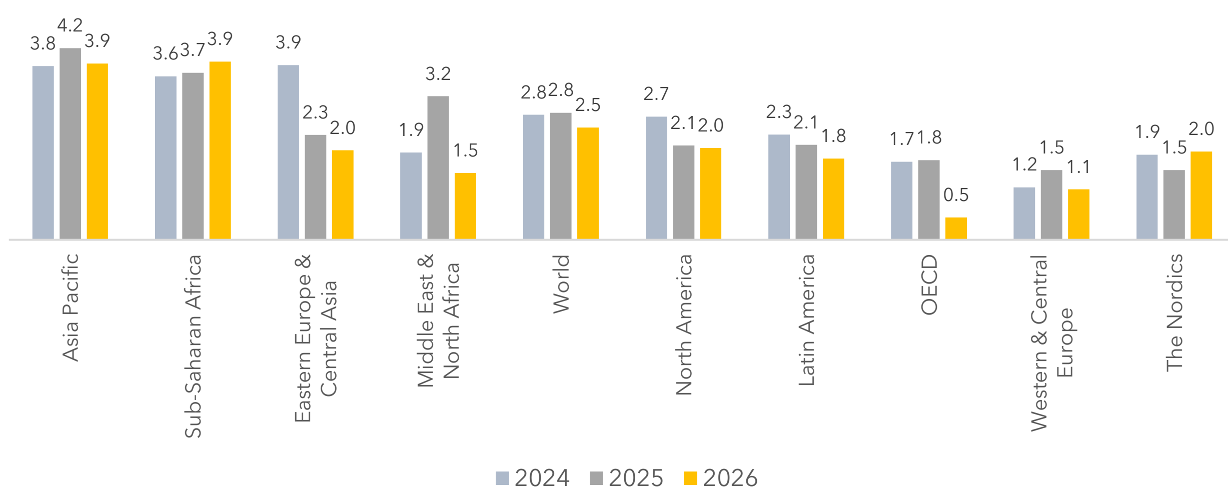
Quarterly Global Economic Outlook: Q3 2026

Downside Risks Have Eased, but Policy Space Remains Tight

The global economy enters Q3 2026 with weak momentum, but a less severe downside scenario than feared earlier in June. We project that global growth will slow to 2.5% in 2026, from 2.8% in 2025. The ongoing negotiations between the U.S. and Iran have reduced the immediate risk of a prolonged energy shock, although the impact of the deal will depend on how quickly it is finalized, implemented, and translates into normalized shipping flows through the Strait of Hormuz. Oil prices have already eased, with Brent crude settling around $74/barrel on June 24, helping limit current account pressure for energy-importing economies. However, inflation risks have not disappeared. The World Bank projects that global inflation will reach 4.0% in 2026, while warning that fertilizer prices could rise significantly, with delayed effects on food prices. El Niño is another watchpoint: it is expected to strengthen into end 2026-early 27, suggesting higher weather-related risks to agricultural output, though the most significant effects may emerge later than Q3. Public debt levels are high, and central banks have limited room to resume an accommodative stance, even if the pressure for further rate hikes eases. A key offset is AI-related capital expenditure, which will support investment demand and gradually lift productivity.

For businesses, Q3 is likely to be a quarter of cautious recovery rather than normalization. The main risks are delayed pass-through from earlier energy and freight cost increases, uneven shipping recovery, inventory shortages, tighter credit conditions, and weaker demand in economies exposed to high food, fuel, and financing costs. Firms in chemicals, fertilizers, transport, aviation, agriculture-linked sectors, and energy-intensive manufacturing remain more vulnerable. At the same time, opportunities are emerging where lower oil prices improve margins, supply chain visibility becomes a competitive advantage, and where AI-linked investment supports demand for technology, data infrastructure, power equipment, and business services.

Real GDP growth (% y/y) by region



Sources: Haver Analytics, Dun & Bradstreet.

Global Risks and Opportunities

The balance of risk has improved, but the recovery remains fragile.

Risks	Opportunities
Implementation of the U.S.-Iran deal remains the key near-term tail risk. The agreement has eased immediate pressure on oil markets, but final terms, navigation rules, sanctions relief, and enforcement mechanisms are vulnerable to delay or reversal. Energy importers, manufacturers, and aviation, shipping, and chemicals firms using Gulf-linked inputs remain most exposed.	**AI-led capex remains a rare bright spot for investment demand.** Large technology and data center investments support demand for semiconductors, power equipment, cooling systems, construction, engineering services, data infrastructure, and business analytics. The opportunity is strongest in the U.S., some European markets, the Gulf, and Asian technology hubs.
High input costs may persist even if oil prices stabilize. Earlier disruption in energy, freight, fertilizer, and petrochemical feedstocks is still moving through inventories, contracts, and working-capital cycles. Margin pressure is likely to remain higher for agriculture, food processing, chemicals, logistics, construction materials, and energy-intensive manufacturing.	**Energy normalization could support margin repair for import-dependent firms.** Lower oil prices and improving Gulf flows should reduce fuel, freight, and current account pressure. Airlines, logistics users, consumer discretionary firms, chemicals users, and oil-importing Asian economies may benefit first, depending on hedging, contracts, and local fuel-pricing policy.
Public debt and higher-for-longer rates will constrain demand support. Governments have limited fiscal room after repeated shocks, while central banks may pause hikes but have less space to resume aggressive easing. This raises refinancing, receivables, and public-sector payment risks, especially in highly indebted emerging markets and firms dependent on government spending.	**Supply chain reconfiguration is becoming a growth strategy.** The push to diversify sourcing and avoid single-corridor dependence is creating opportunities for alternate suppliers, regional manufacturing hubs, logistics providers, and industrial parks. ASEAN, India, Mexico, and near-shoring locations are likely to benefit.
Extreme weather and El Niño could put fresh pressure on food, energy, and operating costs. Heatwaves in Europe, drought risk in parts of Asia, Africa, and Latin America, and uneven rainfall linked to El Niño could disrupt harvests, water availability, hydropower output, and labor productivity. Food processors, agribusinesses, utilities, construction, logistics, outdoor services, and consumer-facing firms are most exposed to weather-driven input volatility and demand disruption.	

Business Actions to Protect Growth

Track geopolitical and macro risk before it reaches the balance sheet:

For risks linked to the U.S.-Iran deal, high rates, and weak fiscal buffers, use D&B Country Insight Solutions with D&B Enterprise Risk Assessment Manager to flag countries, customers, and suppliers where political, FX, refinancing or payment risk is rising.

Reduce exposure to input cost and weather shocks in the supply base:

For sectors exposed to energy, fertilizer, food, chemicals, and climate-sensitive inputs, use D&B Risk Analytics – Supplier Intelligence and D&B Ask Procurement to identify critical suppliers, weak substitutes, and parts of the supplier base most exposed to cost or disruption risk.

