

Business Issues and Trends to Watch in 2026

January 4, 2026

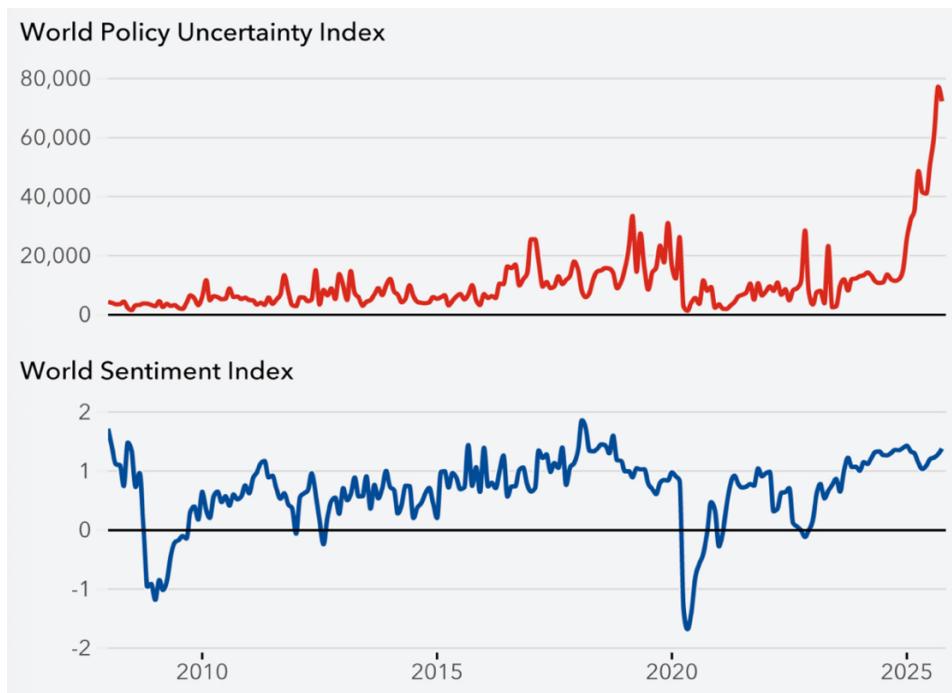
This brief presents Longview's outlook for the global business leader agenda in 2026.

The Long View

Six topline trends shaping the 2026 global business narrative.

1. **Business leaders will have to continue reading through noisy and misleading headlines.** Macroeconomic growth, corporate profits, and asset prices have repeatedly surprised forecasters on the upside over the past several years. There also have been persistent disconnects between conventional wisdoms, business and consumer surveys, and actual performance. For example, while policy uncertainty spiked over the past years, sentiment around the world remained buoyant.
- **Trump administration policy is both transformative and being written in pencil.** The trade agreements negotiated in 2025 are subject to modification, and in the case of China, noncompliance. And the world's second-largest free-trade relationship—Canada, the US, and Mexico—is up for review in 2026. In addition, many Trump policy thrusts (regarding tariffs, immigration, control of federal spending, and the Federal Reserve) are being reviewed by the courts, with big decisions expected in 2026. Midterm electioneering will force policy shifts as the Trump administration reacts to declining poll numbers. ►

Policy uncertainty and sentiment trends in comparison

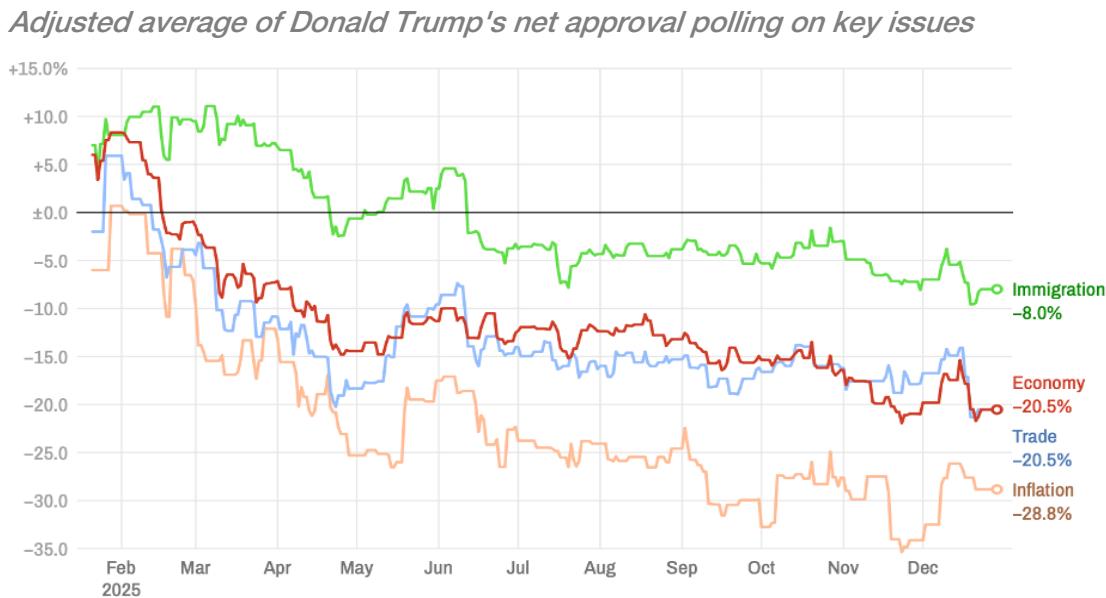


Economist Intelligence Unit via IMF, November 10, 2025.

