

July 2025

Key takeaways

US: initial signs of a slowdown in activity figures now showing after front-loaded consumption and production.
Eurozone: consumption rally persisting thanks to high household saving rates and positive real wage growth.
China: economy remains resilient thanks to robust export growth and trade diversification.

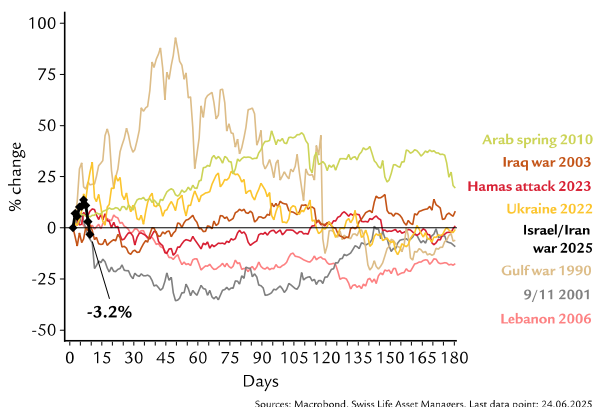
Comparison of forecasts

	2025 GDP growth		2026 GDP growth		2025 inflation		2026 inflation	
	Swiss Life AM	Consensus	Swiss Life AM	Consensus	Swiss Life AM	Consensus	Swiss Life AM	Consensus
US	1.5%	1.5% ↑	1.5%	1.6% ↑	3.0% ↓	3.0% ↓	3.5%	2.8%
Eurozone	1.0%	1.0% ↑	1.1%	1.1%	1.9% ↓	2.0%	1.8% ↓	1.8%
Germany	0.4% ↑	0.1% ↑	1.4% ↑	1.2%	2.0% ↓	2.1%	2.0%	2.0%
France	0.6% ↓	0.5% ↓	1.2%	0.9%	0.9% ↓	1.0% ↓	1.5% ↓	1.5% ↓
Italy	0.5%	0.5%	0.6%	0.7%	1.6% ↓	1.8%	1.8%	1.7%
Spain	2.2%	2.4%	1.7%	1.8%	2.3%	2.3% ↓	1.7%	1.9%
UK	1.1%	1.0% ↑	1.2%	1.0%	3.1%	3.2% ↑	2.2%	2.4% ↑
Switzerland	1.3% ↑	1.1% ↑	1.8%	1.4%	0.1%	0.2% ↓	0.5%	0.6%
Japan	1.0%	0.8%	0.6%	0.7% ↑	3.1%	2.8%	1.8%	1.6%
China	4.5%	4.5% ↑	3.9%	4.2% ↑	0.3%	0.2% ↓	1.3%	0.8% ↓

Arrows indicate change from previous month. Source: Consensus Economics Inc. London, 9 June 2025

Chart of the month

Short-term impact of geopolitical events on Brent prices (in USD)



Oil prices jumped sharply for a short time when the US joined the war between Iran and Israel by bombing Iranian nuclear facilities. However, the risk premium on crude oil immediately returned to pre-war levels when the US President announced a ceasefire. History shows that crises in the Middle East only result in lasting increases in oil prices when the markets consider oil production to be in danger, as they did during the Gulf War and the Arab Spring. At present, attacks on oil infrastructure and a closure of the Strait of Hormuz appear unlikely as neither Iran nor the US has an interest in them.

US Delay in the tariff delay?

GDP growth

Swiss Life Asset Managers	Consensus
2025: 1.5%	2025: 1.5%
2026: 1.5%	2026: 1.6%

The latest US activity figures show the expected weakening after households and companies had front-loaded imports in order to pre-empt tariffs. Retail sales and industrial production were down in May, with car sales in particular undergoing a decline. However, as US imports are now decreasing markedly, GDP growth will still be respectable in the second quarter. The Atlanta Fed's real-time forecaster GDPNow is even projecting GDP growth of 3.4% on an annualised basis. In the second half of the year, however, we expect the tariffs to have a more pronounced hampering effect on growth. We regard the trade war as a far greater risk to the US economy than a possible escalation in the Middle East conflict as the US is largely energy-independent. The tariff delay ends for all countries except China on 9 July. After that, we anticipate a mix of renewed delays (for countries with which a trade deal seems realistic) and higher tariffs. The latter may focus in particular on emerging markets that the US fears will increasingly act as transit countries for Chinese goods entering the US market. Trade policy uncertainty remains high, therefore, but we do not expect anxiety on the markets to return to the levels reached after "Liberation Day" on 2 April.