Protect cash flow where customers face demand and cost pressure:

For risks from higher financing costs, delayed government spending, and margin stress, use D&B Finance Analytics Credit Intelligence and D&B Receivables Intelligence to reassess credit exposure, payment terms, and overdue risk before sales growth converts into receivables strain.

Capture growth from AI capex, energy normalization and supply chain shifts:

For opportunities in data centers, energy-sensitive sectors, and alternate manufacturing hubs, use D&B Hoovers and D&B Market Insight to prioritize target accounts, markets, and counterparties with stronger demand signals and lower execution risk.

Global Overview

The Hormuz Shock: Healing Will Take Time

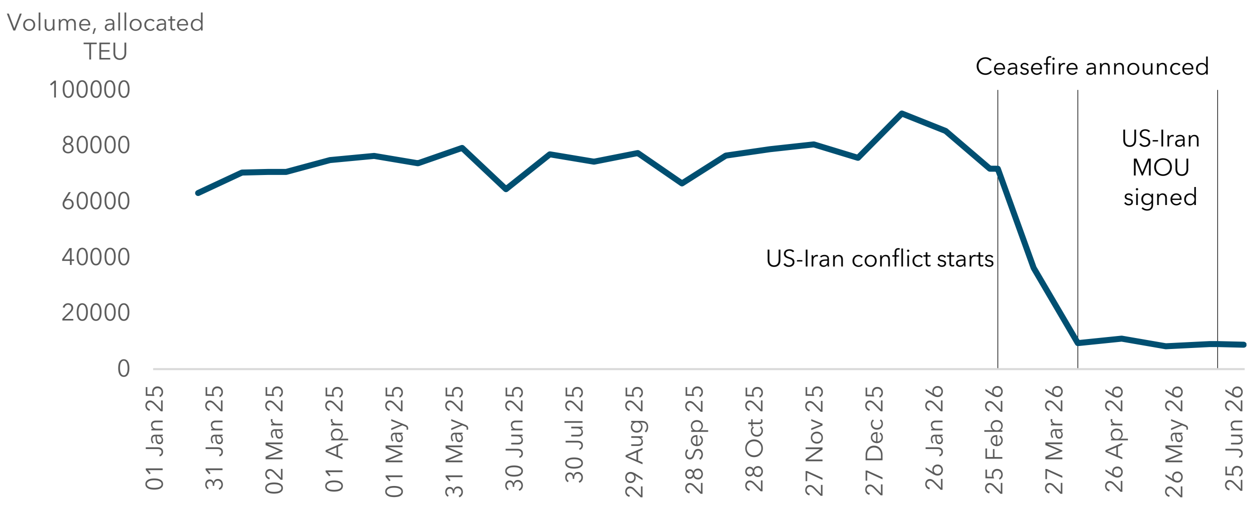
The acute phase of the Gulf crisis began to ease in late May 2026 following intense multilateral diplomatic efforts. The reopening of the strait was announced in June, triggering a rapid correction in commodity and capital markets globally. The recovery, however, is likely to be uneven. While financial markets can reprice oil and risk assets within a short span, shipping schedules, insurance terms, refinery choices, inventory cycles, and supplier contracts will take months to adjust. Three issues will shape the macroeconomic outlook for Q3:

- how quickly physical trade normalizes,
- how much of the earlier cost shock is still passing through,
- and whether tight financing conditions continue to restrain firms even as energy risk eases.

The first test is whether trade reliability improves as quickly as market sentiment. The ceasefire gives firms some room to reassess routes, freight commitments, supplier schedules, and working-capital needs. But visibility will remain limited until cargo backlogs clear, war-risk premiums decline, port schedules stabilize, and counterparties are confident that the strait can stay open on commercially reliable terms.

Dun & Bradstreet's shipping insights data points to a staggered recovery. Tanker traffic through the Strait of Hormuz has started to improve (at the time of writing), but daily transits remain well below pre-conflict levels. The logistics signal is less convincing than the political signal, as even with lower spot prices, firms may still face delayed cargoes, rigid contracts, high insurance costs, uncertain berth windows, and uneven supplier pass-through. For chemicals, fertilizers, aviation, food processing, packaging, and energy-intensive manufacturing, the concern is whether critical inputs arrive on time, at predictable cost, and under stable commercial terms.

Outbound shipments (as of June 30) through Strait of Hormuz yet to normalize



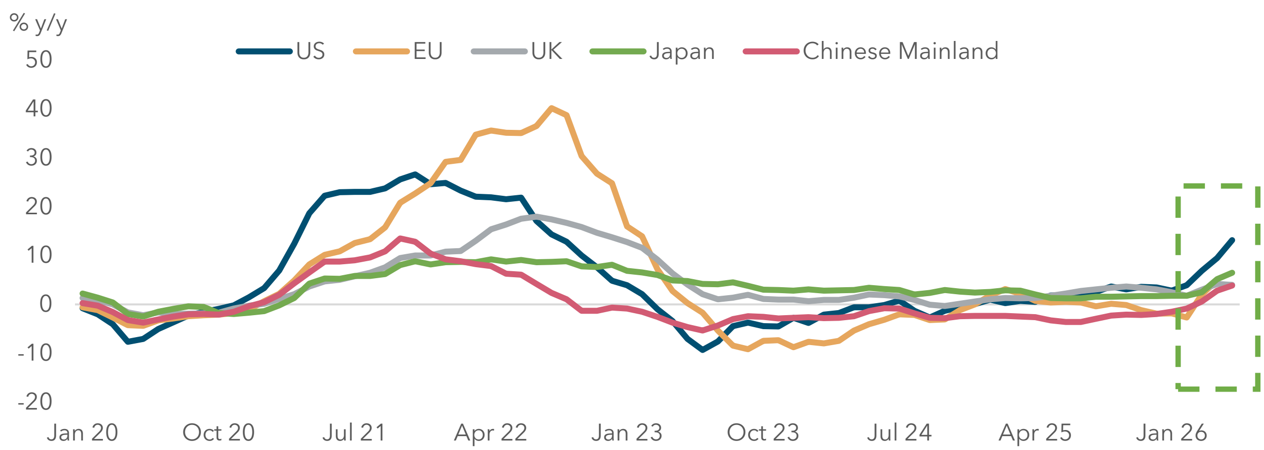
Sources: Dun & Bradstreet Shipping Insights.

The second issue is the persistence of inflation after the first-order energy shock has started to fade. Costs already embedded in inventories, freight bookings, supplier contracts, and hedging arrangements could keep producer prices elevated even after spot markets cool. This is why the disinflation process may be slower than the market reaction in oil futures suggests. Energy-intensive sectors such as transport, chemicals, packaging, food processing, aviation, construction materials, and agriculture-linked industries remain directly exposed. But the second-round effect is broader. If firms rebuild inventories to protect against future chokepoint risk, working capital needs rise while borrowing costs remain high. This connects supply chain resilience with financial stress – the safer operating model may also be the more capital-intensive one. Smaller suppliers with weaker balance sheets could therefore face pressure even if demand holds up, creating a credit and delivery risk for larger buyers.

