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29 January 2026

# Global outlook - Trends and challenges in 2026



# Agenda

1. Global outlook
2. What risks are we looking out for?
3. The changing world order – and the rise of China



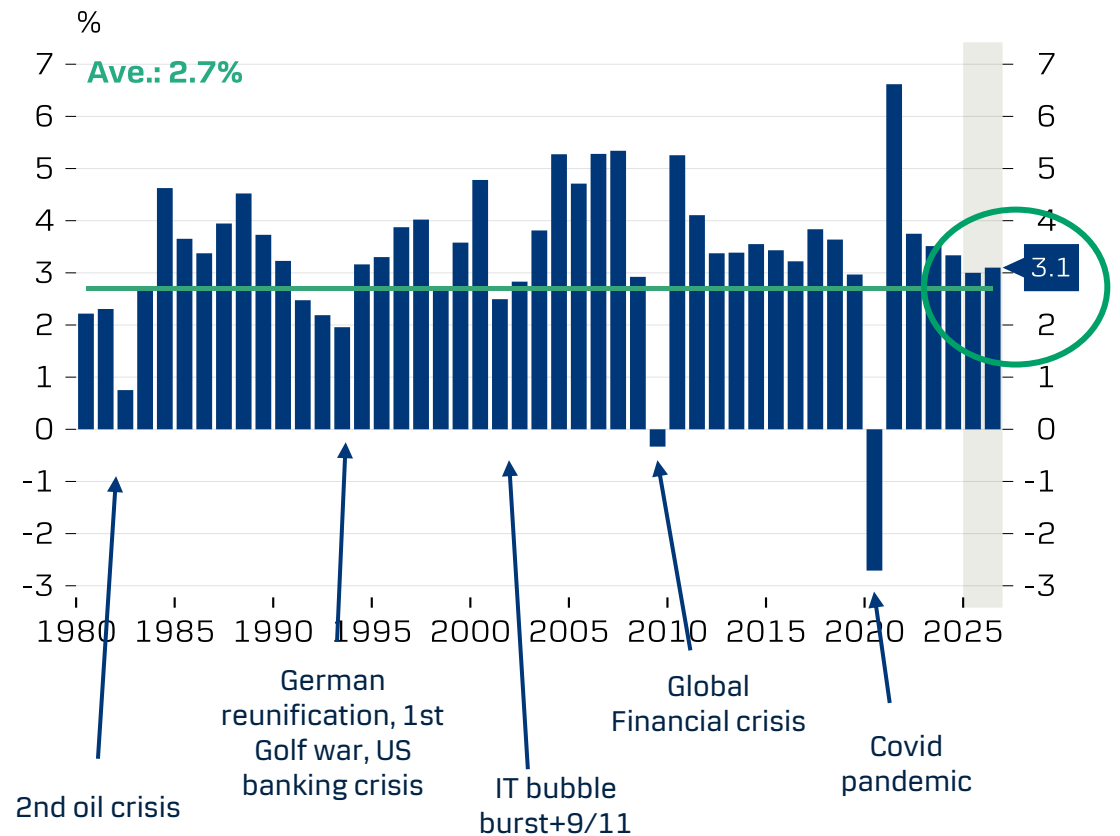
# Global outlook: Economies cruising amid fiscal policy support

GDP growth, %	2024	2025	2026	2027
USA	2.8	1.8 (1.6)	1.9 (1.4)	1.7
Euro	0.8	1.4 (1.2)	1.2 (1.2)	1.4
China	5.0	4.9 (4.9)	4.8 (4.8)	4.7



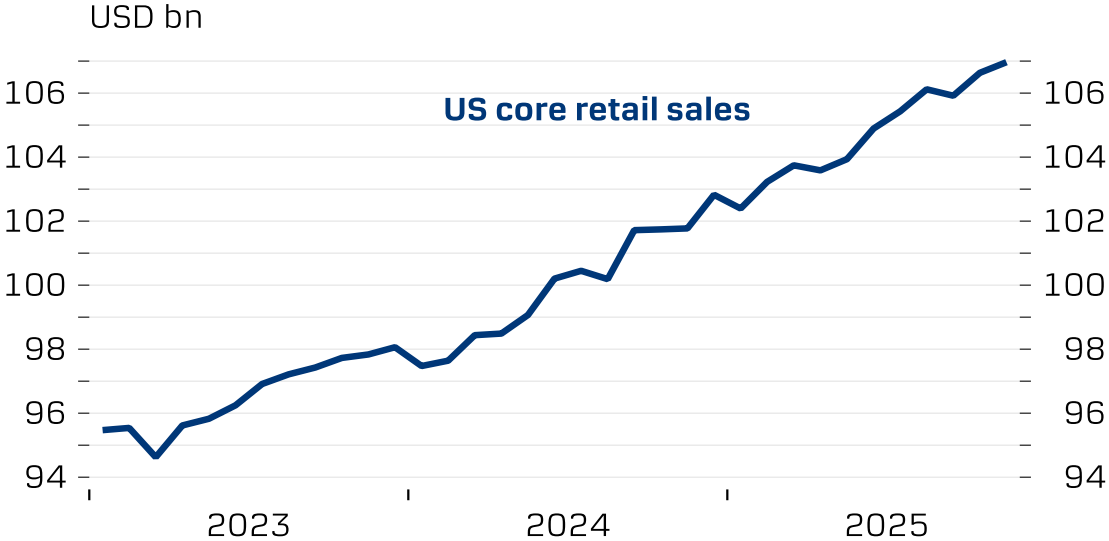
Source: Nordic Outlook December 2025 (paranthesis shows previous)

