WORLD

MACRO-ECONOMIC SCENARIO 2026-2027

Quarterly – April 2026

ECO
ÉTUDES ÉCONOMIQUES GROUPE

Scenario highly subject to change

The powerful political and geopolitical consequences of the conflict in the Middle East will extend far beyond the more immediate ones that this scenario aims to identify. This conflict is not an isolated incident, but rather it is part of a series of supply shocks (the Covid pandemic, the war in Ukraine, Houthi attacks) that highlight critical dependencies on a few key chokepoints (eg, commodities, straits, hubs).

What do we know at this stage? For now, we know that the surge in oil & gas prices following the war will result in an immediate and substantial spike in headline inflation, which will be detrimental to growth. Quantifying the damage is particularly tricky: beyond national specificities (eg, dependence on oil & gas, robustness or vulnerability of pre-war economies, safeguards), the damage will depend on how long the conflict lasts and how long the Strait of Hormuz remains closed. Based on a 'reasonably conservative' scenario, growth is expected to erode without collapsing. But a 'reasonably conservative' scenario does not assume a rapid 'return to normal', but only a gradual, partial reopening of the Strait of Hormuz, compounded by damage to oil & gas infrastructure that will keep oil & gas prices high.

In the **US**, despite the volatility of the Trump administration's economic decisions, growth performance has held up and is expected to remain solid. While the US benefits from being a net energy exporter (rising oil prices may stimulate investment in the sector, particularly in infrastructure), this status does not make it immune to energy inflation, which adds to the pressures already fuelled by tariffs. YoY headline inflation could peak at around 3.6% in mid-2026 and average 3.2% in 2026 and 2.3% in 2027 (following 2.7% in 2025). To withstand this new wave of inflation (still moderate compared to the post-Covid shock), the economy will be able to rely on the favourable effects of fiscal policy, its reduced sensitivity to interest rates, a moderate cooling of the labour market, the sound financial health of households and, finally, robust non-residential investment driven by spending on AI. Despite pockets of vulnerability concentrated among low-income households and small businesses – unlikely to destabilise the economy as a whole – growth is projected to stand at 2.2% in 2026, down from the 2.5% previously forecast.

At the onset of the war in Ukraine, the **Eurozone** was exposed to a real risk of shortages which, at this stage, remains confined to adverse scenarios where physical constraints on production capacity prevail. However, the energy supply shock and its resulting inflationary impact, coupled with tighter financial conditions and growing uncertainty, are undermining our pre-war scenario of resilient domestic demand: acceleration in investment and steady consumption, driven by the gains in purchasing power embedded in our disinflation scenario, are now under threat. YoY inflation could, in fact, approach 3.7% in May 2026 and see its annual average hover around 3.1% in 2026 and 2.1% in 2027, matching the 2025 rate. Core inflation, which is more subject to inertia, would peak in May 2026 at 2.5% but would exceed the 2.0% target throughout the forecast horizon, averaging 2.3% in 2026 and 2027.

Based on a 'reasonably conservative' scenario, growth is expected to erode without collapsing.

Our scenario currently rules out a recession in favour of a substantial slowdown in growth which, after 1.5% in 2025, would reach only 0.8% in 2026, compared with the 1.2% previously forecast. Although hampered by the inflation shock and the expected monetary tightening, growth would nevertheless benefit from the solid economic and financial position of private agents, as well as from the broadly neutral and locally (particularly in Germany) expansionary stance of fiscal policy. In addition to the German stimulus (unchanged infrastructure and defence spending plans), 2026 will benefit from investment expenditures linked to the NGEU funds and to a general acceleration in defence effort.

In **emerging markets**, the shock caused by the conflict in the Middle East reveals and amplifies fragilities: a complex world characterised by pervasive vulnerabilities that vary in intensity. How well countries can absorb external shocks without triggering unmanageable macro-financial imbalances will be determined by a range of factors, including: (1) their status as a net oil & gas importer or exporter; (2) their external dependence on energy, trade, tourism and financing, including remittances; (3) inflationary dynamics, including sensitivity to volatile prices (eg, food & energy); (4) financial robustness (including fiscal and monetary leeway); and (4) political weaknesses. Thus, even in Asia – which imports 90% of the oil passing through the Strait of Hormuz – national trajectories will differ from country to country. As for **China**, it has the means to shield itself from headwinds as long as its exports – a key driver of growth at the start of this year – do not falter under the impact of global trade disruptions linked to the Iranian conflict. Despite the expected slowdown in net exports, growth is expected to reach 4.7% in 2026 after 5.0% in 2025.

In terms of **monetary policy**, to minimise the risk of an inflationary spiral and the de-anchoring of inflation expectations, central banks could take pre-emptive actions even if it means sacrificing growth. In the US, a scenario of monetary pause replaces the easing hoped for by the markets. In the Eurozone, an early and brief tightening replaces the previously anticipated stability of key interest rates. In the US, the upward revision of inflation forecasts does, in fact, reinforce (conveniently) our aggressive stance from the start of the year. The **Fed** is therefore expected to pause in 2026 (with the upper bound of the Fed Funds rate remaining unchanged at 3.75%); in 2027, as inflation slows more markedly, it would cut the rate to 3.50%. The **ECB**'s monetary tightening scenario assumes that, if rates need to be raised in the short term to anchor inflation expectations, it is better to act immediately and concentrate hikes over a short period. Our scenario therefore envisages hikes of 25bp each, with the first in April followed by at least two further hikes, in June and then in July. The ECB would end the year with a deposit rate of 2.75%, subject to upside risk, before embarking on modest easing (deposit rate at 2.50% by end-2027).

The new trajectory for key interest rates is accompanied, broadly speaking, by a scenario of modest rises in **interest rates** and a net, albeit temporary, flattening of the yield curve at the short end.

In the **US**, as markets recalibrate their monetary outlook, both delaying and reducing the expected rate cuts by the Fed, the 10Y US Treasury yield is expected to reach 4.55% while the 2Y yield would stand around 3.85% by end-2026. In the **Eurozone**, German 2Y and 10Y yields are expected to reach 3.00% and 3.25% respectively by the end of the year. Concerns about growth or public deficits are likely to trigger a widening of sovereign spreads, exacerbated by specific factors such as energy sensitivity (Italy) or upcoming elections (France).

Finally, regarding **FX**, the conflict in the Middle East immediately led to a decline in risky assets and an appreciation of the USD. Faced with different shocks to terms of trade and prices, and with varying sensitivities to inflation risk, central banks will react differently. The ECB's expected vigilance could thus support the EUR to a greater extent than previously anticipated.

Catherine LEBOUGRE

Focus Geopolitics – A historic turning point

Behind the energy shock lies a profound shift in the geopolitical order, certain aspects of which will likely persist, regardless of how events unfold.

The international system in which this new war is being fought is not stable and the context needs to be reiterated in order for the consequences to be understood. The shock has arisen at a time when the global hierarchy of power is fragmenting. The ability of the US to run multiple theatres of war simultaneously has diminished and alliances are becoming increasingly pragmatic and interest-based. In short, the US can no longer support Europe, the Middle East and Asia while rebuilding its industrial and technological base. It has already suffered a substantial loss of influence.

The erosion of the US hegemony was already evident in public perceptions. In 2025, Pew reported a decline in the US's image in 15 of the 24 countries surveyed, with drops of more than 20pt in Canada, Poland, Sweden and Mexico, while a majority in 19 countries said they did not trust US President Donald Trump to handle global affairs.

It is this context that makes the Iranian crisis structural, regardless of the military outcome. Even if energy prices ease, the system will not return to its previous strategic state. The real disruptive change does not relate solely to energy; it is political. The 2025 Munich Security Report previously referred to a "multi-polarised" world, while the 2026 report places emphasis on a phase of destruction of old frameworks rather than orderly reform.

Geopolitical realism and scarcity grammar

We are entering an age of hard-headed pragmatism and the current sequence of events is accelerating the trend: states increasingly make decisions based on their material vulnerabilities, rather than on universalist narratives rooted in rights and ideological alignment. This shift does not mean that values have disappeared but that in a situation that poses systemic risk, governments return first and foremost to the imperatives of security, access to resources and strategic continuity. The best example of this trend is the shift that the energy crisis is bringing about in relation to Russia. The US has therefore granted India temporary permission to purchase Russian oil, in a strategic U-turn that is significant for the future

The war with Iran will therefore strengthen reduced dependence strategies. States that import energy, the manufacturing powers in Asia, fragile food economies and the Gulf countries themselves will seek to reduce risk concentrations. This is giving rise to three simultaneous developments: the diversification of suppliers, routes and alliances. Admittedly, the crisis may lead to short-term alignment – which makes sense in times of war – and this is particularly evident in the shifting stances of Saudi Arabia and the UAE. However, once the war is over, it will primarily result in defensive multi-alignment.

The initial refusal by a number of allies to join a coalition to reopen the Strait of Hormuz is, in this regard, a major symptom. The US, as the guarantor of maritime order, is no longer automatically able to unite a coalition around the common good of freedom of navigation.

The issues for the US extend far beyond the Gulf. They undermine the credibility of the US umbrella not only in the Middle East, but also in Asia. This is why many states are already looking to expand regional arrangements. On 18 March, Egypt, Pakistan, Turkey, Qatar, the Emirates and others met in Riyadh to discuss regional security. Thus, the defence pact signed by Saudi Arabia and Pakistan on 17 September 2025 has taken on, with hindsight, significant importance. In Asia, Japan and the Philippines increased their cooperation in January 2026, a few months after their Reciprocal Access Agreement took effect.

China, for its part, is working to fill the narrative void left by the declining hegemon**.** Beijing is calling for a halt to military operations, highlighting the overall economic cost of the war and presenting itself as a power that offers stability, de-escalation and trade continuity. Although this stance is self-serving and selective, it allows China to present itself as a 'responsible' operator compared with the US, which is perceived as more unpredictable. At a time when the US is losing its soft power, this narrative advantage matters, of course.

The 'bottleneck' crisis: when globalisation through value chains becomes a vulnerability

The conflict must also be seen as a series of supply shocks, not as an isolated accident. Covid, Ukraine, attacks by Houthis, the Hormuz crisis: the same logic of systemic transmission applies to each episode. The problem is not only the war, but also the structure of a globalised world that is highly efficient when stabilised by a credible hegemonic umbrella, but fragile because it relies on a small number of straits, a small number of hubs, a few platforms and critical dependencies. A global economy that is, above all, wholly dependent on a 'just in time' model... Hormuz illustrates this vulnerability, because workaround solutions exist, but are insufficient. In other words, logistical alternatives are reducing the shock but cannot absorb it. This regime of successive shocks is also gradually weakening insurers and reinsurers. And, in reality, the solvency of insurers is also making passage through the strait impracticable. On the other hand, the massive amount of rerouting, which is redrawing the global map of ports, also shows that the bottleneck crisis is producing winners on the peripheries: in Port-Louis, fuel sales have doubled.

As for the hasty decisions some states took to block exports in order to prioritise the domestic market, these are in line with the principles of the scarcity economy that we had already seen emerging during the Covid pandemic (eg, Russia with fertilisers, or China with fuel oil). Unfortunately, this exacerbates the systemic consequences of the crisis. In the long run, this fear of scarcity can also very quickly create new relationships of vassalage between the states facing the most immediate difficulties and those holding the scarce resources. Trump is, in fact, already blackmailing Europe, threatening to make access to LNG conditional on the EU's trade decisions. In short, the Hormuz crisis shows the extent to which economic interdependencies are shaping the new rules of power: the ability of certain actors to block the system and the ability of others to exploit the risk of shortages.

What the crisis reveals about the US: over-extension and strategic blindness

First lesson: The US's relationship with reality has deteriorated. The surprise does not result from the fact that the crisis occurred – the Hormuz risk has been documented for a number of years – but from the extent to which politicians and industrial companies were unprepared for the ensuing escalation, the logic of which was, however, classical in nature. In fact, the US's ability to manage multiple theatres of war has been drastically reduced, at a time when the demand for strategic intelligence is increasing in a fragmented world. We are fast approaching 'imperial overstretch', a law of history which states that an empire will die principally because of its size: too many commitments, too little room for manoeuvre and security trade-offs at the expense of alliances. This strategic unpreparedness also raises questions, in the long term, about the widening gap between an increasingly short-term US strategic mindset – shaped by the domestic electoral cycle – and authoritarian states that, by contrast, adopt a very long-term strategic outlook. Finally, the US's surprise at Iran's retaliatory actions is indicative of a form of strategic hubris and a recurring underestimation of the adversary. This is all the more worrying given that these weaknesses are well-documented (the debate over the lack of war aims) and recognised, both internally and externally. As for the question of US strategic autonomy vis-à-vis Israel, which is pursuing a reconfiguration of the Middle East, it is widely raised in international public opinion.

Second lesson: the war confirms the benefits of an asymmetric attack. The war economy is unfavourable to sophisticated defences. The price of Shahed drones, and their manufacturing time, are not comparable to those of a Patriot PAC-3 missile, and even less to those of a THAAD interceptor. The analysis is converging: an attritional strategy aimed at saturating the interception layers is a rational strategy for the attacker. Iran has therefore logically sought to shift the conflict to the depletion of stocks and horizontal escalation (in space), rather than to absolute precision.

Third lesson: stocks and capabilities matter more than technological demonstrations. The Center for Strategic and International Studies (CSIS) estimates the initial cost of the US operations at several USDbn, incurred over just a few days, largely driven by the consumption of ammunition. This focus on stocks is reflected in the management of the energy crisis. On 11 March, the International Energy Agency (IEA) announced the largest coordinated release of reserves in its history. Admittedly, the Member States still have more stocks for public emergencies, as well as mandatory industrial reserves, but this release of reserves is consistent with the regular attrition of shock absorbers that are repeatedly called upon: 1991, 2005, 2011, twice in 2022, then again in 2026.

What is going on? An erosion of the narrative monopoly of the petrodollar.

Fourth lesson: the credibility of the US as an ally diminishes when it redeploys its resources. The transfer of Patriot missiles from Osan to Saudi Arabia and the Emirates is worrying Asian allies, as is the movement of elements of the THAAD (Terminal High Altitude Area Defense) system from South Korea, and the two Yokosuka destroyers travelling to the Arabian Sea. Even if Washington says deliveries to Taiwan are not being delayed, the political effect has transpired and cannot be undone. In Seoul, Tokyo and Taipei, everyone can see that US resources are fungible and that resources are being moved between different theatres of war.

Fifth lesson: everything can now become a strategic asset. Attacks disrupting energy infrastructure, logistics hubs, data systems and critical facilities show that modern-day warfare is no longer limited to the military, in the narrow sense of the term. Data, energy, water, pharma, the cloud, cables, ports, refineries and processing sites have entered the field of coercion. Businesses must factor all the consequences of this profound change into their strategies.

The trap of the concept of normalisation

Even if, at some point, prices 'normalise', these disruptive geopolitical changes will not be reversed. In particular, because the conflict calls into question the freedom of maritime traffic, which is at the very heart of US power and a key pillar of globalisation. If Iran is capable of charging a toll as a result of controlling a strait, it is actually writing the rules of a different form of globalisation. The full geo-economic impact of this moment needs to be understood.

The reference to the 'Quincy Pact' is of importance. The meeting of 14 February 1945 between Franklin D Roosevelt and Ibn Saud aboard the USS Quincy was real. However, the famous "security for oil" pact was more of a strategic framework than a legally constituted treaty. But that is precisely what matters: for decades, the security of the Gulf ensured by the US and the free flow of hydrocarbons have formed the basis of the world order. If this framework cracks, the fundamental architecture of globalisation will change. **The increased payments for hydrocarbons made in CNY therefore do not need to form the majority of payments in order to be strategic.** The USD retains its status as the central currency, but against a backdrop of geopolitical chaos, every workaround, every contract not in USD and every diversification of reserves acquires a symbolic and political value greater than its current weight. **What is at stake here is not an immediate replacement of the USD, but an erosion of the narrative monopoly of the petrodollar, which linked the production of energy by the Gulf states to the financial power of the US.**

What about other countries? Russia emerges stronger from this series of events. It is benefiting from higher energy prices, a strategic diversion of US forces far away from the European front, increased pressure on Western industrial capacities and a shift in the focus of diplomatic attention. The longer the Gulf crisis lasts, the more economic, military and political leeway Moscow recovers.

As for Europe, it is being pushed towards increased geopolitical realism. Rising energy costs, the vulnerability of logistics structures, doubts about the availability of the US and the need to secure supplies, infrastructure and critical industries all point towards the same result: less commercial idealism, more strategy, greater autonomy in terms of capabilities and greater attention to concrete dependencies. The Iranian crisis is not the source of this development but is accelerating it dramatically.

Behind this war, another form of globalisation is therefore taking shape. Less fluid, more expensive, more militarised, more redundant in its logistical solutions, more regional, a form of globalisation in which the burning seas restore value to land corridors, alternative routes, peripheral ports, stocks and flexible alliances. For businesses and investors alike, returning to a normal state of affairs is therefore no longer the issue. Instead, they will need to adapt to a degraded geopolitical normality.

Tania SOLLOGOUB

DEVELOPED COUNTRIES
One certainty and one alone

USA – Not an all-clear, but less vulnerable to an oil price shock

Eurozone – Domestic factors are keeping the risk of recession at bay

United Kingdom – A new ‘stagflationary’ shock

Japan – Takaichi administration’s strategic investments through public-private partnerships help overcome structural economic stagnation

One certainty and one alone

What do we know? That the surge in oil prices following the war in the Persian Gulf is leading to an immediate and substantial spike in headline inflation, which is detrimental to growth. Quantifying the damage is particularly tricky: beyond national specificities (dependence on oil and gas, the robustness or vulnerability of pre-war economies, etc), the damage will depend on the duration of the conflict and the closure of the Strait of Hormuz. Based on a 'reasonably conservative' scenario, growth is expected to erode without collapsing.

USA: NOT AN ALL-CLEAR, BUT LESS VULNERABLE TO AN OIL PRICE SHOCK

Despite some shutdown related volatility in Q425, US growth has remained resilient overall in the face of drastic policy shifts under the Trump administration, but it now must also contend with an oil price shock following the breakout of the Iran war. Taking into account our baseline scenario for oil prices under the conflict, we have bumped down our forecasts for 2026 and 2027 to 2.2% and 1.9%, respectively, compared to 2.5% and 2.0% previously, each on an annual average basis. The quarterly pace may remain choppy into the beginning of 2026, with Q126 tracking in the high-2% range as the shutdown related drag in Q425 should reverse.

While we have marked down our forecasts, these continue to show a decent pace of growth overall, with the revisions relatively modest. This comes down to the fact that we believe the US economy is less vulnerable to an oil price shock than many other countries currently and is less vulnerable than it was in prior decades. This largely comes down to two factors:

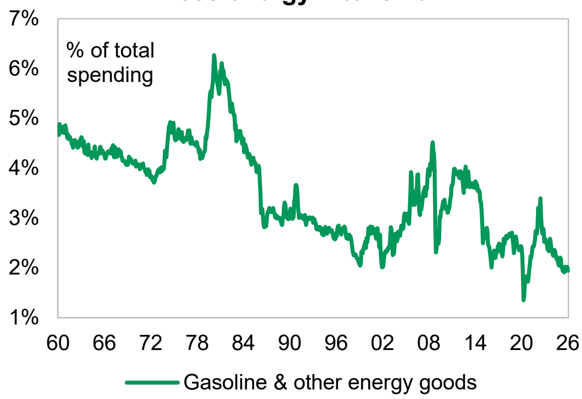
- ✓ For one, US consumption has become much less energy intensive over time. For example, if we look at spending on gasoline & other energy goods as a percentage of total nominal spending, we can see a clear, if somewhat choppy, downward trend. In fact, this ratio had hovered in the 4-5% range for much of the 1970s before even spiking all the way towards 6% in 1980. However, it has come down towards 2%, or even marginally below, in recent months. As a result, while consumers will not be entirely insulated, they should in general be less vulnerable, as a smaller portion of consumption would be directly impacted by any spike in oil prices.
- ✓ Secondly, the US is now a net energy exporter, in stark contrast to the pre-GFC period. The increasing importance of the energy industry means that higher oil prices can now provide a boost to structures investment, at least partially offsetting some of the negative impacts elsewhere. For example, the Kansas City Fed has published research that even shows a positive correlation between oil prices and non-residential fixed investment growth.

On top of the lessened vulnerability to an oil price shock, we continue to see a more constructive backdrop on the policy front, in line with our thoughts last year on policy sequencing. For example, while the focus of the administration in early 2025 was all about tariffs and immigration restrictions, we think that fiscal policy should begin to provide more of a boost in 2026, with policy uncertainty, particularly on the trade front, beginning to diminish (even if we do not expect it to disappear entirely under a Trump administration).

The fiscal policy should begin to provide more of a boost in 2026.