Services inflation adds another layer of persistence. Fuel, logistics, and utility costs first affect transport, distribution, food services, maintenance, and travel. Over time, they can influence wage demands and pricing behavior, especially where labor markets are still tight. In Japan, the first 2026 Shuntō wage settlement showed an average pay increase of 5.3%, well above the long-term average. Such wage gains are positive for household income, but they also raise the probability that firms will pass higher payroll costs on into prices. As a result, headline inflation may ease with lower oil prices, while core services inflation remains high for longer.

These factors help explain why the inflation outlook is uneven across countries. Economies with a high import share in energy, food or fertilizers will feel the shock more directly. Economies with weaker currencies may face an additional import cost channel. Countries that used fuel subsidies or price caps to smooth the shock may show lower near-term inflation, but the pressure could reappear when those measures are withdrawn or fiscal space becomes binding. This is a second non-obvious risk for firms – inflation may rotate from market prices into administered prices, taxes, utility tariffs, and delayed supplier repricing.

Input prices are climbing

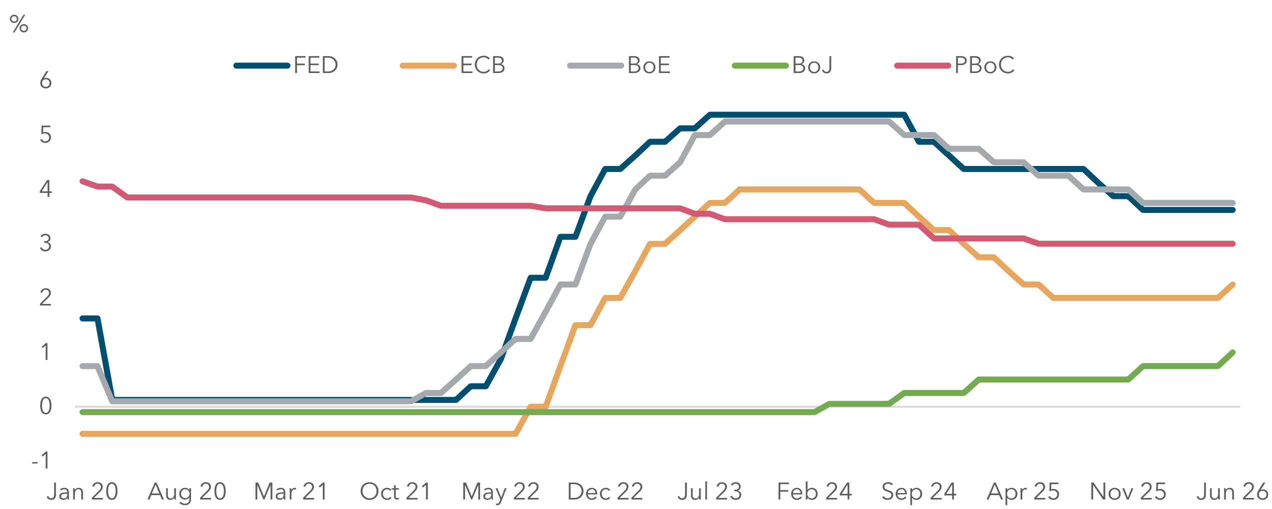


Sources: National statistical sources, Dun & Bradstreet.

Inflation dynamics are keeping central banks cautious. In June, the European Central Bank (ECB) raised its key policy rate by 25 basis points, reflecting concern that the Middle East shock could feed from energy into food, goods, and services inflation; its staff projections put euro area inflation at 3.0% in 2026 and growth at only 0.8%, a combination that leaves little room for a simple policy response. Bank Indonesia's 25 basis point increase to 5.50% points to a different transmission channel – currency pressure. For energy importers with externally sensitive currencies, a weaker exchange rate can amplify the oil shock by making dollar-priced imports more expensive in local-currency terms. Japan faces a similar issue through yen weakness and import-cost pressure, though its domestic demand dynamics are different. Brazil illustrates the other side of the cycle – even though it initiated an easing cycle in March, the pace will remain constrained if food, fuel, and currency risks keep inflation expectations sensitive.

The key message for firms is that monetary policy is becoming less synchronized across regions. Some central banks may still pause if demand is weak and inflation expectations remain contained; others may tighten to defend currencies or prevent second-round effects. This divergence is the reason the same global oil shock can produce very different local financing conditions. A multinational may face easing credit conditions in one market, tighter bank lending in another, and higher hedging costs in a third. The practical risk is the uneven pass-through from policy rates to loan pricing, working-capital limits, and customer payment behavior.

Policy rates in major central banks

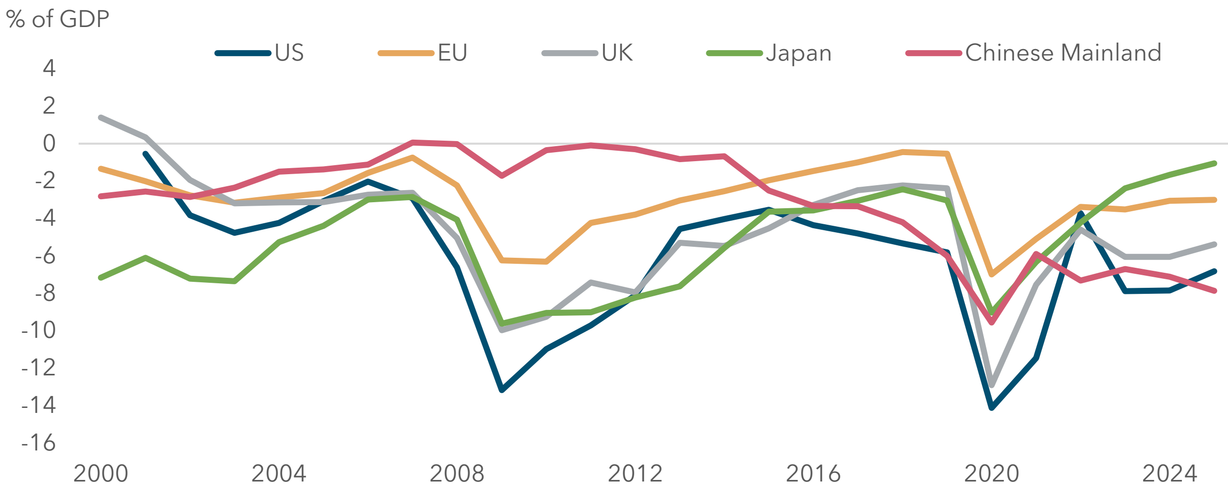


Sources: National statistical sources, Dun & Bradstreet.