## Global GDP growth

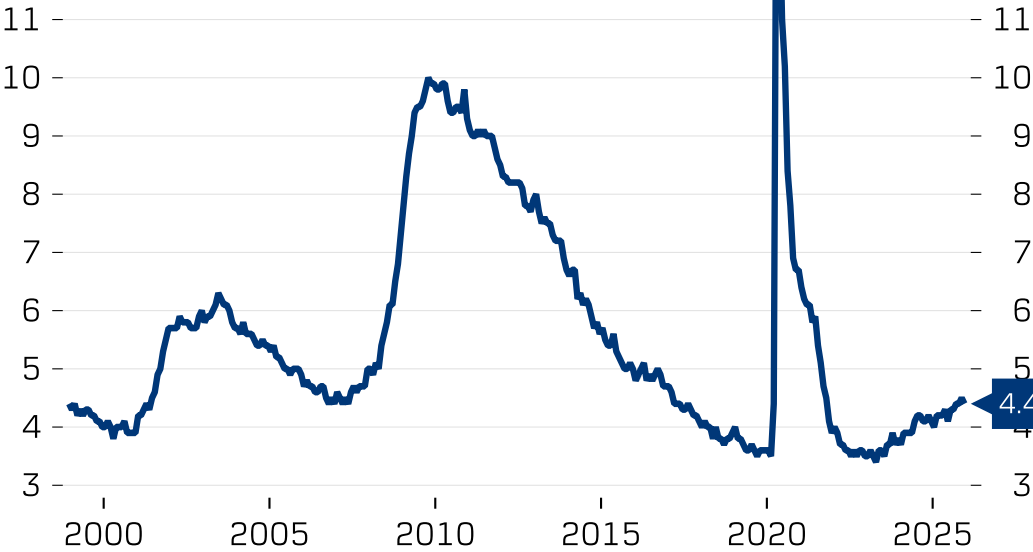


# US: Consumer engine keeps running for now

### US consumer keeps spending and BBB to sustain it



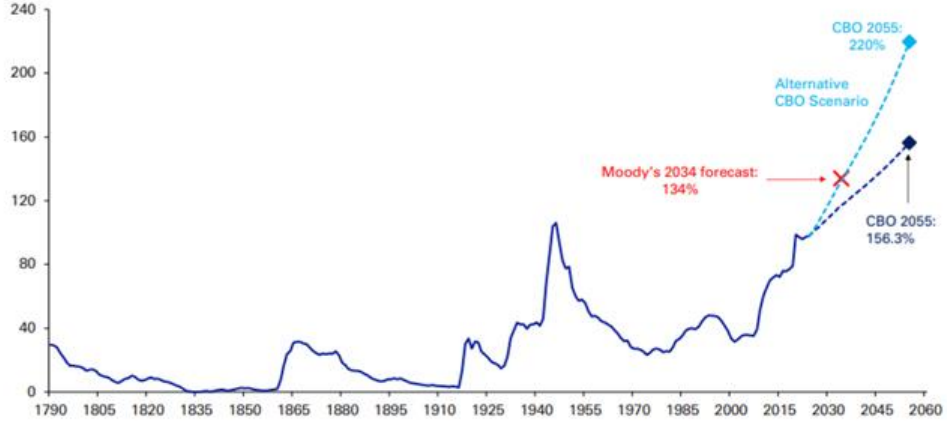
### US unemployment rate still low





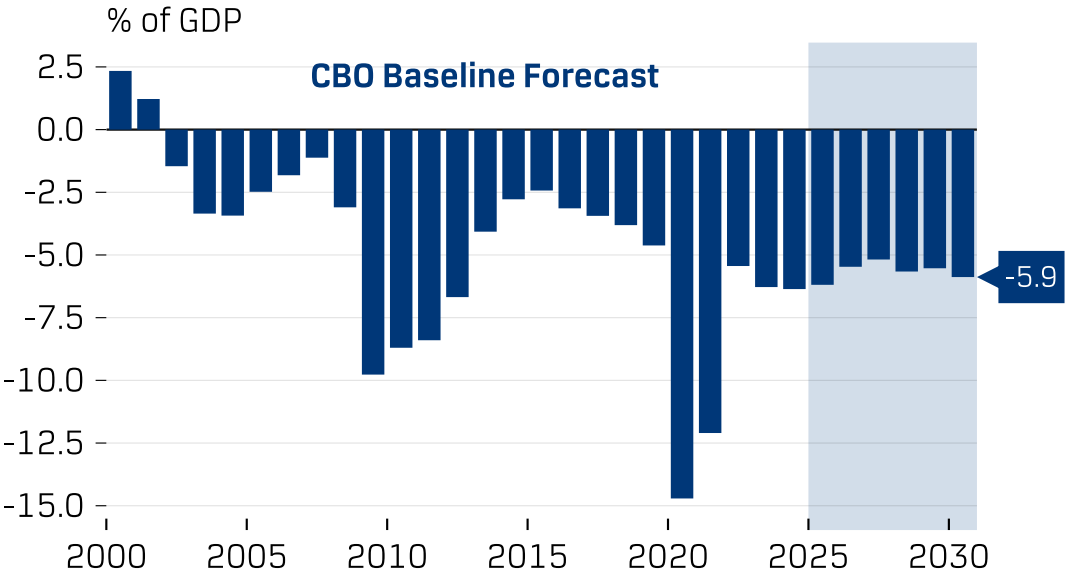
# Rising US debt a key risk – no fiscal room in future crisis

## US debt on even sharper rising path after the Big Beautiful Bill



Source : CBO, Deutsche Bank

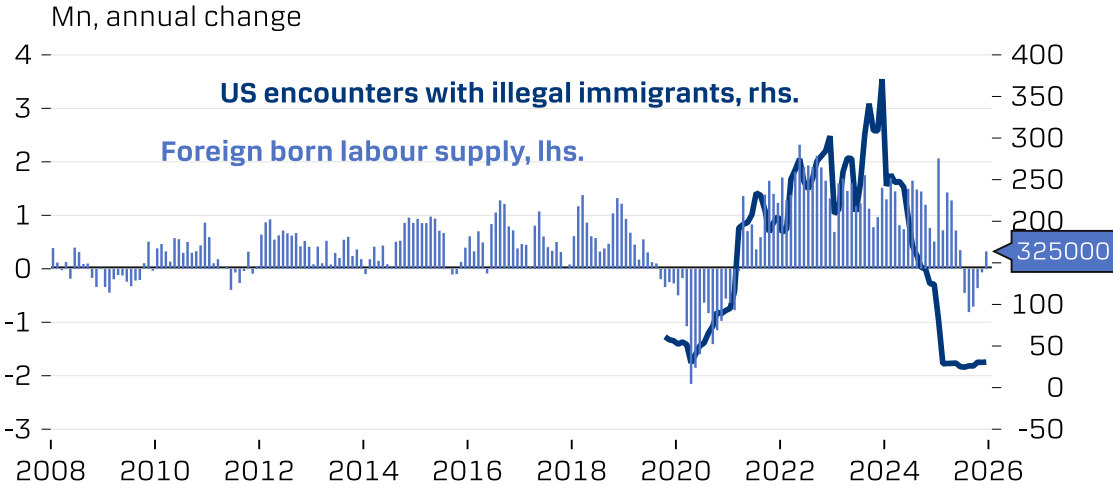
## High deficit as far as the eye can see





# Other headwinds for US growth – both short term and long term

## Immigration and labour supply



FOREIGN  
AFFAIRS

## America's Coming Brain Drain

*Trump's War on Universities Could Kill U.S. Innovation*

L. RAFAEL REIF

May 6, 2025

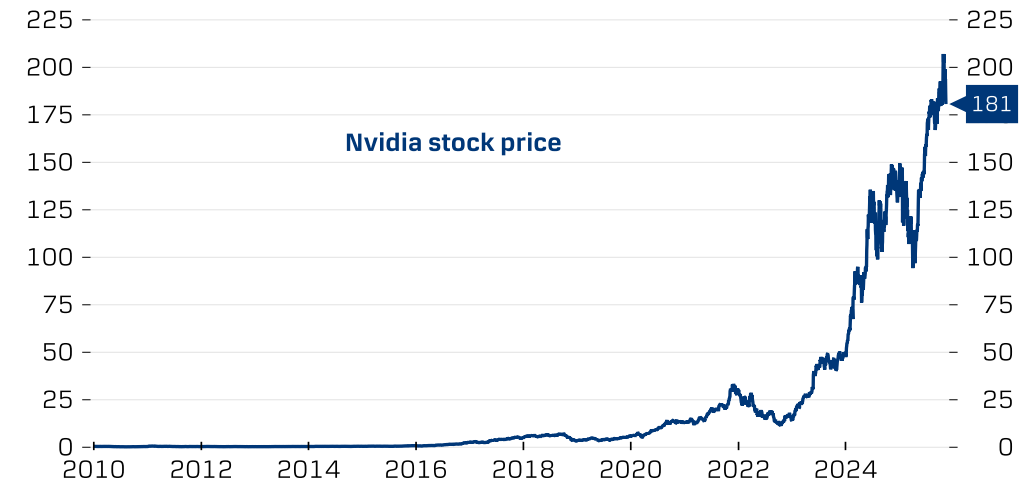
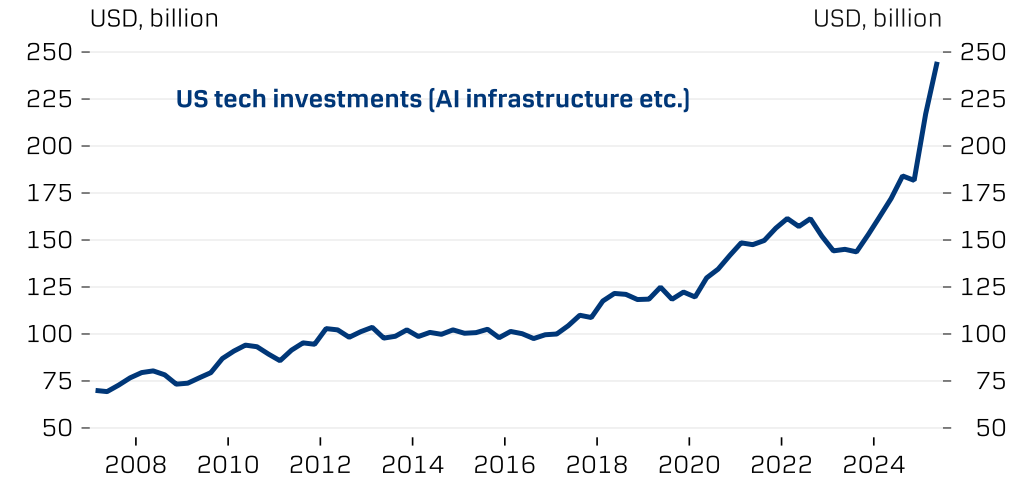




# AI bubble or not?

- More than **1,300 AI start-ups** have valuations of over USD100 million
- Global AI investments are projected to rise to **USD500 billion in 2026**

- Will the **US-China geopolitical race** for AI leadership secure demand and funding?
- Will **computing demand** continue to grow as AI is rolled out everywhere?