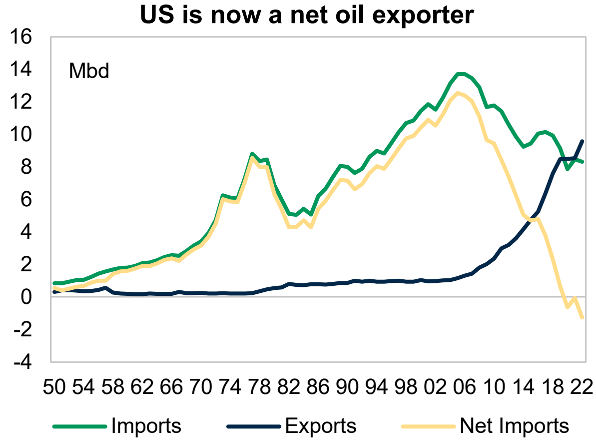
Outside of policy, we also remain of the view that economic fundamentals heading into the conflict were in decent shape, which has helped to cushion against policy shocks that have hit the economy

US: consumption has become less energy intensive



Sources: BEA, Bloomberg, CA CIB

US is now a net oil exporter



Sources: EIA, CA CIB

over the course of the past year and may continue to do so. Overall, the economy has become much less interest rate sensitive than it was in past decades, with large swathes of the economy having been able to lock into low fixed rates for an extended period of time, thus providing some insulation from a slow unwind (to this point) of the Fed's aggressive hiking cycle.

Additionally, household balance sheets remain extremely healthy, with overall net worth up by more than USD68trn compared to the pre-Covid period. Admittedly these are aggregate figures and not everyone is in good shape, but it does seem like pockets of weakness have been relatively concentrated among low-income households and small businesses rather than spread throughout the economy. Thus, our base case sees these K-shaped dynamics remaining contained rather than being severe enough to bring the overall economy down.

As we noted last quarter, the AI boom has played a key role as well, with the combination of investment in information process equipment and software contributing an average of around 0.8ppt to growth in the four quarters of 2025. **We are not convinced that the scorching pace seen in H125 can be maintained, but we do not expect AI investment to disappear entirely, contributing to another solid year for non-residential investment.**

The labour market has admittedly been more of a mixed bag, with some clear signs of cooling becoming evident. Chief among these has been a marked slowdown in payroll gains, with negative prints in five of the past nine months and a twelve-month moving average of just 13k, which suggests that job gains have essentially stalled over the past year.

That said, we believe that this slowdown has to be taken in the context of the sharp shifts in immigration policy, as net immigration that may have come close to a standstill (or even lower) means that the breakeven pace of job creation has slowed sharply. In fact, we think it could be around 30k at this point (and Fed Chair Jerome Powell even highlighted the possibility of a breakeven pace of 0k) after having moved above 200k in the latter portion of the Biden presidency. This has likely helped limit upward pressure on the unemployment rate, which has been relatively stable around 4.4% in recent months.

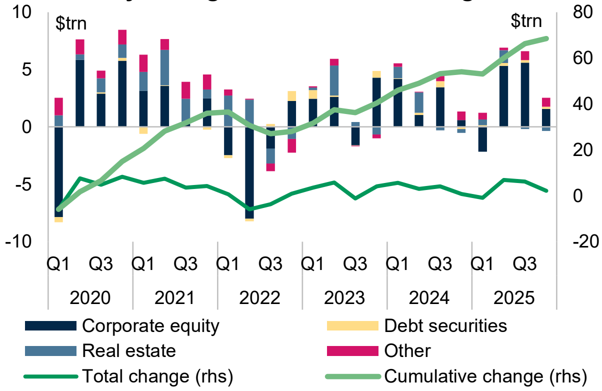
For now, we believe that the labour market remains at least close to balance in a low-hiring, but also low-firing environment, and we expect this state to largely persist going forward, with the unemployment rate finishing the year around current levels before eventually edging very gradually lower. That said, we acknowledge that the slower pace of hiring suggests downside risks have become more prominent, making the labour market more vulnerable to a shock moving forward.

Annual change	2025	2026
GDP	2.1%	2.2%
Inflation	2.7%	3.2%

The spike in oil also adds to inflationary pressures that had already seen some boost from tariffs, though we expect core inflation to remain much more contained than headline. For the latter, we currently see headline CPI jumping above 3% YoY in March and reaching around 3.6% mid-year before eventually dipping to the low-2% range in H227. We see core reaching around 2.9% by year-end with a modest boost from second-round effects, but coming back down to about 2.5% by mid-2027 and finishing the year at roughly 2.4%. That said, the situation remains extremely fluid and forecasts are subject to change, particularly for headline CPI.

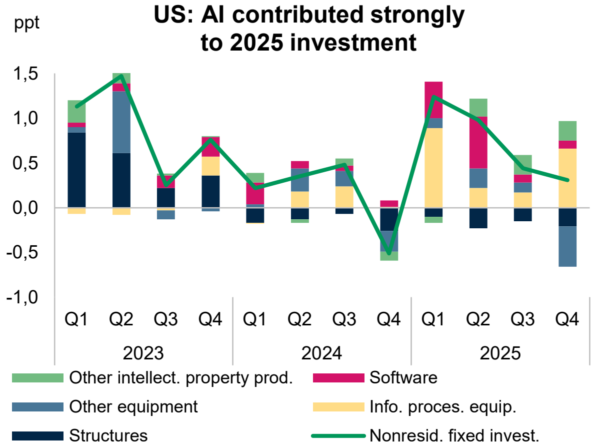
Nicholas VAN NESS

US: household balance sheets remain very strong as net worth has surged



Sources: Federal Reserve, CA CIB

US: AI contributed strongly to 2025 investment



Sources: BEA, CACIB

EUROZONE: DOMESTIC FACTORS ARE KEEPING THE RISK OF RECESSION AT BAY

This scenario is set against a backdrop of military, political and economic uncertainty that makes forecasting the scale of shocks and their macroeconomic impact particularly risky. But one thing is certain: the tightening of external constraints on the Eurozone, which is facing more volatile prices on global energy markets. While, unlike in 2022, the risk is less one of shortages, its vulnerability to global prices has increased and the Eurozone is no longer on the smooth disinflationary path it was on before the war in the Middle East. Even if the scenario is shifting towards a medium-to-long-term risk linked to shipping through the Strait of Hormuz, recession and persistent inflation are relegated to adverse scenarios. Nevertheless, the energy supply shock and its inflationary consequences are amplified by a combination of potential constraints on supply capacity, tighter financial conditions and growing uncertainty: a combination that runs counter to our pre-war scenario of accelerating investment. The solid economic and financial position of private sector players, coupled with a broadly neutral and locally (particularly in Germany) expansionary fiscal policy stance, should nevertheless ensure growth of 0.8% in 2026 and 1.1% in 2027.

Assessing the strengths

The transmission of the supply shock depends, on the one hand, on the starting point and, on the other, on the factors driving growth in the Eurozone at the start of 2026. While 2025 began amid a climate of considerable uncertainty, under the threat of a sudden distortion of export and import flows linked to US customs policy, the adjustments proved less severe than initially anticipated and growth returned to a composition more in line with domestic drivers. After recording a quarterly growth rate of 0.6% in Q125, driven by strong exports in anticipation of the tariff hike, growth moderated without, however, falling to zero in Q225 (0.1%), before regaining momentum in the summer at rates of 0.3% and 0.2% in Q325 and Q425 respectively. By the end of 2025, the annual growth rate (1.3% compared with the end of 2024) was slightly above potential and, in any case, higher than the trend rate of the past decade. **This performance leaves GDP at the end of 2025 6.8% higher than pre-Covid levels.**

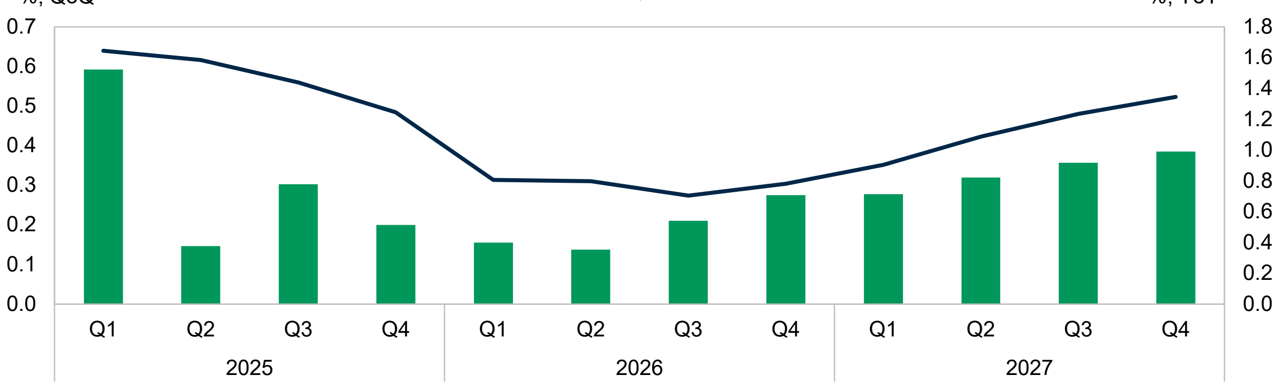
Average annual growth of 1.5% in 2025 marked an acceleration compared with 2024 (0.9ppt), driven by a marked strengthening of the contribution from domestic demand (1.8ppt) and a positive contribution from changes in inventories (0.2ppt), which more than offset the negative impact of net external demand, which subtracted 0.6pptfrom growth.

Resilience of domestic demand

The resilience of growth in the face of the international trade shock in H125 is explained by very buoyant domestic dynamics, with household consumption growth settling at an annual rate of 1.4% by the end of the year and public consumption remaining dynamic (1.5% YoY in Q425). Household consumption can rely on a still-robust increase in the wage bill (3.9% YoY), which, despite slowing, remains above inflation (2.3% for the private consumption deflator). This growth is driven by continued positive job creation (+0.7% YoY in Q425), albeit at a slower pace than economic growth (1.3%). Average earnings per capita are also slowing (3.3% YoY), but, after four years of declining purchasing power, they finally exceeded their 2019 level in 2025. Since the Covid crisis, real wages will ultimately have risen by just 1.4%. **Continued gains in purchasing power were factored into our pre-Middle East war disinflation scenario: this source of growth could be jeopardised if the inflationary shock proves stronger than currently anticipated in our new scenario.**

Investment has also been gaining momentum, growing at a rate of 3.2% YoY in Q425, driven by the recovery in housing investment since the summer, following two years of decline. Investment in equipment (machinery, transport and ICT) is also growing at a steady pace (2.8% YoY) thanks to the recovery in investment in transport equipment. The contribution

Post trade-war normalisation, resilience to new shock



Sources: Eurostat, Crédit Agricole S.A.

from investment in intellectual property remains robust, although it has moderated following its sharp rise in early 2025, linked to moves in anticipation of rising tariffs in the chemical and pharmaceutical sectors.

The disinflationary trend in wages remains unchallenged but is expected to continue at a slower pace.

This strengthening of investment is, however, no longer driven by profitability dynamics as favourable as in the recent past. The profit margin has been falling since its peak at the end of 2022 and is thus returning to its average level of the past decade (2013-19 average). Unit profits therefore no longer contribute to price growth (in this case, the value-added deflator), which stems solely from unit labour costs. The growth of the latter has been moderated by productivity, which has been recovering since mid-2024 but lost momentum by the end of 2025. The rise in per capita wages, though still robust, is nevertheless driven by an increasingly limited number of sectors: the public sector in Germany and Spain, and real estate services in Germany and Italy. Market services, the main driver of wage growth since the Covid pandemic, showed growth of just 2.9% YoY by the end of 2025.

The starting point: a strengthening cycle

Leaving a carry-over effect of 0.3%, GDP growth in Q425 provides modest but positive momentum to 2026. Indicators point to a fairly solid start to the year with a recovery in manufacturing activity and confidence. The most recent survey data (March), collected after the start of the war in the Middle East, shows a deterioration in activity and confidence in services. It is particularly the services sector, where a slowdown has been reported since October 2025, that is set to suffer: the PMI index indicates stagnation in activity and a contraction in both new business and exports. By contrast, the manufacturing PMI has been recovering since the start of the year and points to an expansion in production in Q126, driven by the strong recovery in activity in Germany. Domestic orders in the manufacturing sector are rising, while those from abroad are contracting at a slower pace. The ratio of orders to stocks is at its highest since 2022, thanks in part to the continued decline in stocks. Supply chains are, however, already heavily affected by the war in the Middle East, with delays in the delivery of inputs reported in March at their highest level since mid-2022.

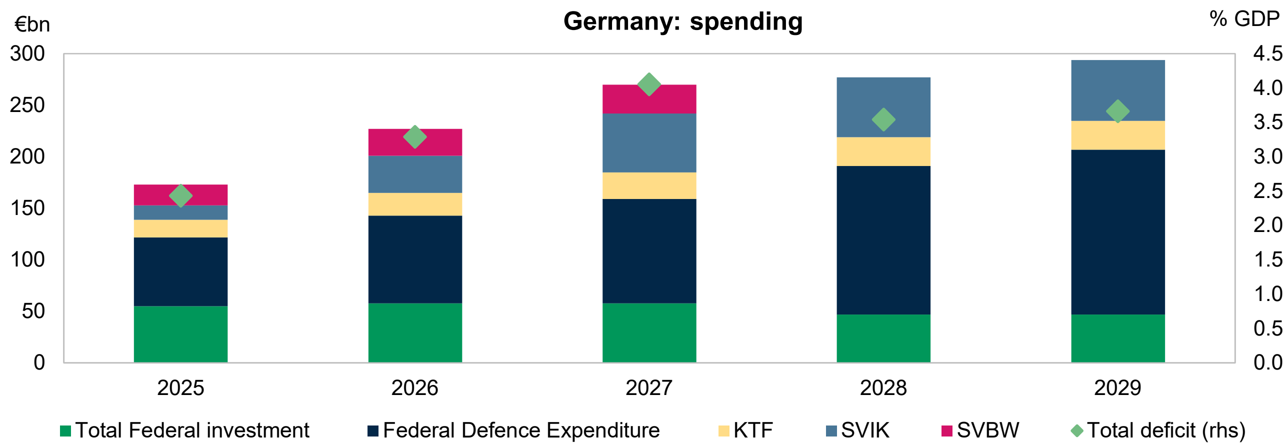
Surveys from March indicate that the outbreak of war in the Middle East very quickly led to a sharp rise in cost-push inflation, which reached its highest level in over three years. Inflation in selling prices was significantly less pronounced, and even fell in the services sector, pointing overall to a squeeze on margins.

No recession, but a more stagflationary environment

Our geopolitical scenario anticipates that the Iranian regime will remain in power but will also gradually be worn down. Such a scenario implies a complete blockade of the Strait of Hormuz limited to the month of March, followed by a gradual but incomplete reopening of the passage, with a sustained ceiling of 80% over the horizon of our forecast. Added to this interrupted and then imperfectly restored traffic is the destruction of oil and gas infrastructure, which is currently keeping oil and gas prices high. After reaching USD130/bl in March, the price of oil should remain high in Q2 and begin to fall in Q3, to USD100/bl, before stabilising at USD85/bl until the end of 2027. The projected trend for European gas prices is similar, with a peak in March at USD97/MWh, decreasing to USD68/MWh in Q2 and a decline that keeps the price at USD51/MWh until the end of the scenario.

Although Eurozone countries are not heavily reliant on fossil fuels from the Arabian Gulf, they are more vulnerable to international price volatility than in 2022. The expected impact on the harmonised index of consumer prices is immediate.

The acceleration in the energy component of the index would interrupt the decline that has been underway for a year, peaking in May, then beginning a sharp decline in March 2027, with a subsequent negative contribution to the Harmonised Index of Consumer Prices (HICP).



Sources: Ministry of Finance, Crédit Agricole S.A./ECO

This should translate into a peak inflation rate of 3.7% in May 2026, an index above 3% until February 2027 and below 2% from April 2027 onwards, driven by base effects in the energy sector. The trend in the core inflation index would be more sluggish, peaking at 2.5% in May 2026 but remaining above target over the forecast horizon. Second-round effects on the prices of non-energy industrial goods (whose growth was only 0.4% at the start of 2026) would push their inflation to an annual average of 0.9% in 2027. While service prices are expected to accelerate, their disinflation would continue, albeit at a slower pace of 3%, by the end of 2027.

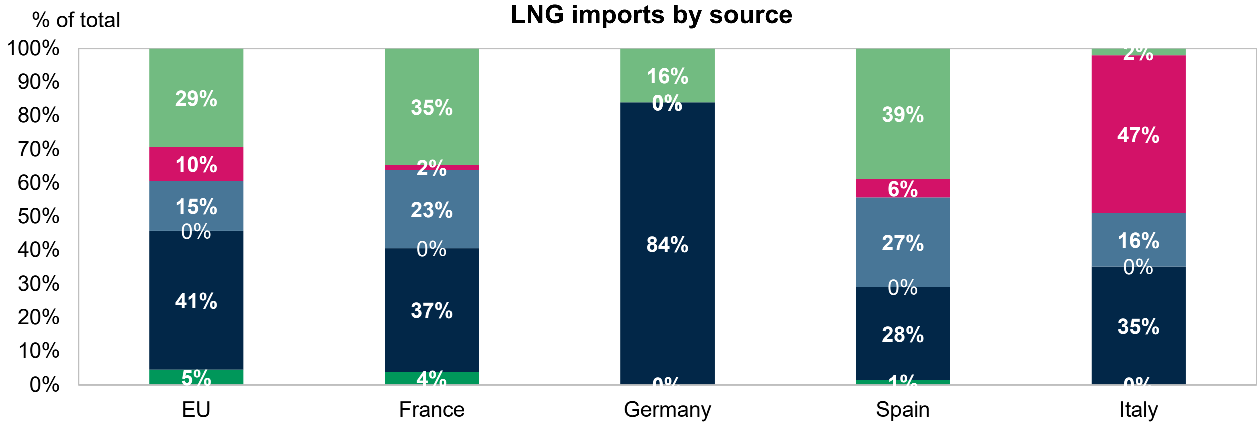
This impact of energy on prices is exacerbated by shortages of a range of inputs for industry and agriculture (helium, aluminium, fertilisers) **and by the rise in transport costs for goods and raw materials.** The rise in input costs would only be partially passed on to final prices by firms, which are facing sluggish demand. We therefore anticipate a squeeze on margins, leaving little room for a positive response to any wage demands aimed at offsetting inflation. The disinflationary trend in wages is therefore not called into question, but it is expected to continue at a slower pace, remaining below 3% in 2027. This further squeeze on margins would dampen investment decisions, which are already hampered by greater uncertainty, tighter financial conditions and weaker demand from businesses. The negative impact of rising prices on household consumption and investment would be of a similar magnitude to that observed for businesses; it would manifest itself mainly through rising electricity and fuel prices, on the one hand, and interest rates, on the other.

Our scenario envisages a swift and aggressive response from the ECB, with three 25bp hikes in the key interest rate by July and the deposit rate remaining at 2.75% until September 2027, before a first cut. This restrictive monetary policy amplifies the negative impact of the supply shock on Eurozone growth. The fiscal policy response would remain limited and uncoordinated, with fiscally constrained countries prioritising their budgetary targets. By contrast, Germany's stimulus through infrastructure and defence spending would not be called into question. Relying largely on earmarked funds, it would reach the targets set out in the long-term plan by 2026, without, however, making up for the cumulative shortfall by 2025, particularly regarding the infrastructure component of the special funds (KTF and SVIK). This additional effort would generate a fiscal impulse of 0.9ppt in 2026 in Germany, thereby supporting the acceleration in growth despite the supply shock linked to the war in the Middle East. In addition to this German effort, 2026 will see investment expenditure linked to the NGEU fund and a general acceleration in defence spending.

Despite this public support, the pace of investment growth is expected to weaken (1.4% and 1.5% in 2026 and 2027, following 3.1% in 2025). We also forecast a slowdown in household consumption to 1.6% in 2026 and 1.3% in 2027. The contribution of net external demand is expected to remain negative over the forecast horizon, with trade flows disrupted by US trade policies and restrictions on shipping in the Persian Gulf. Compared with our December 2025 forecasts, our new scenario therefore introduces a 0.4pt decline in growth this year and a 0.2pt decline next year, of which 0.1pt is attributable to rising interest rates. **After 1.5% in 2025, GDP growth is expected to reach only 0.8% in 2026 and 1.1% in 2027.**

Annual change	2025	2026
GDP	1.5%	0.8%
Inflation	2.1%	3.1%

Paola MONPERRUS-VERONI



Sources: Eurostat, Crédit Agricole S.A./ECO

UNITED KINGDOM: A NEW 'STAGFLATIONARY' SHOCK

The UK economy, still convalescing from the 2022 energy crisis, is now facing this new supply-side shock linked to the war in the Middle East from a precarious position. Activity grew only very modestly in H225 (0.1% QoQ), dragged down by net exports and weak domestic demand. The backdrop for household consumption has deteriorated, with unemployment rising to 5.2%, another inflationary surge (CPI peaking at 3.8% in Q325) and a slowdown in real disposable income (to 0% YoY in Q325). GDP per capita recorded two consecutive quarters of decline of 0.1%.

At the start of 2026, the outlook appeared somewhat clearer, with an improvement in business confidence and signs of stabilisation in the labour market. CPI inflation was expected to fall to 2% in April for the first time since September 2024. The BoE was set to continue easing its monetary policy. The war in the Middle East has upended these already fragile prospects.