Fiscal space is another issue which may amplify rather than offset some of the pressure. The IMF's April 2026 Fiscal Monitor estimates global gross government debt at nearly 94% of GDP in 2025 and projects it to reach 100% by 2029, while global interest payments have risen from about 2% to nearly 3% of GDP in four years. The usual response to an energy shock would be to cushion households and firms through tax cuts, fuel subsidies or direct transfers. But when debt-service costs are already high, such measures either widen deficits or force cuts elsewhere. Fiscal support can still be necessary, but broad-based relief is becoming harder to finance and harder to justify. Governments have used a mix of consumer support, fuel tax relief, price caps, conservation measures, and supply-side actions in response to the Middle East energy shock. However, as these measures are reversed as oil markets stabilize, local fuel and utility prices may remain unchanged or even rise while global crude prices are falling.

The fiscal channel also interacts with corporate credit risk. Governments with limited fiscal space may delay public procurement payments, slow infrastructure execution, raise indirect taxes, reduce energy subsidies or rely more heavily on domestic borrowing. If persistent inflation slows consumer spending, tax collection may also remain weak, especially from consumption-linked taxes such as VAT, GST or sales taxes. Each route has a different business impact, but all can tighten cash flow conditions. Higher sovereign borrowing can crowd out private credit in smaller markets; delayed public payments can raise receivables risk for contractors and suppliers; subsidy withdrawal can lift input costs for transport, utilities, agriculture and consumer goods; and weaker tax receipts can force governments to either cut spending or raise other taxes.

Fiscal balance as share of GDP in major economies



Sources: IMF World Economic Outlook, Dun & Bradstreet.

From businesses' perspective, Q3 should be a transition quarter, not a return to normal. The immediate tail risk has eased, but the operating environment will still be shaped by delayed cost pass-through, cautious central banks, tight credit, the risk of subsidies being withdrawn, and uneven logistics recovery. A fall in spot oil prices may improve sentiment quickly, but receivables, inventories, supplier contracts, and financing costs will adjust more slowly. The firms best placed to protect margins will be those that distinguish between costs that are genuinely easing, costs that are still working through contracts and inventories, and resilience measures that reduce disruption risk but permanently raise the cost of operating.

Regional Insights
North America

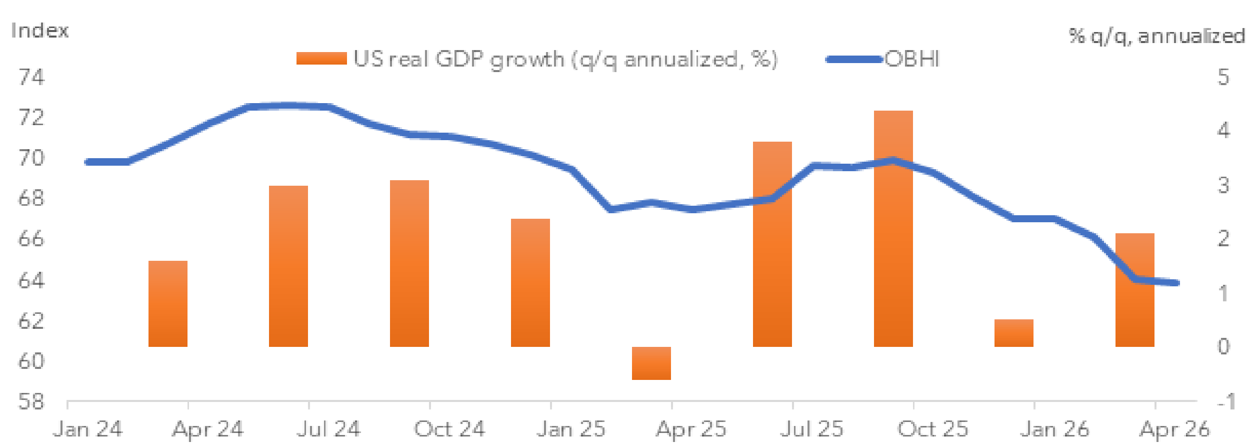
As North America enters Q3, activity is still positive, but the operating environment remains under pressure. The U.S. is better cushioned than Canada due to domestic demand and labor market resilience, but energy and inflation remain the main cost channels. The U.S.-Iran ceasefire, currently under discussion, has reduced immediate pressure around the Strait of Hormuz, but energy, freight, and insurance costs are vulnerable to renewed disruption. In the U.S., inflation rose further in May, led by energy, while producer and import prices also picked up. This suggests cost pressure is spreading into broader operating expenses and supplier pricing.

Policy and trade risks are becoming more operational. The Federal Reserve and the Bank of Canada both kept rates unchanged in June, limiting near-term relief for borrowers and working-capital-intensive firms. At the same time, delayed Canada-U.S. talks and U.S.-Mexico rules-of-origin discussions in the context of the U.S.-Mexico-Canada Agreement (USMCA) negotiations and Section 301 actions are increasing uncertainty around landed costs, supplier documentation, and cross-border sourcing decisions.

Dun & Bradstreet's Overall Business Health Index fell to 63.8 in April, down from 64.1 in March and 67.5 a year earlier, driven mainly by weaker transaction flow and softer payment momentum, while severe payment distress continued to rise. By contrast, the Small Business Health Index rose to 90.8, the 10th consecutive increase since July 2025. This points to a broader base still functioning but narrowing through slower turnover and weaker cash flow transmission, while locally driven smaller firms retain revenue opportunities despite tight credit.

Looking ahead to the next quarter, the outlook will depend less on whether regional growth remains positive and more on whether firms can absorb higher costs without turning nominal demand into weaker real activity, tighter margins, and slower payments. The U.S. retains stronger domestic support, while Canada remains more exposed to trade rule uncertainty and weaker external demand. Businesses should separate durable order growth from price-led sales gains, temporary stock-building, and purchases pulled forward ahead of expected tariff or rule changes.

Dynamics of the Overall Business Health Index Against Real GDP Growth (U.S.)



Source: BEA, Dun & Bradstreet.