## AI bubble? Smart people disagree



“ Are we in an AI bubble? Of course! ... Of course we are. I mean, we’re hyped, we’re accelerating, we’re putting enormous leverage into the system.

**Pat Gelsinger, Former Intel CEO**

“ We’re certainly seeing lots of evidence of bubble-like behavior in the AI space. We see the kind of circular revenue deals, we see a lot of very aggressive price behavior.

**Ben Inker, GMO co-head of Asset Allocation**

“ AI industry is not a bubble, but a whole new industrial structure.

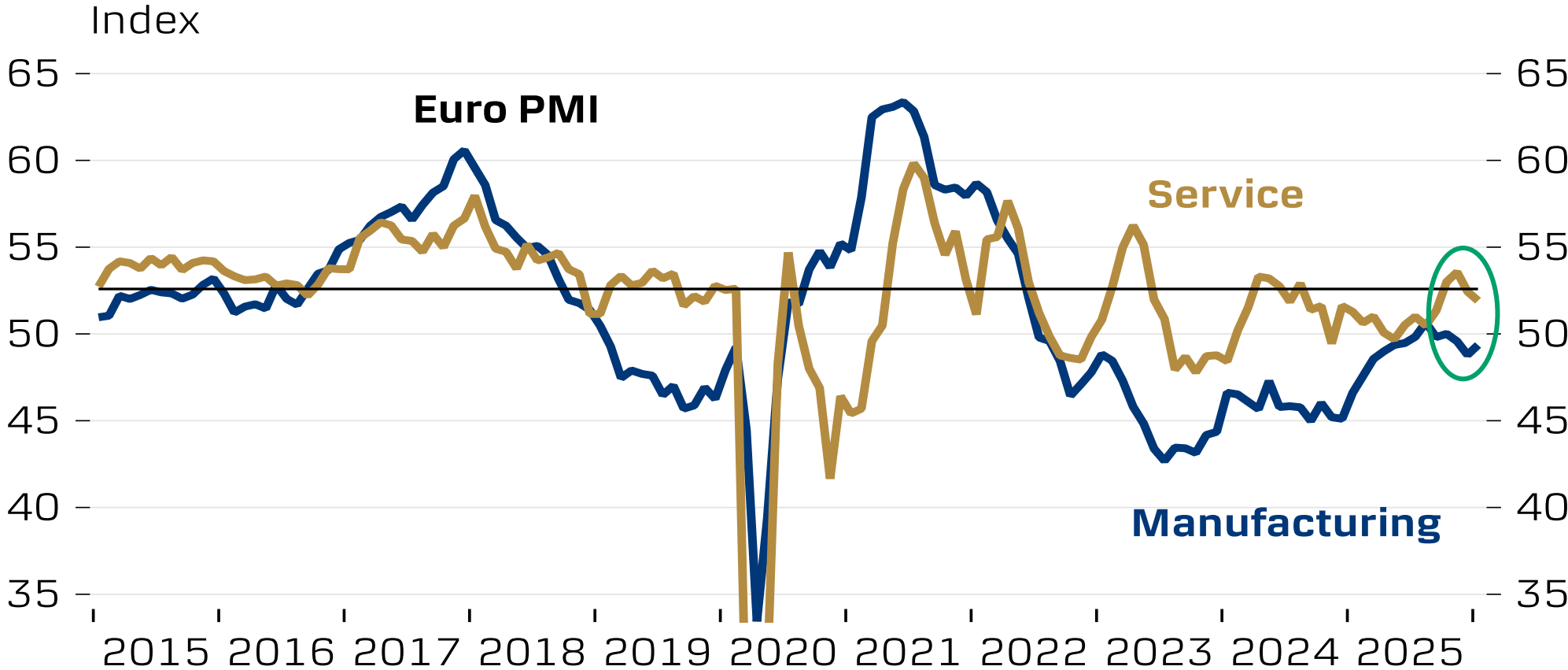
**Eric Schmidt, former Google CEO**

“ I think some of the investments that we’ve seen so far is not on AI, it’s more on cloud and the power of cloud. So I don’t believe this is a bubble, but I believe this is capital that in most cases is going to be well spent.

