ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL MONTHLY

The trajectory of the Middle East war and its implications for energy prices and the global economy will depend on its scope and duration, particularly how much it disrupts supply routes. The global economy entered the conflict from a position of relative strength, as reflected in January's PMI surveys, suggesting a degree of resilience to absorb any immediate oil shocks. In addition, the global economy has become progressively less dependent on oil compared with the energy crises of the 1970s, while energy efficiency has improved significantly over time. The key risk arises if energy prices remain elevated for a prolonged period. In such a scenario, second-round effects become increasingly likely, heightening the risk of a stagflationary shock. Central banks may then be forced to respond — by delaying policy easing or even tightening monetary policy — to prevent inflation from becoming entrenched.

Macro Picture

USA: underlying demand still firm, while core PCE accelerates as tariff pass-through continues

EA: resilience extends into early Q1 before the conflict, upside inflation surprise in February

China: as energy risks loom, the 15th FYP identifies innovation as key priority

Japan: GDP growth came in weaker than expected in Q4; inflation moderates

CESEE: Poland and Czechia sustaining solid expansions and Hungary growing much less

Markets

FX: dominated by safe-haven flows, energy-linked inflation risks and resilient US data

Rates: declined through February, supported by long-end flows

EM: sovereign spreads traded wider amid rising geopolitical tensions

Credit: held up relatively well despite broader risk-off move, supported by strong demand

Policy Outlook

USA: oil price volatility against a backdrop of sticky inflation may delay any further Fed easing

EA: markets concerned that persistently elevated oil prices could lead to ECB rate tightening

Japan: Takaichi win paves way for fiscal loosening; BoJ officials don't rule out April rate hike

CESEE: central banks in Poland and Hungary seize easing window before energy risks loom

Key Downside Risks

DM & EM: a wider and prolonged regional conflict in the Middle East; a permanent and large energy shock; rising inflation expectations; sharply tighter financial conditions; negative US wealth effects driven by risk-off environment; abrupt repricing in AI-related stocks; delays/administrative bottlenecks in Germany's public investment projects; FX pressures mount for energy-dependent EMs; capital outflows rise in EMs with deficits

Contributing Authors:

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr

Maria Kasola
Research Economist
mkasola@eurobank.gr

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurbank.gr

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr

Dr. Konstantinos Vrachimis
Research Economist
k.vrachimis@eurobank.cy

Special thanks to the Global Markets team (Global_Markets_Trading@eurobank.gr).

March 2026

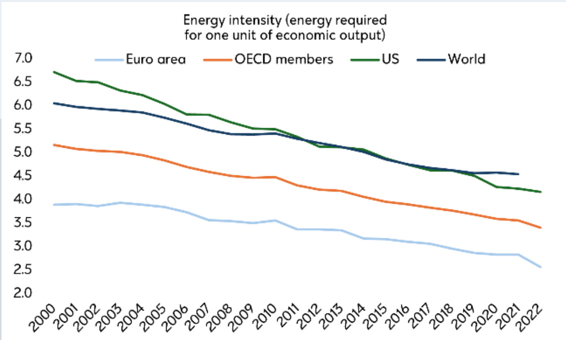
Contents

Macro Views

Oil surge rekindles growth and inflation concerns, with risks rising if prices stay high for longer

Renewed geopolitical tensions in the Middle East and the effective closure of the Strait of Hormuz have pushed Brent crude prices above $80/bbl for the first time since January 2025, up roughly 40% year-to-date, intensifying concerns about the implications for global growth, the inflation outlook and monetary policy. OPEC's recent announcement of a production increase in April failed to exert a sustained downward effect on oil prices, as markets remain concerned that additional supply could still face shipping and delivery challenges. In parallel, European natural gas futures briefly surged to €65/MWh for the first time in the last three years, before easing close to €50/MWh, though still remaining about 60% higher year-to-date, amid no signs of de-escalation in the Middle East conflict.

Figure 1: Global energy intensity has declined by roughly 30% since the early 2000s

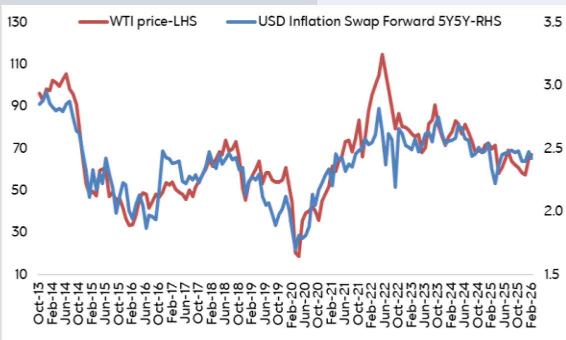


Source: World Bank, Eurobank Research

Historical experience suggests that the key issue is not how high oil prices rise, but how long they remain elevated and how much they disrupt supply routes. Short-lived oil price spikes typically have only temporary effects on inflation: headline CPI rises quickly but then moderates as base effects fade. Growth may soften, but not sharply, and central banks usually look through brief supply-driven shocks. The main risk emerges if oil prices stay high for a prolonged period. In that case, second-round effects become more likely as inflation expectations adjust upward in response to persistently higher energy costs, increasing the risk of a stagflationary shock.

In this context, the trajectory of energy prices — along with supply costs and broader supply chain dynamics — will depend largely on the duration and intensity of the military conflict. This, in turn, partly hinges on Iran's leadership transition and on how the new leadership chooses to engage with the US. Beyond shifts in Iran's domestic political landscape, a critical factor is the situation in the Strait of Hormuz, a strategic chokepoint through which roughly 20% of global oil supply and LNG shipments transit daily. The key question is whether commercial navigation and insurance conditions remain impaired alongside a prolonged closure of the Strait or begin to normalise soon if the US succeeds in neutralising Iran's

Figure 2: Inflation expectations sensitive to oil prices



Source: Reuters, Eurobank Research

ability to disrupt oil and LNG transit flows. The scale of damage to regional energy infrastructure, as well as the resilience of Iran's oil production and export capacity, will also be decisive in shaping the energy price outlook.

The trajectory of the Iran war, and its implications for energy prices and the global economy remains uncertain. The global economy entered the conflict from a position of relative strength, as reflected in January's PMI surveys — despite trade disruptions from US tariff measures and heightened geopolitical uncertainty — suggesting a degree of resilience to absorb any immediate oil shocks. Moreover, the global economy has become progressively less dependent on oil. Following the energy crises of 1973-74 and 1979-80, countries began diversifying their energy mix by expanding the use of nuclear power, natural gas and coal. As a result, the share of oil as a percentage of total energy consumption declined steadily, from a peak of 46% to around 35% by the late 1990s and fell below 30% in 2024 for the first time in more than five decades. Energy efficiency has also improved markedly, with global energy intensity declining by roughly 30% since the early 2000s. Meanwhile, though oil prices have risen significantly since before the onset of hostilities between the US and Iran, they remain close to their 2024 average and well below levels seen during previous major oil shocks. However, if elevated prices persist, existing economic buffers could gradually erode.

At the country level, the growth impact of higher oil prices will vary, depending on a range of factors, most notably oil import reliance, the scale of supply chain disruptions, and fiscal and monetary policy response. In the US, as a net exporter of oil and gas in recent years, the growth impact is likely to be relatively contained. Fiscal support associated with the tax reform package should provide an additional cushion to domestic demand. Nonetheless, the economy is not fully insulated; higher freight costs could squeeze corporate margins, while lower equity prices may generate negative wealth effects.

On inflation, global price pressures were largely contained prior to the conflict, with headline CPI close to the 2% central bank target. Core inflation, however, remained somewhat higher, reflecting sticky services inflation driven by persistent labour-cost pressures. Elevated oil prices now pose an upside risk to global inflation, alongside rising AI-related commodity prices, partly due to supply constraints.

Central banks are likely to look through any temporary inflation spike. Nevertheless, if price pressures remain elevated for an extended period, policymakers may be forced to respond — by delaying policy easing or even tightening monetary policy — to prevent inflation from becoming entrenched. Markets have already adjusted policy rate expectations in a hawkish direction: the amount of anticipated Fed rate easing by year-end has been reduced to less than 50bps, while investors now price in a 20% probability of an ECB rate hike by year-end.

Developed Economies

US: the sharp deceleration in Q4 GDP growth is not particularly concerning, as it largely reflects a steep contraction in government spending due to shutdown-related effects. By contrast, private domestic final purchases — a clearer gauge of underlying demand — remained solid. On inflation, both headline and core PCE re-accelerated in December, largely reflecting a rise in goods prices as tariff pass through continues. With the full tariff impact not yet evident, underlying demand still resilient and the labour market stabilising, the Fed appears comfortable keeping rates stable in the near term. If policymakers gain sufficient confidence by June that disinflation is back on track, the Fed is likely to resume its easing cycle under incoming Chair Kevin Warsh. However, any additional rate cuts could be delayed if elevated oil prices reinforce concerns about inflation stickiness. Markets have adjusted policy expectations, now pricing in less than 50bps of easing by year-end.