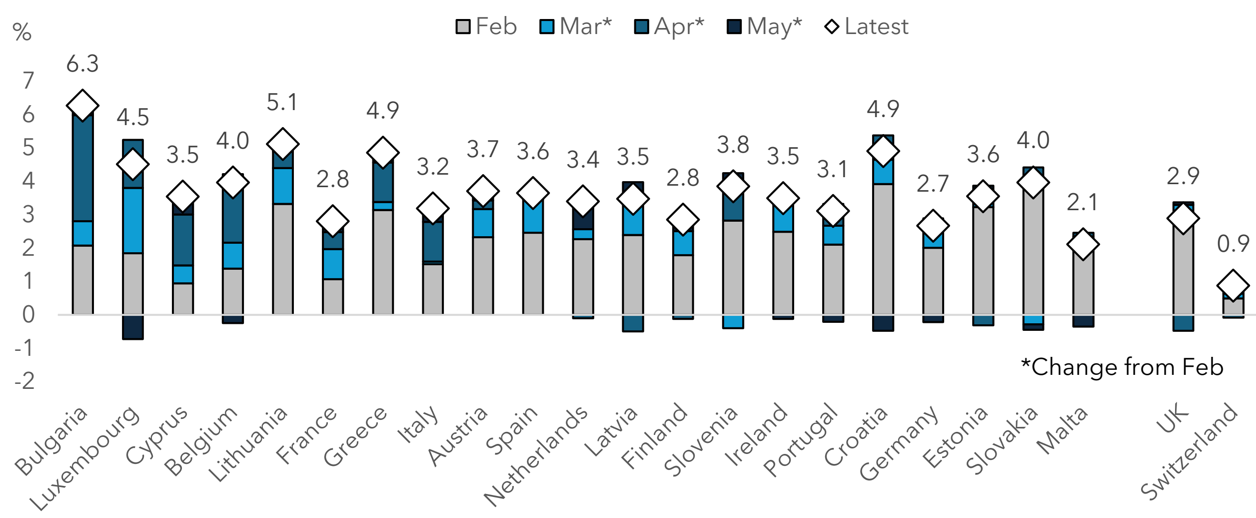
Western Europe

In response to the conflict in the Middle East, the ECB acted first among central banks in the region by increasing policy rates at its June 11 meeting. The Bank of England (BoE) and the Swiss National Bank (SNB) held rates steady a week later, highlighting a growing divergence in financing conditions across major Western European markets. The ECB acted sooner given that inflation has accelerated considerably across the euro area, from 1.9% in February to 3.2% in May, compared to a modest fall in the U.K. and a small increase in Switzerland. While some economies are more directly exposed to reduced energy imports from the region, such as Bulgaria and Cyprus, the main reason we have yet to see inflation pick up in the U.K. is due to government regulation that prevents household energy bills from rising immediately in response to wholesale prices. Inflation in Switzerland was very low prior to the conflict, giving the SNB more room to pause.

For businesses, the result is a less predictable operating environment: financing costs, exchange rate movements, and consumer price pressures are likely to vary more sharply across markets, complicating investment, pricing, and working-capital decisions over the next 12-18 months.

Looking ahead to the next quarter, we expect economic activity to slow further as tighter credit conditions compound with a prolonged period of elevated input prices, with insurance and freight premiums remaining high. Inflation in the U.K. will jump substantially in July when household energy bills will rise by an average of 13%, putting pressure on the BoE to increase interest rates. These factors will combine to weigh on businesses, making payment delays likely and leading to insolvencies.

Diverging inflation patterns during the initial months of the war



Sources: National Statistical Offices, Haver Analytics, Dun & Bradstreet.

Asia Pacific

The U.S.-Iran agreement, currently being negotiated, is a clear positive for the Asia Pacific region as it improves the odds of lower oil and shipping costs over time. The June agreement opened the way for renewed Iranian oil sales and a reopening of the Strait of Hormuz, with oil prices falling sharply on expectations of a deal.

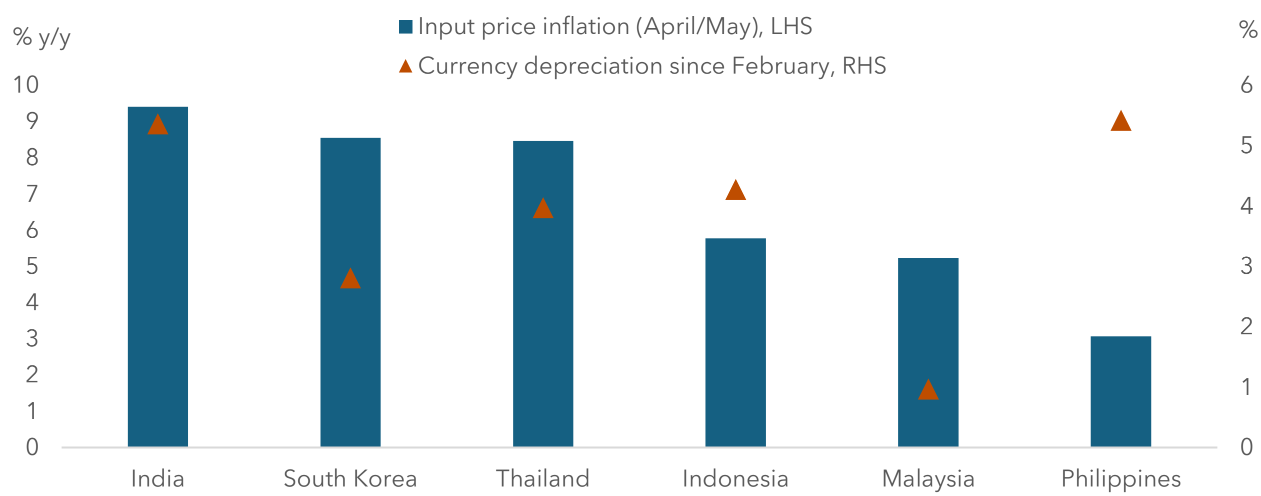
That said, oil flows through the strait are likely to resume slowly in Q3, with broader production and trade patterns in Asia normalizing only by early 2027. For net oil importers, this still points to a better macro mix in Q3. Lower crude and freight costs should ease pressure on import bills, current accounts, fiscal balances, and currencies relative to the peak conflict period. Lower input costs should also reduce pressure on producer prices, although the pass-through into headline inflation will likely lag and vary by economy.

However, monetary policy response to the conflict is not uniform across the region. The Reserve Bank of India kept the repo rate at 5.25% and retained a neutral stance in June, suggesting some comfort with the medium-term inflation outlook and relative currency stability. By contrast, Bank Indonesia hiked policy rates in June to stabilize the rupiah and contain inflation risks, while the Bank of Japan tightened policy amid yen weakness and rising import-cost pressures. Together, these moves show that external vulnerability, currency pressure, and capital flow sensitivity remain policy issues across parts of Asia, including some ASEAN economies.

The other major risk is El Niño, which could offset some of the oil-related relief. The World Meteorological Organization now sees an 80% probability of El Niño during June-August 2026 and near or above 90% probability through at least November, with risks to food prices, agriculture, and electricity demand across parts of Asia.

Looking ahead to the next quarter, Asia Pacific should see easing energy stress, firmer external balances, and some currency support, but the inflation outlook will remain uneven, and the growth outlook will still depend heavily on implementation of the U.S.-Iran agreement and on how severe El Niño proves to be.

Inflation and FX vulnerability across key Asian importers



Sources: National Statistical Offices, Haver Analytics, Dun & Bradstreet.