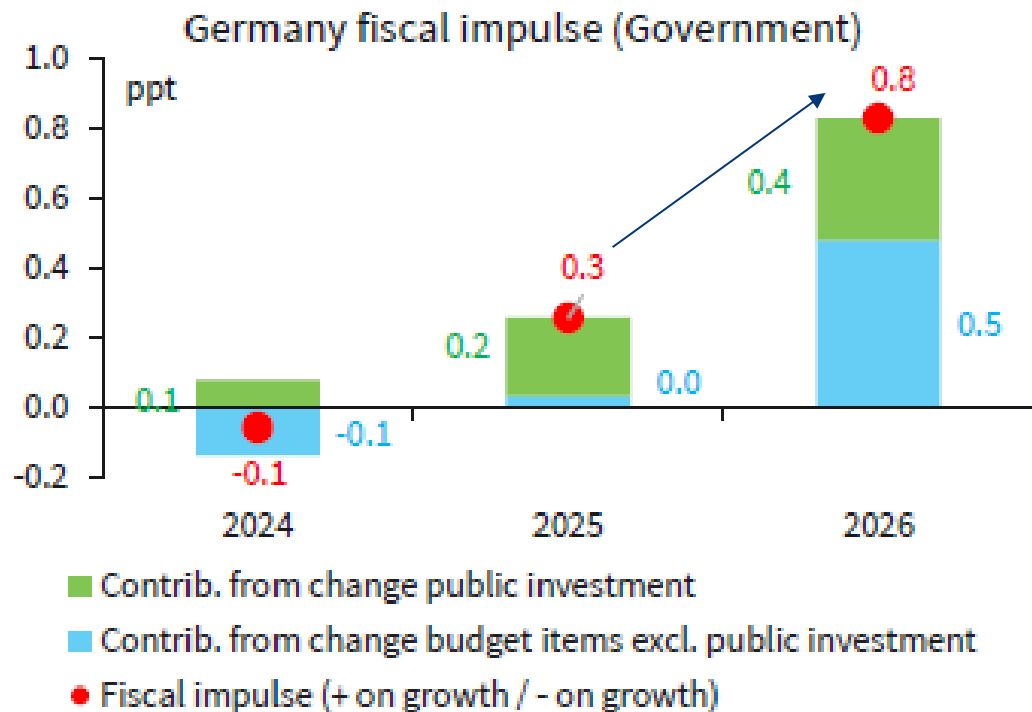
**Larry Fink, CEO of Blackrock**

# Euro: growth in a better place after some difficult years in manufacturing

## Manufacturing in better shape, services robust



## German fiscal stimulus increasing in 2026



Fiscal policy to provide 0.8% boost to growth in 2026 – up from 0.3% in 2025

Source: Barclays Research

# EU competitiveness challenges - as well as big security challenge

**Regulation**



**Scaling start-ups**



**Funding**



**Energy costs**



# China: a two-speed economy

Domestic demand

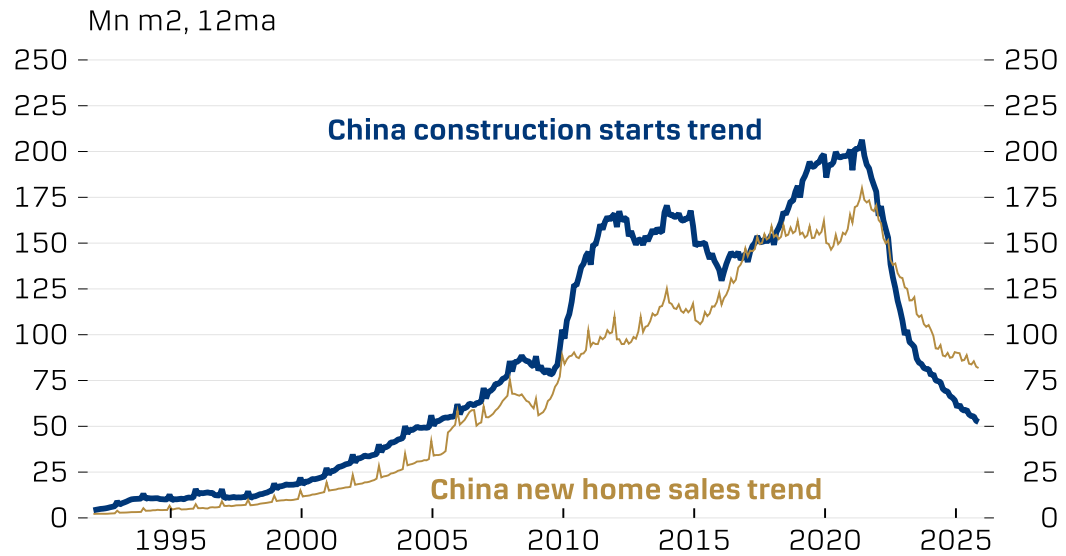


Production, competitiveness and tech



# China still major domestic demand challenges

## China still in housing crisis...



## ... and it's holding back consumers

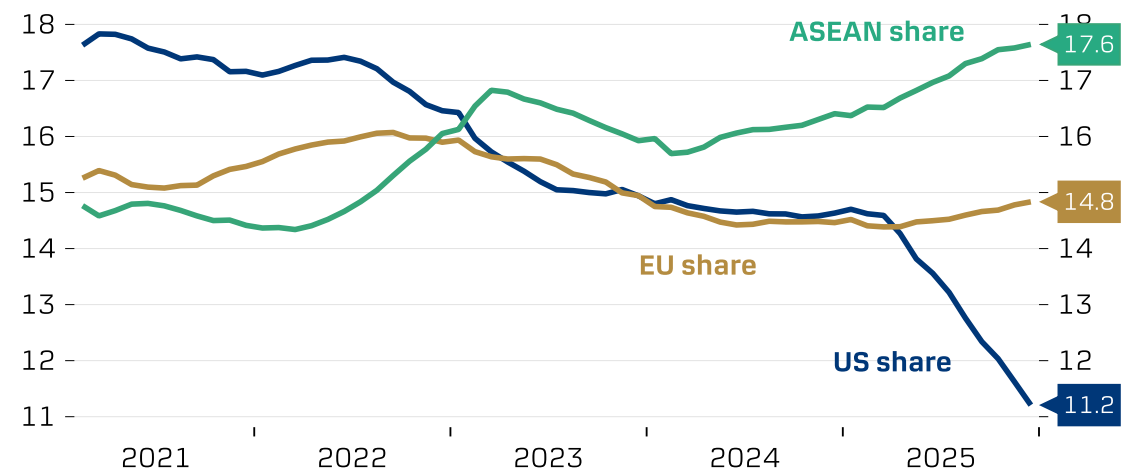


# Chinese exports still strong – Trump tariffs reshape global trade

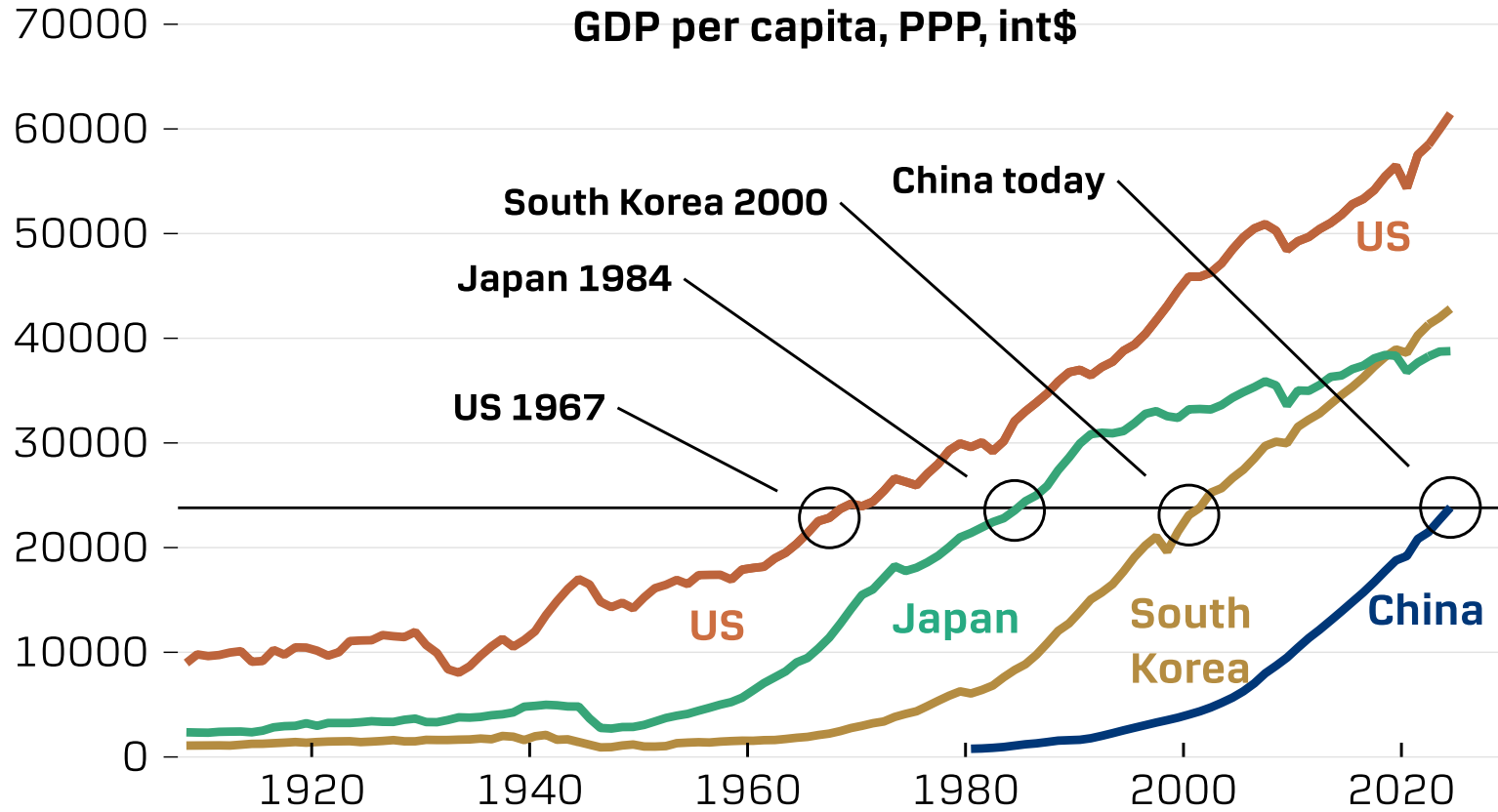
## Chinese export growth strong despite tariffs



