and the worst of times." For the first nine months of 2025 they have been a little of both.

Although worldwide inflation is relatively moderate and projected to be 4.2 per cent this year, global growth overall is slowing and is expected to decline to 3.0 per cent in 2026. Merchandise trade is contracting to 0.2 per cent this year, yet services trade is increasing. Global poverty levels are decreasing; however, income inequality is widening.¹

As for the next six months, they will be VUCA-dominated,² "VUCA" standing for volatile, uncertain, complex, and ambiguous—a perfect description for the current environment for global trade. The three principal drivers here are economic fragility, geopolitical instability, and social volatility. In the first instance, economic fragility, the global economy is on a recessionary trajectory with growth expected to slow to 2.3 per cent. According to Chad NeSmith of Tobias Financial Advisors: "This represents a sharp deceleration compared to the average annual growth rates prior to the global pandemic which were already depressed."³

Growing protectionism, elevated public debt, populist demands for increased social spending, and the costs of an aging population worldwide (healthcare, social services, pensions) could usher in a period of high inflation and stagnant growth.

In the nearer term, it is the sharp rise in uncertainty caused by a flurry of Trump executive orders that, although they provide the opportunity for welcome change in some areas, often lack coherence or a clear strategy, prompting businesses to postpone large capital expenditures, causing immense headwinds to the global recovery.

Another indicator of economic fragility is debt. The U.S. provides a prime example, where the federal government has been running deficits for every fiscal year since 2002. This trend is projected to continue, with debt held by the public expected to reach its highest level ever by 2029 and continue to rise thereafter.⁴

Of more immediate concern, however, is growing consumer debt and small business bankruptcies. Total household debt in the U.S. has been steadily increasing, hitting an all-

time high of \$18 trillion in 2024.⁵ Mortgage, student loan, credit card, and auto loan debt are all on the rise, as are delinquency rates, especially credit cards that are at levels not seen since the 2008 recession.

The second driver is geopolitical instability, arising from a complex interplay of factors, including power rivalries, resource competition, technological threats, and environmental challenges.⁶ These factors are reshaping international relations and prompting strategic responses from governments and corporations. To illustrate, the inward-looking, quasi-isolationist posture of the current U.S. administration has resulted in an erosion of U.S. global leadership, creating an immense power vacuum that is accentuating the rise of a multipolar world.

Besides ongoing conflicts between Russia and Ukraine, Israel and Hamas, and India and Pakistan, a retreat from globalization, marked by protectionist policies and trade disputes, is altering economic interdependence. The U.S.-China trade tensions have led to supply chain disruptions and a reevaluation of global trade norms.

The environment and technology are two often-overlooked contributors to geopolitical instability. Climate change and resource scarcity are in fact exacerbating geopolitical tensions. For instance, water scarcity in regions like the Middle East and sub-Saharan Africa has led to conflicts over access and control. The Syrian civil war has been linked to prolonged droughts, highlighting how environmental stress can trigger unrest. As for technology, the digital realm has become a battleground for state and non-state actors. Cyberattacks targeting critical infrastructure, such as power grids and communication networks, pose significant risks. For example, pro-Kremlin groups have been implicated in cyberattacks on European institutions, illustrating the use of cyber tools for geopolitical leverage.

When it comes to social volatility, there is evidence of global dissatisfaction with democracy, particularly among younger generations and in high-income nations. Factors contributing to this dissatisfaction include economic inequality, declining trust in democratic institutions, and a perception that citizens' voices are ignored. Technology is also contributing to the growing societal discord. Increasingly sophisticated algorithms are being used to influence decision-making and blur the line between fact and fiction, creating greater polarization as a side effect. AI-driven systems are upending the economy in innumerable ways, causing challenging job market displacements that are bound to increase over time.

The Fragile States Index (FSI) lists countries with the highest levels of fragility, which often includes factors like political instability, weak governance, and economic vulnerability. In Latin America, for example, social volatility shows little sign of receding as crime and violence, youth unemployment, poverty, drug trafficking, and regional economic disparity continue unabated. Often overlooked is the impact of climate change and the environment on social stability. It's no secret that the increasing frequency of natural disaster events, drastic changes in crop yields, and growing challenges in accessing clean water are fueling wars and shifting migratory patterns.⁷

On the positive side, we are witnessing greater civic engagement at the grassroots level and a democratic renewal in many parts of the world, such as the Open Society Foundations, IREX, Fundación Poder Ciudadano, and Yiaga Africa.

Looking towards 2026, producers, consumers, and governments will need to contend with an uncertain future—one encompassing a fragmented global landscape and unpredictable rules and alliances. Economic fragility, geopolitical instability, and social volatility will make the remainder of this year and the beginning of next a challenging one in a myriad of ways.

About the Authors

Jerry Haar is a professor of international business at Florida International University and a senior fellow at both the McDonough School of Business at Georgetown University and the Council on Competitiveness.

Altuğ Ülkümen is a Geneva-based investment consultant with over two decades of experience in asset management, portfolio optimization, and investment research. A graduate of the London School of Economics, he is also an expert in digital transformation processes and the author of numerous articles, research papers, and blogs covering a broad range of investment- and technology-related topics.

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