Global Economics Wrap-Up: October 16, 2026

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Global Economics

10/16/26 12:19PM ET

- We estimate the DM growth rules of thumb for higher rates:
  - Global interest rates have risen to their highest levels since 2007, raising concerns that persistently higher rates will create macro headwinds in 2027.
  - We develop rules of thumb to quantify the near-term rate sensitivity of major DMs across four channels:
    - First, each 100bp increase in rates lowers DM housing investment by 6% over the next 1-2 years.
    - Second, each 100bp increase in rates lowers DM consumer spending by 0.2% on average, with the largest effects in Australia, Sweden, and Canada.
    - Third, each 100bp increase in rates lowers DM business investment by 1.8%, with larger effects in the Netherlands, Sweden, and Germany.
    - Finally, a 100bp increase in rates would raise government interest expenses by up to 0.2% of GDP over the next year and up to 0.6% of GDP by 2030.
  - Taken together, our estimates point to a 0.6% hit to DM GDP over the next year, with the largest effects in economies with high debt levels and mortgage rate resets such as Sweden, Australia, and Canada.
  - The overall growth drag implied by recent market moves is mostly captured by our financial conditions index (FCI), which currently points to a 0.4-0.6pp drag on DM growth in 2027.
    - The implied drag would be smaller if the recent rate rise unwinds in line with our forecasts.

US Economics

10/16/26 2:00PM ET

- Core CPI rose by 0.33% in September and 3.74% over the last year:
  - The shelter categories were firmer than expected: owners' equivalent rent increased by 0.35% in September, boosting the core by 12bp, and rent

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increased by 0.25%, contributing about 3bp to the core.

- Travel services were also firm, with lodging and airfares increasing by 2.0% and 1.2%, respectively, in September.
- The recreation category was also firm, driven by a large 4.2% increase in toys and games.
- Headline CPI increased by 0.65% month-over-month, reflecting higher energy prices (+5.2%) driven by the re-escalation of the conflict in Iran.

- Despite the hotter-than-expected September CPI report, we continue to expect the FOMC to leave rates unchanged at the October meeting:
  - After incorporating source data from the CPI, PPI, and import prices reports, we estimate that the core PCE price increase rose 0.34% in September, corresponding to a year-over-year rate of +3.11%.
  - In comments at the IMF's annual meetings, Fed Chairman Kevin Warsh said that "in the intermeeting period, the world has broadly conformed to our expectations [at the September meeting]."
  - Other recent comments from FOMC participants also indicated that the FOMC was likely to remain on hold in October:
  - Fed Vice Chair for Supervision Bowman said, "I don't feel any urgency for taking further action at this point."
  - San Francisco Fed President Daly, speaking after the firmer than expected September CPI report, likewise said that she did not see an urgent need "to decide with a limited set of information."
  - We continue to expect a second and final hike in December.
- The impact of AI demand on inflation is meaningful but moderate, still comes in large part from mismeasurement, and is likely near its peak:
  - We consider four channels of impact of AI demand on consumer price inflation:
    - First, AI has raised software and accessories inflation sharply by boosting prices for memory and other accessories, but we estimate that most of the contribution to core PCE inflation from this category reflects mismeasurement.
    - Second, AI-related cost pressures for electronic inputs have led to price increases for computers and other consumer electronics, and we estimate that the cost pressures will rise modestly further.
    - Third, demand for power from data centers has boosted electricity prices. We estimate this has contributed 5-10bp to core inflation and an additional 5-10bp to headline inflation.
    - Fourth, prices for industrial metals used for data center construction have risen substantially, which we estimate has boosted core inflation by about 5bp. But we see little evidence of meaningful spillovers via wage growth for construction workers.

- In total, we estimate that AI price pressures are currently boosting core PCE inflation by about 45bp, of which about half reflects a genuine impact rather than mismeasurement.
  - We expect this to peak at 50bp by end-2026 before declining to 10bp by end-2027.
- We expect the impact to decline next year mainly because our sector analysts expect memory and computer prices to grow at a significantly slower pace, which should reduce both genuine cost pressures and the impact of mismeasurement in the software and accessories category.