Euro area: early Q1 sentiment indicators pointed to continued growth resilience ahead of the onset of the Middle East conflict. Overall, GDP growth is projected at 1.2% this year from 1.5% in 2025, supported primarily by Germany's fiscal stimulus, a healthy labour market and increasing AI-related investment. However, as a net oil importer, the Eurozone faces downside growth risks if oil prices remain elevated for an extended period. On inflation, headline CPI surprised to the upside in February, rising 0.2ppts to 1.9%YoY with the recent sharp increase in energy prices posing a significant upside risk. With the ECB expecting inflation to average below target in both 2026 and 2027 (1.9%YoY and 1.8%YoY, respectively), it would probably look through a temporary energy shock. However, persistently elevated energy prices could reinforce concerns about second-round effects and the risk of the ECB raising rates.

Emerging Economies

EM: the outlook for emerging markets has come under mounting pressure following the escalation of the Middle East crisis, notably the closure of the Strait of Hormuz and the widening scope of military operations involving Israel, Lebanon and Iran. Prior to these developments, EM growth was projected to remain robust at around 4% in 2026. However, the disruption of one of the world's most critical energy transit corridors has exposed the structural vulnerabilities of energy-intensive and energy-importing economies, particularly across South and Southeast Asia. The Strait of Hormuz channels a substantial share of global oil and LNG flows; its impairment has triggered a sharp repricing of energy risk. Higher oil and gas prices risk stressing external balances, fuelling imported inflation and constraining monetary policy flexibility across several EM economies. Countries with large current account deficits and significant energy dependence are especially vulnerable, as currency pressures and capital outflows amplify macroeconomic strains. Financial markets have reacted swiftly. Risk sentiment has deteriorated, equity valuations have softened and sovereign spreads have widened, reflecting rising geopolitical premia. The combination of elevated commodity prices and tighter global financial conditions threatens to erode real incomes and dampen domestic demand, thereby clouding the near-term growth outlook. Ultimately, the medium-term investment case for emerging markets will depend on two critical factors: the avoidance of lasting damage to Gulf energy production infrastructure and a relatively swift de-escalation of hostilities. Absent these conditions, persistent energy market disruption could materially weaken EM growth dynamics and delay the expected cyclical recovery.

CESEE: economic performance across the CEE3 in 2025 showed a clear divergence. Poland and Czechia maintained solid expansion, while Hungary continued to underperform. Growth across the region was primarily supported by domestic demand, as external conditions remained uneven and the industrial recovery subdued. Poland led the region with GDP growth of 3.6% in 2025, accelerating to 4.0%YoY in the fourth quarter. Private consumption was the main driver, backed by strong labour markets and rising real wages, while public spending and better-than-expected exports added support. Czechia also recorded steady growth, driven by household consumption and a recovery in investment, although weaker external demand limited overall momentum. Hungary expanded by only 0.4% in 2025, reflecting ongoing stagnation. Despite modest growth in the final quarter, investment activity remained weak, pointing to fragile business confidence and structural constraints. Inflation moderated across the region in early 2026, creating room for cautious monetary easing. Poland reduced rates as inflation fell to close to target, while Czech headline inflation declined markedly, though core pressures persist. Hungary also began easing from a relatively high policy rate. The renewed Middle East crisis introduces upside risks to inflation and downside risks to growth. Higher energy prices could erode real incomes, delay further rate cuts and weaken regional currencies, shifting the balance of risks for the CEE3.

Markets View

Foreign Exchange

EUR/USD: dominated by conflict-driven safe-haven flows, energy-linked inflation risks and a resilient US data backdrop — all USD positive dynamics that limit EUR upside in the period ahead. Longer term improvement remains possible but depends heavily on de-escalation, softer US data and the pace at which Fed-ECB rate differentials continue to narrow. Support levels include 1.149, 1.143 and 1.137, while resistance levels include 1.203, 1.209 and 1.215.

USD/JPY: bullish bias remains intact for March. The combination of extreme geopolitical stress, Japan's deep energy vulnerability, slow BoJ normalization, firm US inflation and wide Fed–BoJ rate spreads continues to reinforce USD's relative strength. Until energy prices stabilize or US yields materially soften, dips in USD/JPY are likely to attract buyers, with 160 becoming an increasingly realistic testing point over. Support levels include 151.767, 151.001 and 150.234, with resistance at 159.913, 160.705 and 161.497.

Rates

EU: rates moved lower through February, largely driven by global risk sentiment and persistent receiving flows in the long end rather than domestic macro catalysts. The ECB continued to anchor the front end and suppress volatility, while repeated receiving in the 20–30yr segment and ultras from ALMs and pension-related flows shaped curve dynamics. Early in the month the curve grind-steepened, but persistent long-end receiving later pushed the market toward flattening pressure, limiting the extension of steepeners. Swap spreads tightened as receiving dominated flow activity and ALM paying support remained limited, while basis markets stayed relatively quiet with a mild bias toward €STR/6s and 3s6s wideners. At the start of March, geopolitical tensions following the escalation of the US–Israel–Iran conflict triggered a risk-off rally and a brief pickup in volatility across global rates markets. The 10yr EUR swap rate was around 2.74% as of March 4, down from roughly 2.87% at the start of February.

US: swap rates declined through February but with more volatile price action as markets navigated political headlines, shifting risk sentiment and geopolitical tensions. Early-month moves were characterized by front-end-led rallies and curve steepening, followed by phases of flattening as duration demand re-emerged during risk-off episodes. The escalation of tensions between the US, Israel and Iran late in the month amplified volatility and triggered a renewed bid for safe-haven assets, supporting Treasury demand and compressing yields across the curve. Flow dynamics remained active, with real money receiving in the belly while macro accounts expressed views through curve structures and flies, contributing to sharp but temporary swings in spreads and curve positioning. Swap spreads generally tightened during risk-off sessions, particularly in the long end, as receiving accelerated. As of March 4, the 10yr SOFR swap rate was around 3.62%, down from approximately 3.85% at the beginning of February.

Emerging Markets Sovereign Credit

EM sovereign spreads remained broadly resilient for most of February, absorbing macro and rates volatility relatively well, before moving decisively wider following the US–Iran escalation, with the EMBI Global Index 24bps wider on March 4 than at the end of January at 242bps. In Central Europe, Romania underperformed regional peers, with 10yr EUR spreads over swaps widening by 27bps to 275bps from end-January levels. In LATAM, both Mexico and Chile saw weaker 10yr USD spreads, with Chile underperforming and widening 12bps to 111bps, while in Asia, Indonesia extended its year-to-date weakness, with 10yr EUR spreads over swaps widening a further 25bps as of March 4 to 145bps. Given the sharp rise in geopolitical uncertainty and the risk of renewed energy-driven inflation pressures, we prefer to remain on the sidelines for now, as the near-term risk reward for adding exposure appears less attractive.

Corporate Credit

Financial markets delivered a mixed but broadly resilient performance in February, as generally supportive economic data offset heightened volatility stemming from geopolitical developments and growing concerns around AI-driven disruption. Trade policy uncertainty also resurfaced after the US Supreme Court struck down earlier tariffs, prompting the administration to introduce a temporary 10% global tariff, which President Trump said will increase to 15%.

Geopolitics remained an important backdrop during the month. Tensions surrounding Iran intensified as speculation about potential military action grew late in February, pushing Brent crude higher ahead of the eventual US-Israeli strikes at the very end of the month. Following the strikes, markets shifted firmly into risk-off mode as investors focused on the potential for a prolonged Middle East conflict and the risk of a broader energy shock. European equities fell sharply, volatility spiked and bond yields moved higher as oil surged above $80/bbl amid threats to shipping through the Strait of Hormuz. Despite the sharp moves, the broader market drawdown remains contained, with major indices still trading close to recent highs even as geopolitical headlines drive intraday sentiment.

European equities have been under pressure, with the STOXX 600 down -2.1% as of March 4 compared with the end of January and the DAX underperforming at -4.1% during that period. In the US, the S&P 500 has also declined, falling -2.3%, with the Magnificent 7 underperforming at -7.4%.