2. **Tariff shocks are a 2025 story.** The average effective rate has stabilized at around 17%. Donald Trump will continue to seek to dominate the headlines, but significant new levies in 2026 are unlikely. Instead, expect more deals (with India, for example) and carve-outs (food and pharmaceuticals), given the White House's newfound focus on affordability. Meanwhile, companies are reworking supply chains to mitigate the elevated tariffs that remain.
3. **For global enterprises, there is still no alternative to America.** For better or worse, the US will continue to dominate the global business narrative and policy tempo, and operating in the US market will remain more advantageous than being outside it. But, but, but: Global equities, debt, and currency markets outperformed in 2025, as global investors trimmed US exposures. And American geostrategic influence is waning, as exemplified by Washington's absence from COP30 and the G20 summit and pullback from Ukraine.
4. **AI is generating distraction risks.** AI investment is now the dominant driver of US capital spending and trade flows. AI-linked stocks account for three-quarters of S&P 500 returns and 80% of earnings growth since 2022. But AI exuberance is masking fragilities. Harvard's Jason Furman estimates that without the AI surge, US economic growth this year would have been nearly flat. The jobs issue will be a growing economic and political concern in 2026. Another Chinese AI breakthrough surprise (like DeepSeek a year ago) could rock expectations and markets.
5. **Risk awareness is the new normal.** Executives are increasingly treating policy, geopolitical, and economic uncertainty as permanent and baseline features of the operating environment—not as transitory shocks. With this eyes-open awareness, companies are moving forward, and dealmaking is increasing, backed by cost-cutting, strong balance sheets, and agile strategies. ►

United States

Business resilience will vie with headlines about economic and political risks.



Silver Bulletin, December 29, 2025.

- **The baseline outlook is stability.** Uncertainty has been a keyword in business sentiment surveys, yet the consensus forecast of Blue Chip economists is about 1.8% GDP growth in 2026, in line with 2025—with modest changes in inflation, unemployment, interest rates, and profits. Tech transformation and dealmaking are expected to continue, though an AI innovation shock or a bursting bubble would fuel the economic uncertainty narrative: ‘AI investment’s outsized contribution to economic growth represents the key risk factor in 2026,’ writes Vanguard Global Chief Economist Joe Davis.
- **America is driving down two different roads.** Corporate profits continued to boom in 2025, but large, dominant firms—especially in tech—led the gains while SMEs were less prosperous. Consumer spending is being fueled by high-income households and the wealth effects from a booming stock market. But overall consumer sentiment fell to historic lows in November as most households face stagnant wages, job uncertainty, tighter credit, and affordability pressures. The Wall Street-Main Street divide is being echoed in cautious outlooks from consumer-facing firms such as Target, Procter & Gamble, Home Depot, Kraft Heinz, Starbucks, Chipotle, and McDonald’s. Performance also varies sharply by region: Moody’s Analytics found that 23 states, accounting for roughly one-third of US output, were in or near recession by early October, with manufacturing- and agriculture-heavy regions under pressure.
- **Midterm electioneering will drive policy volatility and complicate business strategy.** President Trump’s political honeymoon is fading, his approval ratings have fallen, and a handful of Democratic wins in November are opening GOP fractures as the year begins. Democrats are investing heavily in the affordability crisis narrative, and headline noise will escalate as 2026 progresses. While it’s too early to make election calls, a change in congressional control would only trim the Trump transformation agenda, not reverse it. In the meantime, expect tactical business policy shifts—such as selective tariff cuts and subsidy payouts—but these are hard to game from a planning perspective. ►

US corporate profits over 10 years (\$ trillions)



US Bureau of Economic Analysis via Trading Economics, December 29, 2025.