The rise in wholesale gas and oil prices is expected to push inflation upwards from March onwards, with even more significant effects from Q326. Fuel prices have already increased (+9.5% for petrol, +18% for diesel in a single month), but the government measures announced in the Autumn Budget (reduction in household electricity tariffs, freeze on fuel duties until September 2026, freeze on rail fares) will temper the near-term rise in inflation. Gas and electricity prices will fall by 7% in April, before rising again in July (+15% in our forecasts). Upward pressures will also likely affect food prices and industrial goods. Second-round effects via wages are likewise probable, but unlike the 2022 energy shock, they should remain contained: demand is weak, the labour market is no longer overheating, with spare capacity and rising unemployment. In our forecasts, inflation peaks in Q426 at 3.5% YoY on average. Core CPI inflation (3.2% YoY in February) moderates until July, before edging back up to 3% by December. In 2027, inflation is expected to fall close to target by the end of the year.

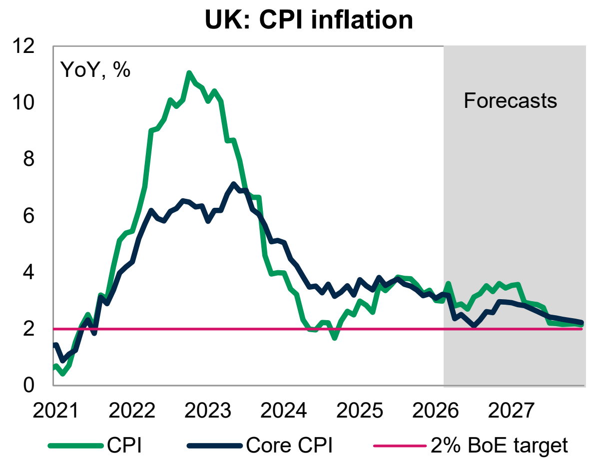
Higher inflation will weigh on real disposable income and household consumption. Growth in real disposable income is expected to remain close to zero this year. Unemployment should continue to rise (5.6% by year-end), bearing down on consumer confidence. Household consumption would slow, but prove resilient (at growth of 0.6% annual average this year, after 1.0% in 2025), supported by a high savings rate, still-robust wage growth (3.6% forecast), a 4.1% rise in the National Living Wage in April 2026 and government measures to support purchasing power.

Second-round effects via wages are likewise probable, but unlike the 2022 energy shock.

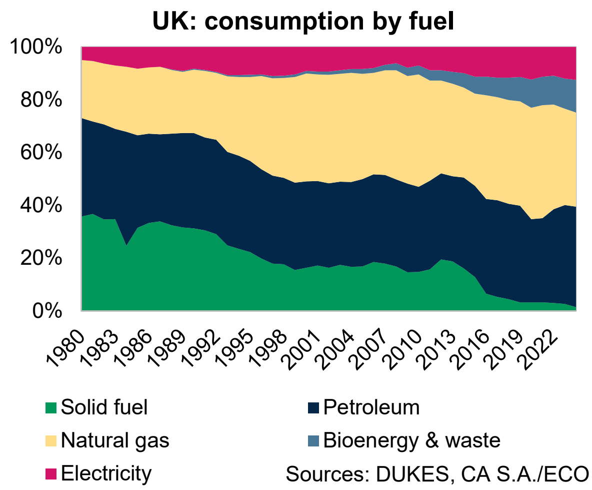
The investment outlook has also deteriorated. Production costs will rise, margins will be squeezed and business confidence will weaken, penalised by uncertainty over the demand outlook. We have revised markedly down our forecasts for total investment growth to 0.2% this year and 1.4% next year after 3.4% in 2025. Public investment should nonetheless continue to grow solidly.

Risks remain skewed to the downside, owing to uncertainty surrounding the global demand outlook and domestic political risks. The risk of upward pressure on gilt yields persists. The unpopularity of the Labour government could push towards greater near-term fiscal loosening, particularly in the face of the cost-of-living crisis and ahead of the May local elections. There is a risk of fiscal missteps being interpreted by investors as an abandonment of budgetary discipline.

Annual change	2025	2026
GDP	1.3%	0.8%
Inflation	3.4%	3.2%



Sources: ONS, Crédit Agricole S.A.



Sources: DUKES, CA S.A./ECO

Finally, the deteriorating outlook will reduce the government's headroom against its fiscal mandate ahead of the Autumn Budget and risks making investors, once again, nervous.

Slavena NAZAROVA

JAPAN: TAKAICHI ADMINISTRATION'S STRATEGIC INVESTMENTS THROUGH PUBLIC-PRIVATE PARTNERSHIPS HELP OVERCOME STRUCTURAL ECONOMIC STAGNATION

Takaichi government supports growth through aggressive fiscal policy. In 2026, amid a global economic slowdown and downward pressure from the uncertainty of the Trump administration and geopolitics, we expect domestic demand to be supported by economic measures, growth to exceed the potential growth rate of about 0.5% and the movement towards completely escaping structural deflationary pressure to continue.

From 2027 onwards, a global cyclical economic recovery and an expansion in domestic demand due to the Takaichi government's implementation of aggressive fiscal policy **and an upswing in the capex cycle would see the start of a movement towards a high-pressure economy**. An increase in real wages would lead to a recovery in consumption. With the sustained expansion of nominal GDP, corporate competition would clearly shift from cost reduction to investment. The ratio of capex to GDP would far exceed the difficult-to-reach 18% level, and the economic recovery would accelerate along with the expansion of consumption.

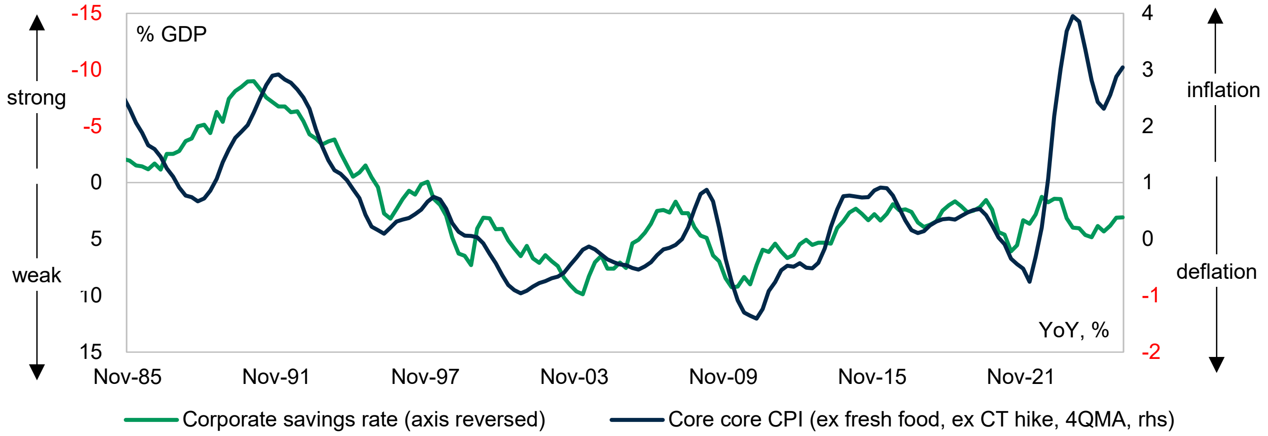
The YoY change in CPI (ex-fresh food and energy) **would temporarily shrink to a low range of 1% from H225 to mid-2026** due to a pause in the pass-through of import price hikes and a weakening in the supply-demand balance due to still weak domestic demand. With a global cyclical economic recovery and a recovery in domestic demand, corporate spending, including capital investment and wages, would strengthen, and the positive range of the corporate savings rate, which caused the deflationary structural stagnation as excess savings, would shrink. From 2027 onwards, the inflation rate would expand again toward 2% as consumption recovers due to rising real wages and higher growth due to the realisation of a high-pressure economy.

In 2028, the corporate savings rate would become negative, eliminating structural deflationary pressures and the inflation rate would be anchored at 2% due to accelerating wages and rising inflation expectations, resulting in a stable achievement of the price target. This is based on the assumption that the JPY would not appreciate too rapidly due to the BoJ's premature rate hikes.

In response to Trump tariffs, the government would discuss expanding fiscal spending and cutting taxes.

The shift away from liberal policies that reduced government involvement is likely to continue, with a new approach to addressing social and economic issues hindering growth through proactive government fiscal policy and public-private partnerships for growth investment. The austerity-driven Ishiba administration would be replaced by the Takaichi administration, which promotes a high-pressure economy through proactive fiscal policy. In response to Trump tariffs, the government would discuss expanding fiscal spending and cutting taxes, aiming to increase support for the administration by making the public realise the economic recovery.

Japan: corporate savings rate and core CPI

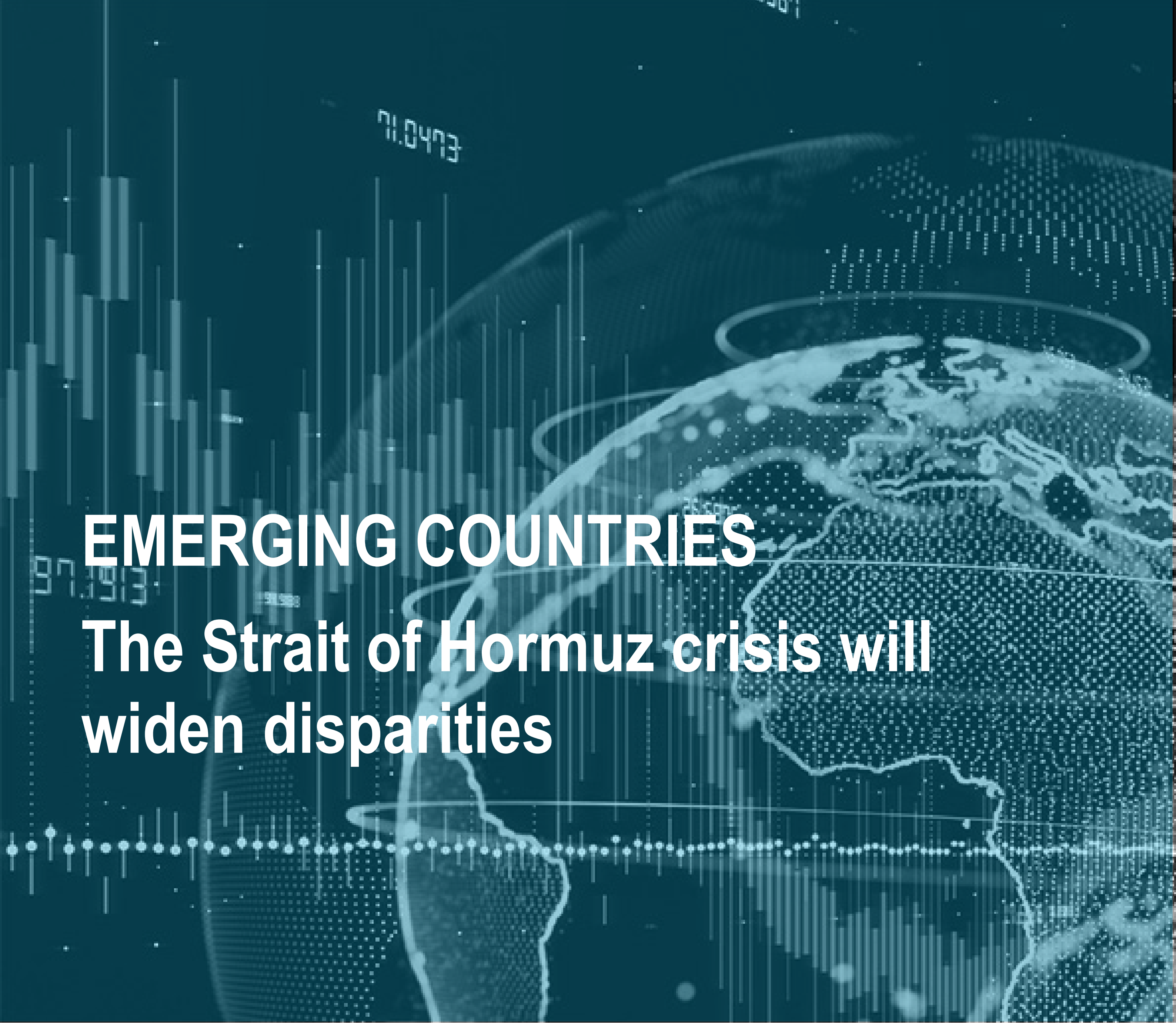


Sources: Cabinet Office, BoJ, MIAC, Crédit Agricole CIB

Annual change	2025	2026
GDP	1.2%	0.5%
Inflation (ex-fresh food and energy)	3.0%	1.9%

The flawed goal of achieving a primary balance surplus, which requires growth investment to be funded by tax revenue, **would be rendered meaningless in the Basic Policy to be released in June and replaced with a fiscal goal that promotes proactive fiscal policy**. Following the large-scale economic stimulus package implemented in 2025, additional economic stimulus measures are expected to be implemented, after the FY26 budget is passed.

Takuji AIDA – Ken MATSUMOTO



EMERGING COUNTRIES
The Strait of Hormuz crisis will widen disparities

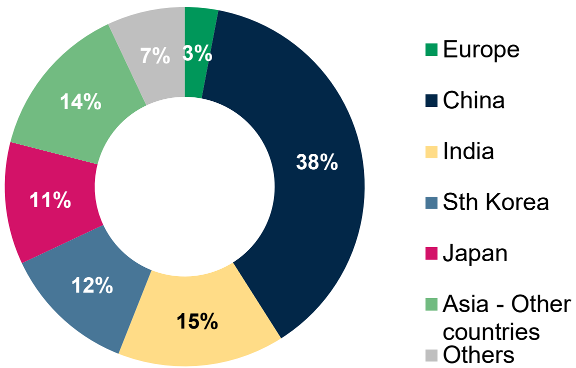
The Strait of Hormuz crisis will widen disparities

The shock caused by the conflict in the Middle East risks extending far beyond the energy crisis: it may expose the underlying fragilities of emerging economies, testing the connection between external dependence, inflationary pressures, financial strength and political weaknesses.

The economic shock linked to this war will not only redistribute countries' economic outlooks. It will reshape medium-term trajectories. This reshaping will depend on specific combinations of energy exposure, sensitivity to domestic prices and the ability to absorb an external shock without triggering macro-financial imbalances. But of course, all this depends on the duration of the crisis. The longer it lasts, the more it spreads throughout the global economy and the further apart the trajectories of the various emerging economies will diverge.

To understand the complexity of the transmission channels to emerging economies, it is worth recalling the systemic nature of the starting point. As is well known, the Strait of Hormuz is a hub for, among other things, a critical share of global energy flows, liquefied natural gas (LNG), petrochemicals and industrial inputs. What gives this war its specific significance for the emerging world lies in trade geography: 90% of the oil passing through Hormuz is destined for Asia.

Oil transiting through the Strait of Hormuz is mainly destined for Asia



Sources: TradeMap, Crédit Agricole S.A./ECO

The main transmission channels

To this unique situation, we must add three major transmission channels. **The first, which opposes energy importers against exporters, remains relevant.** Exporters such as Angola, Nigeria and Kazakhstan will obviously benefit from higher energy prices, as will Russia. In Asia, oil-producing countries such as Indonesia and Malaysia are less affected than the rest of the region. However, this assumes the crisis does not last too long.

More generally, in net hydrocarbons importer economies , rising energy prices lead to a deterioration in the current account, pressure on the exchange rate, inflation and/or a reliance on public subsidies. In Egypt, for example, the halt in gas supplies from Israel at the start of the conflict (accounting for around 10% of energy consumption) has forced the country to purchase LNG at three times the price of last year, which will ultimately delay ongoing budgetary adjustments. In other countries, the impact of the energy shock on the current account balance may be offset by increases in other areas. Such as the shift in tourist flows from Dubai to Morocco, where tourism revenue increases were already noticeable in 2025. But Morocco remains exposed to rising energy prices and weak external demand.

> ***Imported energy is now more volatile, more expensive and more dependent on geopolitical factors.***

In reality, the transmission channel via energy and external accounts is therefore insufficient to predict the impact of the current crisis. Several dimensions must be combined to assess countries' vulnerability: structural exposure, but also the available buffers and the room for manoeuvre in economic policy. This allows us to distinguish between vulnerabilities inherent in the very structure of the economy – energy dependence, the weight of food prices in inflation, low reserves, etc – and those arising from market stress – currency depreciation, capital outflows, debt pressures, etc. In economies such as Egypt or Turkey, where energy dependence is combined with external fragility, the current shock is likely to act as an amplifier of global imbalances.

The second transmission channel is via inflation. Energy shocks are never confined to fuel prices and quickly spread to transport costs and agricultural inputs, particularly fertilisers, the production of which depends on natural gas. In many emerging economies, where energy and food account for a very high proportion of the consumer basket (between 40% and 60%), the transformation of the energy shock into an inflationary shock is therefore rapid and socially sensitive. The Food and Agriculture Organisation (FAO) highlights that disruptions to energy flows risk turning into a global agricultural shock, affecting both production costs and yields.

The third channel, financial in nature, is the tipping point between an absorbable shock and a destabilising one. As a matter of fact, everything depends on the economy's ability to absorb the impact without triggering a loss of confidence. In countries where domestic debt markets rely on foreign investors, the increase in the energy bill can lead to capital outflows, currency depreciation and higher in interest rates. In Egypt, capital outflows reached between USD5-8bn in the first week, putting pressure on the currency.

The unknown factor of the crisis's duration

Beyond these three traditional channels, it is above all the duration of the crisis that will be the determining factor for emerging markets. If relatively short, albeit brutal, it will remain a price shock. Admittedly, it will weigh on the purchasing power of the middle classes, already impoverished by Covid and the war in Ukraine, and this will delay monetary easing. The political implications will therefore be significant. But a relatively short-lived shock will not call into question the macroeconomic and financial hierarchy of emerging markets.

On the other hand, a prolonged shock will quickly cease to be sector-specific and become systemic. For, in addition to rising oil and gas prices, there are tensions affecting petrochemicals, plastics, aluminium and fertilisers. Transport costs are rising, marine insurance is becoming more expensive and supply chains are becoming disrupted. In this scenario, the most vulnerable countries – such as Bangladesh, Sri Lanka, Laos and Pakistan – will quickly be swept up in a resurgence of sovereign risk.

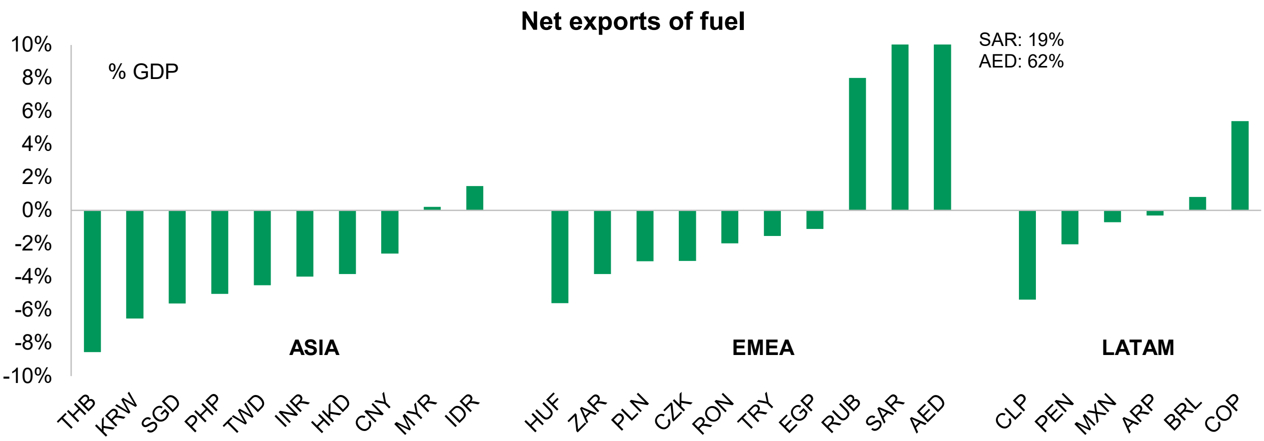
Asia is the epicentre of the shock

Not only does the region account for the majority of energy flows passing through the Strait of Hormuz, but it also combines several factors of vulnerability: a heavy reliance on energy imports, deep integration into global value chains and open, energy-intensive growth models. However, this vulnerability is far from uniform, as it depends on how these various factors interact within each economy. Some countries show a particularly high level of dependence in their energy mix. In Singapore, oil products account for nearly 87% of primary energy; in South Korea, around 43%; and in the Philippines, over 40%. Others, such as China or India, are proportionally less dependent, but their size makes them major importers. India is a prime example. Oil imports account for around 22% of its total imports and a significant proportion of these flows pass through the Gulf. Since 2022, the country has increased its purchases of Russian oil, which offers it a degree of diversification, but this strategy does not protect against price shocks or logistical disruptions.

The role of gas and industrial inputs is also crucial. South Korea and Taiwan rely heavily on LNG to power their production lines, where gas accounts for between 17% and 23% of the energy mix. Added to this is their dependence on critical inputs, such as helium, for which Qatar accounts for around one-third of global production. Yet this element is essential for certain high-tech industries, such as semiconductors.

Alongside these industrial channels, there is a significant agricultural sector in South and South-East Asia. In economies such as India, Indonesia and the Philippines, the agricultural sector remains central in terms of employment and food security. In India, it accounts for 42% of employment; in Indonesia, 27%. Rising fertiliser prices could lead to persistent food inflation.