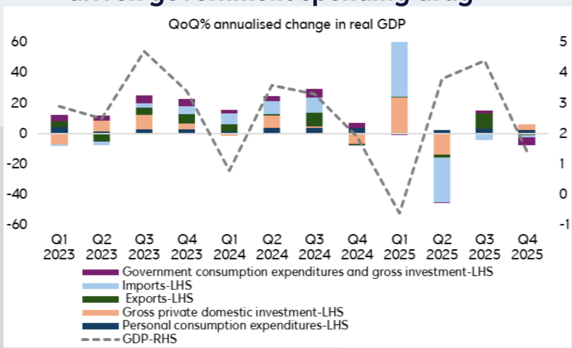
Credit markets moved wider but remained broadly resilient. Since the start of February, iTraxx Main has widened by 7.7bps to 58bps, while iTraxx Crossover has widened by 31.1bps to 276bps. Euro IG cash spreads have widened by 11.5bps as of March 4, led by underperformance in Financials Sub (+18bps) and Tech (+17.4bps). High yield cash has also widened (+21.7bps), with Technology underperforming significantly (+129.4bps) while Senior Financials have outperformed (-27.9bps).

US

Underlying demand still strong, while core PCE inflation reaccelerates

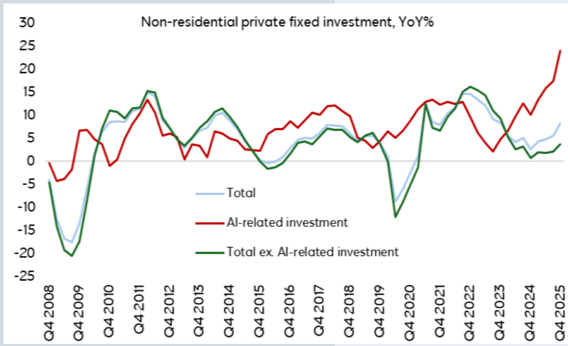
Released with a delay due to the federal government shutdown last fall, the advance estimate for Q4 GDP showed a sharp slowdown to 1.4%QoQ saar following an average growth rate of 4.1%QoQ saar in the previous two quarters. That said, the deceleration is not particularly concerning, as it largely reflects a steep -5.1% contraction in government spending due to shutdown-related effects, subtracting 0.9ppts from headline growth. By contrast, private domestic final purchases (PDFP) — a clearer gauge of underlying demand — remained solid, expanding 2.4%, well within the 2-3% range recorded over the past five quarters. Much of the strength in PDFP came from business fixed investment, which accelerated to 2.6% from 0.8% in Q3, with spending in AI-sensitive categories contributing 0.74ppts to GDP growth. Consumer spending moderated — at 2.4%, down from 3.5% in Q3, but close to the 2.6% average of the past four quarters — on weaker real disposable income (up just 0.1%QoQ in Q4) and slower compensation (the ECI increased 0.7%QoQ, the lowest in four years). GDP growth is expected to rebound in Q1 (market consensus: 2.3%QoQ saar) as the one-off government-related weakness fades. AI-related investment is expected to remain robust, while fiscal stimulus stemming from the tax reform package should provide additional support. Overall, we maintain our forecast for real GDP growth of 2.4% this year on the view that, as a net exporter of oil and gas, the US is likely to experience a relatively contained impact from the conflict in the Middle East. On the inflation front, both headline and core PCE re-accelerated in December, up 0.1ppts and 0.2ppts, reaching multi-month highs of 2.9%YoY and 3.0%YoY, respectively, largely reflecting a 0.2ppts rise in goods prices to 1.7%YoY as tariff pass through continues. With the full tariff impact not yet evident, underlying demand still resilient and the labour market stabilising, the Fed appears comfortable keeping rates stable in the near term. If policymakers gain sufficient confidence by June that disinflation is back on track, the Fed is likely to resume its easing cycle under incoming Chair Kevin Warsh. However, any additional rate cuts could be delayed if elevated oil prices reinforce concerns about inflation stickiness. Markets have adjusted policy expectations, now pricing in less than 50bps of easing by year-end.

Figure 3: Real GDP slowed in Q4 on shutdown-driven government spending drag



Source: BLS, Eurobank Research

Figure 4: Private fixed investment accelerated in Q4 2025, driven by AI-related investment



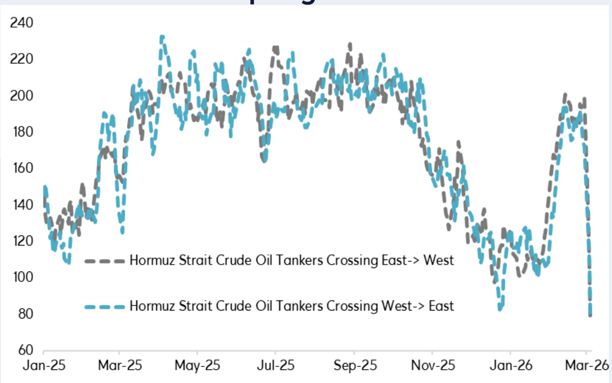
Source: BLS, Eurobank Research

China

As energy risks loom, the 15th FYP identifies innovation as key priority

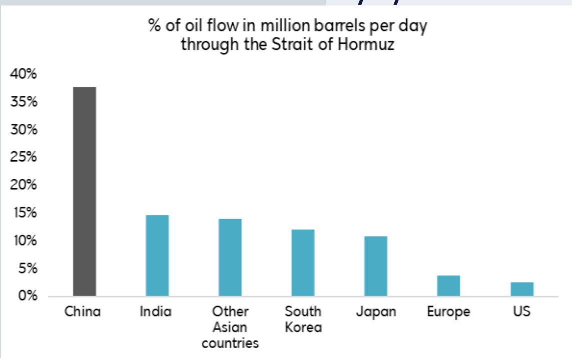
The forthcoming 15th Five-Year Plan (2026–2030) is expected to codify a shift toward more sustainable, innovation-led growth, reflecting policymakers' assessment of China's technological ascent and macroeconomic resilience, despite a more fragmented global backdrop. A GDP growth target in the 4.5–5% range would signal acceptance of slower but higher-quality expansion, with greater emphasis on productivity gains and structural adjustment. A core pillar of the plan is the development of "new quality productive forces", notably through the broad deployment of artificial intelligence and green technologies across industry. The priority is likely to be commercialisation and diffusion, ensuring that innovation translates into economy-wide efficiency gains rather than remaining concentrated in frontier sectors. This supports a gradual rise in total factor productivity as the primary driver of medium-term growth. Consumption-led rebalancing is also framed as a strategic objective. Increased public spending on childcare, healthcare and elderly services aims to reduce precautionary savings and strengthen household confidence. Measures to improve work-life balance are consistent with a gradual shift toward a more services-oriented growth model and a higher share of household consumption in GDP. Externally, China is expected to promote more balanced trade growth and incremental renminbi internationalisation, reinforcing economic linkages while managing geopolitical risk. The escalation in the US-Iran conflict poses risks to China, but those do not appear systemic under baseline assumptions. Although Iran may account for over 10% of China's oil imports, oil represents less than 20% of primary energy consumption, which remains dominated by coal and renewables. Alternative supply, particularly from Russia, together with substantial strategic petroleum reserves provides a meaningful buffer. Moderate oil price increases could generate a price-supportive impulse, lifting CPI modestly and returning PPI to positive territory, thereby easing entrenched deflationary pressures. The main vulnerability lies in LNG imports transiting the Strait of Hormuz. Unlike oil, LNG markets are less fungible and more infrastructure-constrained, limiting short-term substitution and amplifying price volatility. A severe disruption or extreme price spike would therefore pose clearer downside risks to growth and wider macro-financial stability.

Figure 5: As crossings from Hormuz straits plunge..