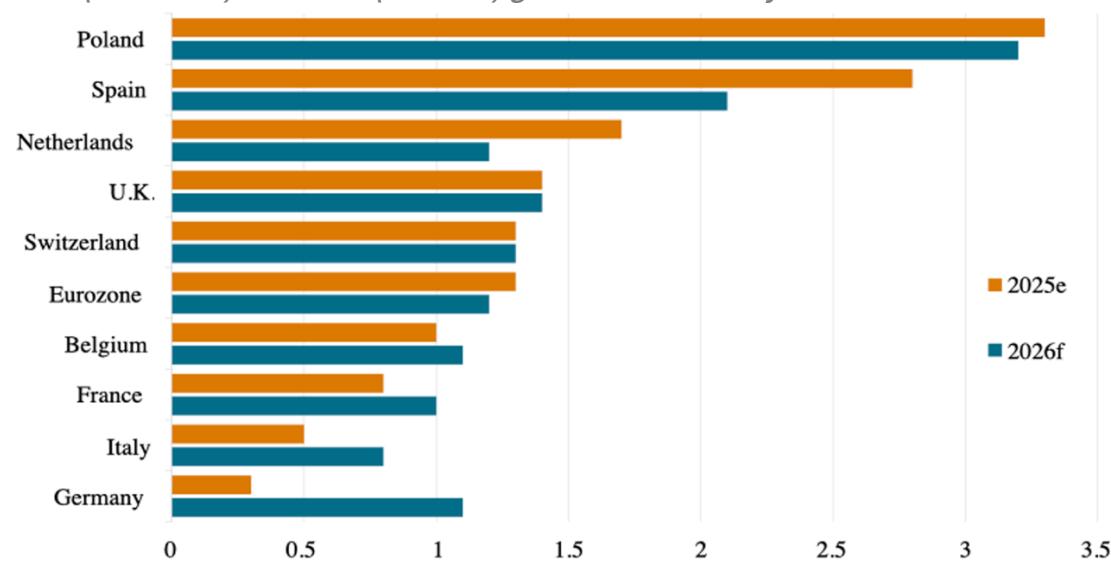
- **While deregulation dominates business headlines, the Trump administration is actively shaping corporate decisions.** The White House has exerted a strong hand in the crypto, pharmaceuticals, power generation, critical minerals, weapons, EV, media, and semiconductor arenas. It is seeking to overhaul Federal Reserve operations and has forged novel governance mandates regarding US Steel, Intel, Panama Canal facilities, and, potentially, TikTok. ESG and DEI are now taboo. US business development has been at the center of the White House's Ukraine proposals, Gaza recovery plan, Venezuela and Latin America strategy, ally security commitments, and FDI consent agreements with the EU, South Korea, and Japan. This trend has put government mandates and geostrategy on the C-suite and board agendas.
- **Expect more political violence as electoral politics heat up in 2026.** Violence at religious institutions and universities grabbed headlines in 2025, there has been a significant rise in threats against public servants, and the stalking and assassination of UnitedHealth Group's CEO in late 2024 was a signal event in the business community. In his characteristically stark way, Elon Musk in September portrayed the state of American politics thus: 'Whether you choose violence or not, violence is coming to you. You either fight back or you die.'

Europe

Competitiveness and geopolitics will continue to rule the agenda.

- **A bit more growth, from a low baseline.** Germany's economy is stabilizing as defense and infrastructure spending go up, but Longview's lead Europe advisor, Niklas Hintermayer, says more changes are needed. 'Germany's industrial malaise is proving to be more persistent than the new government anticipated, and auto, chemical, and machinery firms will continue to struggle with energy costs, weak demand, Chinese competition, and regulatory obstacles in 2026.' The UK economy will remain constrained by post-Brexit realities, and proposed tax increases risk market unease while doing little to lift growth, productivity, or affordability. France is also facing hard budget constraints despite President Macron's ambitious stances on industrial innovation, China, and Ukraine policy. ►

2025 (estimated) and 2026 (forecast) growth rates for key markets



S&P Global, November 24, 2025.

- **Europe's core challenge remains competitiveness.** The 2024 Draghi report warned that Europe had fallen behind on innovation, productivity, and scale. This fall, President Macron warned that European businesses face a 'life or death moment,' squeezed between an ultra-competitive China and a protectionist US. Brussels has leapt into action with its Competitiveness Compass strategy to close the innovation gap and increase strategic autonomy and security. Priority niches include clean energy, digital infrastructure, semiconductor manufacturing, pharmaceuticals, and advanced materials.

Assessment of industrial leadership by sector

	European leadership	American leadership	Chinese leadership
Aerospace	x		
Automotive car makers (electric)			x
Automotive car makers	x		
Basic metals			x
Cement			x
Chemistry			x
Defense		x	
Glass			x
Oil & gas	x		
Oil refining industry	x		
Petrochemistry			x
Pharmaceuticals	x		
Pulp & paper			x
Semiconductors	x		
Solar energy			x
Steel			x
Telecom networks			x
Textile			x
Wind energy			x

Syndex, November 20, 2025.

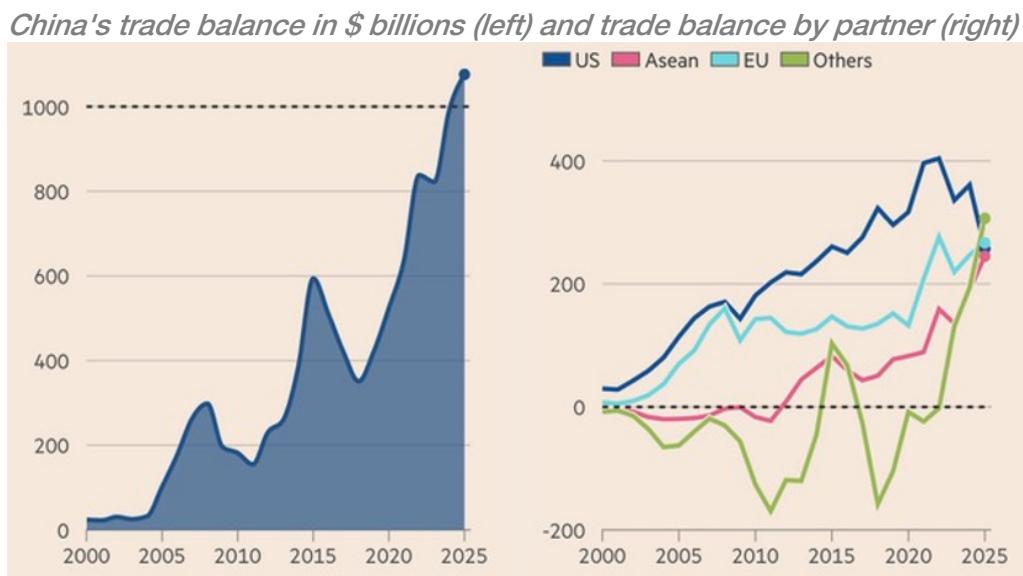
- **Meanwhile, national governments are taking more muscular stances** and no longer waiting for EU-wide action. Germany is investing in defense and infrastructure; France, Italy, and Spain are implementing new subsidy programs; and the Netherlands, Poland, and southern EU members are expanding projects in semiconductors, batteries, nuclear energy, and green steel. The net effect: 'Business policy will become more supportive, but the changes will be incremental rather than transformative, given the complexity of EU and national interests,' concludes Hintermayer.
- **China has become an existential competitive challenge.** Surging exports have driven the EU trade deficit above \$350 billion, hurting European autos, steel, green tech, and machinery. While policy and business elites continue to debate de-risking versus decoupling, defenses are being tightened: France and Germany are coordinating economic security reviews, and Brussels is strengthening enforcement of the Foreign Subsidies Regulation and weighing use of the Anti-Coercion Instrument. Reducing reliance on Chinese rare earths, managing overcapacity, and countering Beijing's efforts to drive economic wedges between EU member states will be key challenges in 2026.▶