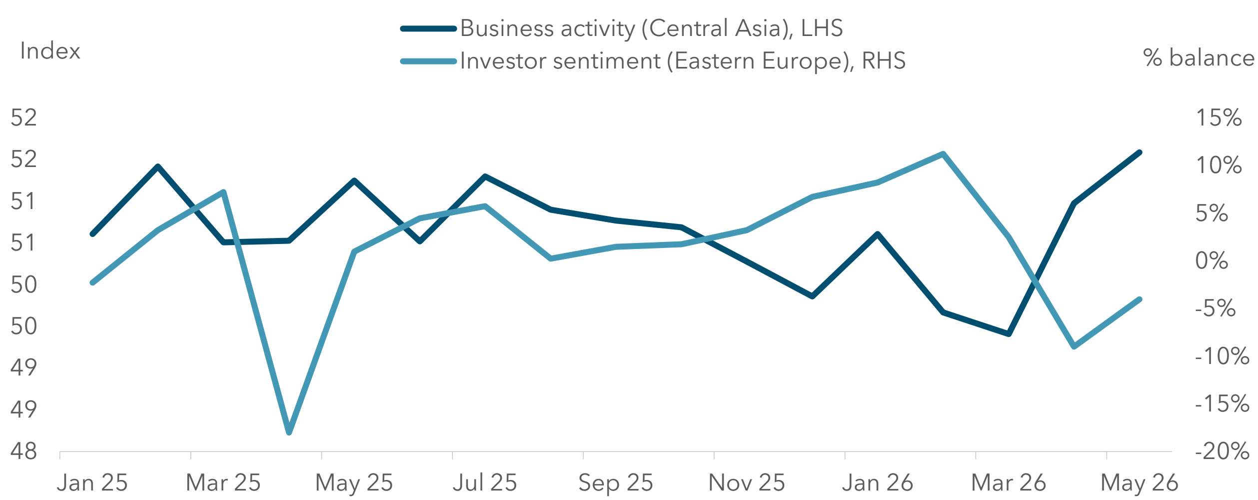
Eastern Europe and Central Asia

Economic conditions across Eastern Europe and Central Asia remain uneven as the region navigates persistent external shocks, evolving trade dynamics, and divergent domestic performance. Growth in Eastern Europe continues to moderate, reflecting weaker consumption and ongoing fiscal consolidation pressures in parts of the region, while Central Asia remains relatively resilient, supported by energy exports, investment inflows, and infrastructure expansion. However, the transmission of the Middle East conflict has shifted from an acute disruption phase to a more persistent cost and routing shock, with elevated energy prices, higher logistics costs, and continued uncertainty around key trade corridors weighing on business planning and output. Recent indicators reflect this divergence, with activity in Central Asia remaining stable while sentiment in Eastern Europe remains weak and volatile.

At the same time, geopolitical and trade reconfiguration is accelerating structural adjustments across the region. Economies are diversifying transit routes, strengthening energy partnerships, and deepening engagement with external partners including the EU, the Chinese Mainland, and Gulf economies. Eastern Europe continues to benefit from EU funding and integration processes supporting infrastructure upgrades and energy transition, while Central Asia is positioning itself as a strategic hub for energy supply, logistics corridors, and critical raw materials. However, vulnerabilities persist, particularly for energy importers and transit-reliant economies exposed to shipping disruptions and cost volatility.

Looking ahead to the next quarter, the key question is not whether disruption persists, but how effectively the region adapts to a structurally higher-cost and less predictable environment and how quickly conditions stabilize relative to pre-conflict norms. Growth will depend on energy price stability, reliable trade routes, and sustained capital inflows. While activity remains resilient in parts of Central Asia, weaker sentiment in Eastern Europe underscores the fragility of the recovery.

Resilient activity in Central Asia contrasts with fragile sentiment in Eastern Europe



Sources: National central banks, SENTIX, Haver Analytics, Dun & Bradstreet.

Latin America

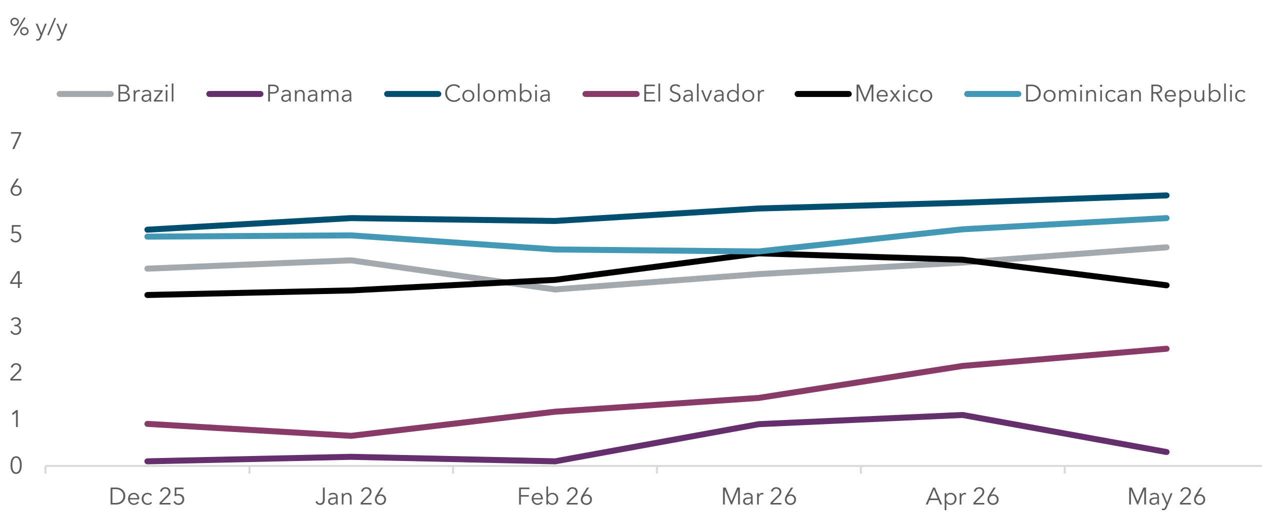
Latin America remains under sustained geopolitical and macroeconomic pressure, with lingering spillovers from the Iran-Israel-U.S. conflict continuing through elevated input costs and supply disruptions.

Fuel subsidy withdrawals are likely to fan near-term inflation risks. In Brazil, diesel and gasoline subsidies, along with associated tax relief measures introduced in March, are tentatively scheduled to expire by July 31. Mexico's MXN24 per liter petrol cap and full Special Tax on Production and Services relief are set to expire in September, while Colombia continues to phase out its Fuel Price Stabilization Fund. Additionally, the onset of the El Niño cycle since June threatens regional food prices, agricultural yields, and hydropower grids.