Source: Bloomberg, Eurobank Research

Figure 6: ..China's dependency on Iranian oil reverses the inflationary dynamics



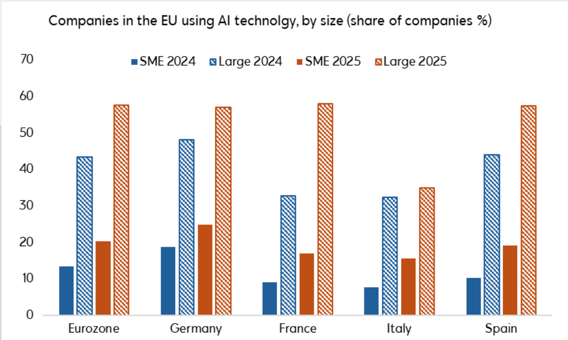
Source: IEA, Eurobank Research

Euro area

Resilience continues into early Q1; inflation upside surprise in February

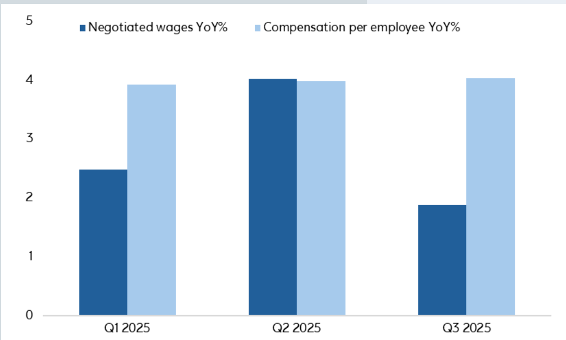
Early Q1 sentiment indicators pointed to continued growth resilience ahead of the onset of the Middle East conflict, with tentative signs of a rotation from services toward manufacturing. In February, the composite PMI increased 0.6pts to a three-month high of 51.9, driven by a notable rebound in manufacturing, which rose 1.3pts to 50.8, returning to expansionary territory for the first time since August. By contrast, services activity edged up only slightly, to 51.8 from 51.6 in January. Nevertheless, it remains unclear whether industrial production will make a positive contribution to Q1 GDP growth. Structural challenges are far from resolved, with industrial output declining 1.4%MoM in December — the steepest drop since April — resulting in a negative carry-over effect of -0.8%QoQ. Overall, the composite PMI averaged 51.6 in January and February, 0.7pts below its Q4 average, pointing to GDP growth of around 0.2%QoQ, a slightly softer start to the year compared with Q4 2025, when GDP expanded by a stronger-than-expected 0.3%QoQ. Further supporting signs of continued near-trend growth in Q1, the European Commission's Economic Sentiment Indicator edged down from January's one-year high of 98.2 to 97.6 but still remained at its highest level since August. Overall, GDP growth is projected at 1.2% this year from 1.5% in 2025, supported primarily by Germany's fiscal stimulus, a healthy labour market and increasing AI-related investment. However, as a net oil importer, the Eurozone faces downside growth risks if oil prices remain elevated for an extended period. On inflation, headline CPI surprised to the upside in February, rising 0.2ppts to 1.9%YoY with the recent sharp increase in energy prices posing a significant upside risk. Core CPI also rose 0.2ppts to 2.4%YoY driven by a 0.3ppt increase in core goods inflation (0.7%YoY) and a 0.2ppt rise in services inflation (3.4%YoY), justifying ECB concerns about the potential effect of wage drift. With the ECB expecting inflation to average below target in both 2026 and 2027 (1.9%YoY and 1.8%YoY, respectively), it would probably look through a temporary energy shock. However, persistently elevated energy prices could reinforce concerns about second-round effects and the risk of the ECB raising rates.

Figure 7: AI use is increasing across Eurozone, but adoption led by large firms



Source: Eurostat, Eurobank Research

Figure 8: Compensation per employee up 4%YoY in Q1-Q3, driven by positive wage drift



Source: ECB, Eurobank Research

Germany

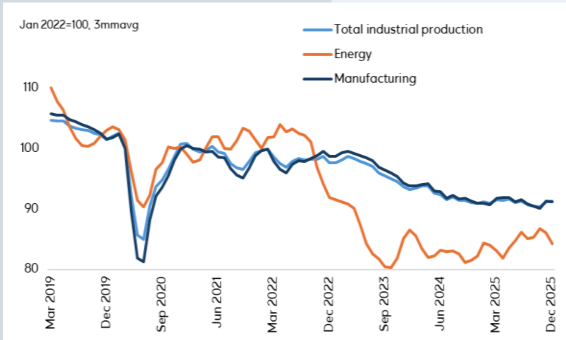
Strong defence orders are expected to help revive the manufacturing sector

Following a 0.3%QoQ expansion in Q4 2025 — which brought full-year growth to 0.2% after two years of stagnation — recent business sentiment indicators suggest that positive momentum has carried into the early months of the year. The improved outlook largely reflects increased fiscal spending under a markedly expansionary fiscal policy stance, driven in particular by the special fund for armed forces. The composite PMI improved in February for the second consecutive month, increasing 1pt to 53.1, its highest level in four months, with manufacturing climbing to the highest level since June 2022 (+1.6pts to 50.7). Similarly, the Ifo business climate index increased for the first time in four months, rising from 87.6 to a higher-than-expected 88.6 in February, mainly supported by stronger new orders, particularly for defence. The manufacturing sector recorded an almost 10%QoQ surge in new orders in Q4 — the strongest quarterly increase on record, excluding the post-pandemic rebound in summer of 2021, primarily driven by domestic demand (up 19.3%QoQ compared with a modest 3.8%QoQ increase in foreign demand). Accelerated defence procurement is playing a critical role, with domestic orders for weapons and ammunition rising sharply in late 2025 compared to their post-2022 average (figure 9). These developments support expectations for a gradual rebound in industrial production in the coming quarters, as rising defence spending is likely to generate spillovers across a broad range of industries, particularly given low capacity utilisation (77.5%, well below the long-term average of 83.2%). However, the recent sharp increase in oil prices driven by renewed geopolitical tensions in the Middle East, raises questions about the extent to which this development could dampen the expected recovery in industrial production. Meanwhile, industrial output continues to lag, marking a fourth consecutive year of decline in 2025 (-1.1%YoY), largely due to weakness in energy production and the automotive sector. This reflects persistent structural challenges that need to be addressed for a long-lasting recovery, including Germany's weakening competitive position, shortages of skilled labour in certain sectors, high-cost burdens (e.g. energy, wages) and bureaucratic constraints.

Figure 9: Domestic orders for weapons and ammunition at unprecedented levels in late 2025

Source: Destatis, Eurobank Research

Figure 10: Industrial production is struggling, largely due to energy and the automotive sector



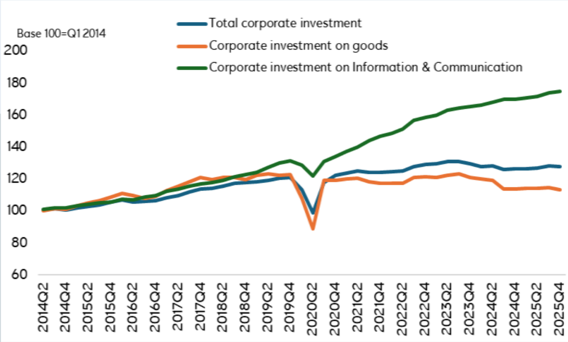
Source: Destatis, Eurobank Research

France

Positive growth momentum extends into early 2026

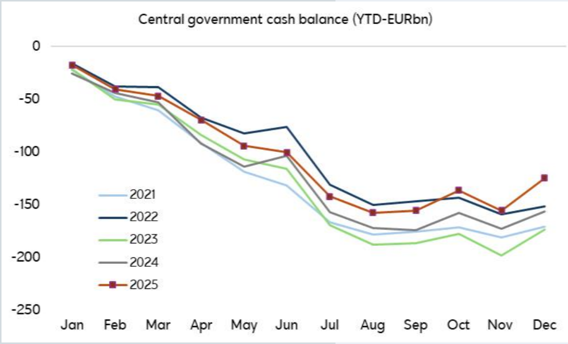
Following stronger-than-expected growth of 0.3%QoQ in Q4 2025 — despite heightened political uncertainty and the risk of government collapse in a highly fragmented National Assembly — sentiment indicators suggest that the positive momentum has extended into the early months of Q1 2026. Supported by easing political uncertainty after the approval of the 2026 budget alongside a rebound in business investment — corporate investment is up 1.4%YoY in Q4 2025 largely driven by AI-related spending — the INSEE business climate index rose to a six-month high of 99.3 in January before moderating to 97.4 in February, still marking its strongest reading since last November. More notably, the composite PMI recovered from January's decline, edging up to a slightly higher than expected 49.9 in February from 49.1 previously, led by a solid rebound in services (+1.2pts to 49.6). Household confidence also continued to improve, albeit modestly, up 0.1pts to 91 in February, the highest level in nearly a year, as wage growth (hourly labour cost up 2.4%YoY in 2025) outpaced inflation (HICP increased 0.9%YoY in 2025) allowing household purchasing power to continue increasing. By contrast, labour market data were less encouraging, with the ILO unemployment rate rising by a further 0.2ppts to 7.9% in Q4, its highest level since Q3 2021. The Banque de France expects Q1 GDP growth of 0.2–0.3%QoQ, while the market consensus sees full-year economic output at around 1.0%, broadly unchanged from 0.9% in 2025, mainly supported by stronger defence spending (the 2026 budget approved an additional €6.7bn of defence spending), sharply higher exports from the military and aeronautic sectors (at a record high of c.€80bn in December 2025) and spillover effects from Germany's fiscal expansion. On the fiscal front, stronger than expected central government budget execution data in December (mostly due to robust tax revenues) that brought the full-year deficit to 4.2% of GDP — 0.5ppts below the target outlined in the 2025 budget — indicate that the 2025 general government deficit may undershoot the government's -5.4% of GDP objective. If this materialises, the stronger outturn could generate a positive base effect for 2026. However, we remain cautious regarding the extent of the fiscal consolidation embedded in the 2026 budget, which targets a deficit of -5.0% of GDP.