- **The US relationship will remain tense.** The summer trade deal paused tariff escalation at around 15%, but the US has ramped up pressure to relax EU digital and sustainability rules, buy American goods, boost defense spending, and seize Greenland. 'While European policymakers may continue trying to appease Trump in 2026, Washington's increasingly hostile tone is generating more animosity in transatlantic relations,' says Niklas Hintermayer. This reinforces the need for European firms to prepare for 'tariff whiplash' and other threats.
- **Ukraine will shape the agenda even more in 2026.** Two big shifts occurred last year: The war tilted against Ukraine and Europe took the lead on assistance as the US pulled back. For 2026, European leaders have four priorities: 1) financing Ukraine; 2) sustaining military support while managing escalation risks; 3) influencing Washington's drive to forge a peace agreement, including security guarantees; and 4) building the foundations for reconstruction and accelerating EU accession. The Kremlin, however, is more confident in its ability to both dominate Ukraine and destabilize Europe: 'President Putin has no reason to strike a peace deal in 2026,' says regional expert and Longview Global Advisor Eric Green. Signposts to watch: Ukraine's ability and willingness to carry on. A majority of the populace still does not want 'what is essentially a capitulation,' says Green, but he sees President Zelensky's position and Ukrainian unity weakening as the year progresses.

China

Outward confidence belies economic and geopolitical challenges.

- **This business climate is unlikely to improve in 2026.** Like the US, China has a two-speed economy: Tech-driven companies are innovating and booming, while many firms in the mainstream go sideways. Continuing trends include a property crisis in its fifth year, lackluster consumer demand, industrial overcapacity, deflation, local government cutbacks, declining domestic and foreign investment, weak productivity gains, and demographic pressures. The central government has failed to turn the situation around (urgent statements but vague pledges were announced at the end of December). Still, the Communist Party will somehow hit its target of around 5% growth again. ►



The Financial Times, December 7, 2025.

- **Exporting is the near-term growth fallback.** Although direct exports to the US declined in 2025, China's global trade surplus exceeded \$1 trillion in the first 11 months of the year via shipments to the rest of the world and rerouting US-bound goods through third countries. A weak currency, which is pegged to a declining US dollar, has been a big help. But, but, but: 'China is simply too big to generate much growth from exports,' declared IMF Managing Director Kristalina Georgieva in Beijing in December. She told officials to address the country's imbalances.
- **Trade tensions with the US will remain high.** The interim US-China deal announced in November has eased some pressures, but unresolved flashpoints—market access, subsidies, export controls, technology restrictions, cyberattacks, and IP theft—leave room for renewed escalation, particularly as US domestic politics intensify ahead of the midterm election. Beating up on China is a bipartisan American sport.

Assessment of the China-US deal after one month

	Framework Terms	Progress To Date	Risk of Derailment
Fentanyl Controls	China to take steps to "end the flow of fentanyl" (US); "a consensus on cooperation on fentanyl" was reached (China)	Partial	Medium: China's language less ambitious than the US', and fentanyl flows historically very difficult to curtail
Fentanyl Tariffs	US to reduce by half, dropping to 10%	Complete	Medium: Reduced tariffs notionally depend on China following through on pledges to stop flow of fentanyl to the US
Reciprocal Tariffs	Both sides to extend truce maintaining tariffs at 10% for one year	Complete	Medium: Tool of choice for Trump if he seeks to escalate; China likely to match US increases
Maritime Shipping Fees	Both sides to suspend fees on the others' ships for one year	Complete	Low: Cost and impact of policies on both sides were limited, so unlikely to be instigating issue
Soybeans	China to purchase at least 12 million metric tons of soybeans in 2025, and at least 25 million metric tons annually 2026-2028 (US); a consensus on expanding agricultural trade was reached (China)	Partial	Medium: China well below its commitment for 2025; may slow walk its purchases next year to maintain leverage
US Export Controls	US to suspend one recent measure; unclear if other steps were agreed to	Complete	High: Both sides may try to gain leverage ahead of suspension extension next year; lack of clarity on whether other controls or routine updates to existing controls are addressed heightens risk of misunderstanding
Critical Minerals	China to suspend export controls and issue a general license to US importers, "resulting in the de facto removal of controls imposed since 2023" (US); China to suspend its October 9 export control measures (China)	Partial	High: China's language less ambitious than the US', and it has only partially implemented the terms
TikTok	TikTok sale to go forward (US); China to work with the US to resolve issues related to TikTok (China)	None	Medium: China has been resistant to licensing out TikTok's proprietary algorithm and setting precedent for sale of Chinese company

Bloomberg, December 11, 2025.

- **Technology dominance will be a hot topic.** The Communist Party's next five-year plan is expected to be finalized in March. It will reinforce state coordination of capital allocation, R&D, and industrial policy to assure China's dominance in the sectors of the future—such as AI, robotics, green energy, grid technologies, EVs, and quantum computing. While this may be good for China, policymakers in Europe, the US, Japan, and South Korea will view the plan as an existential threat. ►

- **Geopolitical headwinds will intensify.** Beijing likes to say it's engaged in cooperation, upholding a rules-based international order, and providing stability, but a China First strategy in which the country exports everything and imports little is not sustainable. Washington has been pushing back for years, and Europe is becoming more antagonistic, as President Macron declared: 'Either we rebalance economic relations cooperatively or Europe will have no choice but to adopt more protectionist measures.' China–Japan economic relations have been strained amid sharper rhetoric over Taiwan, while Southeast Asian nations a walking a tightrope: They want to draw manufacturing business from China without angering Beijing.

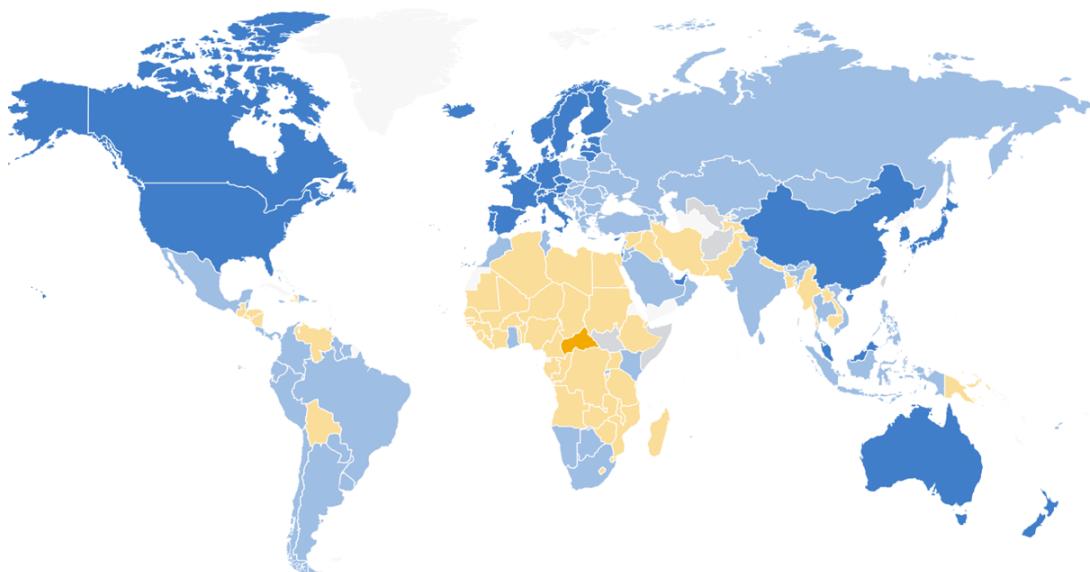
Artificial Intelligence

Management and culture will shape AI's global business impact.

- **The emerging hot topic: Diffusion.** The narrative, so far, has been dominated by hyperscalers, foundational model development, and infrastructure needs. But large language models are very quickly becoming ubiquitous utilities—akin to the internet and mobile telephony—which every business can use to drive revenue and productivity. Key diffusion drivers to watch in 2026 include middle-to-middle software, application layers, and the merits of open-source platforms. Since it's way behind in foundational AI, Europe is adopting a second-mover strategy—supported by EU-backed AI Factories and lighter regulation—to accelerate mid-layer development and app integration in finance and autos, for example.
- **Management will matter more.** A reputable survey of 300 firms by MIT researchers last year found that 95% of companies saw no measurable ROI from GenAI. So far, corporate AI integration efforts have been constrained by pilot-scale and fragmented initiatives, insufficient training, and mixed messages about opportunity and risks. Yet, research by Gallup finds that manager encouragement is the strongest predictor of successful uptake. Ultimately, that means business leaders must embrace AI themselves and convey a compelling vision that spans operations, human capital, and business strategy. ►

Index of preparedness for AI adoption (1 = high)

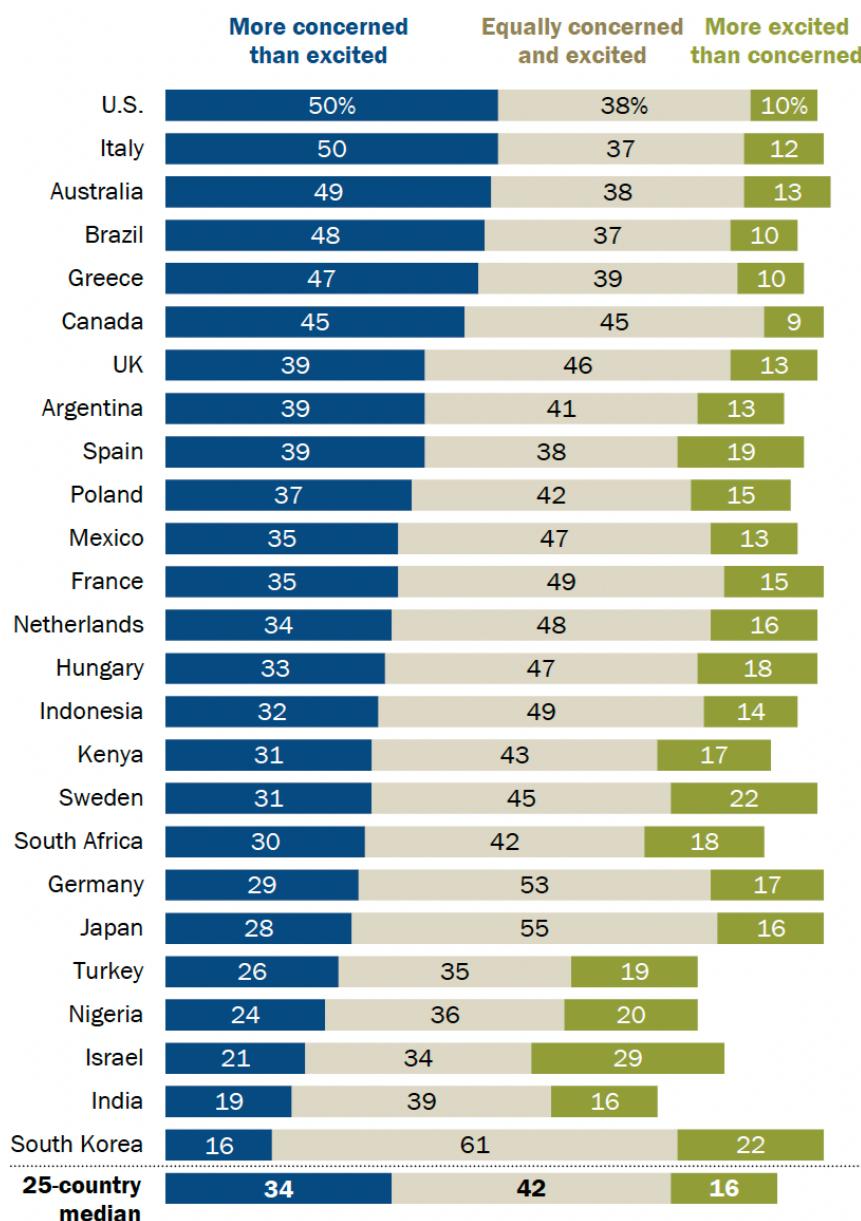
● 0.8 and more ● 0.6 - 0.8 ● 0.4 - 0.6 ● 0.2 - 0.4 ● under 0.20 ● no data



IMF, June 25, 2024.

- **Culture matters too.** American workers are big AI worriers, according to a global survey released by the Pew Research Center in December: Only 10% of respondents said they were excited about the use of AI in daily life. An August Reuters/Ipsos poll found that a majority of respondents were worried about job displacement. Lurking ambivalence may explain the limited benefits measured so far. Dave Baocchi, founder of Spark & Compass and Longview's lead advisor on AI, asserts: 'When you introduce tools that can do what people spent years learning to do, you're threatening how people see themselves professionally. It's the quiet source of much of the resistance.' What this boils down to: 'Organizations that treat AI as an IT project will struggle; those that treat it as an organizational transformation with human dynamics at the center will move faster.' ►

Feelings about the increased use of AI in daily life



Pew Research Center, October 15, 2025.

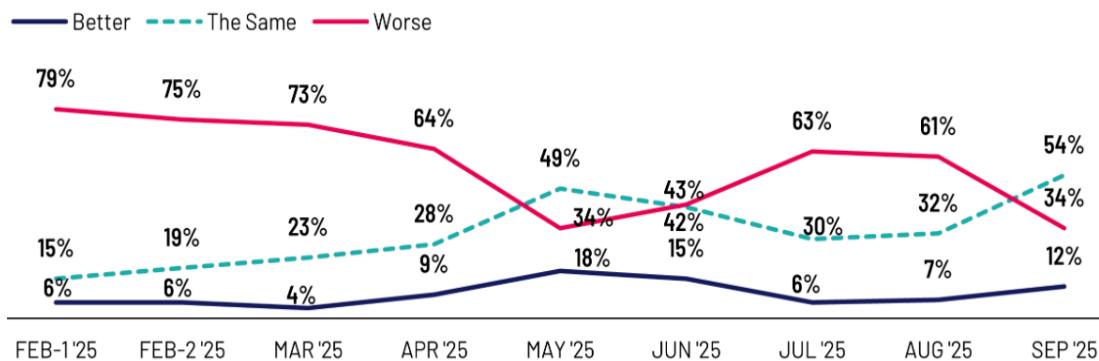
- **Issue to watch: Adoption across the Global South.** India is an important bellwether, as AI is shaking up the country's low-cost business services and software industries. Tata Consultancy Services, Wipro, Tech Mahindra, and Infosys announced large layoffs in 2025, while Amazon and Microsoft said they will invest over \$50 billion there in the coming years. Another trendline to watch: uptake of low-cost, open-source Chinese AI. In December, Stanford University experts concluded that Chinese platforms may have caught up to or even pulled ahead of American model capabilities and adoption. The US and China are rated among the most AI-ready markets, but as with smartphones, the rest of the world will greatly benefit from the emerging utility-like nature of AI without having to be cutting-edge. To wit: People in India, Turkey, Nigeria, and Kenya say they are more excited about AI than their North American and European peers.

Americas

For the first time in years, the hemisphere will figure prominently on the global business agenda.

- **Questions about the US-Mexico-Canada Agreement are injecting new uncertainties into North American trade.** USMCA—which governs the world's second-largest free trade bloc—is up for review in 2026, and President Trump has raised the possibility of withdrawal or renegotiation. Ottawa is preparing for change and consulting industry on priorities, while Mexico City's position is more confident due to the government's good relations with Washington on migration, drugs, and China (it just raised tariffs). The agreement is likely to survive, given the risk of supply-chain shocks in an election year, but President Trump may brandish threats to raise his America First credentials and extract concessions.
- **Canada is seeking a new position in the global economy.** Bilateral relations with the US remain unsettled since talks were suspended in October, reinforcing the view among Canadian business and political elites that mutual respect and easy access to the US market can no longer be assumed. 'Canadian sentiment toward the United States has shifted in a profound and enduring way,' says Zoraver Cheema, Longview's lead advisor on Canada. Prime Minister Mark Carney is pursuing a diversification strategy and has reanimated trade talks with China, ASEAN, Mercosur, and India, and deepened ties with Europe, Australia, Japan, and South Korea. Energy and critical minerals are central to this push. But, but, but: Altogether, these markets account for a fraction of the value of the US relationship. ►

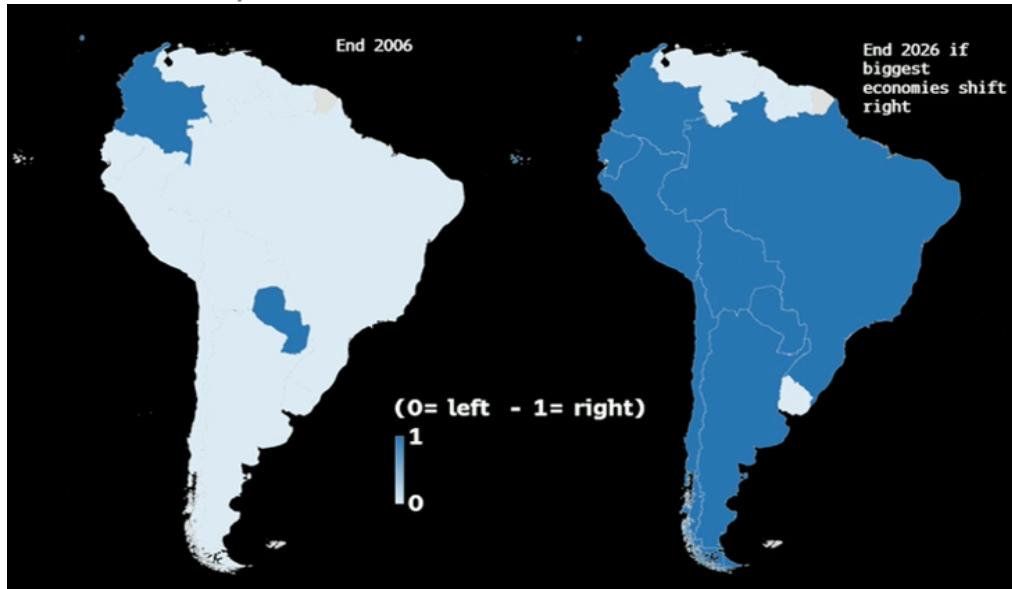
Canadian perceptions of US-Canada relations



Ipsos, September 19, 2025.

- **South America has shifted toward more market-friendly leaders.** Sluggish growth, crime, weak governance, and anti-incumbent sentiment pushed voters to the right over the past year in Argentina, Ecuador, Bolivia, Chile, and Honduras. (Mexico's president has also moved toward the center.) Elections this year in Brazil and Colombia will test the intensity of this trend. 'Across Latin America, the private sector is stepping into a more active political role, moving to defend the rule of law, open trade, and push pro-investment policies,' observes Muni Jensen, founder of Goldleaf Advisors and Longview's lead expert on Latin America. The Trump administration is leaning into this shift and has declared US dominance of the Western Hemisphere as its top foreign policy objective.

South America's political orientation in 2006 and 2026



Bloomberg, December 11, 2025.

- **Will the business narrative change?** Growth in Latin America has significantly lagged the pace in Asian emerging markets over the past decade, but strong FDI, record bond issuances, and significant oil, gas, and critical mineral reserves have become hot topics. But economic opportunity is chronically hindered by class and racial tensions and very high crime rates. 'Mexico will continue to experience an inflow of investment from foreign companies building new manufacturing operations,' says Latin American LENS Director of Research and Longview Global Advisor Nathaniel Parish. But, but, but: 'Mexico is the world's worst hotspot for violent, in-transit cargo truck hijacking. Armed criminals stop and steal over 50 trucks every day.' Newcomers need to understand the lay of the land and invest in tracking, insurance, and private security, he says.
- **Venezuela is the biggest regional swing issue in 2026.** It has had the most obstructionist leftist-populist regime in the hemisphere, controls the world's largest oil reserves, and is close with Cuba, Russia, Iran, and China. The Trump administration has pursued a decapitation strategy in the hope that regime change will open oil flows and business opportunities for US firms, rebuild a once-vibrant economy, and pull the country back into America's orbit. But Venezuela's polity and economy are deeply dysfunctional, and the US has a poor record with regime change. 'This is the beginning of a complex and probably rocky political transition,' says Jensen. ►

Sustainability

Corporate strategy will remain in flux.

- **Global companies will be navigating increasing policy diversity and flux in 2026.** While the Trump administration continues to beat back sustainability drivers and investments, many US states are trying to hold the line, while Europe is gradually recalibrating climate policy to address competitiveness and energy-cost pressures. (The landmark Carbon Border Adjustment Mechanism, which taxes carbon-intensive imports into the EU, is going into effect.) Meanwhile, the Middle East, Africa, and Asia will continue accelerating clean energy development.
- **The private sector in the US will be the default driver of climate action, but scale remains limited.** Without uniform policy pressure, companies will bear more responsibility for choosing their climate strategy. Many are dialing back, while others are maintaining their targets but talking less about them due to scrutiny from the Trump administration. With the world on a 2.3–2.8°C warming trajectory, adaptation and resilience will increasingly define corporate climate strategy. Sustainability is unlikely to be a big issue in the midterm elections, so any potential policy snapback won't occur before 2029.
- **Data centers will shape power markets, infrastructure investment, and sustainability strategy in 2026.** AI-driven compute growth is forcing utilities, regulators, and policymakers to accelerate investment, rethink siting and power supply plans, manage new risks, and figure out who pays for the added costs. Per-unit efficiency will continue to improve, but power demand and carbon emissions will rise faster. An issue to watch in the US: the political links between affordability, data centers, and AI, which emerged as hot button issues in the November elections. ►

Change in energy investment by target (\$ billions)

■ Renewable power ■ Grids and storage ■ Nuclear and other clean power ■ Energy efficiency and end-use
■ Low-emissions fuels ■ Fossil fuels

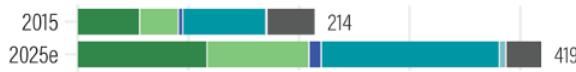
China



United States



European Union



Middle East



World Resources Institute, December 10, 2025.

- **China has become the climate superpower that is powering the world.** While its emissions are large and its reduction targets modest, its contrast with the US in 2026 could not be starker: China is the world's largest clean-energy investor and the central supplier of solar, wind, batteries, transmission equipment, and EVs. Affordable Chinese exports are accelerating decarbonization globally: In 2024, just as AI power demand started taking off, renewables accounted for over 90% of capacity additions. The 'clean energy future is no longer a promise, it's a fact,' said UN Secretary-General Antonio Guterres in July.

Other geographies to watch

Business opportunities in India, Japan, and the Middle East are increasing.

- **India will remain the fastest-growing major market** (in the 6–7% range), due to strong domestic demand, public investment, consumer spending, and continued expansion in manufacturing and services. Pressed by geopolitical threats from China and the US (President Trump imposed a 50% tariff on many Indian goods in retaliation for refiners' purchases of cheap Russian oil), Prime Minister Modi has launched an economic reform spree—simplifying taxes, easing FDI and M&A rules, and improving labor market functioning. Two issues to watch in 2026: Will Modi and Trump patch up their relationship? And can the EU and India ink a free trade agreement that has been in the works for over a decade? Both would help build the subcontinent's position as a geostrategic alternative to China.
- **Japan enters 2026 with more bullish sentiment, driven by a new geostrategic policy thrust.** Prime Minister Sanae Takaichi is advancing fiscal stimulus and a public-private investment agenda focused on AI, semiconductors, nuclear fusion, defense, and advanced medicine. She also wants more corporate governance reforms aimed at consolidation, reducing overcapacity, and boosting earnings. Finally, Takaichi has called for a stronger defense posture and deeper cooperation with India, Australia, ASEAN, and the EU on supply-chain diversification away from China. Her ambitions have risks: A larger deficit combined with a weak yen is starting to unsettle the markets, and already tense relations with Beijing are going downhill.
- **Major Middle East markets are expected to accelerate from a solid performance in 2025** due to increased oil production, massive investments in AI, data centers, and infrastructure, and the region's continued rise as a financial, tourism, and logistics hub. To finance this, Saudi Arabia is issuing more debt and has shifted its development priorities away from real estate and city-building. Good relations with the US are a positive driver for Gulf states. The Gaza ceasefire is tenuous, and next steps—Hamas disarmament, Israeli withdrawal, and a stabilization force—remain distant ideas, but geopolitical risk perceptions across the region have decreased significantly. Two signposts to watch in 2026: political instability in Iran (fueled by economic hardships) and elections in Israel, which will serve as a referendum on the government's geostrategy. ■