Europe Economics
10/16/26 12:33PM ET

- Euro area underlying inflation ticked up in September:
  - The final release of Euro area inflation for September showed headline inflation at 3.77%yoy and core inflation at 2.50%yoy.
  - Our summary indicator of sequential underlying inflation ticked up by 1bp in September to 0.23%mom.
  - Our medium-term path continues to show core inflation peaking at 2.7%yoy in 2027Q1 before declining to 2.0%yoy in 2028Q4.
  - As for headline inflation, we continue to see the peak at 3.8%yoy in 2026Q4.
  - We refine our energy inflation outlook.
    - Our updated models point to a faster normalisation of fuel price pressures in 2027.
    - We therefore now forecast headline inflation of 2.7% in 2027 and 1.9%yoy in 2028.
- Latest growth data mixed in Europe:
  - Monthly UK GDP rose by 0.1%mom in August, an upside surprise relative to expectations.
  - Growth was driven by stronger manufacturing activity.
  - This data raises our Q3 tracking estimate to +0.7%qoq (from +0.5%), and our 2026 Q4/Q4 growth forecast to 2.1% (from 1.9%).
  - In the Euro area, our Q3 tracking estimate was unchanged at +0.23%qoq.
- We assess Euro area sovereign risk:
  - European sovereign risk is back in focus.
  - We compare today's conditions with the 2011-15 episode.
  - Similarities include elevated fiscal imbalances, high rates, and concerning debt dynamics.
    - Financial-market vulnerabilities also persist.
  - But growth is higher, household finances are more robust, external imbalances

are smaller, and banks are healthier.

- The Euro area has also strengthened its institutional architecture.

- As a result, the risks of disorderly market escalation and real economy contagion look notably lower.

Asia/EM Economics
10/15/26 12:35PM ET

- China's trade surplus reached record high of US$134bn; PPI inflation reached a new high
  - Trade growth accelerated in September and came in above expectations (exports: +36.3% yoy, imports: +31.0% yoy). The trade surplus widened to US$133.5bn in September, the largest monthly surplus on record.
  - EU–China trade negotiations resulted in shared understandings on temporarily limiting Chinese hybrid vehicle exports to the EU, lowering tariffs on selected products, and facilitating export licenses for rare earths and permanent magnets.
  - PPI inflation rose to a new high of 5.0% yoy in September (vs. 3.9% in August), driven mainly by higher energy and chemical prices. CPI inflation edged up to 0.9% yoy (vs. 0.8% in August), primarily reflecting higher energy and transportation services prices. We raised our 2026/27 PPI inflation forecasts to 2.8%/0.3% yoy but lowered our CPI inflation forecasts to 0.8%/0.6% yoy.
  - September credit data came in above expectations, driven mainly by higher government bond issuance, though household and corporate loan demand remained soft.

GDP Forecast Tracker: GS vs. Consensus

Real GDP Growth:	Annual Average					
	2025	2026		2027		Potential
	Actual*	GS	Consensus	GS	Consensus	GS
DMs						
US	2.3	2.3	2.2	2.2	2.1	2.3
Euro Area	1.3	1.0	0.9	1.1	1.3	1.0
Germany	0.3	1.0	1.0	1.1	1.1	0.5
France	0.9	0.4	0.5	0.6	0.9	1.0
Italy	0.7	0.8	0.9	0.7	0.7	0.8
Spain	2.6	2.6	2.6	1.9	2.0	1.9
Japan	1.2	0.9	0.8	1.2	0.8	0.6
UK	1.2	1.6	1.2	1.5	1.2	1.4
Canada	1.9	0.9	1.0	1.9	1.7	1.5
Australia	2.0	1.9	2.0	1.8	1.7	2.4
EMs						
China	4.9	4.5	4.6	4.6	4.4	4.5
India	7.3	7.6	7.5	7.3	6.9	6.6
Brazil	2.3	1.8	1.9	1.0	1.5	2.1
South Korea	1.1	3.2	3.4	2.5	2.5	2.4
Mexico	0.5	1.4	1.4	1.8	1.8	2.2
World	2.9	2.6	2.6	2.7	2.7	2.7

*GS estimate where actual full-year data is not yet available.
Note: Global GDP growth rates aggregated using market exchange rates.

Source: Bloomberg, Goldman Sachs Global Investment Research