Figure 11: Corporate investment supported by rising AI-related spending



Source: INSEE, Eurobank Research

Figure 12: Positive surprise to central government deficit on cash basis in December



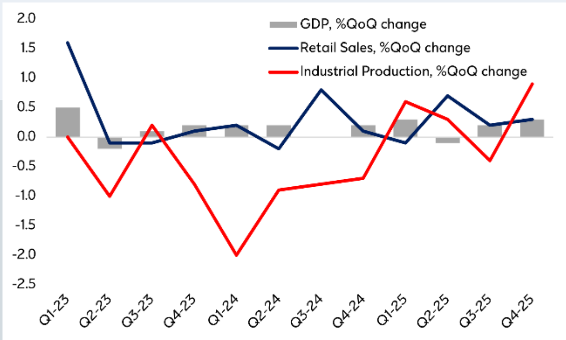
Source: INSEE, Eurobank Research

Italy

Olympics caused February inflation spike as unemployment hits new low

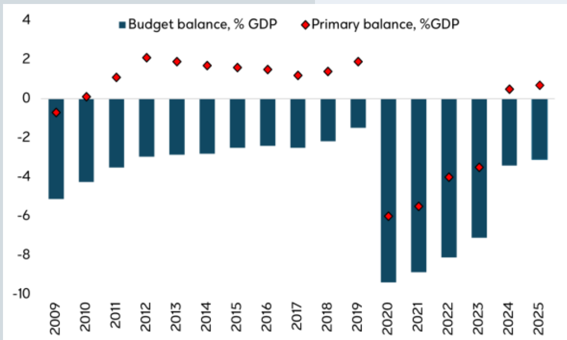
Recent days saw several macroeconomic prints diverging significantly from expectations, with inflation overshooting and unemployment coming in lower than the consensus estimates. The jobless rate sank to 5.1% in January from 5.5% in December, which was already the lowest in Eurostat data going back to 1983. EU-harmonised headline inflation accelerated to 1.6%YoY in February from 1.0%YoY the month before, coming in 0.5ppts higher than the consensus forecast. However, the jump in prices was due to the Winter Olympic Games in Milan and is unlikely to have a lasting effect on Italy's inflation trend, which has been well below the EU average. February's price pickup was concentrated in tourism-related sectors like hotels, cafes and restaurants, where prices increased 6.1%YoY compared with 4.3%YoY the month before. After averaging 1.6% in 2025, inflation is forecast to average 1.4% this year, and any threat to that projection is more likely to come from a prolonged spike in energy prices arising from the renewed conflict in the Middle East rather than a temporary pickup from the Olympics. On the energy front, Italy is one of Europe's most exposed markets to a price shock as it was the continent's biggest importer of Qatari LNG last year, with the imports accounting for 11% of its total gas demand. Ironically, even before the latest geopolitical developments, the Italian government had already jolted Europe's carbon markets in February and set up a confrontation with Brussels over a EUR3bln package to strip carbon costs from power bills. While that proposal threatens to upend the EU's carbon framework, a prolonged increase in gas prices could offer the government in Rome more ammunition in that fight, with the plan potentially mitigating the inflationary impact of the conflict. High energy input costs have been a long-lasting complaint of Italian industry and are one of the reasons behind the slump affecting the country's manufacturing sector in the past few years. However, there are some signs of the slump having bottomed out, with industrial production rising on a quarterly basis in three out of four quarters last year, increasing 0.9%QoQ in the final quarter. Annual national accounts data, which showed GDP increasing 0.5% last year, indicated that industry expanded 0.3%. The data also showed that the country's budget deficit last year ended up at 3.1%, a fraction higher than the 3% projected in the 2026 budget, which would have put it within the permitted EU limit.

Figure 13: Industrial production performed better in 2025, boosting GDP in Q4



Source: Istat, Bloomberg, Eurobank Research

Figure 14: Last year's budget deficit ended up just over the EU's permitted 3% limit



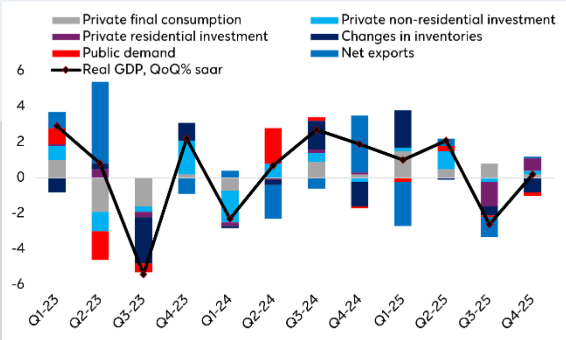
Source: Istat, Eurobank Research

Japan

Soft GDP and inflation data underscore BoJ caution in hiking interest rates

GDP growth came in weaker than expected in Q4, with the economy expanding an annualised 0.2%QoQ, substantially lower than the 1.6%QoQ consensus estimate and a tepid rebound from a 2.6%QoQ contraction in Q3. For the full year, GDP expanded 1.1% after contracting 0.2% in 2024. Changes to inventories were the biggest drag on Q4 growth, subtracting 0.8ppts from the annualised figure, while private residential investment contributed 0.7ppts. Household consumption was subdued, expanding an annualised 0.4%QoQ and contributing just 0.2ppts to the headline rate. Meanwhile, CPI growth decelerated more than expected in January, with the headline inflation rate falling to 1.5%YoY from 2.1%YoY in December, with base effects from fresh food prices and energy costs driving the disinflation. Tokyo CPI, seen as a leading indicator for the nationwide rate, increased 1.6%YoY in February, compared with 1.5%YoY in January, though the core rate that excludes fresh food slowed by 0.2ppts to 1.8%YoY. The soft growth and inflation data – combined with the overwhelming landslide electoral victory of Prime Minister Sanae Takaichi, who favours easy monetary policy, as well as loose fiscal policy, campaigning on a promise to cut sales tax on food – underscore the Bank of Japan's caution in its rate-hiking cycle. The central bank has so far raised interest rates by only 85bps to 0.75% since the first hike in the current cycle almost exactly two years ago. The market-implied probability of a 25bp rate increase at this month's policy meeting is only 4%, with markets pricing in a 12% chance of a hike by the April meeting.

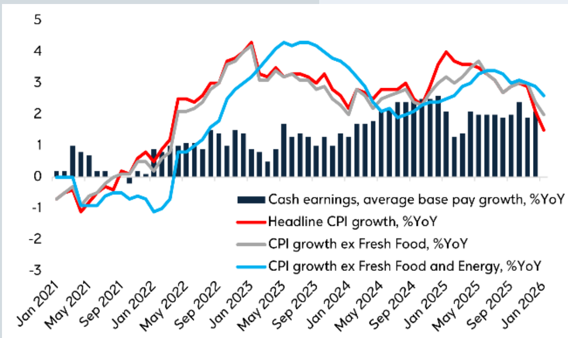
Figure 15: Japanese GDP growth came in weaker than expected in the final quarter of 2025



Source: Bloomberg, Eurobank Research

However, reporting suggests that BoJ officials believe that they remain on track to continue raising interest rates if the economy evolves as expected and have not ruled out an April increase. As always, a key variable will be the outcome of the annual *shunto* spring salary negotiations between large Japanese corporations and labour union groups. The largest union group, Rengo, said its members are demanding a 5.9% increase this year, compared with 6.1% last year, when the average negotiated increase came to 5.3%, the most in over 30 years. While the *shunto* talks cover only a relatively small proportion of Japan's labour force, they set the tone for wage growth in smaller corporations. Average cash earnings grew 2.2% last year, down from 2.6% in 2024 – though before that, the last time cash earnings increased by more than 2% was 1992.