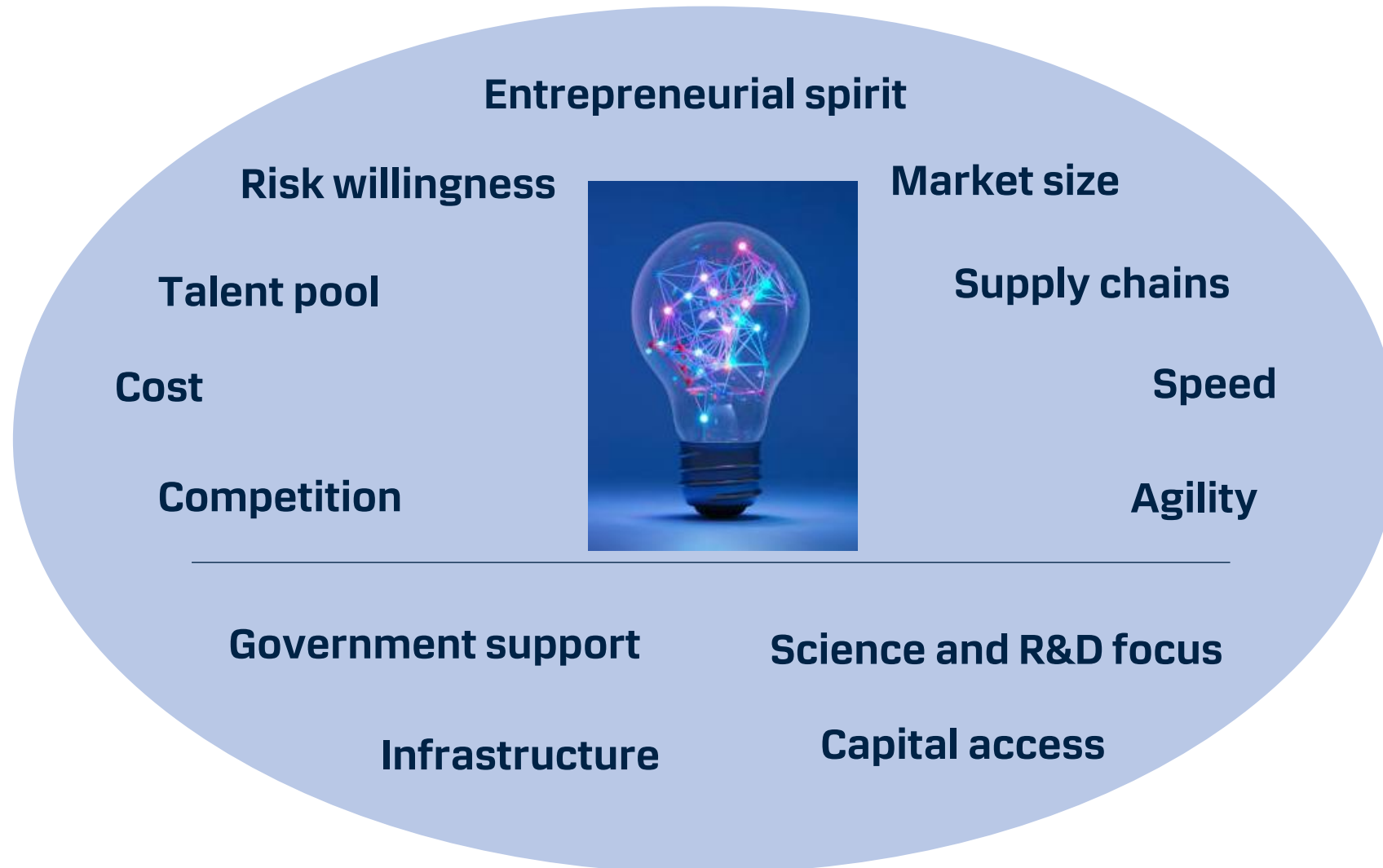
## Chinese exports, % of total, 12ma



# China only half way in its' catching up journey



# China's ecosystem for tech and innovation is strong





# Nordic corporates continue to invest in China



“By also producing and innovating locally, **we can tap into China’s speed and creativity.**”

*Ruthger de Vries, President of Scania in Asia, October 2025*

“The **advanced ecosystem and technologies available in China** address the problem of losing out on orders, which has afflicted Scania for years”



*Scania CEO Christian Levi, October 2025*

“Danfoss, the Danish multinational engineering group, today inaugurated its **largest global production facility** in China. Spanning 126,000 sqm, Danfoss’ Haiyan Second Campus **more than doubles the company’s presence in the region**, underscoring its long-term commitment to supporting China’s green transition and high-quality development.”

*Press release, September 2025*



## Rising demand for green technologies drives Danfoss to open its largest production facility in China




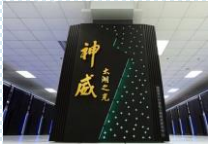







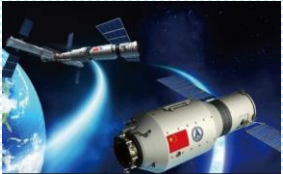


Tuesday, September 2, 2025



# China becoming a tech power house

Tech Frontier



EVs 	Autonomous driving 	AI 	Battery tech 	Quantum and super computers 	5G tech 	High-speed trains 	Solar and wind 	Drone tech 
Internet of Things 	Smart phones 	Microchips 	Space tech 	Military tech 	Robotics 	Aviation 		

*China also fast at adaptation of new technologies as well.  
(but lag in '0-1' innovation)*

# Coming Five-Year Plan for 2026-30 doubles down on tech and manufacturing

## Highlights from Fourth Plenum communiqué:

- 1. Doubling down on tech and innovation:** “Significantly enhancing scientific and technological self-reliance and strength... Seizing the historical opportunities of a new round of scientific and technological revolution and industrial transformation”
- 2. Staying a strong manufacturing power with priority on advanced manufacturing:** “Accelerating the construction of a strong manufacturing country... foster and expand emerging and future industries”
- 3. Domestic demand to be stronger driver:** “Stressed the importance of adhering to the **strategic foundation of expanding domestic demand**... Focus will be on using new demand to drive new supply and using new supply to create new demand... **Efforts should be made to boost consumption**”
- 4. Strengthening market economy:** “Accelerating the establishment of a high-level socialist market economy system... Fully activating the vitality of various market entities, accelerating improvements in mechanisms for the market-oriented allocation of production factors... Resolutely eliminate bottlenecks and impediments to building a unified national market”
- 5. Expand opening-up and cooperation:** “Highlighted the need to expand high-level openness to the outside world and create a new framework for mutually beneficial cooperation”
- 6. Expand social safety net:** “While refraining from overcommitting, strengthening universal, foundational, and bottom-line social services... Steadily advancing the equalization of basic public services. “
- 7. Keep focus on green development:** “The session emphasized accelerating the comprehensive green transformation of economic and social development to build a beautiful China”