Inflation

Swiss Life Asset Managers	Consensus
2025: 3.0%	2025: 3.0%
2026: 3.5%	2026: 2.8%

Tariff effects were hardly noticeable in the inflation data in May, either. Although certain mostly imported goods such as sports equipment and electronics became more expensive, this trend was offset by a fall in car prices and weak inflation in the service sector. Overall, we still anticipate a delayed increase in goods prices due to the tariffs, which could lead to inflation rates being higher than currently expected in 2026.

Eurozone Saved by consumption

GDP growth

Swiss Life Asset Managers	Consensus
2025: 1.1%	2025: 1.0%
2026: 1.1%	2026: 1.1%

GDP growth has once again been revised upwards for the first quarter of 2025 (from 0.3% to 0.6% in comparison with the previous quarter). However, these figures overestimate the underlying momentum, as Ireland and front-loaded exports continue to distort the statistics. Consequently, we do not believe that the strong growth in the first quarter will be reflected in higher GDP growth for the year as a whole; instead, we anticipate a reversal in the following quarters due to a slowdown in US demand. We have therefore adjusted our quarterly growth trajectory for this year accordingly, with the result that our growth forecast for 2025 remains unchanged at 1%. We continue to view domestic demand as an important growth driver for the rest of the year. Real wage growth remains positive in the four major eurozone countries. Household saving rates are still comparatively high, and the lower interest rate environment should provide an additional boost. In addition, the tight labour market is also likely to bolster consumption and the economy. One European Commission indicator shows that 11% of companies have not cut their workforces despite falling output due to fears that it will become more difficult to re-employ these workers in the future.

Inflation

Swiss Life Asset Managers	Consensus
2025: 1.9%	2025: 2.0%
2026: 1.8%	2026: 1.8%

At 1.9%, inflation was lower than expected in May, and core inflation also dropped significantly. The latter was attributable to the decline in services inflation. Strong seasonal effects were at play here, however, due to Easter being so late in the year, leading to an increase in the prices of holiday-related services in April. A certain reversal of this effect was therefore expected for May.

Germany Growth in sight

GDP growth

Swiss Life Asset Managers	Consensus
2025: 0.4%	2025: 0.1%
2026: 1.4%	2026: 1.2%

Germany is still on the recovery course that has been perceptible since the start of the year. Despite geopolitical tensions, ongoing uncertainties in world trade and a temporary setback in May, there are growing signs of a gradual economic upturn. Sentiment indicators like the ifo, ZEW and PMI surveys show a moderate but broad-based improvement. Companies view the current business climate in particular as being more positive, and the Purchasing Managers' Index (PMI) is back above the growth threshold for the economy as a whole. In terms of foreign trade, the front-loading effects of exports are now being felt, and the export industry is losing momentum. By contrast, the continuing stability of the domestic economy is helping to sustain the moderate growth. Private consumption and business investment surprised by picking up slightly in the first quarter. In parallel, the initial signs from the construction sector – such as building permits – point to a tentative recovery following the strong contraction of the previous two years. Furthermore, the new German government's 2025 budget is highly ambitious and provides for a significant increase in spending on defence and infrastructure in 2025 already. To achieve this, new debt of over 3% of GDP per year is to be taken on. From 2026 onwards, they are likely to develop into genuine growth drivers, with positive effects on both employment figures and business investment.

Inflation

Swiss Life Asset Managers	Consensus
2025: 2.0%	2025: 2.1%
2026: 2.0%	2026: 2.0%

The inflation rate was close to the target range in May, mainly as a result of falling energy prices. However, core inflation – which excludes food and energy – lingered at 2.8%, indicating that the inflation situation has not yet completely normalised. Price pressure remains especially stubborn in services. Despite this, we expect a slow but steady decline in inflation in the current environment.