Figure 16: The inflation rate turned sharply downwards in the first month of this year



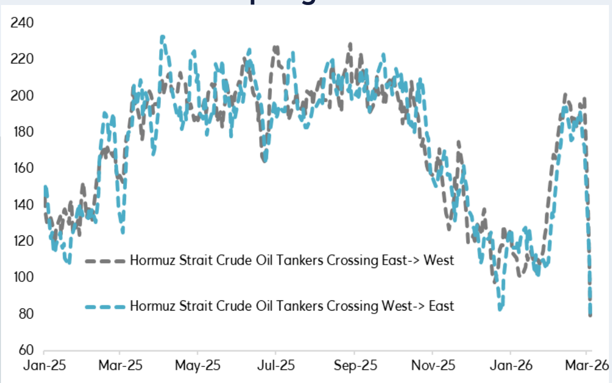
Source: Bloomberg, Eurobank Research

India

Growth resilient as new geopolitical energy risks loom

The economy is currently characterized by robust growth dynamics and resilient macro-financial fundamentals, albeit against a backdrop of rising geopolitical uncertainty stemming from the Middle East crisis. The official estimate for real GDP growth in FY2026 has been revised upward to 7.6% from 7.4% following the adoption of a new GDP series, underscoring sustained cyclical momentum. The growth model remains predominantly domestically driven, with private final consumption expenditure accounting for nearly 60% of GDP, thereby limiting direct exposure to external demand shocks. Macroeconomic conditions remain broadly anchored. Headline CPI inflation declined to multi-year lows during 2025, averaging 2.2%. Nevertheless, monetary policy has remained on hold, with the Reserve Bank of India maintaining the policy rate at 5.25% while retaining flexibility for potential easing during 2026. Concurrently, fiscal policy remains on a consolidation path, with the central government targeting a deficit close to 4.5% of GDP in FY2026.

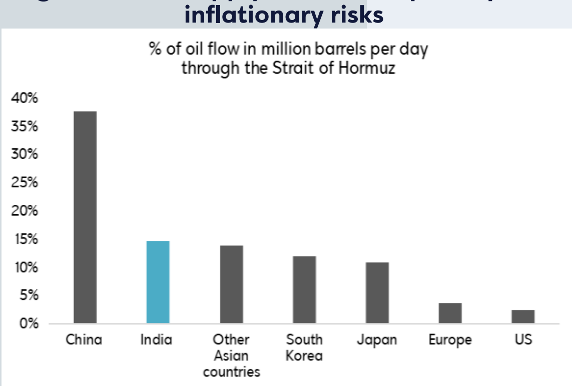
Figure 17: As crossings from Hormuz straits plunge..



Source: Bloomberg, Eurobank Research

India's external buffers remain substantial, with ample foreign exchange reserves providing significant capacity to manage episodes of external volatility. The escalation involving the US, Israel and Iran in late February 2026 and the resulting disruption of traffic through the Strait of Hormuz represent a material external risk. Given that a meaningful share of India's crude oil and a significantly larger proportion of its LNG imports transit through this corridor, the principal transmission channel operates through higher energy prices and potential supply constraints. Sustained elevated energy prices would likely lift inflation into a higher range, compress real disposable incomes and exert depreciation pressure on the rupee, notwithstanding reserve-backed intervention capacity. Additional fiscal pressures could emerge via higher subsidy outlays or fuel tax adjustments. While enhanced structural resilience and diversified sourcing mitigate systemic risks, an extended disruption would materially tighten macroeconomic conditions and weigh on the baseline growth outlook.

Figure 18: ..oil supply constraints pose upside inflationary risks



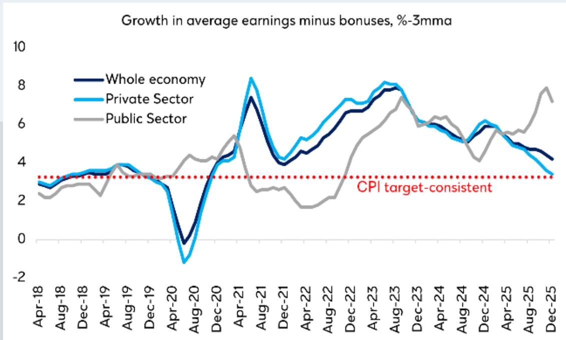
Source: IEA, Eurobank Research

UK

Labour market weakness slows wage growth to levels consistent with BoE target

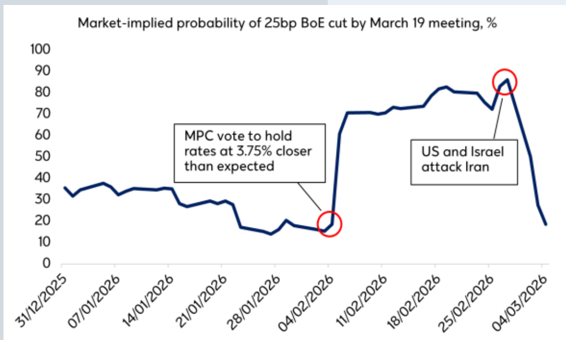
The weakening state of the labour market, combined with softening inflation data, meant that the Bank of England looked set to pivot towards faster interest rate cuts – until the latest war in the Middle East once more raised fears over an energy price shock. The unemployment rate has been on a steadily rising trajectory since 2022 and unexpectedly increased 0.1ppts to 5.2% in December 2025, its highest level in five years. At the same time, the three-month moving average of average weekly earnings dropped 0.4ppts to 4.2%YoY in December, compared with the consensus estimate that it would remain at 4.6%YoY. Regular private sector wage growth, which is the BoE's preferred measure, fell to 3.4%YoY from 3.6%YoY in November, close to the 3.25% mark the central bank considers consistent with its 2% inflation target. Concurrently with the softening of labour market conditions, price growth is also slowing and set to slow further in the coming months – barring any uptick resulting from the Middle East conflict. Headline CPI increased 3.0%YoY in January, in line with the consensus expectation, compared with 3.4%YoY in December, while core inflation slowed 0.3ppts to 3.1%YoY. Energy price base effects contributed to the decline in the headline rate, with fuel costs falling 2.3%YoY in January, compared with a 0.8%YoY rise in the same month of 2025. Base effects, from airfares and the introduction of VAT on private schools in 2025, also helped drive down inflation in January and should continue to exert downward pressure in the coming months. Meanwhile, GDP data showed that the economy expanded 0.1%QoQ in Q4 2025, unchanged from the previous quarter and 0.1ppts less than the consensus estimate. Net trade was the main drag on last quarter's growth, subtracting 0.5ppts from the headline rate, with final consumption and inventory accumulation adding to aggregate demand. For the full year, GDP grew 1.3% in 2025, compared with 1.1% in 2024. Against this macroeconomic backdrop, the central bank's Monetary Policy Committee looked set to cut its policy rate at its March meeting, with the market implied odds of a 25bp decrease surging after its members voted 5-4 to keep rates on hold in February – a tighter margin than expected. However, markets reversed those bets after the US and Israel began their bombing campaign against Iran, with the market-implied probability of a March cut plunging to just 28%, as of March 4, from 86% on February 27.

Figure 19: A softening labour market is rapidly slowing the growth in private sector earnings



Source: ONS, Bloomberg, Eurobank Research

Figure 20: The BoE looked to be heading for a March rate cut until war stoked inflation fears