*Not many surprises in new Five-Year Plan.*

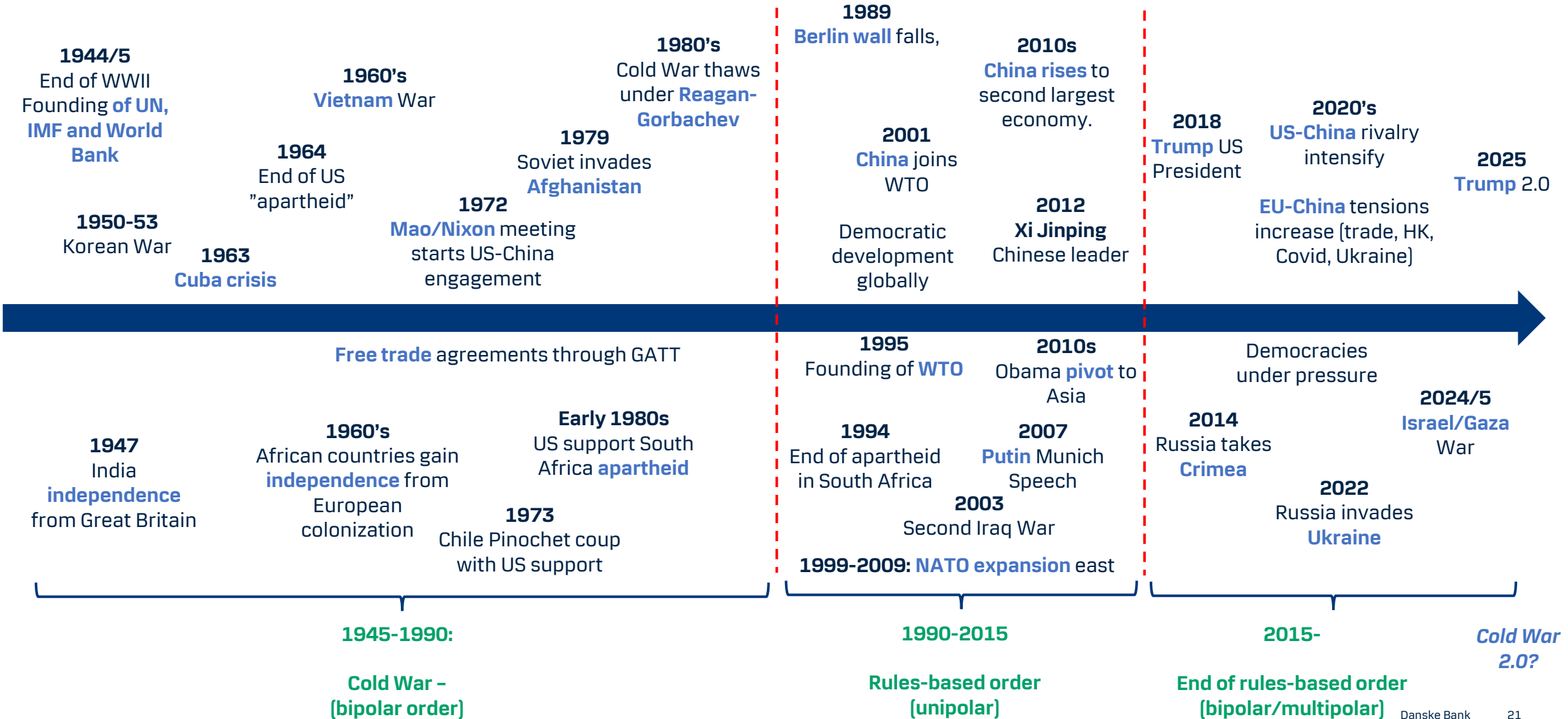
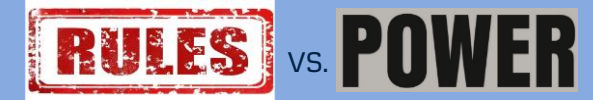
*A **continuation** of previous plans with strong focus on climbing the value chain through **tech** and education. Stronger focus on **consumption**.*

*We will get more details in March when full plan is revealed.*

A digital representation of the Earth, composed of a grid of glowing blue and white points, set against a dark blue space background filled with stars. The globe is centered on the Atlantic Ocean, showing the Americas on the left and Europe and Africa on the right. The text "A new world order" is overlaid in white, sans-serif font in the center of the image.

A new world order

# Changing of the world order



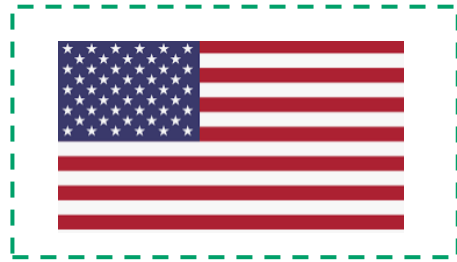
**”We live in a world, in the **real world**, Jake, that is governed by **strength**, that is governed by **force**, that is governed by **power**.**

**These are the **iron laws** of the world since beginning of time”**



Stephen Miller,  
adviser to Trump and vice-chief of staff

# Unipolar world is ending – moving to multipolar world but with two dominant poles

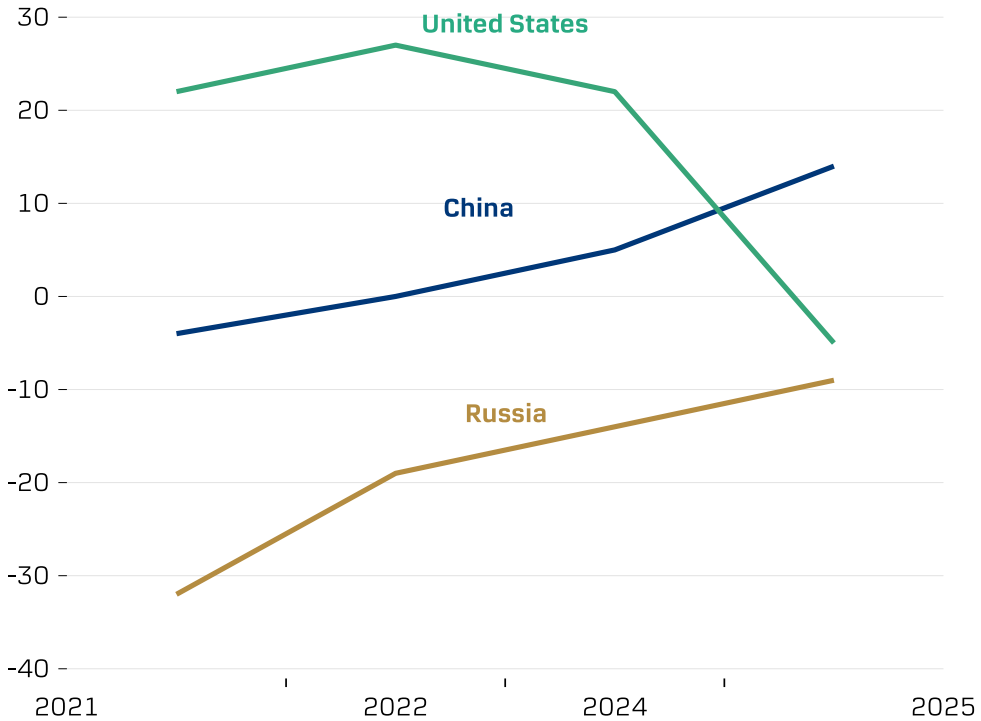


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Net perception of global powers



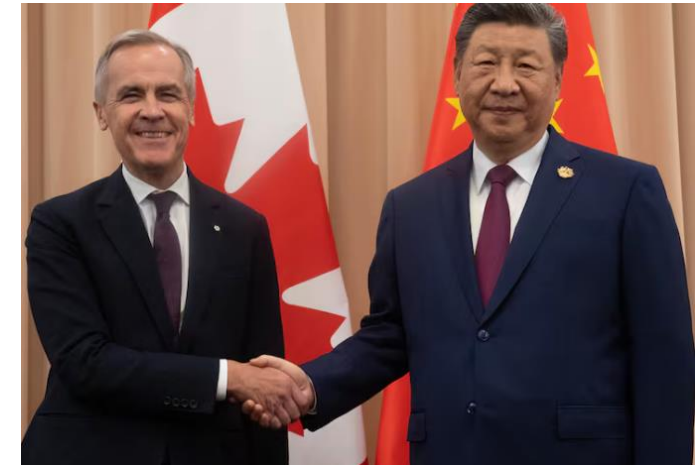
# Trump creating new friendships – for China

*South Korea's Lee takes selfie with Xi using China-gifted 'backdoor phone'*



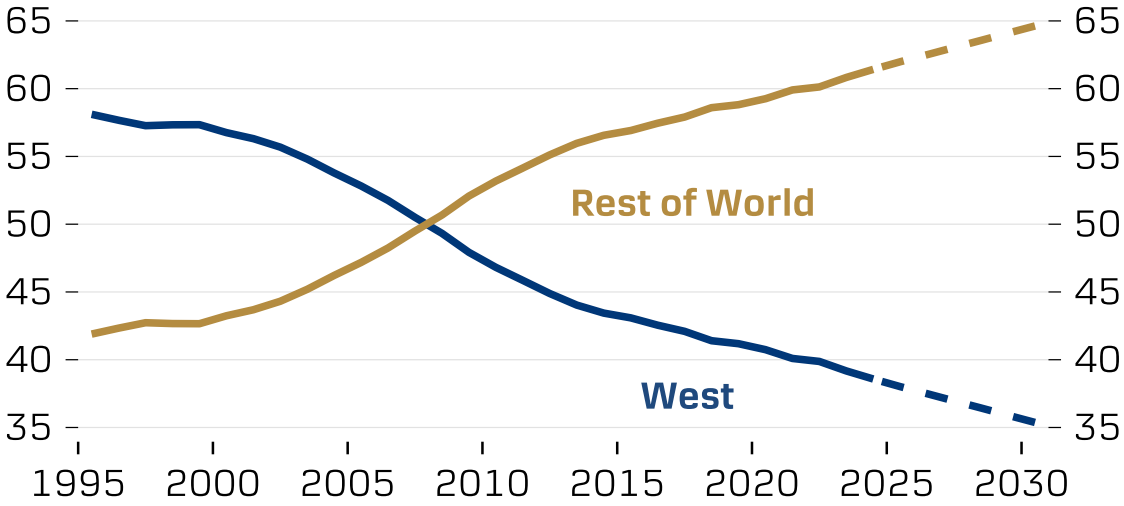
**Carney and Xi agree to tackle 'irritants' in Canada-China relationship**

