The Outlook: 2026
Growth, Inflation, and the New Normal

As we begin 2026, we continue to operate in an economic environment that looks quite different from the one that existed before the pandemic. The global economy has not returned to a familiar equilibrium, but instead, it has settled into what many deem the new normal.

IMF Managing Director, Kristalina Georgieva, recently captured it like this: *"The new normal is uncertainty."* This uncertainty is not temporary. It reflects a world shaped by geopolitics, trade fragmentation, climate shocks, and persistent inflation pressures. For Jamaican investors, this backdrop matters deeply—not only because of its impact on global markets, but because of how quickly global shocks now transmit into local prices, interest rates, and investment returns.

Global Growth: Slow, Steady, and Uneven

Globally, economic growth has proven more resilient than many feared, but it remains subdued. According to the United Nations and the World Bank, global GDP growth is expected to slow to around 2.6–2.7% in 2026, significantly below the pre-pandemic average of just over 3%. Performance across regions continues to diverge: the United States is projected to grow at roughly 2%, supported by resilient consumer demand, while Europe is expected to expand closer to 1.3%, weighed down by weaker demand, tighter trade conditions, and ongoing geopolitical uncertainty.

This uneven growth reflects deeper structural shifts. Supply chains have been re-engineered, trade relationships are more fragmented, and long-standing assumptions about frictionless globalisation no longer hold. Recent tariff actions and strategic trade policies—particularly among major economies—have blurred the line between economic and geopolitical decision-making, reducing the predictability investors once relied on.

Inflation Pressures and Cautious Central Banks

Inflation has moderated from the extreme levels seen earlier in the decade, but it remains uneven, persistent, and vulnerable to renewed shocks. The IMF projects global inflation easing to roughly 2.6–3.1% in 2026, down from higher levels in 2024–2025, but still above comfort zones in several major economies. As a result, central banks are proceeding with caution rather than confidence.

Policymakers are signalling that while the direction of travel may eventually be toward easier policy, interest rates are likely to remain higher for longer until inflation is convincingly contained. Markets that once expected rapid rate cuts have adjusted to a more restrained reality—one where monetary policy responds gradually and remains firmly data-dependent.

This caution reflects the IMF's broader message that uncertainty itself has become structural. Trade disputes, geopolitical tensions, climate-related disruptions, and political cycles continue to pose upside risks to inflation. In this environment, central banks are reluctant to declare victory too early, even as headline inflation trends lower.

Jamaica in 2026: The Local Lens

Jamaica is not immune as it enters 2026, balancing resilience with repair. After an unusually soft inflation patch in mid-2025, prices firmed toward year-end as Hurricane Melissa's after-effects filtered through supermarket shelves and utility bills. By December, headline inflation printed 4.5% year-over-year and 1.3% month-over-month, driven chiefly by food and electricity—STATIN's first CPI that fully captured post-storm conditions.

"The IMF projects global inflation easing to roughly 2.6–3.1% in 2026, down from higher levels in 2024 – 2025, but still above comfort zones in several major economies..."

That put the spotlight squarely on the Bank of Jamaica, which kept its policy rate at 5.75% into December. The Central Bank used its December Monetary Policy Report to flag a higher near-term inflation track as agricultural supply recovers and reconstruction demand pulses through. Private sector summaries of the BOJ's outlook even point to a mid-2026 peak before inflation settles back toward target. In short, policy remains vigilant, rates are steady for now, and the disinflation path is likely to be bumpy rather than linear.

Growth tells the same two-sided story. Momentum was building before Melissa, with the Planning Institute of Jamaica (PIOJ) estimating 4.6% for July–September 2025 on the back of recovery in agriculture, tourism, and utilities. The late October shock then hit hard, and officials predict a double-digit contraction between 11% and 13% in Q4 2025 and a FY2025/26 decline of 3%–6%. The forecast is for a return to growth later in 2026 as rebuilding continues.

The damage estimates are between US$8–15 billion—a staggering share of GDP—reflecting widespread hits to housing, schools, health facilities, and critical infrastructure. The near-term investment climate, therefore, is defined by uneven pricing pressures and reconstruction-led demand, not a collapse in activity. The policy tone is cautious; however, the medium-term path points toward repair and a return to normal, as logistics pressures ease and reconstruction advances.

Closing: Navigating 2026 Without the Drama

The new normal is uncertainty—but uncertainty is not paralysis. For Jamaica, the story is one of resilience. While the shock from Melissa is real, so is the rebuilding. Globally, growth is slower but still positive; inflation is easing but not conquered; and policy remains watchful, not fearful. Success in 2026 will come from disciplined diversification, thoughtful risk controls, and timely adjustments as the data evolves.

Sources:
Bank of Jamaica | Planning Institute of Jamaica
Statistical Institute of Jamaica | World Bank
International Monetary Fund