Against this backdrop, monetary policy is likely to remain cautious. Mexico held its policy rate at 6.50% in June, signaling the end of its easing cycle, while Chile and Peru maintained rates at 4.50% and 4.25%, respectively, in Q2. Although Brazil cut the Selic rate by 25 basis points to 14.25% on June 17, easing remains slower than pre-conflict projections. Accordingly, growth is likely to remain subdued in 2026, as tight financial conditions, subsidy withdrawal, and climate shocks constrain domestic demand. Conversely, digital infrastructure is likely to emerge as a key growth anchor, with Brazil advancing the 3.5GW Rio AI City project (announced June 8) and Mexico expanding its chip assembly capabilities, including through investments such as Foxconn's Nvidia superchip facility. The modernized EU-Mexico deal (signed in May) is likely to support near-shoring in clean technology and digital trade. On the flipside, uncertainty around the ongoing USMCA joint review adds trade policy and supply chain risks.

Looking ahead to the next quarter, political and security risks remain elevated, obfuscating the business environment. In Peru and Colombia, electoral victories by right-leaning presidents in June 2026 are likely to support pro-market regulatory reform, although fragmented legislatures will limit policy execution. Brazil's October general election is also likely to add to regional policy uncertainty. Meanwhile, in Cuba, the June approval of an 176-point pro-liberalization package reflects acute structural stress and energy grid failures, further exacerbated by tight U.S. sanctions and oil blockades.

Inflation has been contained by temporary subsidies, but expiry risks loom



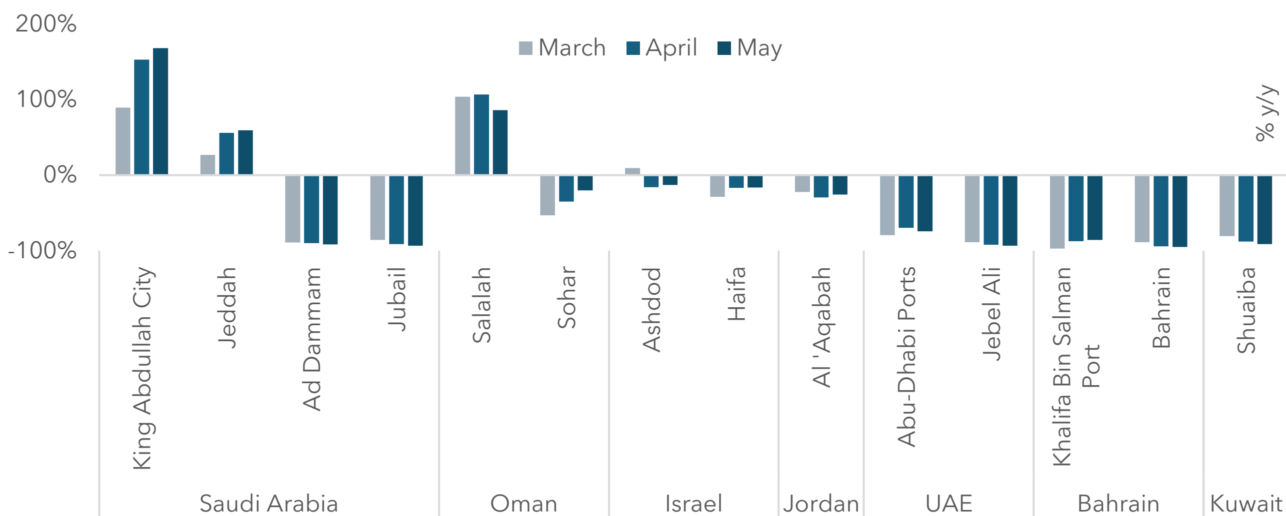
Sources: National Statistical Offices, Haver Analytics, Dun & Bradstreet.

Middle East & North Africa

The Iran conflict has exposed the region's dependence on a small number of strategic maritime corridors and uneven resilience across Gulf logistics networks. Dun & Bradstreet data has shown how economic activity has declined for many markets in the MENA region through Q2 2026. Outbound shipments from Persian Gulf ports in the UAE, Bahrain, and Kuwait, impacted by port disruption, rerouting, insurance costs, and risk aversion, recorded large year-over-year declines across March, April, and May. Along with weaker tourism and subdued domestic confidence, this will act as a drag on both the hydrocarbon and non-hydrocarbon sides of economies in the region. Conversely, increased exports from Saudi Arabian ports in King Abdullah City and Jeddah, which are strategically located on the Red Sea, have replaced roughly half of lost outbound activity from the Saudi ports located on the Persian Gulf; however, limited export capacity will prevent them from acting as a full replacement. In Oman, the Salalah port on the Arabian Sea appears to have more than offset shipments displaced from Sohar port, demonstrating the ability of the public and private sectors to reorient supply chains rapidly. The UAE government plans to invest substantially to increase the export capacity of the country's eastern ports and trade connections to bypass the Strait of Hormuz, but these efforts will not provide an immediate solution to the current crisis.

Looking ahead to the next quarter, we expect overall economic activity across the region to remain below pre-war levels until later this year or early 2027. The MoU signed between the US and Iran is the first step in what will likely be a lengthy process to restore the non-conflict status quo. Therefore, in the short term, businesses are likely to cautiously restart trade, with insurance premiums on shipping expected to be high; both local and international tourism will also take time to recover as people remain wary about a return to hostilities. In the longer term, we expect to see greater emphasis on building inventory buffers, expanding port investment, and improving supplier diversification; this shift in priorities may come at the expense of some ambitious diversification plans.

Collapse in outbound shipments from the region continued through to May



Sources: Dun & Bradstreet.

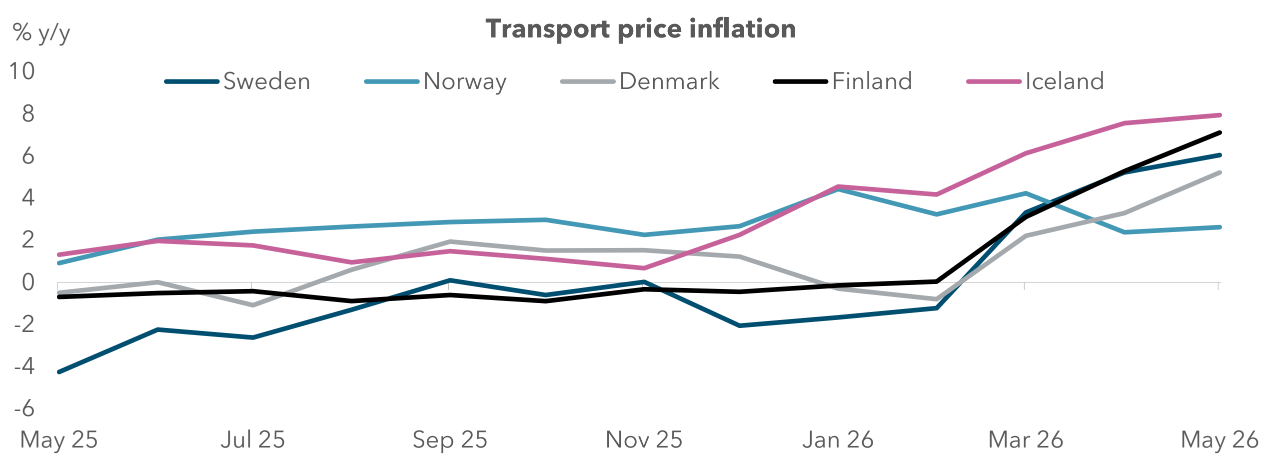
Nordics

Economic conditions across the Nordic region remain broadly stable, supported by moderating headline inflation, despite emerging cost pressures in energy- and transport-related components, resilient labor markets, and recovering real incomes. Domestic demand continues to improve gradually, while investment is supported by strong public sector balance sheets and high institutional credibility. However, external risks have become more structural than cyclical, with the prolonged impact of the Middle East conflict felt through higher energy costs, supply chain adjustments, and heightened geopolitical uncertainty. This is increasingly visible in transport-related price dynamics, with transport inflation rising sharply across most Nordic economies to around 5-8% in recent months, reflecting renewed energy and logistics cost pressures.