PM says he's pleased after 'turning point' meeting with Chinese president

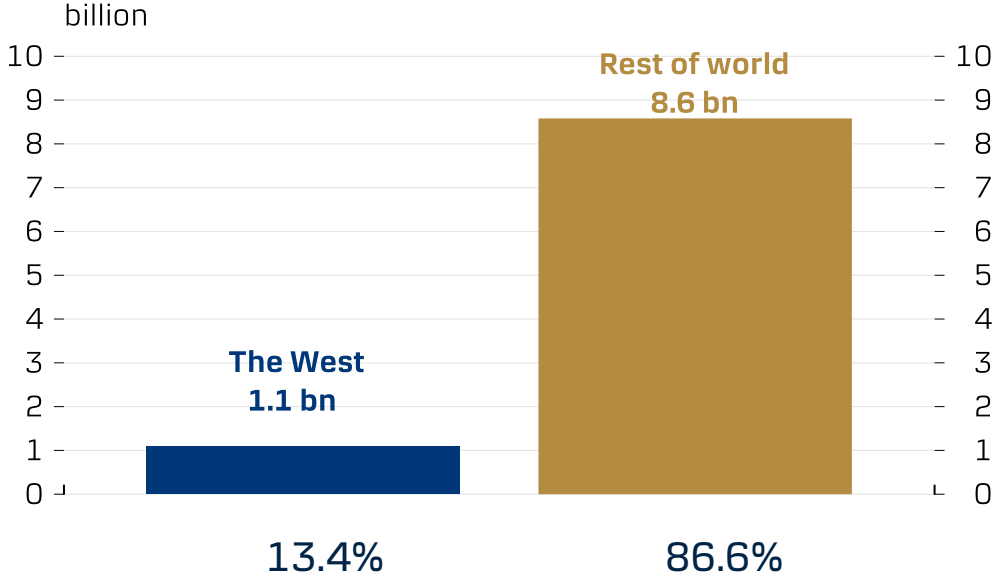


# The West is in relative decline

The West, share of global GDP (PPP), %

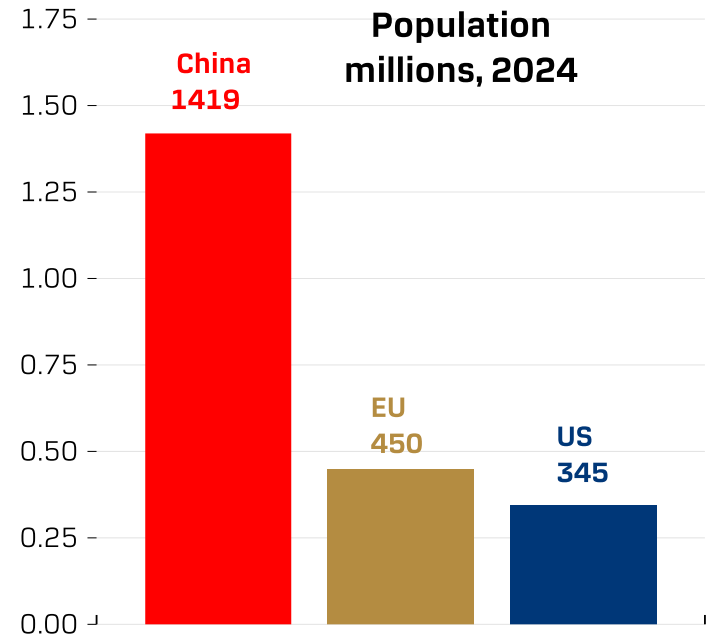
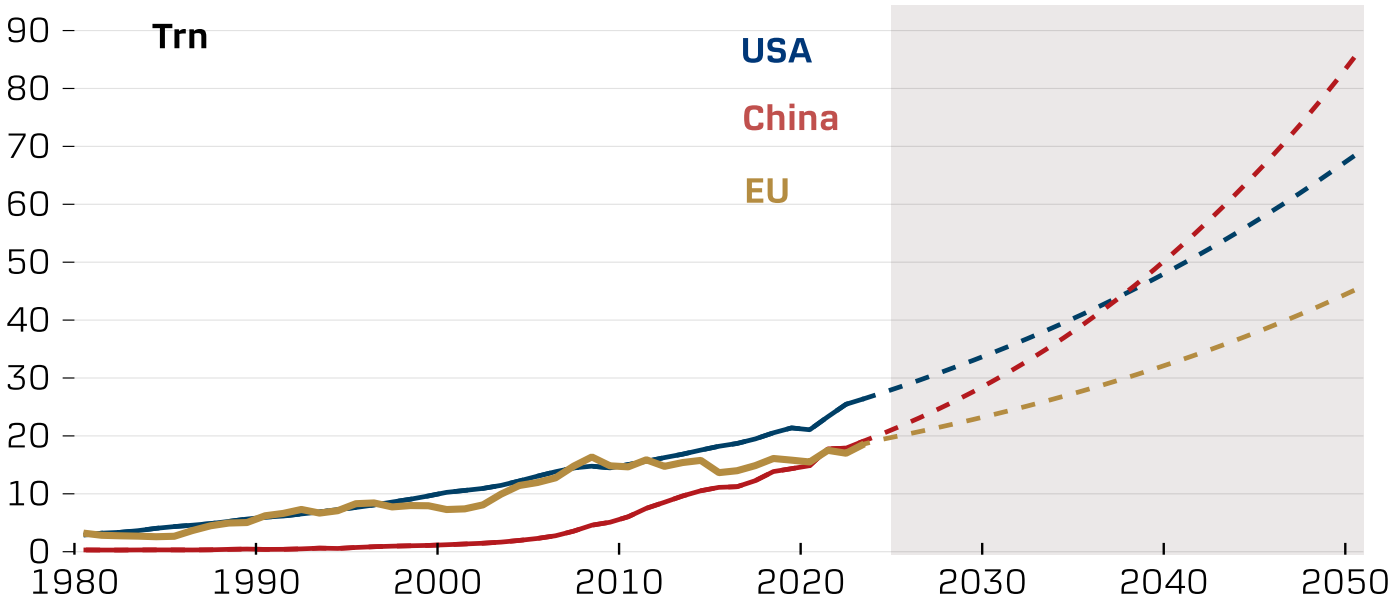


Population in West and the rest (2024)