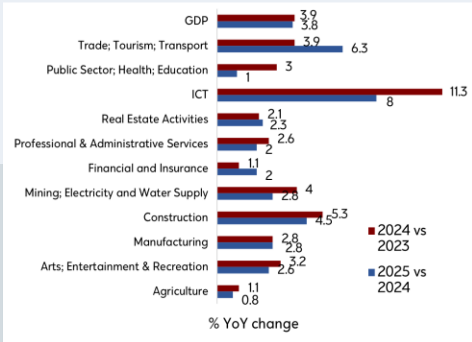
Source: Bloomberg, Eurobank Research

Cyprus

Growth momentum remains solid going into 2026

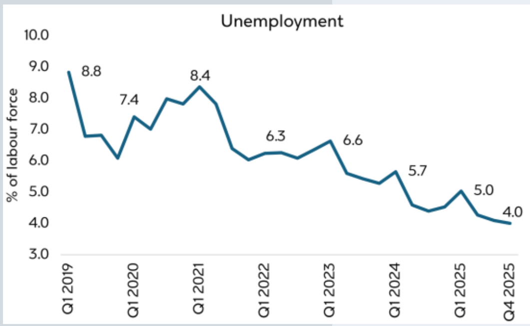
Cyprus' latest national accounts indicate that GDP growth remained solid in 2025, expanding by 3.8% year on year, supported by resilient activity in trade, tourism and transport, alongside steady contributions from ICT, real estate and professional services. Momentum is broad based, with domestic demand and service export strength underpinning overall performance. Cyprus maintained a robust expansion path over both 2024 and 2025 and ranked among the best performers in the Eurozone, far exceeding the Eurozone's 2025 average growth rate of 1.5%. Final consumption expenditure grew steadily in Q4 2025, driven by a 4.0%YoY rise overall, although household consumption increased more moderately at 3.3%YoY and softened slightly quarter on quarter. At the same time, trade flows increased on both sides, albeit unevenly, with exports rising by 4.4%YoY compared with a 2.7%YoY increase in imports, reflecting firm domestic demand. Cyprus's unemployment rate remains on a clear downward trajectory. Q4 2025 marked a slight decrease relative to Q3 — an atypical pattern given that Q4 usually records marginal increases due to tourism related seasonality. In Q4 2025, unemployment edged down to 21k from 22k in Q3, while employment increased to 486k from 484k, reflecting a higher seasonal correction than usual. Compared with a year earlier, the Q4 2025 unemployment was much lower, at 4.0% vs. 4.5%. Employment developments point to persistent tightness across major service sectors. Inflation in Cyprus averaged 1.1% in Jan–Feb 2026, down from 2.6% in the same period of 2025, with monthly readings moderating to 1.2% in January and 0.9% in February. These developments, however, reflect conditions prior to the recent conflict escalation in the Middle East region, which may exert upward pressure on energy prices and alter the inflation outlook over the course of the year. The escalation of the conflict involving Iran has heightened economic uncertainty in Cyprus, adding to downside risks. The extent to which the regional instability will affect the outlook, will depend largely on the duration and intensity of the conflict. Prior to the latest developments, high-frequency indicators pointed to sustained economic momentum at the start of 2026. Tourist arrivals in January rose by 8.5%YoY following a record year in 2025, while total car registrations expanded by 6.7%YoY, underscoring continued strength in foreign and domestic demand.

Figure 21: Gross Value Added % YoY change



Source: CYSTAT, Eurobank Research

Figure 22: Unemployment rate at an all-time law in Q4 2025



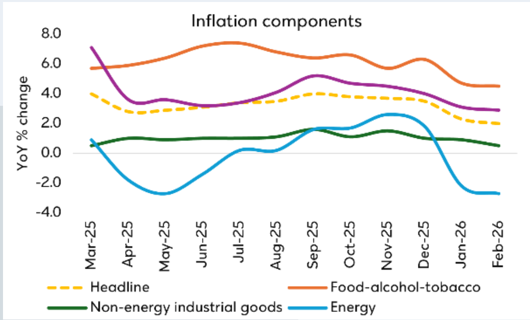
Source: CYSTAT, Eurobank Research

Bulgaria

Growth moderates to 3.2% in 2025; disinflation continues in February

Almost one and a half month ahead of the parliamentary elections scheduled for April 19, former President Rumen Radev formally registered his three-party coalition on March 2. Previously, Radev had maintained a clear lead in four February opinion polls relative to other political parties. However, these polling results also showed that, for all the candidates, securing an outright parliamentary majority remains unlikely. The caretaker government has submitted draft legislation to extend the 2025 state budget beyond Q1 2026, mirroring the temporary extension adopted in December. The bill also authorises the caretaker cabinet to finalise a €3.2bn loan agreement with the European Commission under the Security Action for Europe (SAFE) instrument, following the Com-mission’s endorsement of the country’s defence plan on January 15. Turning to macroeconomic developments, growth momentum softened marginally in Q4 2025, with real GDP expanding by 2.9%YoY according to the flash estimate, compared with 3.1%YoY in Q3. Domestic demand remained the primary driver. Gross capital formation accelerated further, rising by 10.1%YoY compared with 9.3%YoY in the previous quarter, while total final consumption maintained robust growth at 7.2%YoY, following a 7.9%YoY increase in Q3. Consumption continued to benefit from exceptionally tight labour market conditions, with the unemployment rate declining to 3.2% — the lowest level in at least 23 years — alongside solid consumer credit growth of 12.8%YoY in Q4. By contrast, the contribution from net exports deteriorated, as imports rose sharply by 9.5%YoY while exports remained broadly flat at -0.1%YoY. Overall, in 2025, GDP growth moderated slightly relative to 2024, to 3.2% from 3.4%. The inflation flash estimate for February points to continued easing. Headline inflation slowed to 2.0%YoY from 2.3%YoY in January, while core inflation moderated to 1.8%YoY from 2.1%YoY. The deceleration was broad-based across major components, with energy prices providing the largest contribution. The pronounced decline in energy inflation was the main factor behind the halving of headline inflation between September 2025 and February 2026. However, this dynamic also increases sensitivity to renewed energy price pressures. Should the recent surge in energy commodity prices due to ongoing conflict in the Middle East persist, the disinflationary trend could reverse. Other direct effects, e.g. on Bulgaria’s goods trade, should remain limited, as countries in the region accounted for only 1.6% of Bulgaria’s imports and 2.4% of its exports over 2022–2024.

Figure 23: Disinflation continues, driven mainly by energy prices, which are vulnerable to geopolitics



Source: Eurostat, Eurobank Research

Figure 24: Limited trade relations with the Middle East countries

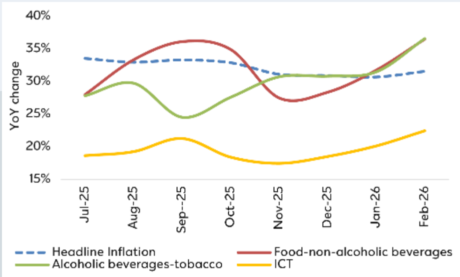
Source: Eurostat, Eurobank Research

Turkey

GDP growth at 3.6% in 2025, marginally above 2024

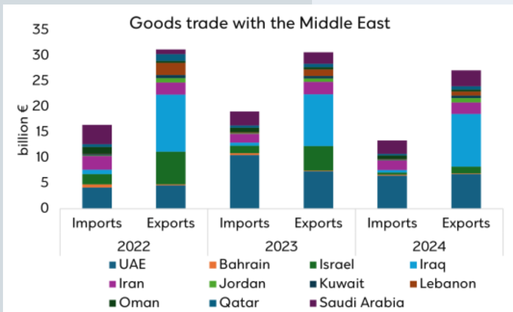
After two consecutive quarters of acceleration, seasonally adjusted GDP growth moderated to 3.4%YoY in Q4 2025 from 4.4%YoY in Q3, although quarterly momentum remained positive at +0.4%. As a result, average growth in 2025 reached 3.6%, broadly in line with the 3.5% expansion recorded in 2024. The Q4 deceleration was primarily driven by slower, albeit still robust, investment growth, which eased to 5.7%YoY from 10.7%YoY in Q3. The slowdown reflected weaker fixed capital formation in machinery and equipment, despite continued strong real credit expansion to non-financial corporates (8.8%YoY) throughout 2025. Both private and public consumption softened modestly. Household spending growth edged down to 4.7%YoY from 5.0%YoY, while government consumption eased to 1.3%YoY from 1.8%YoY. Although unemployment declined to 8.4% in Q4 — a 14-year low — the moderation in household consumption probably reflects persistent inflationary pressures, with headline inflation remaining slightly above 30%YoY throughout H2 2025. In contrast to domestic demand, net exports improved after several quarters of deterioration. While exports contracted further, by 2.0%YoY after a 1.3%YoY fall in Q3, import growth slowed more sharply. Turning to trends in high-frequency indicators in early-2026, inflationary pressures seem to be returning. Headline inflation accelerated to 31.5%YoY in February after stabilizing at 30.7%-30.8%YoY in December-January. The February increase was driven primarily by food and healthcare prices, reflecting supply shortages and higher healthcare co-payments by individuals. Should energy and other commodity prices rise further due to the ongoing geopolitical tensions in the Middle East, inflation could accelerate further in the coming months. In this context, additional policy rate cuts at the upcoming March and April central bank rate-setting meetings appear unlikely. Despite elevated inflation, household consumption is expected to receive near-term support from continued labour market resilience, as unemployment fell to 8.6% in January, marking another seasonal multi-year low, and robust real consumer credit growth (+11.7%YoY in Q4 2025). A prolonged period of regional instability would also weigh on the country's goods trade, given that Middle Eastern countries accounted for 13.6% of Turkey's exports and 5.2% of its imports over 2022–2024. This exposure adds to already soft momentum in January, with the goods deficit widening by 11.6%YoY.

Figure 25: Persistent inflation since July due to higher food, alcohol and ICT goods-services prices



Source: Central Bank of Turkey, Eurobank Research

Figure 26: Iraq, UAE, Iran and Saudi Arabia are Turkey's main trade partners in the Middle East region



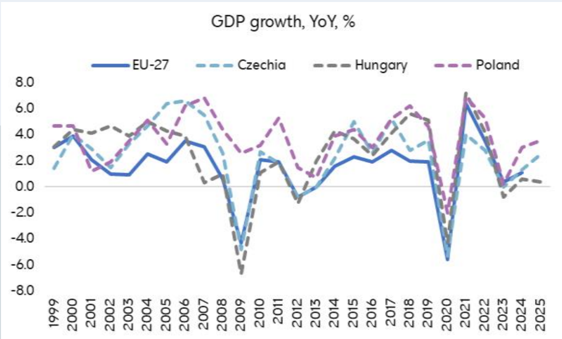
Source: Eurostat, Eurobank Research

CESEE

Regional resilience meets external shock risks

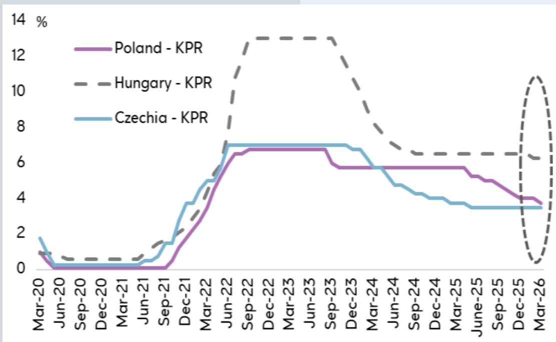
Economic performance across the CEE3 region in 2025 revealed a widening divergence with Poland and Czechia sustaining solid expansions and Hungary growing much less. The regional growth profile was shaped primarily by domestic demand, as external conditions remained mixed and the manufacturing recovery uneven. Poland emerged as the clear outperformer, recording full-year GDP growth of 3.6%, accelerating to 4.0%YoY in the fourth quarter. Private consumption was the principal engine, supported by resilient labour markets and real wage gains. Public spending and stronger-than-expected exports provided additional impetus. While external demand remains a constraint, domestic absorption has become the dominant driver of activity. Hungary, by contrast, posted only 0.4% growth in 2025, reflecting prolonged stagnation. Although GDP rose 0.8%YoY in the final quarter, the recovery lacked momentum. Household consumption supported growth, but declining fixed capital formation weighed on the overall performance, highlighting weaker investment dynamics and lingering structural fragilities. Inflation trends across the region improved markedly through 2025 and into early 2026, allowing central banks to cautiously recalibrate policy. In Poland, headline inflation fell to 2.2%YoY in January, with core inflation near 2.5%YoY, allowing for a 25bps rate cut to 3.75%. Czech inflation averaged 2.5% in 2025 and slowed further to 1.4%YoY in February 2026, though core components remain elevated at 3.1%YoY, justifying policy caution. In Hungary, easing underlying pressures and currency stability enabled the central bank to reduce rates to 6.25%, albeit from a significantly higher level. The renewed Middle East crisis introduces clear upside risks to inflation and downside risks to growth. A sustained increase in oil and gas prices would compress real incomes and limit further monetary easing. Beyond the direct energy channel, heightened uncertainty may weaken CEE currencies, tighten financial conditions and dampen consumer confidence. While baseline growth forecasts remain intact, the balance of risks has shifted, particularly for the more externally oriented and energy-sensitive economies of the region.

Figure 27: Regional growth resilience and improved inflation trends...



Source: Bloomberg, Eurobank Research

Figure 28: ..created a window for central banks to ease before energy risks loom



Source: Bloomberg, Eurobank Research

EUROBANK

Eurobank Macro Forecasts

	Real GDP (YoY%)			CPI YoY%, avg)			Unemployment rate (% of total labor force)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2025	2026f	2027f	2025	2026f	2027f	2025	2026f	2027f	2025	2026f	2027f	2025	2026f	2027f
World	3.3	3.0	3.0	4.1	3.3	3.0									
Advanced Economies															
USA	2.2	2.4	2.0	2.7	2.7	2.5	4.3	4.4	4.3	-3.7	-3.2	-3.2	-5.9	-6.3	-6.4
Eurozone	1.5	1.2	1.5	2.1	1.8	1.9	6.3	6.3	6.1	2.6	2.0	1.9	-3.2	-3.4	-3.4
Germany	0.2	1.0	1.5	2.3	2.0	2.0	6.3	6.3	6.0	4.4	4.5	4.2	-2.4	-3.5	-3.7
France	0.9	1.0	1.1	0.9	1.2	1.6	7.6	7.7	7.7	-0.3	-0.2	-0.1	-5.3	-5.2	-5.0
Periphery															
Cyprus	3.8	3.5	3.5	0.8	1.6	2.1	4.4	4.2	4.1	-7.0	-6.5	-6.0	2.6	3.4	3.4
Italy	0.5	0.8	0.9	1.6	1.4	1.8	6.0	6.0	5.9	1.2	1.2	1.2	-3.1	-2.9	-2.8
Portugal	1.9	2.2	1.8	2.2	2.0	2.0	6.0	5.8	5.8	1.2	0.9	1.0	0.2	0.0	-0.2
Spain	2.8	2.3	1.9	2.7	2.2	2.0	10.5	10.0	9.6	2.9	2.5	2.4	-2.7	-2.5	-2.4
UK	1.4	1.1	1.4	3.4	2.4	2.1	4.8	5.2	5.0	-1.8	-2.4	-2.4	-4.5	-3.8	-3.3
Japan	1.1	0.8	0.9	3.2	1.9	2.0	2.5	2.5	2.4	4.8	4.5	4.3	-1.4	-3.0	-2.9
Emerging Economies															
BRIC															
Brazil	2.3	1.8	1.9	5.0	4.0	3.9	6.0	5.9	6.3	-3.0	-2.8	-2.7	-8.3	-7.7	-7.5
China	5.0	4.6	4.4	0.1	0.7	1.0	5.2	5.1	5.1	3.8	3.0	2.7	-5.4	-5.5	-5.8
India	7.3	6.7	6.6	2.1	3.9	4.2	4.9	4.9	4.9	-0.9	-1.2	-1.3	-4.4	-4.3	-4.2
Russia	1.0	0.9	1.3	8.7	5.4	4.5	2.2	2.5	2.8	1.3	1.4	1.5	-2.7	-2.2	-1.6
CESEE															
Bulgaria	3.2	3.2	3.0	3.5	2.9	2.7	3.5	3.5	3.5	-3.9	-3.0	-2.3	-3.2	-2.6	-2.9
Turkey	3.6	4.2	4.0	35.2	27.5	20.7	8.4	8.2	8.1	-1.4	-1.3	-1.4	-4.1	-3.8	-3.0

Sources: European Commission, World Bank, IMF, OECD, Bureaus of National Statistics, Bloomberg, Eurobank Research

Eurobank Fixed Income Forecasts

	Current	March 2026	June 2026	September 2026	December 2026
USA					
Fed Funds Rate	3.5-3.75%	3.47-3.72%	3.27-3.52%	3.09-3.34%	3.01-3.26%
3m SOFR	3.66%	3.58%	3.38%	3.23%	3.16%
2yr Notes	3.56%	3.48%	3.41%	3.34%	3.3%
10yr Bonds	4.11%	4.17%	4.14%	4.12%	4.11%
Eurozone					
Refi Rate	2.15%	2.15%	2.15%	2.14%	2.15%
3m Euribor	2.04%	2.03%	2.03%	2.04%	2.07%
2yr Bunds	2.18%	2.08%	2.12%	2.15%	2.19%
10yr Bunds	2.78%	2.83%	2.89%	2.95%	3%
UK					
Repo Rate	3.75%	3.61%	3.42%	3.32%	3.24%
3m Sonia	3.66%	3.55%	3.38%	3.27%	3.19%
10-yr Gilt	4.47%	4.45%	4.39%	4.34%	4.31%
Switzerland					
3m Saron	-0.07%	-0.04%	-0.04%	-0.04%	-0.04%
10yr Bond	0.30%	0.32%	0.37%	0.40%	0.45%

Source: Bloomberg (market implied forecasts)

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr
+ 30 214 40 65 113

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr
+ 30 214 40 63 456

Maria Kasola
Research Economist
mkasola@eurobank.gr
+ 30 214 40 63 453

Koroli Panagiota
Administration Officer
pkoroli@eurobank.gr
+ 30 214 40 63 430

Dr. Konstantinos Peppas
Research Economist
kpeppas@eurobank.gr
+ 30 214 40 63 520

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr
+ 30 214 40 63 455

Dr. Theodoros Rapanos
Research Economist
trapanos@eurobank.gr
+ 30 214 40 59 711

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

Michail Vassiliadis
Research Economist
mvassileiadis@eurobank.gr
+ 30 214 40 59 709

Dr. Konstantinos Vrachimis
Research Economist
k.vrachimis@eurobank.cy
+ 357 22 501 333

More available research at: https://www.eurobank.gr/en/group/economic-research
Subscribe electronically at: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Follow us on twitter: https://twitter.com/Eurobank_Group
Follow us on LinkedIn: https://www.linkedin.com/company/eurobank