Another channel concerns human flows. Many Asian countries maintain close ties with the Gulf economies through labour migration. The Indian diaspora in the region is estimated at around 9m people, that of the Philippines at 2.5m and that of Indonesia at nearly 2m. The associated remittances account for a significant share of GDP: nearly 10% in the Philippines and around 4% in India. A deterioration in the economic situation in the Gulf will lead to a fall in remittances, with direct effects on consumption and social stability. Added to this is tourism. In Thailand, Malaysia and the Philippines, this sector accounts for between 15% and 20% of GDP, and it is suffering from the paralysis of the Gulf's aviation hubs.



Source: Crédit Agricole CIB

Uneven resilience in Latin America

The shock is far more asymmetrical than in Asia. If it persists, it will even tend to accentuate the divergences between countries. Thus, over the last ten years, Brazil and Argentina have transformed their energy profiles and have become net exporters: in terms of external accounts, they should benefit from the energy shock. On the other hand, Brazil relies on the Gulf for one-third of its fertiliser imports. Overall, the effect is likely to remain positive for the external accounts, but the impacts on inflation could destabilise expectations and put pressure on the central bank. Mexico, on the other hand, shows a much more fragile profile. Although it remains an exporter of crude oil, its dependence on imports of refined products and natural gas makes it a net energy importer. Rising energy prices translate into a deterioration in purchasing power, higher production costs and pressure on inflation.

A more complex situation in Eastern Europe

In Eastern Europe, the situation is ambiguous. In the short term, growth forecasts remain resilient, partly because they assume a conflict of limited duration, but also thanks to support from European funds. However, structural vulnerabilities must not be underestimated. The region's economies are energy-intensive, particularly in their manufacturing sectors, and therefore remain sensitive to rising energy prices. In countries such as Hungary or Romania, where key interest rates are high and fiscal consolidation is already difficult, the risk, should the crisis drag on, is that of stagflationary dynamics. The downward revision of growth forecasts for Hungary, to 1.7% for 2026, illustrates this risk.

Turkey appears to be a case of macro-financial vulnerability. The country is heavily dependent on energy imports, and every USD1 rise in the price per barrel results in an increase of around USD400m in the annual energy bill. At the same time, monetary normalisation remains incomplete, foreign exchange reserves are under pressure and inflation expectations are fragile. A prolonged shock could force the central bank to choose between exchange rate depreciation, higher interest rates and the use of reserves.

Too early to assess the impact on the Gulf

This is clearly the region of the world where the question of the conflict's duration is most critical. For the time being, it is worth noting that international rating agencies remain cautious, with sovereign ratings bolstered by the financial clout of sovereign wealth funds, which the markets expect to act as a financial safety net – including Egypt, for which the Gulf states have, in effect, become the lenders of last resort.

It is nevertheless clear that the impact will be asymmetrical. The adjustment in growth will be severe in economies that combine the highest share of oil and gas in GDP with a dependence on the Strait of Hormuz and exposure to Iranian fire. For Kuwait, Bahrain and Qatar, the shock will be severe. Similarly, the war strikes at the heart of Dubai's tourism-driven growth model, where the stability of the property sector was already a cause for concern. For Abu Dhabi, the assessment is more complex, but restoring confidence in the hub model will be a costly exercise in any case. Oman's geographical location is an economic asset, provided its ports – vulnerable to Iranian attacks – remain operational. As for Saudi Arabia, much depends on security in the Red Sea and whether or not the Houthis enter the war. Failing that, revenue from the pipeline to Yanbu at a high oil price ensures its income.

In the longer term?

Beyond regional differences, the impact of the war raises a more fundamental question: that of the sustainability of emerging market growth models. For two decades, many economies have built their development on a combination of trade openness, integration into global value chains and access to the relatively abundant and low-cost energy market. The Iranian crisis calls this equation into question. It shows that imported energy is now more volatile, more expensive and more dependent on geopolitical factors.

In this context, the most significant divide no longer lies between exporters and importers, but between economies capable of absorbing shocks and those forced to adjust their models. The former have a combination of buffers – reserves, energy diversification, financial depth – that enables them to weather periods of volatility without major disruption. The latter remain exposed to external shocks that could rapidly destabilise their macroeconomic balances.

In the longer term, this crisis could accelerate a more profound transformation of growth models. It encourages greater energy diversification, the securing of supply chains, the development of domestic capabilities and a reduction in dependence on the most volatile external flows. This shift involves a difficult trade-off between efficiency and resilience. But it reflects a broader shift: the transition from a growth model based on cost optimisation to one based on risk management.

Annual change	2025	2026
GDP	4.3%	4.0%
Inflation	4.3%	3.9%

Tania SOLLOGOUB

CHINA: HEDGING GLOBAL HEADWINDS

Modestly constructive despite Iran risks

We hold a modestly constructive view on China in 2026. We expect a moderate growth slowdown supported by continued policy easing but without major demand stimulus. **Real GDP growth will likely ease to 4.7% in 2026 from 5.0% in 2025.** Net exports could remain an important growth driver but less significant, while domestic demand could improve modestly led by greater policy and reform efforts to drive a rebound in investment growth and boost consumption. The property drag will likely continue but become smaller.

We recently revised up our CPI inflation forecast to 0.9% in 2026 from 0.6% previously, on surging oil prices. We expect the GDP deflator to turn positive in Q1 after being negative since Q223.

A decent start to the year

China's January-February economic activities showed a broad-based improvement, with surging export growth, rebound in domestic activity growth especially FAI, stabilising credit growth as well as rising inflation. That said, the imbalance of the economic growth remains apparent.

We think the trend of investment growth improvement could continue, with a higher quota for the new policy financing tool at RMB800bn (vs RMB500bn in 2025) via the policy banks in the 2026 budget. However, it remains in doubt whether retail sales growth could rise materially in real terms, after decent spending during the new year holiday. China's fiscal subsidy quota for consumer the trade-in programme has been reduced to RMB250bn in 2026 from RMB300bn in 2025, while there is no new initiative to support household income or scale up of the incremental fiscal subsides to low-income households. Meanwhile, trade growth, after being the most important growth driver in January-February, will likely moderate in the coming months and face more uncertainties amid global trade flow disruptions due to the Iran conflict.

Energy security and policy buffer to cushion oil shock

The Iran conflict will undoubtfully have a negative impact on China, as China is a net energy importer and the Gulf states are a key source of supplies. That said, we remain of the view that China's energy security and ample policy room should help mitigate the oil shock. China has a relatively high energy self-sufficiency ratio (85%) with coal as its primary energy source and a low share of oil & gas (at 27%), while its rapid development in alternative energy and build-up of strategic reserves help too. We estimate a sustained 10% oil price increase would trim GDP growth by 5bp and lift inflation by 15bp.

The rapid expansion of renewable energy and the importance of strategic reserves enhance resilience.

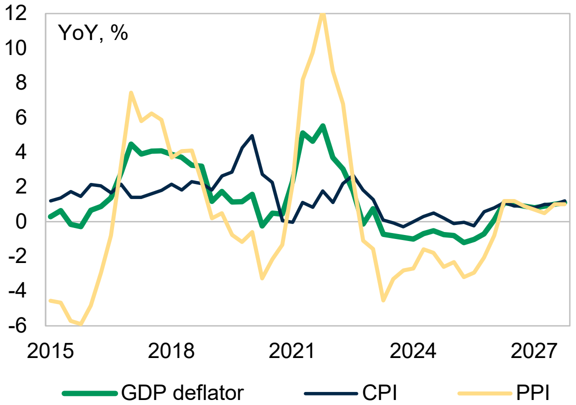
That said, we would be concerned about the rising supply risks beyond oil, as the Middle East is also a major producer of various materials that are critical for semiconductor production and many industries. On top of that, some major AI infrastructures in the Gulf countries have been damaged. Rising global stagflation risks and potential dampening of the tech cycle could hurt external demand for China exports, which has been a major growth driver in recent years when domestic demand continues its struggle.

Lower growth target and room to boost fiscal support

In 2026, China has lowered its growth target to 4.5-5.0% from 5% in the previous three years, allowing greater policy flexibility, while China puts more emphasis on high-quality growth and sustainable development. That said, we think China still aims for growth of at least 4.7-4.8% in 2026, instead of allowing a rapid deceleration.

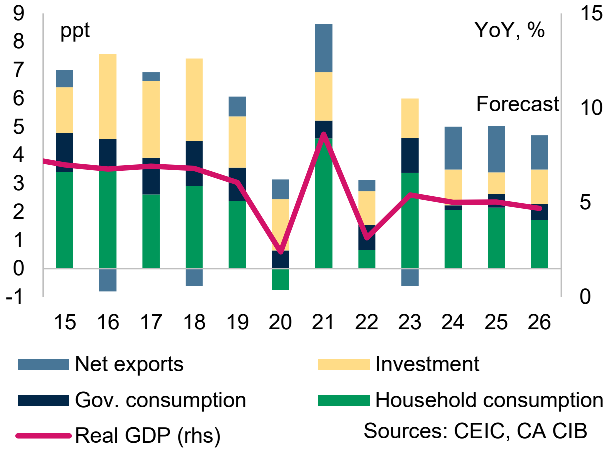
China has maintained a similar size of fiscal package in 2026, with augmented fiscal deficits at RMB13.0trn in 2026 (8.7% GDP). The budget of the general fiscal deficit ratio remained the same as 2025 (4.0% GDP).

China: inflation



Sources: Bloomberg, CA CIB

China: contribution to GDP growth



Sources: CEIC, CA CIB

We expect China could boost its fiscal spending by an additional 0.3-0.5% GDP later this year, if needed.

PBoC monetary easing to continue in 2026

We expect the PBoC to maintain its monetary easing stance as inflation especially cost-push inflation is not a concern. It will likely focus on its structural monetary policy tool to support targeted sectors in the near term. We believe there is still room for a 10bp cut in PBoC policy rates in 2026, though the PBoC will likely adopt a wait-and-see approach while putting a greater emphasis on financial market stability (in equity, bond and FX).

CNY relatively insulated from oil-driven FX volatility

China's export competitiveness, the US-China trade truce and PBoC policy signals have been supportive to CNY demand onshore. China's relatively strong energy security position will help keep the CNY relatively insulated amid the broad USD strength. We expect the PBoC to remain committed to managing CNY expectation and preventing excessive FX volatility.

Risk to watch

Risks around our growth forecast tilt towards the downside, if the Iran conflict continues. However, China has ample policy room to stimulate its domestic demand, in case of a major growth shock.

Annual change	2025	2026
GDP	5.0%	4.7%
Inflation	0.0%	0.9%

Xiaojia ZHI

BRAZIL: FARAWAY WAR UNLEASHES RIPPLING EFFECTS

The faraway war unleashes rippling effects

The oil markets have become the key barometer of markets' expectations for the war in the Middle East. Even in a relatively optimistic scenario that hostilities end in a matter of weeks or a few months, the damage already inflicted means that it will take months for energy production, transportation and refinement to normalise. Reflecting such logistical reality, the oil futures contracts do not envision full normalisation in the oil markets for at least another twelve months.

> ***Oil, now Brazil's main export, representing c. 13% of total exports.***

The spike in energy prices has resulted in stark divergence in terms of trade of net energy exporters and importers, with Brazil benefiting the most in Latin America. Indeed, Brazil's oil production increased from less than 1m bpd in 1997 to c.4m bpd currently with oil, now Brazil's main export, representing c.13% of total exports. Thanks to higher oil prices but also to the slowdown in domestic demand, which still allows growth to be around 1.7% in 2026, the current account deficit is expected to improve, reaching 2.6% of GDP, 0.4ppt lower than our previous forecasts and the 2025 deficit[1].

The easing cycle at risk of getting derailed

We now expect this year's inflation to come in at 4.3% on average, thus in the very high end of the central bank's tolerance interval (inflation target at 3%, with a tolerance interval of ± 1.50%).

BCB delivered a cautious cut in March, lowering the target Selic rate from 15.00% to 14.75%. The accompanying statement and the minutes of the meeting released showed that the monetary policy committee views the future path of easing as contingent on the developments in the Middle East, at least in the near term. We now expect a shallower easing path with 25bp cuts at each of the next four meetings until the policy rate reaches 13.75%. The cutting cycle could be paused altogether, however, should longer-term inflation expectations start to get contaminated as well. **We maintain our forecast for USD/BRL at 5.40 at end-2026 and at 5.50 at end-2027.**

Fiscal risks subside near term

On the fiscal front, higher oil prices will have positive fiscal effect given the government collects royalties and dividends from the state-controlled company Petrobras. The government could potentially prevent some of the pass-through from higher oil prices due to its influence on Petrobras and through subsidies, which would limit the fiscal benefit of higher oil. We assume that the government will meet the effective, after accounting for exemptions, lower end of the target this year at c. -0.5% of GDP in primary deficit.

[1] Forecasts are based on oil price futures.

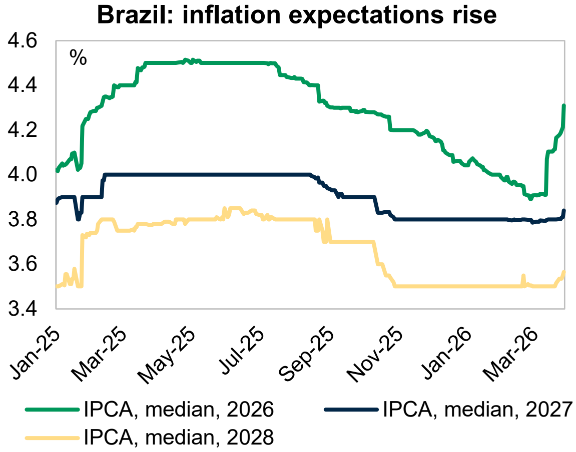
Flavio Bolsonaro closes the gap vs Lula

Finally, **on the political front Flavio Bolsonaro has been decisively closing the gap vs president Lula in the presidential polls ahead of the general election in October**, with the latest polls indicating Bolsonaro either marginally ahead in a hypothetical run-off scenario or tied. We believe that in contrast to other countries in the region, the result of the elections is not binary. While Bolsonaro is viewed as a more market friendly candidate, Lula's victory should not be automatically viewed as detrimental from investors' point of view given the limitations on the executive power in Brazil placed by the influential congress and the potential signalling from picks for finance minister and the presidential running mate.

Annual change	2025	2026
GDP	2.3%	1,7%
Inflation	5.2%	4,3%

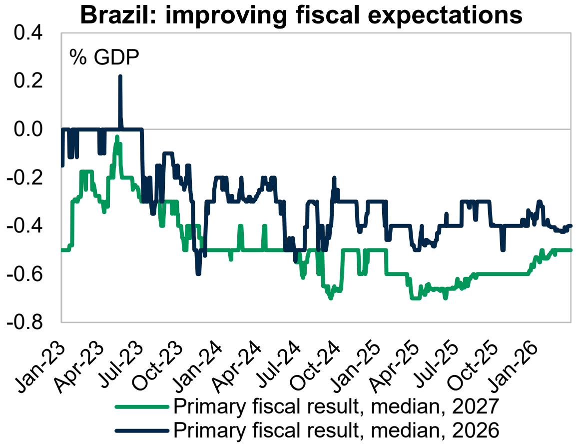
Olga YANGOL

Brazil: inflation expectations rise



Source: Banco Central do Brasil

Brazil: improving fiscal expectations



Source: Banco do Brasil

INDIA: THE HORMUZ "CARBON TAX"

India risks paying dearly for its dependence on the Gulf. Although the country was able to bounce back from the soaring commodity prices of 2022 caused by the war in Ukraine, in particular by turning to Russia for its oil supplies, this time the consequences could be broader and could impact many different sectors of the economy.

What are the impacts and what has been the reaction?

The Gulf is the destination for 13% of Indian exports. India imports 40% and 80% of its oil and gas respectively from the Gulf. The Gulf is also the source of 40% of remittances by migrant Indian workers (which, in aggregate, account for 4% of Indian GDP). Beyond energy issues, India also depends on the Gulf for certain components used in the manufacture of fertilisers and for active ingredients used in the pharmaceutical industry. If the conflict continues, the impact on the agricultural sector, which provides livelihoods to more than 50% of the population, could be significant.

With gas shortages already having a tangible impact, particularly on industry, Indian authorities have announced an initial USD6.2bn fiscal support package. They are also looking at support measures for exporters dependent on the Gulf, similar to those put in place during the Covid-19 crisis (tax exemptions, extension of loan repayment deadlines in conjunction with banks). All these measures could cost around 0.5% of GDP, increase the deficit to around 4.8% of GDP and wipe out some of the fiscal consolidation efforts undertaken over the past three years. All this will, of course, depend on growth: projected to be around 7% before the start of the conflict, any slowdown would accentuate the impact on the budget deficit.

> ***By widening the current account deficit, rising energy prices are also likely to put pressure on the INR.***

There is also a risk that inflation could soar, even though the price index had already begun accelerating in October 2025. There could be an impact of around 175bp, which would increase inflation to 5.7%, still within the central bank's target range (2-6%). It has some leeway in its interest rate policy but will, in all likelihood, wait to see whether the shock continues and whether the fiscal measures are sufficient to prevent the volatility in prices affecting core inflation, especially since, with an index composed mainly of volatile prices (food and energy account for more than 50% of the basket), using interest rates to control inflation is rarely the most effective method. It will also closely monitor movements in the INR.

The INR has not been spared in recent months. In summer 2025, it was impacted by the concerns of investors who, with negotiations with the US at a standstill, withdrew capital from the country. By widening the current account deficit, rising energy prices are also likely to put pressure on the INR, which has already depreciated by more than 4% since the start of the conflict. The RBI, which has fairly comfortable reserves (USD700bn), has already taken considerable steps to defend its currency and increase the liquidity of the interbank market, by buying ten-year sovereign bonds.

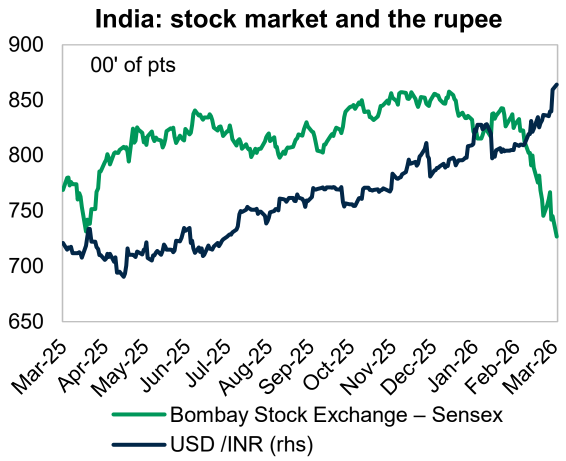
An Indian-style geopolitical lesson?

India's 'multi-alignment' strategy is not always easy to defend and has not made its relationship with the US any easier in trade negotiations, which have been suspended as a result of the Supreme Court's announcement that the tariffs were unlawful. This strategy does, however, mean that it is one of the few countries to have successfully negotiated the safe passage of ships through the Strait of Hormuz with Iran. This is far from enough to avoid the risk of supply shortages, but this first step demonstrates India's negotiating capacity. The suspension of certain US sanctions on Russian oil should also mean that it could turn to Russia without fear of any US retaliation (for now).

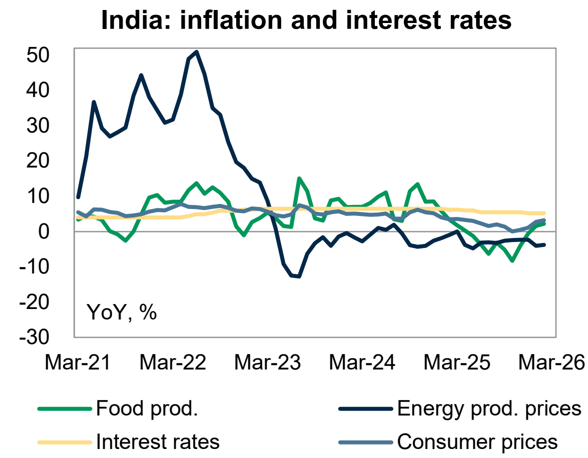
India, embodied by its Prime Minister, Narendra Modi, is also a mediator in the conflict. It has vested interests in the region: there is energy, of course, but also the security of the more than 9m Indian workers in the Gulf. The return of these workers (or only a small proportion of them) would cause a shock to the Indian labour market, which is struggling to create the jobs needed to absorb new entrants.

Annual change	2025	2026
GDP	7.0%	7.0%%
Inflation	2.6%	4.2%

Sophie WIEVIORKA



Sources: BSE, Reuters



Sources: OEAGI, RBI

SECTORS

Oil – Apocalypse Now?

Gas – With gas shocks, when it rains, it pours

Automotive – Faced with electrification, new strategies are reshaping the global landscape

Metals – Aluminium: Strait of Fear

Semi-conductors – Increasing pressure on the value chain with geopolitics coming into play

Container shipping – Energy flows held hostage

Oil – Apocalypse Now?

Unsurprisingly, Iran's closure of the Strait of Hormuz has had the impact that has engendered such fear on the oil markets: with 20% of global supplies unavailable, the prices of oil and petroleum products are soaring worldwide.

The US strikes on 28 February radically transformed the outlook for the global oil market. Prior to the Israeli-US intervention, the sector had a small surplus that would have been gradually absorbed by growth in demand estimated at 0.8-1m bpd.

The closure of the Strait of Hormuz is an unprecedented disaster: around 20m bpd, including 14m barrels of crude oil, are being prevented from reaching global markets. Although some flows may be redirected to the ports of Yanbu in Saudi Arabia and Fujairah in the UAE, these alternative routes are precarious as they are exposed to Iranian drone and missile attacks. Only a few tankers carrying Iranian oil are still managing to cross the strait, accounting for a small fraction of the usual volumes. This shortfall deprives markets of 20% of global supplies, justifying the statement of Fatih Birol, director of the International Energy Agency, that this conflict represents "the greatest threat to global energy security in history".

Although Asia is the main importer of oil from the Middle East, the oil market remains global. Prices are experiencing a new surge, similar to the surge caused by the Russian invasion of Ukraine. Russian oil is once again attractive and is now trading at the same level as other benchmarks, having traded at a significant discount since 2022.

Spreads[2] **are rising particularly fast.** The prices of diesel and jet fuel are rising faster than crude oil prices, a phenomenon clear to motorists at petrol pumps. The potential closure of a refinery in Texas following a recent fire could further worsen the situation. The French government's calls on domestic refineries to increase production will not be sufficient to reverse the trend.

Russian oil is once again attractive and is now trading at the same level as other benchmarks.

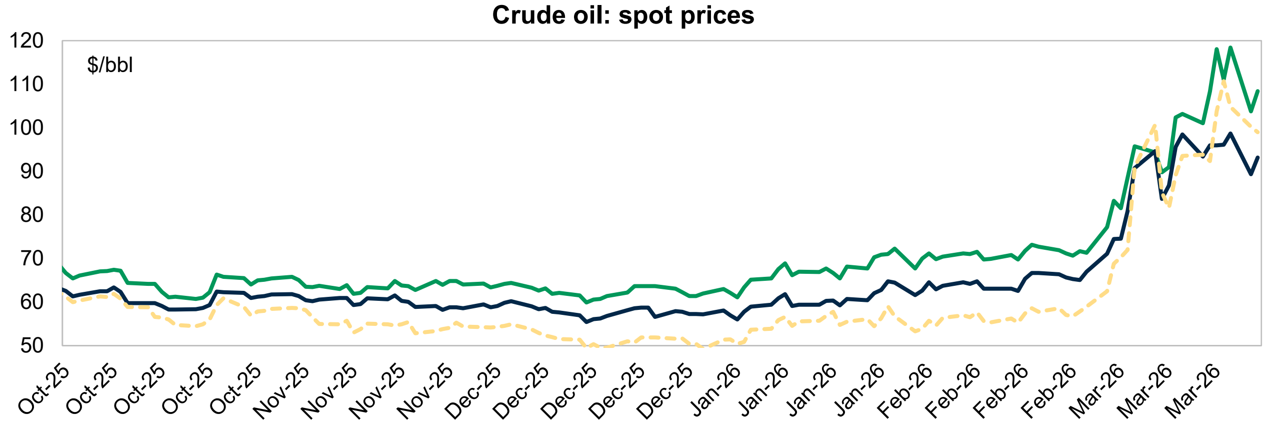
It is difficult to predict how the conflict will develop. The longer the strait remains closed, the longer it will take energy markets to absorb the damage caused to oil facilities. A cycle of mutual destruction between facilities in Iran and those in the Gulf oil monarchies would constitute a major humanitarian and economic disaster.

Our baseline scenario factors in a more moderate assumption: a halt in military action after a few weeks, followed by a gradual resumption of oil flows through the Strait of Hormuz.

	Average oil price (barrel)
Q1 2026	$ 80
2026	$ 94

Stéphane FERDRIN

Crude oil: spot prices



Source: Crédit Agricole S.A./ECO — Dated Brent — WTI (USA) — Ural (Russia)

[2] Difference between the price of the petroleum product leaving the refinery and the price of crude oil arriving at the refinery.

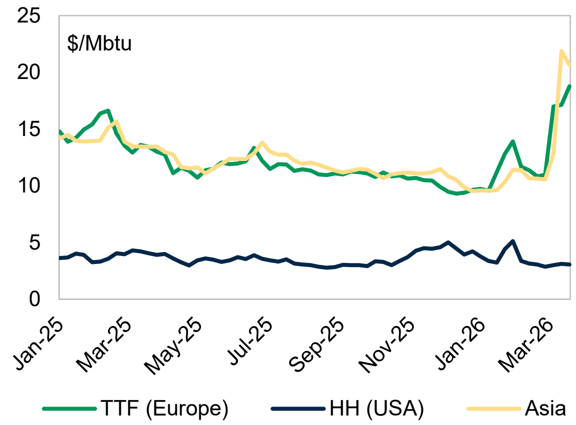
Gas – With gas shocks, when it rains, it pours

Having barely recovered from the first gas shock, the natural gas markets are now having to deal with another shock that, if the Strait of Hormuz is not soon opened up to Qatari LNG carriers, could have a long-term effect on supplies.

Just as the natural gas market was finally beginning to recover from the supply crisis triggered by the Russian invasion of Ukraine in 2022, history unfortunately seems to be repeating itself. This first crisis had already reduced global supplies by around 140bcm per year. Four years later, the closure of the Strait of Hormuz represents another blow to the energy sector by depriving markets of about 120bcm of liquefied natural gas (LNG), or almost 20% of global supplies, mainly originating in Qatar. There is no gas pipeline that bypasses the Strait of Hormuz. LNG carriers are therefore the only way of transporting natural gas extracted from the shared Iran-Qatar field to Asia, the main buyer of Qatari LNG.

As a result, natural gas prices are soaring on Asian and European markets. There has been a notable reversal: in 2022, European prices exceeded Asian prices, reflecting higher demand in Europe but, in 2026, prices in Asia are now higher. This reversal points to a possible change in the balance of power on the LNG market.

Natural gas: spot prices



Source: Crédit Agricole S.A./ECO

Faced by this new crisis, European buyers seem unwilling to pay 'whatever it costs' to replenish their stocks, even though they were at very low levels at the end of the winter. This reluctance is due to a profound transformation in the European gas and electricity markets over the last four years. Natural gas consumption in Europe has fallen, particularly in energy-intensive industrial sectors that were particularly affected by the previous energy crisis. Secondly, the acceleration in the development of renewable energy, combined with the high availability of French nuclear plants, has reduced reliance on gas-fired power plants in meeting the demand for electricity, which is itself below pre-2022 levels. For European operators, it is therefore less critical now than it was four years ago for them to be submitting the highest bids for available LNG shipments.

Despite this apparent calmness in the short term, the risks remain considerable. A sharp rise in natural gas prices this summer and next winter remains plausible, especially if the Strait of Hormuz does not soon reopen to LNG carriers. In theory, Russian gas would be the only alternative capable of easing the pressure on European prices in the short term. However, the EU is unlikely to lift its embargo on Russian gas, adhering to its target of ending Russian LNG imports by the end of 2027.

Natural gas consumption in Europe has fallen, particularly in energy-intensive industrial sectors.

Demand for natural gas for next winter is expected to be high: to fill stocks to 80% instead of the usual 90%, to heat homes and to supply gas plants. If the Strait of Hormuz is not quickly reopened between now and July, the only sources of increased production will be in the US, with increases not expected to materialise before the end of the year.

If the strait remains closed, pressure on prices will intensify. If, on the other hand, the strait soon becomes accessible to Qatari LNG carriers, the loss of 17% of Qatar's capacity will simply constitute a lesser evil, which can be recovered in 2027 by the commissioning of new liquefaction trains, mainly in the US and… Qatar.

	EU: LNG imports
Q4 2025	35.5 bcm

Stéphane FERDRIN

Automotive – Faced with electrification, new strategies are reshaping the global landscape

The automotive industry is facing an unfavourable economic and geopolitical environment that is curbing demand and pushing manufacturers to review their electrification strategies. Europe is coping well thanks to electrified vehicles (battery electric vehicles + plug-in hybrid vehicles), while 2026 promises to be a year of transition before an expected improvement in 2027.

Headwinds

The global automotive industry continues to deal with adverse sector dynamics and macro-economic developments, coupled with increased competition, rising costs of raw materials and an uncertain macro-economic environment. While ongoing tariff and trade measures remain a key factor for some markets, geopolitical tensions, including the possibility of a sustained rise in oil and gas prices, add an additional concern to the many uncertainties already affecting this sector.

While demand from fleet managers remains the main driver of car sales in Europe, demand from individuals is starting to take over.

The short-term forecasts include downward revisions for countries in the Middle East, with larger reductions to account for the impact of the conflict in Iran, **as well as for China**, given the challenges for near-term demand. If the conflict is short-lived, the main impact would be a fall in demand in Iran and neighbouring Gulf Council countries, ie, 5% of global sales, with the greatest effect on luxury vehicles.

Beyond this direct regional impact, we currently expect that the conflict will only have a moderate impact on sales in other global markets, reflecting to a greater extent the macro-economic effects of higher oil prices on household spending, including a potential time lag until 2027. **Over the long term, the rise in petrol prices caused by the war in Iran could potentially encourage consumers to switch to electric and hybrid vehicles.**

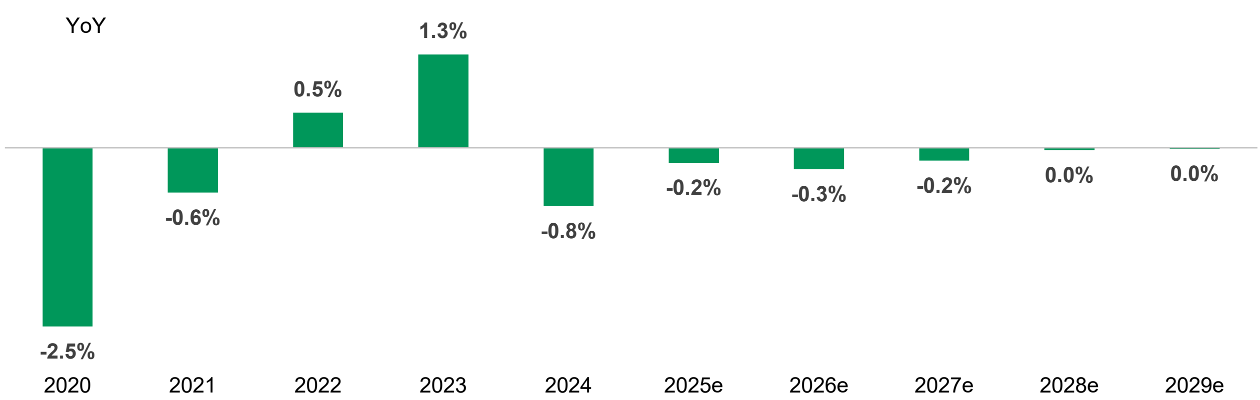
Manufacturers are reviewing their initial electrification strategies

In the US, costs associated with the tariffs imposed on car manufacturers were USD35.4bn over nine months in 2025. In addition, the abolition of the USD7,500 tax credit for electric vehicles in September 2025 has led manufacturers to review their electrification strategies, as consumer demand is now shifting towards more affordable vehicles. Provisions and expenses linked to this change in strategy already represent nearly USD61.4bn (Honda USD17.5bn, Stellantis USD16.8bn, General Motors USD7.6bn and Ford USD19.5bn). Ford was the latest manufacturer to recognise impairment as a result of developments on the electric vehicle market. The US market is holding up, but suffering from a 25% fall in demand for electric vehicles and from accessibility-related constraints. However, sales of combustion engine vehicles are increasing.

Demand for electric vehicles is brightening the outlook in Europe

The European market is down 2%, but data for Q1 shows the sustained upward trajectory of the electrified car segment in the top five European countries (EU5), marking the second consecutive month of double-digit growth in volumes (28%). The battery electric vehicle market in the region is driven by broad-based growth in Germany, France, Italy, Spain and the UK. **In the main EU5 markets**, namely

Western Europe: trends in automotive production



Source: Crédit Agricole S.A./ECO

Germany, France and the UK, **electrified cars account for one-third of new vehicle registrations**.

Slowdown in China

Car sales in China slowed this quarter as the Chinese government reduced subsidies and tax breaks available on purchases of electric vehicles. Sales of passenger cars were down 25% in February, while sales of electric vehicles were down 32%. Despite this slowdown in domestic demand, exports rose sharply (+56%); this strong export performance reflects the increased competitiveness of the Chinese automotive industry worldwide.

The market share enjoyed by Chinese manufacturers in Europe doubled in Q126 and is now above 8%. November 2025 saw the fifth consecutive monthly increase since June 2025. While demand from fleet managers remains the main driver of car sales in Europe, demand from individuals is starting to take over. With the exception of the French and Italian markets, where this demand fell by 3% to 6%, the share of individual purchases is rebounding, rising by 10% in Germany and 19% in Spain.

Outlook

European production is expected to fall by 3% in 2026 and by 3.6% in Q126. Reducing costs and working capital requirements seems to be the only viable short-term strategy to implement in low utilisation rates car plants. After a disastrous 2025 in terms of profits, the average for European manufacturers was below 2%. **We expect 2026 to be a year of transition, before operating profits and cash flows return in 2027.** This situation is only sustainable thanks to the industry's strong financial situation prior to the crisis.

	EV penetration rate in Europe
2025	16.5%

Véronique VIGNER

Metals – Aluminium: Strait of Fear

The blockade of the Strait of Hormuz is jeopardising access to 9% of the world's aluminium supplies. These volumes are far from trivial in a market already strained. Produced in the UAE, Bahrain and Qatar, they supply Western markets that can no longer access Russian metals. A 'plan C' is therefore now needed.

At the heart of sectors as diverse as they are strategic, from packaging to aviation, **European aluminium production suffers from uncompetitive energy costs**. The EU is therefore a major net importer of primary materials, with an import/export ratio of 16 in 2025.

Who supplies the European market?

First of all, Norway and Iceland, and their hydroelectric capacities, account for 35% of flows. Significantly, Norsk Hydro, the main Norwegian producer, also has operations in Qatar through its Qatalum joint venture, which has been at a standstill since the start of the conflict. A further point to note: almost 40% of aluminium from the Nordic countries is produced by US companies, via the operations of Alcoa and Century Aluminum.

> *The temptation of welcoming Russian aluminium back to the markets is growing.*

Then there are the primary aluminium smelters in the Gulf, which accounted for 19% of the value of imported aluminium in 2025. These volumes are currently hardly available. Aluminium Bahrain (Alba) and Qatalum declared a force majeure at the start of the conflict, while the EGA and Alba smelters were targeted by Iranian strikes at the end of March. Alternative routes via Jeddah or Sohar are being considered but will ultimately limit exported volumes.

To reduce this deficit, the EU must turn to its other partners. The issue: Mozal, the South32 smelter in Mozambique, which previously accounted for 9% of its imports, has been shut down, due to persistent droughts and low levels of dams.

What about **Canada**? Since US President Donald Trump imposed his tariffs, it has been seeking an alternative market and now **accounts for 9% of imports**. But flows from Canada are also unstable. The reason: the shortfall of metals in the US, which has become dependent on imports from the Gulf. Against this backdrop, the sustainability of aluminium tariffs is becoming questionable. If the tariffs are suspended, it is likely that aluminium flows will shift back to their historic market on the other side of the Great Lakes.

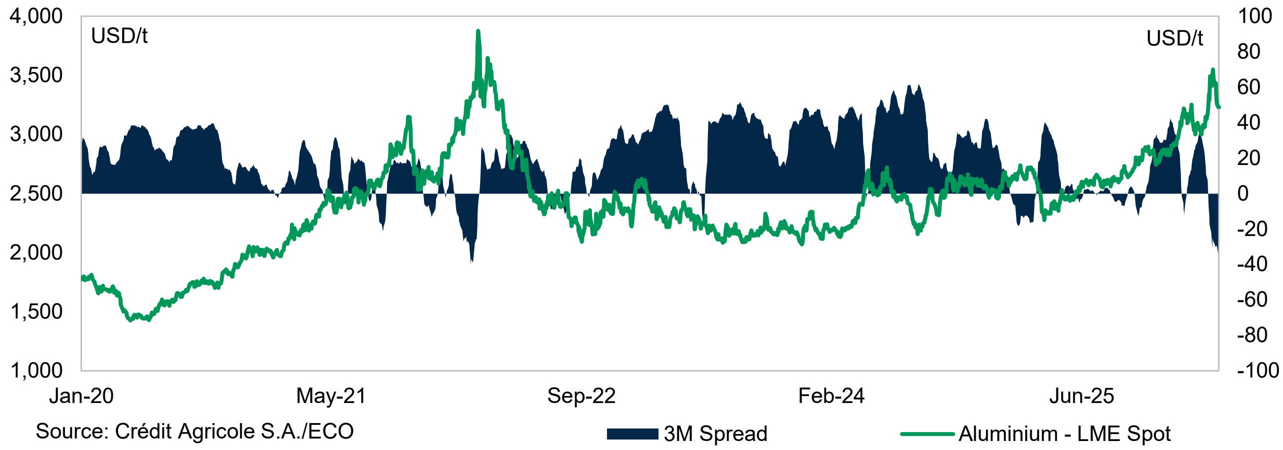
What if Europe's plan C was ultimately plan A?

The temptation of welcoming Russian aluminium back to the markets is growing. And for good reason, as the European market is in fear of a second wave that would permanently cut off supplies: a possible energy crisis. Aluminium production is highly energy-intensive: Aluminium Dunkerque, one of the two French smelters, alone consumes 1% of electricity produced in France.

Already weakened by what is set to become a decade of crises, **European industry is holding its breath**, as a supply crisis may well be hiding a new demand crisis.

Guillaume STECHMANN

Aluminium is approaching the record levels seen in 2022



Source: Crédit Agricole S.A./ECO

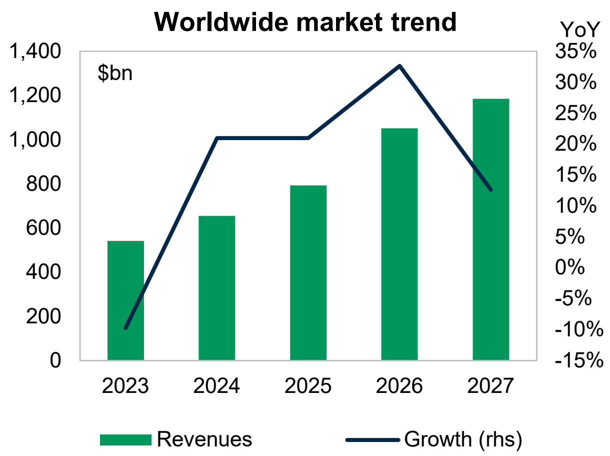
Semi-conductors – Increasing pressure on the value chain with geopolitics coming into play

Since early 2025, the sector has been facing an enduring memory chip shortage, due to the colossal needs from AI. The impact of the conflict in the Middle East is not yet noticeable.

Despite the shortage of memory chips since Q125, global revenue for the sector reached USD793bn in 2025, up 21% vs 2024. The ever-growing demand for chips designed for AI data centres – graphics processing units (GPUs) and other AI accelerators, as well as high-bandwidth memory (HBM) – is the main driver.

Growth in the sector is driven by AI and is coming at the expense of more common memory chips, such as conventional DRAM and NAND. The top three DRAM manufacturers – Samsung Electronics, SK Hynix and Micron Technology – accounted for 92% of DRAM revenues in 2025. Faced with exponential demand driven by AI specific requirements, these players have prioritised the manufacturing of HBM memory chips. This category of memory generates higher revenues, although it is produced in lower volumes than DRAM.

Consequently, these players have prioritised the production of HBM memory on conventional DRAM and NAND chips existing production lines. This resulted in an imbalance between supply and demand for these chips, which has a direct impact on the prices of end-user devices such as smartphones and PCs. Forecasts anticipate a sharp increase in 2026 in the average selling price of PCs and mobile phones, up 17.5% and 18.8% respectively compared to 2025 in constant USD. This translates into a slowdown in spending on these two categories of devices in 2026 down 2.7% and 7.3% respectively compared to 2025 in constant USD.



Sources : Gartner (Dec. 2025), Crédit Agricole S.A./ECO

The industry is cyclical, but increased demand for AI is lengthening this downturn, the effects of which are being felt in the prices of end-user devices. No improvement is anticipated before H227.

The sector is exposed to the consequences of the conflict in the Middle East. The semiconductor value chain, which is highly fragmented and global, has several chokepoints. Semiconductor manufacturing, nearly 90% of which is based in Asia, involves the use of numerous materials, chemicals and other industrial gases, such as helium. Helium is an irreplaceable gas and essential for chip manufacturing, particularly for cooling silicon wafers and lithography equipment.

A sharp rise in the average unit selling price of PCs and mobile phones is anticipated in 2026.

Three major countries – the US, Qatar and Russia – account for 85% of global helium production. In 2025, Qatar produced more than one-third of this, and the US 43%. **Asian countries are heavily dependent on Qatar for their helium supply, which transits through the Strait of Hormuz**. **At this stage, the impact of the conflict is not noticeable**. The major manufacturers in Asia – TSMC, Samsung, SK Hynix – report sufficient stocks – particularly of helium – to last between three and six months. The extent of the impact will depend on the duration of the conflict.

	Global semiconductor market
2025	$793 billion
2026	$1,052 billion

Rabindra RENGARADJALOU

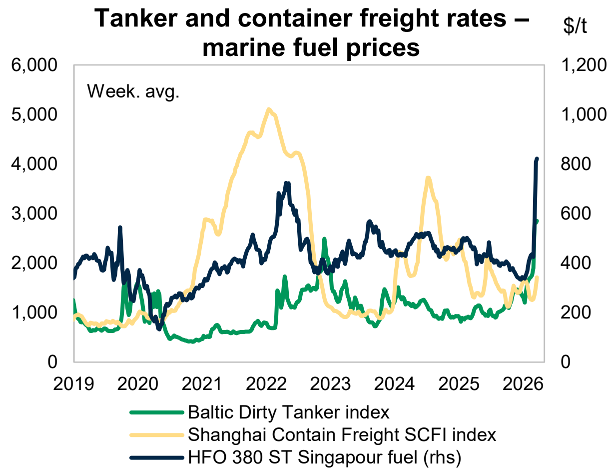
Container shipping – Energy flows held hostage

The blockade of the Strait of Hormuz is disrupting global maritime logistics, driving up transport costs, with impacts varying significantly across different sectors. Tankers and gas carriers are on the front line.

After a month of US-Israeli strikes and Iranian retaliations, **Tehran effectively controls the Strait of Hormuz,** through which roughly one-third of global oil and petroleum product traffic, 20% of LNG traffic and other critical exports usually pass. Iran is imposing a selective blockade, allowing only a trickle of ships to transit along its coastline – those duly negotiated with countries considered as non-hostile (India, Pakistan, China, etc) – in addition to its own oil exports and food imports. Excluding locally trading vessels, more than 1k ships are trapped in the Gulf's stranglehold.

Logistical alternatives bypassing the Strait have been established via Saudi ports on the Red Sea (Yanbu, an oil port; Jeddah, the entry point for land corridors for containers) and ports in the UAE or Oman opening onto the Arabian Sea. These ports, with their limited capacity, are not immune to Iranian strikes, nor to the threat from the Houthis, who are now intervening in support of Tehran.

The surge in insurance premiums in high-risk areas and the widespread rise in marine fuel prices (particularly in Singapore, the world's leading supply hub, where the risk of shortages has been raised) are affecting all types of vessels, with knock-on effects on transport costs.



Sources : Datastream, Baltic Exch., Crédit Agricole S.A. Shanghai Ship. Exchange

The crisis is primarily disrupting global energy trade and benefiting shipowners, with significant volatility on the horizon. Logistical disruption, the rerouting of ships and longer voyage times have caused temporary strains on transport supply, leading to a historic surge in freight rates for tankers – which were already high before the crisis due to sanctions on the ghost fleet – and for LNG carriers. However, the prolonged inaccessibility of major cargo sources in the Gulf could tip these markets into oversupply, leading to a fall in freight rates. Should the situation be resolved, importers restocking their inventories would, conversely, drive up demand for vessels. Other temporary US measures – authorising the delivery of Russian or Iranian oil already at sea, and suspending the Jones Act to allow foreign vessels to carry out coastal trade normally reserved for US vessels – will have conflicting and uncertain effects on shipping.

The crisis is temporarily propping up a container market plagued by overcapacity.

Containers are less affected by the crisis in the immediate term. Logistical disruptions are temporarily propping up a market plagued by overcapacity. Gulf trade accounts for only 3% of global volumes and utilises 10% of global capacity. Rerouted containers are overloading ports near the Gulf, without causing major port congestion in Asia or Europe. The few services that were previously using the Red Sea are often being switched back to the route around Africa, lengthening journeys and easing overcapacity. Overall, freight rates are rising on several routes, including Asia-Europe.

The war in Iran and the US Supreme Court's overturning of 'reciprocal' tariffs – partially offset by new temporary tariffs – could trigger limited waves of anticipated imports. **In the event of a prolonged crisis, a resurgence of inflation or even declines in the production of goods in Asia dependent on exports from the Gulf are more likely to weigh on global trade.**

Bertrand GAVAUDAN

MARKETS

Monetary policy – Pre-emptive action

Interest rates – Slightly higher, but above all flatter

Exchange rates – Between terms of trade and returns

Monetary policy – Pre-emptive action

To minimise the risk of an inflationary spiral and de-anchoring inflation expectations, central banks could take pre-emptive actions. In the US, a scenario of a pause in monetary policy is replacing the easing hoped for by the markets. In the Eurozone, an early and brief tightening is replacing the previously anticipated stability of key interest rates.

FEDERAL RESERVE: NO CHANGE TO OUR FORECAST, DESPITE THE IRAN WAR

Despite the historic oil price shock from the Iran war, we have not changed our base case scenario for the Fed. Here, we continue to expect that the Fed will remain on hold for the entirety of 2026 to finish the year with an upper bound of 3.75%, before delivering one final cut in Q227 as inflation starts to ease more notably, resulting in a terminal rate of 3.50% for the upper bound.

In large part, the lack of a change to our forecast results from the fact that we were much more hawkish than most heading into the year, with the sharp shift in market pricing in recent weeks representing a convergence towards our existing scenario. Given our views that the US economy remains less vulnerable to an oil price shock than many other countries and that core CPI may remain contained at or a bit below 3% before then edging down, we continue to believe that the bar for a return to hikes is a higher one, with the more likely outcome for now being to strengthen support for, and possibly lengthen the duration of, the pause.

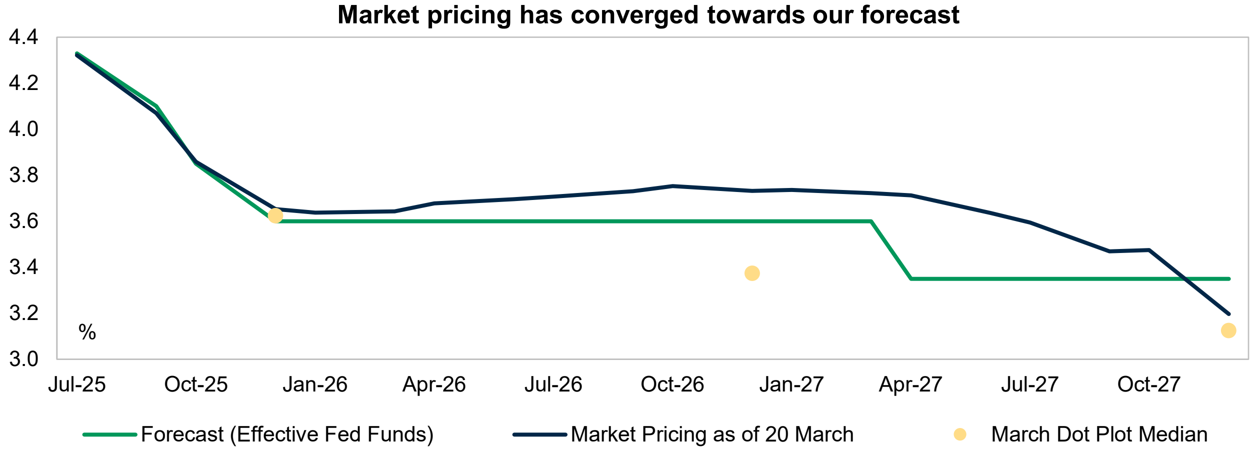
That said, we do acknowledge that risks around our base case have shifted notably. Whereas previously risks were clearly tilted to the downside, and there is a decent chance we may have had to bring forward the timing of the next cut and/or add some additional easing, we now believe that risks are at the very least more balanced, if not tilted to the upside, with a non-negligible possibility that the next move could be a hike.

The Fed will remain on hold for the entirety of 2026.

One possible complication is that the Fed will have a new Chair sometime after 15 May, with the exact timing TBD given Senator Thom Tillis's blockade has delayed the confirmation process for Kevin Warsh. It is entirely possible that Warsh tries to take a different approach, arguing that the Fed should look through a temporary energy shock and while we are not sure he would be able to convince the rest of the Committee to get on board with this approach, it could not be entirely ruled out at the moment.

Nicholas VAN NESS

Market pricing has converged towards our forecast



Sources: Bloomberg, Federal Reserve, CA CIB

EUROPEAN CENTRAL BANK: TOWARDS A NEW TIGHTENING CYCLE

Forecasting the ECB's monetary policy requires having a reasonable view on economic developments, in particular core inflation. GDP growth, unemployment and headline inflation matter too, but to a lesser extent.

In the current environment, the outlook for core inflation will be extremely dependent on gas prices, and guessing gas prices over the next 12 months is a challenging task. It depends first and foremost on how long the Iran war lasts and accordingly how long the Strait of Hormuz remains closed.

In the current environment, the outlook for core inflation will be extremely dependent on gas prices.

Nevertheless, we have to propose a scenario, even if we know that the probability that this scenario will materialise is relatively low.

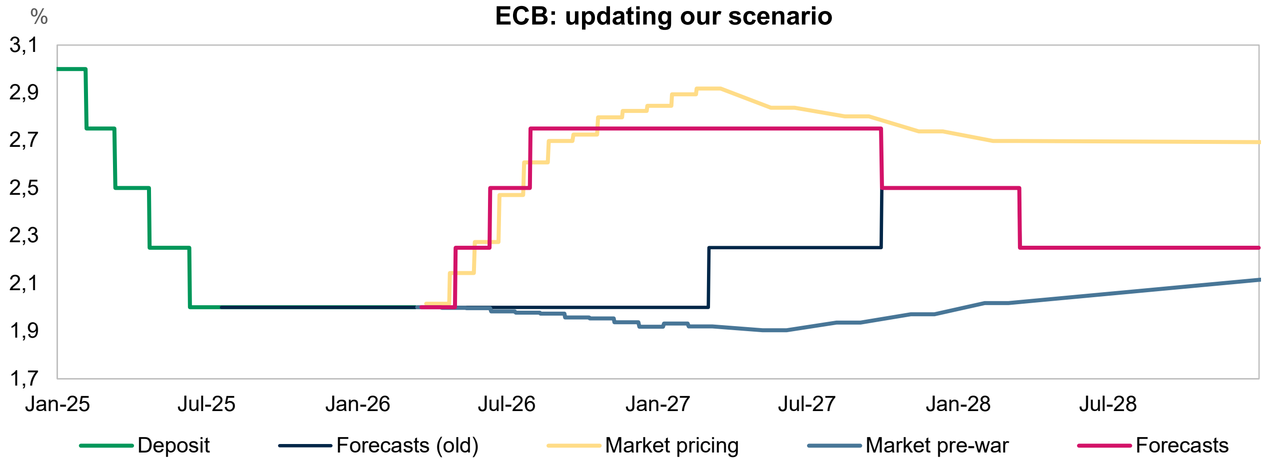
We divide the uncertainty into three questions:

- ✓ **When will the first hike happen?** The market is currently pricing a 70% chance of a hike in April. In principle, we would have argued that there is no reason to rush – for now core inflation is relatively low, and it should increase only gradually, contrary to 2022. However, we tend to believe that if the ECB is certain that it will have to hike in the next few months, it is better to hike immediately, to get immediate effects and to ensure that inflation expectations remain anchored. In this context, we would expect the first hike in April.
- ✓ **The pace of hikes.** In almost all possible scenarios, the spike in headline inflation would be immediate; as for core inflation, the lag due to second-round effects is likely to be comparable to the lag of transmission of the monetary stance; in this context, the ECB would have to act relatively quickly, once it has enough information. Besides, assuming a resolution of the blockade of the Strait of Hormuz by June – which is embedded in most 'reasonable' scenarios, the ECB will have all the information it needs by the June meeting and will be in a position to act accordingly. In this context, we expect back-to-back hikes.
- ✓ **The number of hikes.** Based on our current inflation scenario, we expect at least three rate hikes; consequently we expect a hike in April, June and July.

After these three hikes, and provided the inflation outlook has not worsened significantly, we would expect the ECB to pause or stop its hikes. If the situation is worse than our current scenario, then the ECB could fine-tune it by adding another hike towards the end of this year.

Consequently, we expect the ECB to end the year with a deposit rate at 2.75%, with a risk for another hike.

Louis HARREAU



Sources: ECB, Crédit Agricole CIB

BANK OF ENGLAND: "READY TO ACT"

Prior to the outbreak of the war in the Middle East, a further rate cut in March was considered the most likely outcome by markets (in line with our scenario). Faced with this new shock to energy prices, the BoE decided, unanimously, to leave its policy rate unchanged at 3.75% at its monetary policy meeting on 18 March. **It now forecasts inflation of around 3% in Q226 and 3.5% in Q326** (compared with 2.1% and 2.0% respectively in its February projections). **It is concerned about the risks of second-round effects on wage and price-setting in a context where household inflation expectations remain elevated.** While acknowledging that the economic situation differs from that of 2022, the BoE fears that, following the successive supply shocks of recent years, households and businesses may have become more sensitive to any new inflationary shock, and that a vicious cycle in wage and price dynamics could materialise. The BoE appears upset with a recent upward revision to estimates of private sector pay settlements: these point to an average annual increase of 3.6% for 2026, compared with 3.4% estimated in February.

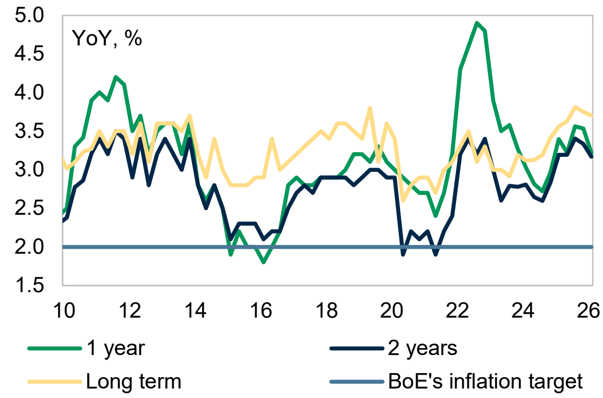
At the same time, the institution highlights the risk of a weakening in economic activity that could result from higher energy prices. **The negative output gap is expected to widen, but the BoE appears to be downplaying the downside risks to inflation relative to the upside risks.** The minutes note that there are risks to medium-term inflation in both directions, but that "upside risks appeared to have increased most notably since February".

The BoE highlights the risk of a weakening in economic activity that could result from higher energy prices.

We now anticipate a 25bp rate rise in Q226 (taking the policy rate from its current 3.75% to 4%), **followed by a hold through to year-end.** This single rate rise in our scenario is justified by the BoE's desire to anchor inflation expectations and prevent a further increase in pay settlements. However, we are considerably less hawkish than markets, which are now pricing in 2.5 rate rises this year. Indeed, we consider that weak demand and rising unemployment will prevent the BoE from tightening too aggressively. For 2027, as growth remains below potential and inflation normalises, we anticipate a gradual return to rate cuts with the Bank rate reaching a terminal rate at 3.25% in Q427.

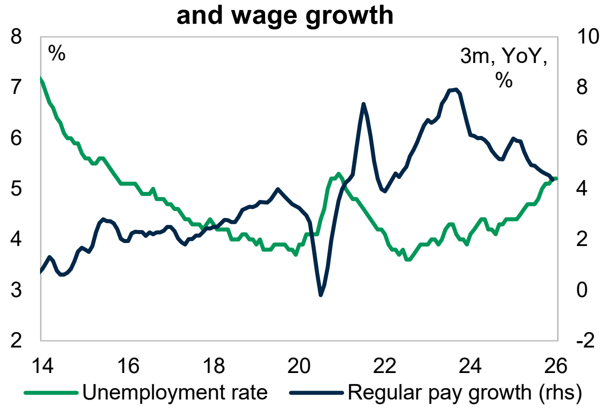
Slavena NAZAROVA

UK: household inflation expectations are still elevated



Sources: BoE Inflation Attitude Survey, Crédit Agricole S.A.

UK : unemployment rate and wage growth



Sources: ONS, Crédit Agricole S.A.

BANK OF JAPAN: FULL-SCALE RATE HIKE CYCLE TOWARD NEUTRAL INTEREST RATES WOULD BEGIN FROM THE END OF 2026

The BoJ is given a dual mandate aimed at achieving both strong economic growth and price stability. Japan's domestic demand remains weak due to structural stagnating pressures, as indicated by the abnormally positive corporate savings rate. There are downward pressures from the global economic slowdown from causes such as US President Donald Trump's tariffs and rising crude oil prices. Core core inflation (ex. fresh food and energy) is expected to temporarily slow as the impact of weak domestic demand. The rise in real wages due to the slowdown in inflation should gradually expand domestic demand.

The reflationary forces of continued active fiscal policy and accommodative monetary policy have significantly expanded nominal GDP. The expansion of nominal GDP would temporarily slow down due to, in our view, the BoJ's premature rate hikes and the global economic slowdown.

Net domestic fund demand (corporate savings rate + fiscal balance) **has recovered, and the reflationary force has expanded nominal GDP.** The Takaichi administration's promotion of proactive public finance through public-private partnership strategic growth investment and increased demand is expected to revive domestic demand. Global cyclical economic recovery is also expected. Increased corporate spending is likely to cause the corporate savings rate to decline. Combined with expansionary fiscal policy, this would revive net domestic fund demand, which had disappeared, and provide a reflationary force that would lead to a complete escape from structural deflationary stagnation.

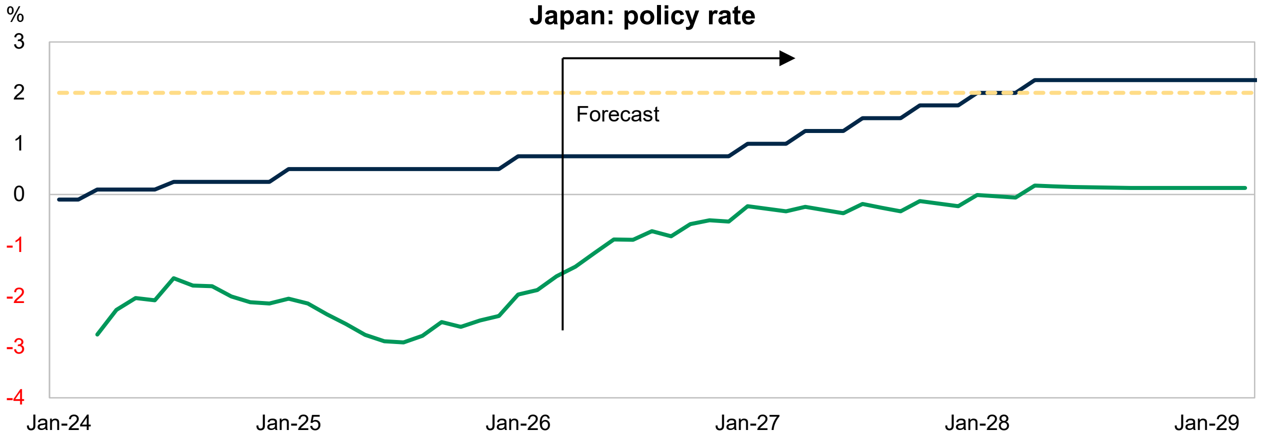
The upswing in the capital investment cycle would help bring the corporate savings rate back to a normal negative state. As the decline in the corporate savings rate catches up with the capital investment cycle, real wages would rise more strongly. The focus of the economy, policies, companies and markets would shift from external demand to domestic demand.

Three rate hikes in 2024 and 2025 delayed the recovery of domestic demand. With the transition from the austerity-oriented Ishiba administration to the Takaichi administration, greater emphasis would be placed on the government's top priority of escaping structural deflation and stagnation through a high-pressure economy, and on coordinating it with an aggressive fiscal policy. The government has effectively imposed a dual mandate on the BoJ, aiming to achieve both strong economic growth and price stability. After the rate hike to 0.75%, rate hikes are expected to be halted for a year under the high-pressure economic policy.

The Takaichi administration's promotion of proactive public finance is expected to revive domestic demand.

From the end of 2026, when a steady decline in the corporate savings rate is confirmed due to a global cyclical economic recovery, **the BoJ would finally enter a full-scale rate hike cycle toward neutral rate**, once it has confirmed the certainty of the outlook for a recovery in domestic demand due to rising real wages and a recovery in inflation due to the realisation of a high-pressure economy accompanied by an upswing in growth. The BoJ would continue to raise rates by 25bp every quarter, with the policy rate expected to rise to 2.25% by 2028. By raising rates in line with the expansion of inflation, the real policy rate would be maintained near 0%, supporting corporate savings rate turning negative due to expansion of investment. The goal would be for the real policy rate to return to a slightly positive level relative to the 2% inflation target.

Ken MATSUMOTO – Takuji AIDA



Sources: BoJ, MIAC, Crédit agricole CIB

Interest rates – Slightly higher, but above all flatter

Rising oil prices, already visible energy inflation, a 'pre-emptive' monetary policy scenario even if it means hurting growth: the new trajectory for key interest rates is accompanied by a scenario of modest interest rate rises and a pronounced bear flattening of the yield curve.

USA: RATES REPRICE FED POLICY TRAJECTORY

The ongoing Middle East conflict has injected uncertainty to the US rates outlook. We are biased towards modestly higher rates, given diminished hopes of Fed easing this year due to high energy prices. High volatility in the rates market has persisted since the start of the Iran conflict with no quick end in sight yet.

Treasury term premium has bounced off its low point at the end of February as rates rise amid higher inflation expectations. Rising term premium is a function of the market repricing the near-term path of policy rates as well as seeking inflation compensation amid oil price volatility.

In the front end, we expect the 2Y Treasury yield to trade in the high 3.00% area, with no Fed cuts in our 2026 macro forecast vs markets that expect delayed and reduced rate cut expectations. High oil prices have prompted rates investors to reprice the policy rate trajectory higher, even following a much weaker-than-expected February non-farm payroll report.

The new 2026 dots from the 18 March FOMC meeting are less scattered than those from the December 2025 meeting, with Governor Stephen Miran remaining an outlier on the downside again. The more compact 2026 dots suggest that fewer FOMC members forecast additional easing being warranted this year. The longer-run dot moved up by 0.125% from 3.00% to 3.125%.

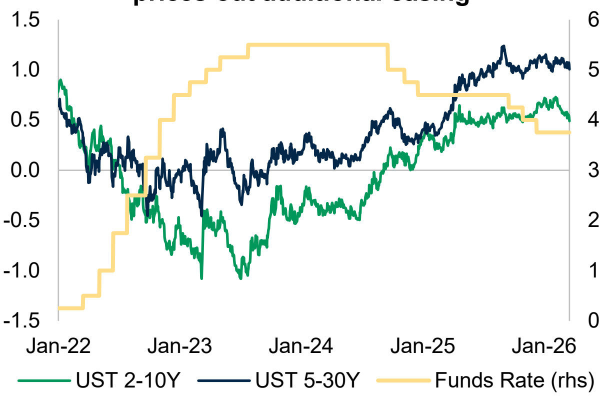
Markets have priced out rate cuts by year-end, down from over 60bp prior to the war, given inflation still well above 2.0% and the Iran conflict clouding the outlook. The yield curve has flattened. Market participants are contemplating the Fed's reaction function to high oil prices and potentially further deterioration in the labour market. Specifically, how will the Fed consider any conflicting pressures on both sides of its mandate? In our view, the Fed as a whole is likely placing more emphasis on the inflation side of the mandate while awaiting further confirmation of labour market conditions.

We target the 10Y yield at 4.55% by year-end, as markets delay and reduce Fed rate cut expectations. Despite higher oil prices, we expect growth to be resilient with annual average GDP growth at 2.2% in 2026 after 2.1% in 2025. This forecast is consistent with the Fed's March 2026 Summary of Economic Projections (SEP), which raised the 2026 GDP forecast to 2.4% (on a 4Q to 4Q basis) from 2.3% in the December 2025 SEP. The Fed's revision also reflects the foreseen improvement in long-term growth, which is now estimated at 2% (compared to 1.8% previously).

Market participants are contemplating the Fed's reaction function to high oil prices and potentially further deterioration in the labour market.

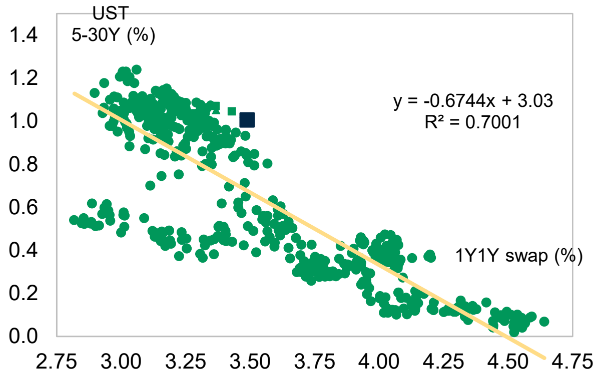
The curve can flatten in the remainder of 2026 and H127 with the market pricing out rate cuts. Despite recent flattening, the 5-30Y curve appears steep relative to forward rates, such as 1Y1Y swap. The 30Y yield rises in our forecast as well but struggles to trade above 5.00%, thanks to demand for long duration bonds. Stripping of Treasury notes and bonds has been stable since mid-2025. Steady gains in equities have improved pension funded status, with the

Curve can flatten further if the market prices out additional easing



Sources: Bloomberg, CA CIB

Curve appears too steep relative to forward rates



Sources: Bloomberg, CA CIB

Milliman 100 Pension Funding Index rising to a record high of 109% this year, prompting asset allocation trades from stocks to bonds.

Swap spreads have traded in a wide range this year, along with volatility and curve. While long-end spreads have continued to exhibit a negative correlation with rates volatility, they have become positively correlated with curve. Swap spreads widen modestly, ie, Treasuries outperforming, in our forecast, thanks to market friendly regulations and an expanding Fed balance sheet, etc.

Alex LI

EUROPE: SWIFT HIKE, SWIFTER PIVOT

Our new ECB forecast pushes the deposit rate 25bp above the upper bound of neutral rates by July. This swift return to restrictive territory arrives as Eurozone growth had only recently returned to expansion before being undermined by the Iran conflict's economic fallout. Our rates scenario revolves around the core view that the ECB's swift response should contain inflation de-anchoring risk before it escalates, enabling a rapid policy pivot once growth deterioration becomes undeniable.

This creates a compressed timeline for European swap rates. The transition from inflation concerns and ECB action into growth fears should occur over months, enabled by our baseline assumption that energy prices stabilise and start to cool down around May-June 2026. This creates two distinct phases in our forecasts.

In the first phase, essentially Q226, **the swap curve will undergo a pronounced bear flattening**, as we expect markets to price a protracted tightening cycle and the 2Y EUR swap should go as high as 3.30%. The ECB's rapid response should quarantine repricing within the front end, with 2-5Y absorbing market stress through deeper inversion (-10bp), mechanically inverting the 10-30Y segment in the process. By Q326, sentiment should pivot as inflation pressures abate, triggering the second phase. Focus will shift to growth deterioration and expectations that the ECB’s next move will be a cut. This should trigger a belly-driven rally morphing into a bull steepening as markets price the first rate cut, anticipated in September 2027.

10Y swaps should exhibit relative stickiness, around 3%, despite the dovish momentum, constrained by persistent imbalances between duration supply and demand, which will result in real term premium creation.

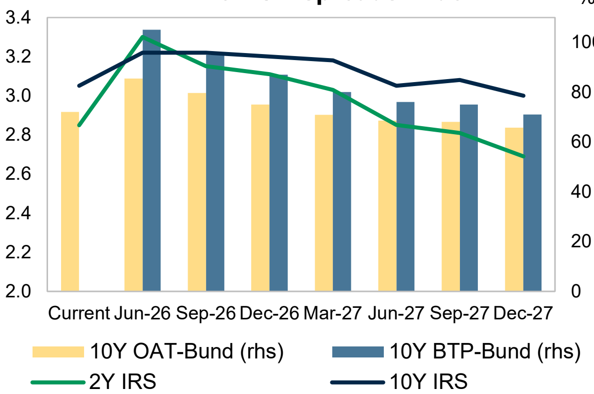
Governments are heavily constrained to deploy support to ease the impact of high energy prices and any deterioration of debt sustainability metrics will be quickly reflected in market prices, a strong contrast with 2025 dynamics. For EGB yields, collateral cheapening should resume as primary deficits widen and bond expected returns deteriorate, fuelling underperformance of bonds vs swaps and steepening of credit curves, including Germany.

Growth or deficit concerns will result in credit spreads widening.

Bond demand dynamics point to shorter duration for the remainder of the year. Flatter curves and higher yields reduce life insurance inflows as cash becomes an attractive alternative, marginally lowering EGB demand. DB pension funds should partially counteract this as their hedge ratios increase, while price sensitive investors will likely reduce both credit and duration exposure.

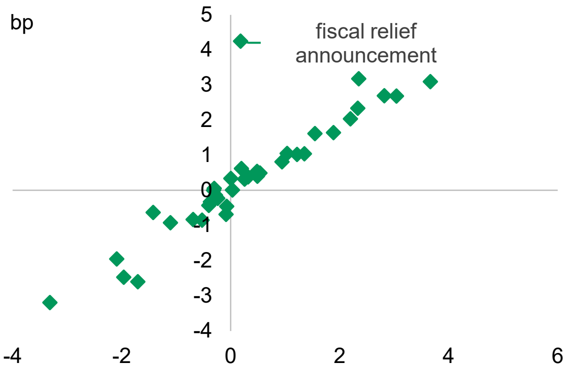
On supply, we do not anticipate widespread fiscal countermeasures given the limited fiscal space. Growth or deficit concerns will result in credit spreads widening, prompting rapid recalibration of risk premia for issuers with outsized fiscal support compared to

2-10Y IRS curve set to invert while EGB spreads widen



Source: Crédit Agricole CIB

Bono vs broad EGB spread against Bund, daily changes



Source: Crédit Agricole CIB

their deficits or debt/GDP metrics. National dependence on Middle Eastern energy serves as a proxy for idiosyncratic risk, with Italy seen as being particularly exposed.

EGB spreads will remain directional in the tightening cycle, trading in line with relative risk perceptions. We expect 10Y BTP-Bund spread to reach 105bp by June, with OAT-Bund widening up to 85bp. Once the ECB negotiates its policy U-turn, EGB spreads should drift tighter, though remnants of volatility will limit the extent of the tightening. Risk premia monetisation should resume on the front end before extending to longer maturities as credit curves bull steepen, provided political risks stays contained.

2027 presidential elections remain a hot spot for OATs, with pressure likely starting in Q326, but we do not expect more than 20bp of OAT-Bund widening.

Guillaume MARTIN

Exchange rates – Between terms of trade and returns

The conflict in the Middle East immediately led to a fall in risky assets and an appreciation of the USD. Faced with different shocks to terms of trade and prices, according to their varying sensitivities to inflation risk, central banks will react differently. The ECB's expected vigilance could therefore support the EUR beyond what was previously anticipated.

DEVELOPED COUNTRIES: THE WAR IN IRAN AND OUR FX FORECASTS

The war in Iran has already had a profound impact on the global energy prices and could continue to shape the global economic and central bank outlook. Looking beyond the immediate risk selloff and USD rally, we expect two key consequences from the conflict that should shape the G10 FX market outlook and warrant a change in our forecasts:

- ✓ The war could lead to a commodity terms-of-trade supply-shock that should be negative for G10 energy importers like the Eurozone, UK and Japan and positive for energy exporters like the US, Canada, Norway and Australia.
- ✓ We expect G10 central banks to respond differently to the growing stagflation risks they are facing, depending on the resilience of their economies, the availability of fiscal support and the current levels of policy rates.
- ✓ The ECB should frontload any rate hikes while the Fed could be more patient. The RBA could emerge as one of the most hawkish G10 central banks while the BoE could struggle to meet the very hawking market expectations.
- ✓ The SNB is the furthest away from a hawkish tilt, as it has recently had to step up its line of defence against a strong CHF, amid generally more subdued inflation pressures domestically. The BoJ is tilting hawkish balancing upside risks to inflation against downside risk to growth.

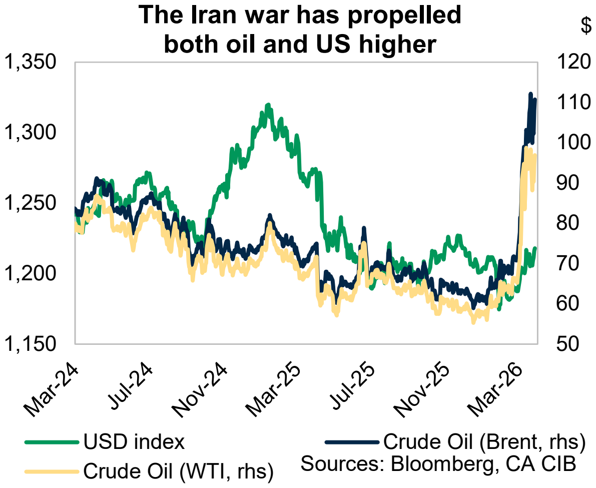
We think that proactive ECB rate hikes should prevent a EUR-selloff this year and **we revise up our EUR/USD and EUR/GBP 6M-9M forecasts while we keep our long-term view relatively stable.** In the case of the latter, we also note that potential dovish surprises from the BoE could hurt the GBP. As a result, we now see EUR/USD at 1.13 in Q426 and 1.17 in Q427. We also see EUR/GBP at 0.86 in Q426 and 0.84 in Q427.

We expect G10 central banks to respond differently to the growing stagflation risks they are facing.

Higher oil prices have forced the market to match our view of no more Fed rate cuts earlier than we expected, so we bring forward our forecast peak in USD/JPY of 156 from H226 to Q2 26. The Middle East conflict likely means structurally higher oil prices, so **we also revise up our 2027 USD/JPY forecasts**. Verbal and/or actual FX intervention will likely cap USD/JPY around 160. Given the heightened uncertainties on the global stage, we tame our expectations of a CHF cooling throughout the forecast horizon, while the SNB's looser monetary policy should still make the CHF an appealing funder.

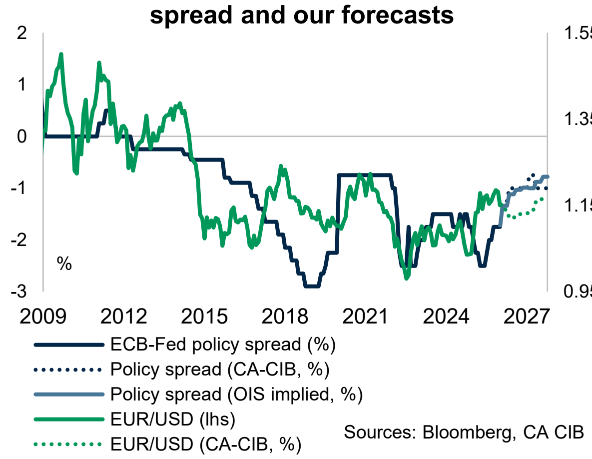
Valentin MARINOV

The Iran war has propelled both oil and US higher



Sources: Bloomberg, CA CIB

EUR/USD vs ECB-Fed policy rate spread and our forecasts



Sources: Bloomberg, CA CIB

EMERGING COUNTRIES: ONE BATTLE AFTER ANOTHER

In January and February, a bullish narrative on Emerging Markets fuelled portfolio flows to EMs and EM currencies appreciated vs the USD. From the end of February, this bullish EM call bumped into the uncertainty created by the war in Iran. Portfolio flows left EMs and EM currencies weakened.

Oil: the main differentiation factor

Looking forward, the fate of EM FX will depend to a large part on what happens in the Middle East. When it comes to the effect of the war on EMs, oil is the most important factor. First of all, it is about the Strait of Hormuz. Before the war, about 90% of oil transiting via Hormuz was headed to Asia (particularly China, India, South Korea and Japan). Should the war become prolonged, stress on fuel procurement would intensify in this part of the world.

However, beyond the flows, it is also a question of prices. **The oil price has jumped by about 40% since the end of February.** So the impact is much broader than only the country suffering from the blockade of Hormuz. On top of it, higher energy prices will impact other prices, such as food prices. And fertilizers are impacted as well (a large part of them transit via Hormuz as well). So the least developed countries, where the weight of oil and food in consumption baskets is higher, will suffer, and their currencies have come, or will come under some pressure (including for example the INR, IDR, PHP and EGP). For metal exporters, the terms-of-trade shock is compounded by the decline in metal prices (including the ZAR, CLP and PEN).

But oil remains the key factor. **It is actually interesting to note that the extent of depreciation of the largest EM currencies in March has been rather proportional to the level of each country's net fuel exports** (as a percentage of GDP). Chile, Hungary, South Africa, Poland, Korea, Thailand and the Philippines, which are among the largest net fuel importers, have seen their currencies weaken more than their EM FX peers. By contrast, Colombia, Indonesia and Malaysia, which are net fuel exporters, have suffered less than their regional peers in terms of FX.

No panic

Incidentally, the fact there has been a rationale factor explaining the market reaction suggests that the market has kept a cool head and has not been in panic mode in March.

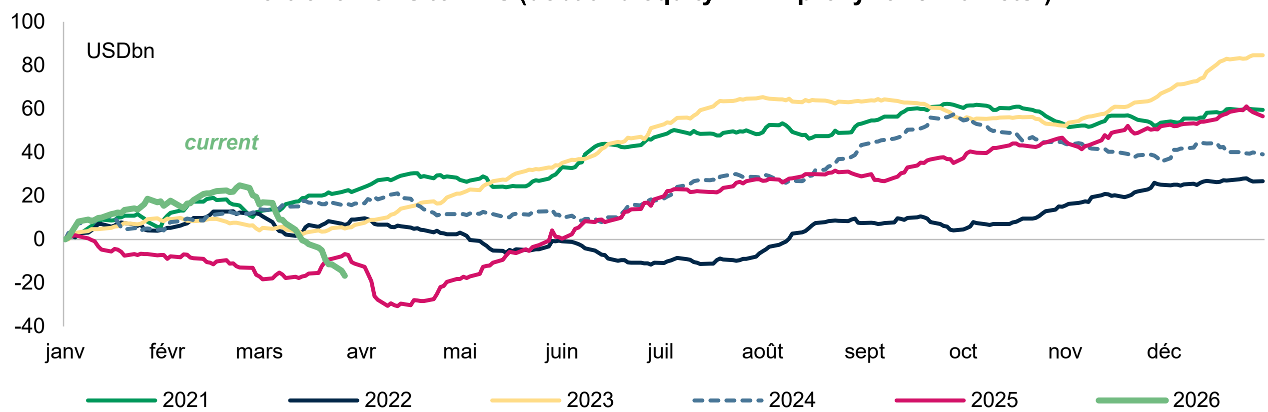
What happens next? **The situation remains extremely fluid and no one has a crystal ball. For the sake of our EM FX forecasts, we use a base-case assumption where the Brent price stabilises on average between USD100-110/bl in Q2**, with a partial re-opening of the Strait of Hormuz (for various reasons including both the US and Iran being incentivised to calm down at some point because of the depletion of their respective military equipment, US President Donald Trump preparing for mid-term elections and trying to cap the perception of inflation in the US, China working to safeguard its access to Middle East oil). Then we assume a gradual decrease in oil prices, but with Brent eventually stabilising 25-30% above its pre-war level (so not a complete normalisation).

> ***The least developed countries, where the weight of oil and food in consumption baskets is higher, will suffer and their currencies are vulnerable.***

In that case, **EM FX could depreciate in the short term as the uncertainty remains elevated**. But then there could be some stabilisation, should the oil price remain steady and then moderate.

Some central banks are also expected to update their monetary policy in order to fight intensifying inflation risks or to react to what the Fed and the ECB may do (the ECB's increased hawkishness in particular). This may help to buffer some currencies against depreciation.

Portfolio flows to EMs (debt and equity YTD - proxy for 8 markets*)



Sources: Bloomberg, Crédit Agricole CIB

* BRL, HUF, INR, IDR, KRW, PHP, THB and ZAR

EMs also still enjoy buffers coming from rather resilient macro fundamentals. These include relatively robust consumer demand (on average), supported by rather strong job markets, strong export dynamic despite the uncertainty created in recent quarters by tariffs, and a still favourable average EM-USD carry gap. All in all, in such a scenario, we expect the appetite for EMs to return at some point. But before we get to that point, they will need to see geopolitical uncertainty moderate and the oil price start to decrease in a convincing way.

Sébastien BARBÉ

ECONOMIC AND FINANCIAL FORECASTS

Economic forecasts

Interest rates

Exchange rates

Commodities

Public accounts

ECONOMIC FORECASTS

	GDP (yoy, %)			Consumer price * (yoy, %)			Current account (% of GDP)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
United States	**2.1**	**2.2**	**1.9**	**2.7**	**3.2**	**2.3**	**-3.8**	**-3.5**	**-3.4**
Japan	**1.2**	**0.5**	**1.0**	**3.0**	**1.9**	**1.7**	**4.0**	**3.0**	**3.0**
Eurozone	**1.5**	**0.8**	**1.1**	**2.1**	**3.1**	**2.1**	**2.4**	**1.6**	**1.6**
Germany	0.4	0.5	0.8	2.3	3.2	2.5	5.8	4.7	4.9
France	0.9	0.9	0.9	0.9	2.3	1.6	0.1	-1.0	-0.3
Italy	0.7	0.3	0.6	1.6	3.2	1.6	1.1	1.1	0.3
Spain	2.8	2.0	1.6	2.7	3.5	2.7	3.2	2.8	1.7
Netherlands	1.9	1.3	1.0	3.0	3.1	2.7	9.1	8.6	10.3
Belgium	1.0	0.4	0.5	3.0	3.1	2.1	-0.4	-0.8	-1.0
Other advanced									
United Kingdom	1.3	0.8	1.2	3.4	3.2	2.6	-2.4	-4.0	-4.3
Canada	1.1	1.5	1.8	2.0	2.1	2.0	-0.8	-1.0	-1.7
Australia	2.1	2.2	2.3	3.3	3.0	2.6	-2.1	-2.3	-2.6
Switzerland	1.0	1.3	1.1	0.1	0.6	0.7	7.0	7.0	7.1
Sweden	1.5	2.2	1.7	0.7	0.5	1.7	5.8	4.4	4.7
Norway	1.2	1.3	1.3	3.0	3.2	2.4	14.2	12.1	9.2
Asia	**5.2**	**5.0**	**4.8**	**1.0**	**1.9**	**2.1**	**2.7**	**2.6**	**2.4**
China	5.0	4.7	4.5	0.0	0.9	1.0	3.2	3.0	2.8
India	7.0	7.0	6.7	2.6	4.2	4.5	-1.0	-1.2	-1.2
South Korea	1.1	2.1	2.1	2.1	2.1	1.8	6.1	5.9	5.9
Indonesia	5.0	4.8	4.9	2.0	2.5	2.8	-1.0	-1.0	-1.3
Taiwan	8.6	5.1	3.0	1.7	1.8	1.8	17.5	16.8	15.5
Thailand	2.0	1.5	2.6	-0.1	0.6	1.2	3.2	3.4	4.2
Malaysia	4.2	4.5	4.3	2.0	2.2	2.0	1.9	1.8	1.8
Singapore	5.0	3.6	2.5	0.9	1.5	1.7	16.7	17.2	17.0
Hongkong	3.2	3.1	3.0	1.5	1.8	2.0	13.5	11.2	9.5
Philippines	4.7	4.7	6.0	1.6	2.4	3.3	-2.3	-1.3	-2.3
Vietnam	6.9	6.9	6.6	3.3	3.5	3.3	5.1	5.3	6.0
Latin America	**2.9**	**2.1**	**2.1**	**3.3**	**2.9**	**3.0**	**0.5**	**-0.5**	**-0.7**
Brazil	2.3	1.7	1.8	5.2	4.3	4.0	-3.0	-2.6	-2.4
Mexico	0.7	0.9	1.2	3.9	3.8	3.6	-0.4	-0.5	-0.4
Emerging Europe	**2.0**	**2.2**	**2.3**	**14.7**	**10.3**	**8.7**	**-0.1**	**-0.3**	**-0.4**
Russia	1.0	1.4	1.4	8.7	6.0	5.8	1.8	1.7	1.6
Turkey	3.4	3.4	3.7	36.0	24.0	19.0	-1.5	-1.5	-2.0
Poland	3.6	3.3	3.0	3.6	3.2	3.9	-0.7	-1.3	-1.3
Czech Republic	2.5	2.2	2.2	2.5	3.0	2.8	0.7	0.3	0.2
Romania	0.7	0.8	1.8	7.3	7.0	4.2	-8.0	-7.5	-7.0
Hungary	0.4	2.0	2.3	4.4	4.5	3.4	1.5	0.5	1.0
Africa, Middle East	**3.1**	**2.0**	**3.4**	**11.6**	**8.1**	**9.4**	**1.0**	**0.4**	**0.0**
Saudi Arabia	4.5	4.0	4.5	2.1	2.5	2.0	-3.1	-0.5	-3.0
United Arab Emirates	4.8	-0.3	4.0	1.5	3.0	2.0	13.2	8.0	8.0
South Africa	1.1	1.2	1.7	3.2	3.5	3.5	-0.5	-1.1	-1.0
Egypt	4.4	4.0	4.0	20.9	13.6	12.0	-4.4	-5.0	-3.9
Algeria	3.3	3.1	2.9	1.4	6.0	5.5	-3.0	-3.0	-3.8
Qatar	2.6	-6.0	7.0	0.5	3.5	2.0	15.5	8.0	13.0
Koweit	2.5	-4.0	4.5	2.3	3.0	2.7	26.5	17.5	17.0
Morocco	4.5	4.1	4.2	0.7	3.5	2.8	-2.3	-2.6	-2.6
Tunisia	2.3	1.8	1.6	5.5	7.5	6.0	-2.7	-3.3	-3.2
Total	**3.2**	**2.9**	**2.9**	**3.5**	**3.4**	**3.1**	**0.9**	**0.6**	**0.5**
Advanced economies	**1.7**	**1.4**	**1.5**	**2.5**	**2.9**	**2.2**	**-0.3**	**-0.7**	**-0.8**
Emerging countries	**4.3**	**4.0**	**4.1**	**4.3**	**3.9**	**3.9**	**1.9**	**1.7**	**1.5**

** HICP for euro area countries, CPI for others*

	2025				2026				2027			
Real GDP growth, QoQ %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA (annualised)	-0.6	3.8	4.4	0.7	2.7	1.6	1.8	1.8	2.0	2.0	1.9	1.9
Japan	0.3	0.6	-0.7	0.3	0.3	0.1	0.1	0.1	0.2	0.3	0.4	0.4
Eurozone	0.6	0.1	0.3	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.4	0.4
Germany	0.4	-0.2	0.0	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.3
France	0.1	0.3	0.5	0.2	0.2	0.1	0.1	0.2	0.2	0.3	0.3	0.3
Italy	0.3	0.0	0.2	0.3	0.0	-0.1	0.1	0.1	0.1	0.2	0.4	0.4
Spain	0.5	0.7	0.6	0.8	0.5	0.3	0.3	0.5	0.4	0.4	0.4	0.4
United Kingdom	0.7	0.2	0.1	0.1	0.3	0.2	0.2	0.2	0.3	0.3	0.4	0.4

	2025				2026				2027			
Consumer prices, YoY %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	2.7	2.5	2.9	2.7	2.7	3.6	3.3	3.3	3.0	1.9	2.0	2.2
Japan	2.7	3.2	3.2	3.0	2.5	2.0	1.7	1.4	1.4	1.6	1.9	2.0
Eurozone	2.3	2.0	2.1	2.1	2.1	3.5	3.5	3.4	3.0	1.9	1.8	1.8
Germany	2.6	2.1	2.1	2.3	2.4	3.5	3.5	3.3	3.2	2.3	2.2	2.2
France	1.2	0.8	0.9	0.8	1.1	2.6	2.8	2.7	2.6	1.4	1.2	1.3
Italy	1.8	1.8	1.7	1.2	1.4	3.7	3.8	3.9	2.9	1.3	1.1	1.2
Spain	2.7	2.2	2.8	3.1	2.9	4.0	3.5	3.4	3.4	3.0	2.5	2.1
United Kingdom	2.8	3.5	3.8	3.4	3.2	2.8	3.3	3.5	3.4	2.8	2.2	2.2

	2025				2026				2027			
Unemployment rate, %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	4.1	4.2	4.3	4.5	4.5	4.4	4.4	4.3	4.3	4.3	4.2	4.2
Japan	2.5	2.5	2.5	2.6	2.6	2.6	2.7	2.8	2.7	2.7	2.6	2.6
Eurozone	6.4	6.4	6.4	6.3	6.3	6.4	6.4	6.4	6.4	6.4	6.3	6.3
Germany	3.6	3.7	3.8	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.1
France	7.5	7.6	7.7	7.9	7.9	8.0	8.0	8.1	8.0	8.0	7.9	7.8
Italy	6.3	6.3	6.0	5.6	5.8	6.0	6.0	6.0	6.2	6.2	6.2	6.2
Spain	10.9	10.6	10.5	10.1	9.9	9.7	9.5	9.4	9.3	9.2	9.1	9.0
United Kingdom	4.6	4.7	5.1	5.2	5.2	5.4	5.6	5.6	5.6	5.6	5.5	5.4

	GDP (b)	Private consump-tion (b)	Public consump-tion (b)	Investment (b)	Exports (b)	Imports (b)	Net exports (a)	Changes in inventories (a)
Eurozone								
2025	1.5	1.6	1.6	3.1	2.1	3.7	-0.6	0.4
2026	0.8	0.9	1.6	1.4	0.2	1.5	-0.6	0.6
2027	1.1	0.8	1.3	1.5	1.0	1.4	-0.1	0.9
Q1 2026	*0.2*	*0.3*	*0.2*	*0.4*	*0.1*	*0.4*	*-0.1*	*0.5*
Q2 2026	*0.1*	*0.0*	*0.4*	*0.2*	*0.0*	*0.3*	*-0.1*	*0.6*
Q3 2026	*0.2*	*0.0*	*0.4*	*0.2*	*0.1*	*0.2*	*0.0*	*0.7*
Q4 2026	*0.3*	*0.2*	*0.3*	*0.3*	*0.2*	*0.3*	*0.0*	*0.8*
Germany								
2025	0.4	1.7	1.3	0.0	-0.3	3.7	-1.5	0.7
2026	0.5	0.8	2.4	2.2	-1.5	1.3	-1.1	0.2
2027	0.8	0.7	2.1	3.1	0.1	1.9	-0.7	0.1
Q1 2026	*0.2*	*0.2*	*0.3*	*0.6*	*-0.3*	*0.2*	*-0.2*	*0.1*
Q2 2026	*0.1*	*0.1*	*0.6*	*0.6*	*-0.3*	*0.3*	*-0.2*	*0.1*
Q3 2026	*0.1*	*0.1*	*0.7*	*0.6*	*-0.3*	*0.4*	*-0.3*	*0.1*
Q4 2026	*0.2*	*0.1*	*0.5*	*0.7*	*0.0*	*0.4*	*-0.2*	*0.0*
France								
2025	0.9	0.5	1.7	0.8	1.4	3.0	-0.5	0.6
2026	0.9	0.5	1.2	0.8	2.8	0.7	0.7	-0.6
2027	0.9	0.7	0.8	0.7	1.5	1.0	0.2	0.0
Q1 2026	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.5*	*-0.1*	*0.1*
Q2 2026	*0.1*	*0.0*	*0.3*	*-0.1*	*0.1*	*-0.1*	*0.0*	*0.0*
Q3 2026	*0.1*	*-0.1*	*0.2*	*-0.1*	*0.2*	*-0.2*	*0.1*	*0.0*
Q4 2026	*0.2*	*0.2*	*0.2*	*0.1*	*0.3*	*0.2*	*0.0*	*0.0*
Italy								
2025	0.7	1.1	0.6	3.8	1.4	3.9	-0.6	-0.2
2026	0.3	0.0	0.5	1.0	-1.0	1.9	-0.9	0.8
2027	0.6	0.4	0.6	-0.2	0.0	-0.6	0.2	0.2
Q1 2026	*0.0*	*0.1*	*0.1*	*0.0*	*-0.3*	*0.3*	*-0.2*	*0.1*
Q2 2026	*-0.1*	*-0.4*	*0.1*	*-0.4*	*-0.3*	*0.2*	*-0.2*	*0.3*
Q3 2026	*0.1*	*-0.2*	*0.1*	*-0.4*	*-0.3*	*-0.6*	*0.1*	*0.2*
Q4 2026	*0.1*	*0.0*	*0.1*	*-0.4*	*-0.3*	*-0.6*	*0.1*	*0.1*
Spain								
2025	2.8	3.4	1.8	6.3	3.4	6.3	-0.8	0.0
2026	2.0	2.6	1.5	4.1	1.9	3.8	-0.5	0.0
2027	1.6	1.6	1.2	2.1	2.0	2.0	0.0	0.0
Q1 2026	*0.5*	*0.6*	*0.3*	*0.4*	*0.6*	*0.7*	*0.0*	*0.0*
Q2 2026	*0.3*	*0.3*	*0.3*	*0.4*	*0.5*	*0.6*	*0.0*	*0.0*
Q3 2026	*0.3*	*0.3*	*0.3*	*0.4*	*0.5*	*0.5*	*0.0*	*0.0*
Q4 2026	*0.5*	*0.5*	*0.3*	*0.5*	*0.5*	*0.5*	*0.0*	*0.0*
Portugal								
2025	1.9	3.5	1.7	3.5	0.4	4.2	-1.7	0.4
2026	1.8	2.5	1.2	4.2	1.2	1.1	0.0	-0.8
2027	1.6	1.6	1.0	1.4	2.4	2.2	0.1	0.0
Q1 2026	*0.1*	*0.4*	*0.1*	*0.7*	*0.7*	*1.1*	*-0.2*	*-0.1*
Q2 2026	*0.3*	*0.4*	*0.3*	*0.6*	*0.6*	*0.9*	*-0.1*	*0.0*
Q3 2026	*0.4*	*0.4*	*0.3*	*0.5*	*0.6*	*0.7*	*-0.1*	*0.0*
Q4 2026	*0.5*	*0.4*	*0.3*	*0.4*	*0.7*	*0.5*	*0.1*	*0.0*
Netherlands								
2025	1.9	1.5	2.6	0.5	2.6	2.6	0.3	0.1
2026	1.3	1.0	2.2	0.5	2.6	2.3	0.4	-0.2
2027	1.0	1.0	1.3	1.4	1.3	1.5	0.0	0.0
Q1 2026	*0.3*	*0.3*	*0.3*	*0.4*	*0.4*	*0.4*	*0.0*	*0.0*
Q2 2026	*0.2*	*0.2*	*0.3*	*0.4*	*0.3*	*0.4*	*-0.1*	*0.0*
Q3 2026	*0.2*	*0.2*	*0.3*	*0.4*	*0.3*	*0.4*	*-0.1*	*0.0*
Q4 2026	*0.2*	*0.2*	*0.3*	*0.3*	*0.3*	*0.4*	*-0.1*	*0.0*
United Kingdom								
2025	1.3	1.0	1.7	3.4	1.6	4.2	-0.9	-0.1
2026	0.8	0.6	2.7	0.2	1.0	2.1	-0.4	-0.3
2027	1.2	0.6	3.2	1.4	2.8	3.2	-0.2	0.0
Q1 2026	*0.3*	*0.3*	*0.8*	*0.5*	*0.5*	*0.8*	*-0.1*	*0.0*
Q2 2026	*0.2*	*0.1*	*0.8*	*-0.4*	*0.6*	*0.4*	*0.1*	*0.0*
Q3 2026	*0.2*	*-0.1*	*0.8*	*-0.4*	*0.6*	*0.2*	*0.1*	*0.0*
Q4 2026	*0.2*	*-0.1*	*0.8*	*-0.2*	*0.6*	*0.2*	*0.1*	*0.0*

(a) contribution to GDP growth (%, q/q) (b) q/q, %

INTEREST RATES

Short-term interest rates		Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Etats-Unis	Fed funds	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.50
	Sofr	3.63	3.63	3.63	3.63	3.63	3.38	3.38	3.38
Japon	Call rate	0.75	0.75	0.75	1.00	1.00	1.25	1.50	1.75
Eurozone	Refinancing	2.15	2.65	2.90	2.90	2.90	2.90	2.65	2.65
	Deposit	2.00	2.50	2.75	2.75	2.75	2.75	2.50	2.50
	€str	1.93	2.44	2.69	2.70	2.70	2.70	2.45	2.45
	Euribor 3m	2.28	2.70	2.80	2.85	2.85	2.65	2.50	2.30
United-Kingdom	Base rate	3.75	4.00	4.00	4.00	4.00	3.75	3.50	3.25
	Sonia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Sweden	Repo	1.75	1.75	1.75	2.00	2.00	2.00	2.00	1.75
Norway	Deposit	4.00	4.00	4.00	4.25	4.25	4.25	4.00	4.00
Canada	Overnight	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25

10Y rates	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
USA	4.25	4.35	4.40	4.55	4.55	4.50	4.50	4.45
Japan	2.25	2.30	2.40	2.65	2.75	2.80	2.85	3.00
Eurozone (Germany)	3.00	3.14	3.20	3.23	3.25	3.16	3.20	3.14
Spread 10 ans / Bund								
France	0.72	0.85	0.80	0.75	0.71	0.69	0.68	0.66
Italy	0.91	1.05	0.95	0.87	0.80	0.76	0.75	0.71
Spain	0.52	0.64	0.59	0.56	0.53	0.51	0.50	0.48

Asia		Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
China	7d reverse repo rate	1.40	1.40	1.30	1.30	1.30	1.30	1.30	1.30
India	Repo rate	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Indonesia	7D (reverse) repo rate	4.75	4.75	4.50	4.50	4.25	4.25	4.25	4.25
Korea	Base rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Malaysia	OPR	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Philippines	Repo rate	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Singapore	O/N SORA	1.00	0.90	0.90	0.90	0.85	0.60	0.60	0.60
Taiwan	Redisc	2.00	2.00	2.00	2.00	1.88	1.88	1.88	1.88
Thailand	Repo	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25
Vietnam	Refinancing rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Latin America									
Chile	o/n lending rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Peru	o/n lending rate	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Emerging Europe									
Hungary	Base rate	6.25	6.25	6.25	6.25	6.25	5.75	5.25	4.75
Poland	7D repo	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Romania	2W repo	6.50	6.50	6.50	6.00	6.00	5.50	5.00	4.50
Russia	1W auction rate	15.00	14.00	12.00	11.00	10.00	9.00	9.00	9.00
South Africa	Repo	6.75	6.50	6.50	6.50	6.25	6.00	6.00	6.00
Turkey	1W repo rate	37.00	35.00	33.00	30.00	27.00	25.00	23.00	21.00

EXCHANGE RATES

USD Exchange rate

Industrialised countries		Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Euro	EUR/USD	1.16	1.14	1.12	1.13	1.13	1.14	1.16	1.17
Japan	USD/JPY	154.0	156.0	156.0	154.0	154.0	152.0	148.0	147.0
United Kingdom	GBP/USD	1.33	1.32	1.30	1.31	1.32	1.34	1.37	1.39
Switzerland	USD/CHF	0.82	0.82	0.84	0.84	0.84	0.83	0.81	0.80
Canada	USD/CAD	1.37	1.39	1.37	1.35	1.34	1.33	1.32	1.32
Australia	AUD/USD	0.71	0.73	0.71	0.70	0.70	0.72	0.74	0.74
New Zealand	NZD/USD	0.60	0.60	0.62	0.63	0.65	0.64	0.64	0.64

Euro Cross rates

Industrialised countries		Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Japan	EUR/JPY	179	178	175	174	174	173	172	172
United Kingdom	EUR/GBP	0.87	0.87	0.86	0.86	0.86	0.85	0.84	0.84
Switzerland	EUR/CHF	0.95	0.93	0.94	0.95	0.95	0.95	0.94	0.94
Sweden	EUR/SEK	10.80	11.00	10.80	10.60	10.50	10.60	10.50	10.40
Norway	EUR/NOK	11.30	11.10	10.90	10.70	10.50	10.40	10.30	10.20

Asia		Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
China	USD/CNY	6.82	6.80	6.78	6.72	6.70	6.70	6.66	6.60
Hong Kong	USD/HKD	7.79	7.78	7.77	7.77	7.76	7.76	7.75	7.75
India	USD/INR	92.00	93.00	94.00	94.00	92.00	92.00	90.00	90.00
Indonesia	USD/IDR	16950	17000	17100	16950	16850	16800	16700	16600
Malaysia	USD/MYR	3.92	3.88	3.86	3.84	3.82	3.82	3.82	3.82
Philippines	USD/PHP	59.4	59.6	59.0	58.6	58.3	58.0	57.9	57.4
Singapore	USD/SGD	1.29	1.30	1.29	1.28	1.28	1.28	1.27	1.27
South Korea	USD/KRW	1465	1460	1460	1450	1440	1435	1430	1425
Taiwan	USD/TWD	31.5	31.4	31.3	31.1	30.9	30.8	30.8	30.6
Thailand	USD/THB	32.0	32.5	32.8	33.0	33.0	32.8	32.5	32.0
Vietnam	USD/VND	26250	26300	26350	26250	26200	26200	26100	26000
Latin America									
Brazil	USD/BRL	5.25	5.30	5.35	5.40	5.45	5.50	5.50	5.50
Mexico	USD/MXN	17.25	17.50	17.75	18.00	18.25	18.50	18.75	19.00
Africa									
South Africa	USD/ZAR	16.90	17.20	17.20	17.00	16.80	16.60	16.60	16.60
Emerging europe									
Poland	USD/PLN	3.68	3.75	3.78	3.72	3.70	3.66	3.59	3.55
Russia	USD/RUB	80.00	82.00	84.00	86.00	86.00	86.00	86.00	86.00
Turkey	USD/TRY	44.60	46.00	47.00	48.00	48.50	49.00	50.00	51.00
Central Europe									
Czech Rep.	EUR/CZK	24.40	24.40	24.00	23.60	23.40	23.10	22.80	22.60
Hungary	EUR/HUF	390	390	380	370	360	358	355	350
Poland	EUR/PLN	4.27	4.27	4.23	4.20	4.18	4.17	4.16	4.15
Romania	EUR/RON	5.09	5.09	5.09	5.09	5.09	5.09	5.09	5.09

COMMODITIES

Av. quarter price		2026				2027			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Brent	USD/BBL	89	110	100	85	85	85	85	85

Av. quarter price		2026				2027			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gold	USD/oz	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500

PUBLIC ACCOUNTS

	Government balance (% of GDP)			Public debt (% of GDP)		
	2025	2026	2027	2025	2026	2027
United States	**-6.1**	**-6.4**	**-6.5**	**101.3**	**102.4**	**104.5**
Japan	**-1.0**	**-3.0**	**-3.0**	**218.0**	**217.0**	**215.0**
Eurozone	**-2.8**	**-3.1**	**-3.2**	**87.2**	**87.5**	**88.0**
Germany	-2.4	-3.3	-4.1	62.6	64.0	66.0
France	-5.1	-4.9	-4.7	115.6	116.8	118.8
Italy	-3.1	-3.3	-2.7	135.4	135.7	135.0
Spain	-2.5	-2.4	-2.3	100.1	97.6	96.7
Netherlands	-2.2	-2.8	-2.8	45.3	48.3	48.3
Belgium	-5.3	-5.7	-5.8	107.1	109.5	113.1
Greece	2.1	0.5	0.2	145.3	139.0	134.8
Ireland	1.6	1.2	0.9	34.7	33.5	32.0
Portugal	0.4	-0.1	-0.3	88.7	85.8	84.3
United Kingdom	**-5.4**	**-3.9**	**-3.5**	**102.3**	**103.6**	**104.2**

Completed on 3 April 2026

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ÉTUDES ÉCONOMIQUES GROUPE