At the same time, the region is undergoing a deeper strategic shift driven by security, technology, and industrial priorities. Defense spending continues to rise as NATO integration deepens and Arctic security concerns intensify, and governments are simultaneously prioritizing energy security, critical raw materials, and digital infrastructure. The Nordics are also benefiting from strong positioning in technology and innovation, with increasing AI investment and high-value capital inflows reinforcing their role in Europe's digital and industrial ecosystem. These trends are strengthening long-term competitiveness but also creating trade-offs in fiscal allocation and labor market capacity.

Looking ahead to the next quarter, growth is expected to remain modest but stable, supported by improving domestic fundamentals and sustained investment in strategic sectors. However, the balance of risks remains tilted toward external factors, particularly energy price volatility and geopolitical developments. The region's strong institutional framework and policy coordination should help mitigate near-term pressures, while its leadership in technology, energy, and security-related industries supports a positive medium-term outlook.

Rising transport costs reflect ongoing external cost pressures in the Nordics



Sources: National Statistical Offices, Haver Analytics, Dun & Bradstreet.

Sub-Saharan Africa

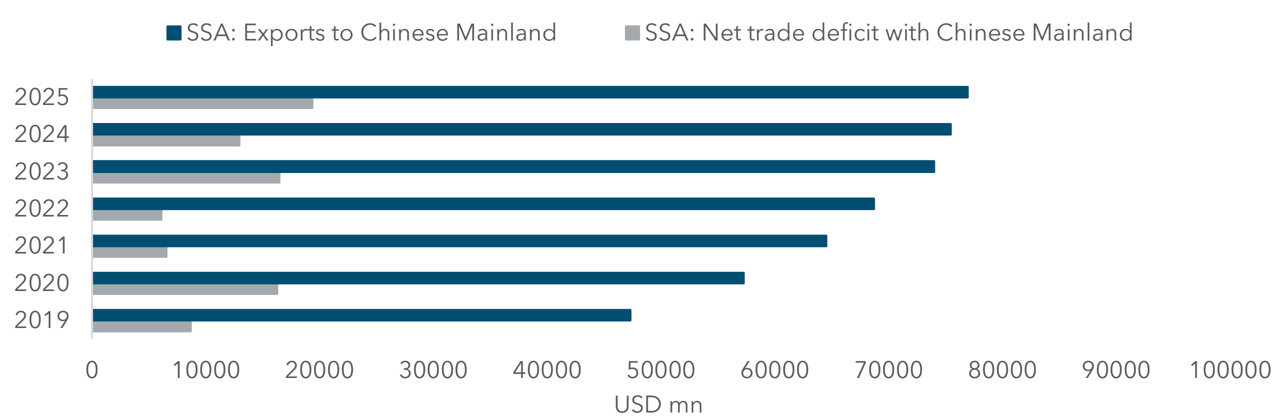
Spillovers from the Middle East conflict are likely to continue transmitting through elevated fuel, fertilizer, and freight costs in Q3. High input costs have intensified fiscal pressures, particularly in Eastern Africa, including Tanzania, Malawi, Kenya, and Ethiopia, which proposed a record ETB2.34trn FY2026–27 budget (up 21.2% y/y nominally) on June 11, including substantial fuel and fertilizer subsidies. Limited fiscal space to absorb these external shocks in most countries is constraining policy responses and exposing local currencies to depreciation pressures.

Food inflation and food security risks are likely to intensify as supply disruptions intersect with climate shocks. The region imports over 80% of its fertilizer, leaving it exposed to elevated urea prices and trade bottlenecks linked to lingering Gulf disruptions. Ghana's free fertilizer program (effective end-March) offers a partial buffer, but many agriculture-dependent economies, including Malawi, lack capacity to replicate such support. The El Niño cycle will likely amplify risks, with drought and hydropower constraints in Southern Africa and flooding and infrastructure disruption in East Africa compounding already fragile economic conditions. Given sustained price pressures, monetary policy is also likely to remain tight. South Africa raised its key policy rate to 7.00% in May, while Nigeria (in May) and Kenya (in June) kept their rates unchanged at 26.50% and 8.75%, respectively. Tight financial conditions are likely to weigh on consumption and investment, dampening the region's 2026 growth outlook.

Trade and energy dynamics provide partial offsets. While Nigeria and Angola benefit from higher oil prices, most economies in the region are net importers. Nigeria's Dangote refinery is easing global fuel supply constraints by increasing capacity and expanding exports of refined products, particularly aviation fuel. Meanwhile, the Chinese Mainland, sub-Saharan Africa's largest trading partner, is boosting export competitiveness and investment across 53 African economies through its expanded zero-tariff policy (effective May 1), although gains will remain gradual.

Looking ahead to the next quarter, political, security, and public health risks remain elevated. Escalating diplomatic and trade tensions between the Democratic Republic of the Congo (DRC) and Rwanda – including the June 26 International Court of Justice filing against Rwanda by the DRC – threaten mineral supply chains, while the spread of Ebola into Uganda from the DRC is disrupting regional transport corridors. In South Africa, the president is facing impeachment proceedings, raising political and policy uncertainty ahead of municipal elections, while militant activity in West Africa raises broader regional security risks.

Chinese Mainland's zero-tariff policy to buoy sub-Saharan Africa exports



Source: International Monetary Fund, Haver Analytics, Dun & Bradstreet.

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Our experienced country-intelligence specialists use Dun & Bradstreet's proprietary data, supplemented by secondary data from the International Monetary Fund, World Bank and other multilateral organizations, to provide unique analysis to drive sound business decisions.

Updated frequently – and monthly for our most requested countries – our data and analysis are presented in a format that facilitates the comparison of economic, political and commercial conditions on a country, regional and global level.

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ABOUT DUN & BRADSTREET

Dun & Bradstreet, a leading global provider of data and analytics, enables companies around the world to improve decision-making and business performance. Dun & Bradstreet’s Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity.