NEUBERGER | BERMAN

**Solving**
for 2026

# Policy Crosscurrents: Expect Divergence in Monetary and Fiscal Approaches

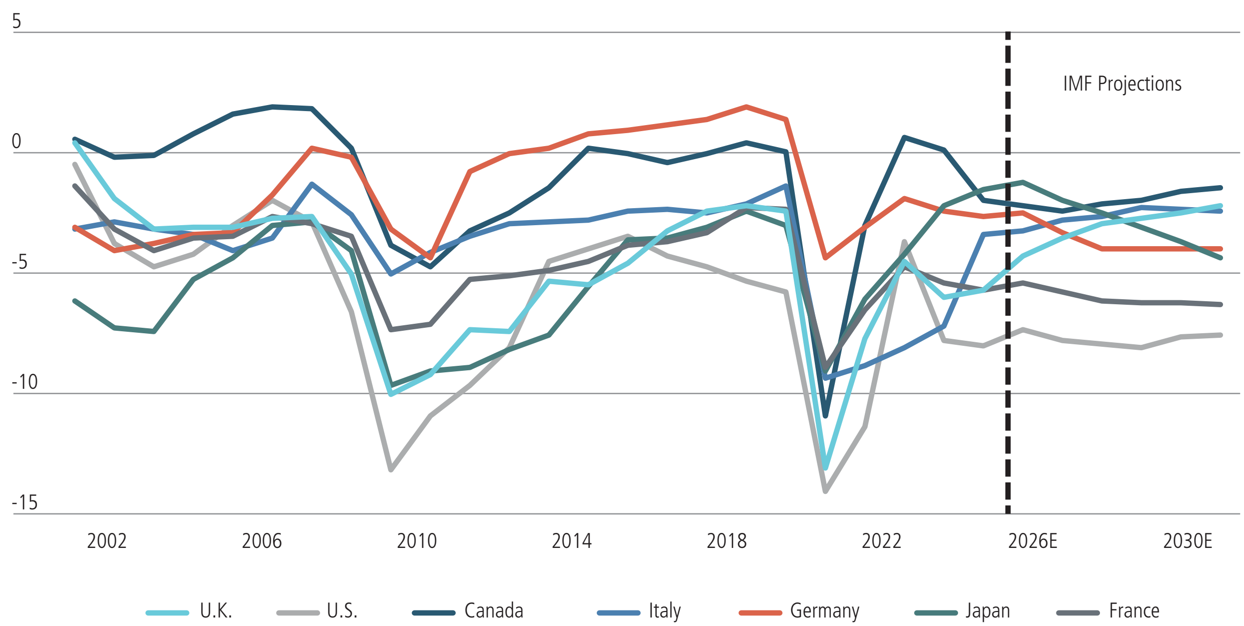
**What it shows:**
Net borrowing/lending indicates the fiscal position of a country relative to its annual economic output. A positive number shows fiscal surplus, and a negative number signals deficit.

**Why it matters:**
G7 countries are projected to maintain substantial fiscal deficits in the coming years, but their pace and trajectory will vary based on each country's ability to grow, generate revenue and cut expenditures.

**How you can apply it:**
While debt burdens are elevated across many major economies, neither this nor ongoing tariff uncertainties appear likely to constrain the general bias toward fiscal spending. Be selective in exposures, understanding policymakers' abilities to effect change.

## The Fiscal Bias Toward Spending Will Prevail Amid a Varying Growth/Labor Tradeoff

Actual and projected levels of government net borrowing/lending as a % of GDP




Source: Bloomberg, IMF, Macrobond and Neuberger, 2025.

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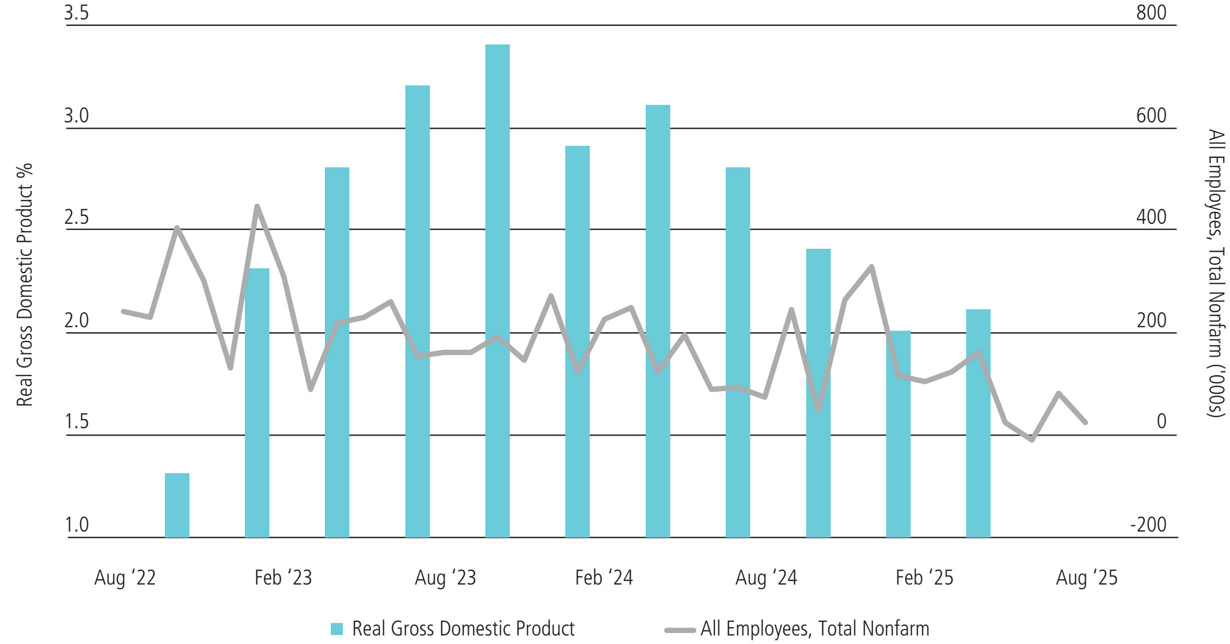
**What it shows:**
GDP growth is being supported by productivity gains but rising output hasn't translated into strong job creation, which has been subdued.

**Why it matters:**
While job growth historically lags as growth picks up, there is concern that AI will hasten "jobless growth," complicating the picture for policymakers.

**How you can apply it:**
We see signs of widening economic divergence, particularly in Europe, where growing fiscal and geopolitical risks have surfaced. By contrast, more balanced growth in the U.S., along with strengthening fundamentals in Japan and China, creates opportunities. That said, if policy support fades or easing disappoints, speculative areas could reprice quickly.

## Will Job Growth Follow Productivity-Driven Headline Growth?

U.S. real GDP year-over-year vs. gains in nonfarm payrolls year-over-year




Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis. Data as of October 2025.