# US and China in long term rivalry - EU playing second (or third?) fiddle

### GDP nominal, USD



## Summary

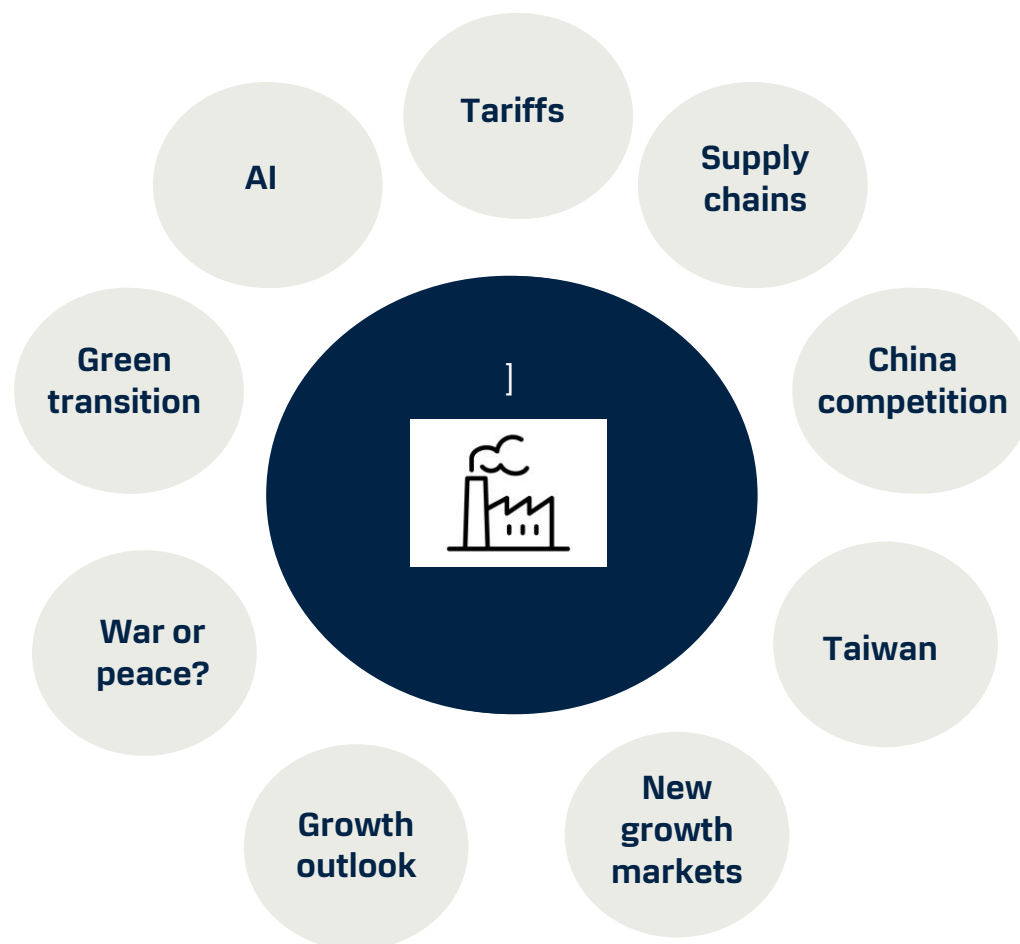
1. Global economy cruising
2. Main risks from US debt and AI
3. World order rapidly changing – US pursue dominance
4. The West/US in relative decline as Global South rises
5. Supply chain risks here to stay as US-China rivalry to continue





# Appendix

# Being company in a new world



# Changing order means risk of supply chain disruptions as trade is weaponized



# Taiwan scenarios 1-2 year horizon

**Baseline (60%):** Tensions remain high but no Chinese blockade or military action next couple of years. War is extremely costly for all sides. Both US and China choose deterrence as preferred policy.

US goal is to deter Chinese invasion by making perceived cost as high as possible.

China uses military drills and grey zone warfare to deter US support for formal Taiwan independence and subdue Taiwan.

In the long term, a real risk of war remains. China will not give up reunification and becomes stronger militarily and more self-sufficient.

**Downside risk (30%):** Mishaps trigger tit-for-tat escalation into war and/or US changes policy and supports Taiwan independence.

**Upside risk (10%):** Trump dials back support for Taiwan and China reduces military drills.



# Invading Taiwan is a (very) difficult operation

The population of Taiwan is **23.4 million people**

- **Preparations:**

- China would need to move military assets to the eastern coast and make other visible preparations **easy to detect**

- **Crossing:**

- Distance between Chinese mainland and Taiwan is **128km** at narrowest point.
- Seaborne invasion **only viable a few months** of the year due to monsoons and other extreme weather
- Transporting **hundreds of thousands of soldiers** over Taiwan Strait **would take weeks**
- **Require thousands of ships**. Each **crossing takes hours** allowing Taiwan time to target ships
- China's **amphibious fleet is relatively small**. Civilian ships need but take longer to unload and vulnerable to missiles.

- **At landing:**

- Taiwan would be **ready at landing sites** and erect barriers
- **Few deep-water ports** and beaches in Taiwan could accommodate a large landing force. Taiwan could destroy these.
- West coast has **shallow waters** - not ideal for an invading force. Would have to anchor far from coast.
- East coast line with **cliffs** too steep to scale.
- D-Day operation in World War II was largest amphibious invasion in history, involving 7.000 ships and almost 200.000 troops crossing nearly 100 mile channel. 850.000 landed over 3+ weeks.

- **In Taiwan:**

- Even if establishing beach-head, Chinese troops would **struggle to navigate the mountainous terrain** to secure island
- Taiwan military advantage of **knowing the land and terrain. Taiwan could wage guerilla war.**
- China would need to **control Taipei**. But gaining control is very difficult as **few routes lead int the city** and **it sits in a bowl ringed by mountains** defenders can utilise.
- Once reaching Taipei, China would be **forced to urban combat fighting** street by street to take Taipei, which has population of 7 million

# China serious about re-unification with Taiwan – but timing is open

Taiwan was **lost to Japan in 1895** during China's Century of Humiliation. In 1949 KMT fled to the island after losing civil war to CCP keeping name "Republic of China".

Great Rejuvenation includes Taiwan **must be fully "reunited with the motherland"**.

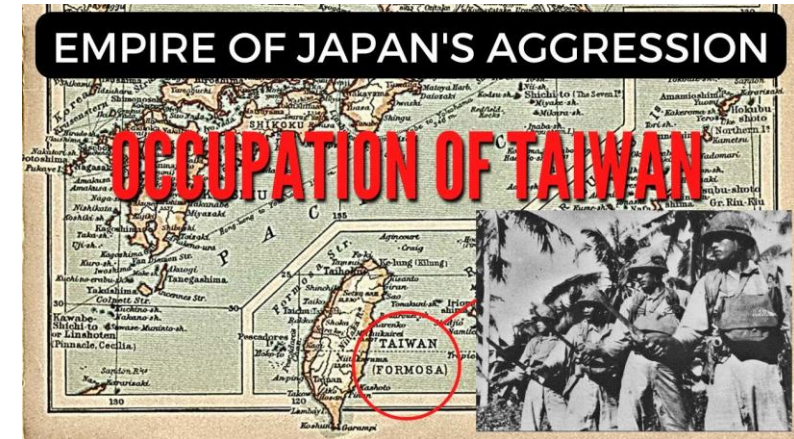
**Anti-secession law of 2005** states that :

- "The state shall do its **utmost with maximum sincerity to achieve a peaceful reunification.**"
- "In the event that the "Taiwan independence" secessionist forces should act ...to cause the fact of Taiwan's secession from China, or
- ...that possibilities for a peaceful reunification should be completely exhausted, ...
- ... the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity."

**No official deadline** on reunification but part of the Chinese Dream for 2049

The **US is seen as obstacle** for peaceful reunification by supporting secessionists.

183 countries have a One China policy (12 don't).





# Tech race is on - how does China stack up against US in the AI race?



US



China

Advantage

## Computing power

**US leads decisively** in AI chip access and ecosystem behind

**China suffer from US tech sanctions** limiting access to best chips.



## Brain power

US has to **top AI research talent** - but may lose it in the long run

China has **50% of AI experts and pool is growing** rapidly. They work very hard and very motivated.

-

## Data

**US lag behind.** Smaller scale, more fragmented and regulated data.

**Huge advantage in scale.** 4 x population of US, centralized super apps (Tiktok, Wechat, e-commerce etc.)



## Money and ecosystem

Huge venture capital ecosystem. Have **global AI leaders like OpenAI, Amazon, Google, Microsoft and Meta**

China not so far behind with AI from major tech companies like Tencent, Alibaba, Bytedance and vast net of AI labs like DeepSeek. Strong state funding.



## Policy coordination

**US more decentralized** and less big picture strategy.

**China's top down system is a strength.** Big government support and big picture thinking to design AI ecosystem. Strong motivation across private and state sector.



## Adoption

US a bit behind in this space

**China generally fast at adoption** of new tech, fast to integrate AI into manufacturing process and robotics, AI and tech more integrated into society.



## Conclusion:

**US leads in computing power, frontier-chips, AI talent concentration and AI company leaders**

**China leads in data scale, deployment of AI and policy coordination and support. Pool of AI talent also strong and rising.**



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Ad hoc.

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