France Weak momentum

GDP growth

Swiss Life Asset Managers	Consensus
2025: 0.6%	2025: 0.5%
2026: 1.2%	2026: 0.9%

Economic momentum is picking up faster in other European countries than in France. According to preliminary figures, France is lagging behind in terms of the manufacturing PMI score in June, for example. Signs that the impact of US tariffs is lower than originally feared at the start of April are less apparent in France than elsewhere. A glance at the PMI for services, which declined in June, shows that the self-inflicted uncertainty following last year's dissolution of parliament remains at a high level. Construction and tourism are important exceptions to this trend: building permit numbers (residential renovations and new builds) were up by 40% year-on-year in April. The normalisation of monetary policy is gradually reaching the real economy, it would appear. Seasonally adjusted high-frequency figures on online job postings from Indeed show a strong increase in the number of vacancies in June. In the tourism sector, the boom among foreign guests that has already been discussed in this publication is persisting. In April, the number of overnight hotel stays by international guests rose to its highest level since 2011. The May figures for flight movements to and from the large Paris airports are even more up-to-date: they reached the highest level in May since 2000.

Inflation

Swiss Life Asset Managers	Consensus
2025: 0.9%	2025: 1.0%
2026: 1.5%	2026: 1.5%

Of the large euro member states, France has by far the lowest inflation rate, which stood at 0.7% in May. Only two out of twelve categories in the consumer price index shopping basket had annual inflation rates of more than 2%; one being alcohol and tobacco. It would appear that the ECB's monetary policy is currently too restrictive for France, which could partially explain the country's weak economic momentum.

Italy New lows

Italy achieved a historic milestone in April: the unemployment rate reached 5.9%, the lowest figure since April 2007, which for its part marked the low point in the boom years after the adoption of the euro. All the indicators suggest that the Italian labour market's success story will continue. In structural terms, labour shortages due to an ageing society are also making themselves felt in Italy, while the economic motor is still running steadily. Though the export economy – with the exception of tourism – continues to experience stiff headwinds, the domestic economy remains in a positive loop of low unemployment, higher consumption, decreasing financing costs and plentiful NextGenerationEU funds. Inflation has also levelled off at below 2%, with an advantageous mix: since the start of the year, energy and goods prices have fallen, and inflation has mainly been driven by services. This is reflected in the solid wage growth, which stands at between 1.9% and 4.5% (nominal) depending on the indicator used.

Spain A state of emergency

At the recent NATO summit, prime minister Pedro Sánchez secured a waiver for Spain that permits it to depart from the defence spending goal of 5% of GDP. Sánchez only committed to spending 2.1% of GDP on defence, meaning that Spain continues to bring up the rear in Europe in this regard. Sánchez is currently struggling with various domestic political problems. Increasing expenditure on the military would be an unpopular move domestically, and the unstable governing coalition still has not managed to adopt a budget for this year. Investigations into allegations of corruption within the governing party PSOE are intensifying, and there are increasing calls for elections to be brought forward. Not directly involved in the investigations himself, Sánchez is insisting that he will stay in office until 2027. The high level of political uncertainty has not yet affected economic activity, but if it continues for much longer, it could have a negative impact on both consumer and business sentiment.

Switzerland A roller-coaster ride for exports

GDP growth

Swiss Life Asset Managers	Consensus
2025: 1.3%	2025: 1.1%
2026: 1.8%	2026: 1.4%

The second quarter will be remembered as having been dominated by major geopolitical upheavals. Consumer sentiment worsened temporarily in Switzerland due to the US government's tariff policies, but by May the SECO-compiled index had already made a tangible recovery. The economic impact of the ongoing mutual attacks between Israel and Iran remains unclear. However, the private sector is proving surprisingly resilient to these increased levels of uncertainty. The export economy – in particular the pharmaceutical industry – was able to significantly ramp up production and delivery of its goods in the first quarter. As a result, exports have been on something of a roller-coaster ride. Up to and including May, export figures were down significantly. In our view, the effect of these fluctuations is so strong that gross domestic product may well stagnate in the second quarter. Assuming there is no further escalation in the trade war, strong driving forces from the domestic economy such as consumption by private households and construction activity are likely to trigger an acceleration in the economy. Our forecast for 2026 currently exceeds the consensus by a significant margin. We expect household consumption in particular to make a substantial contribution to GDP growth, much like in 2015 when the Swiss franc shock led to a sharp increase in household purchasing power virtually overnight.

Inflation

Swiss Life Asset Managers	Consensus
2025: 0.1%	2025: 0.2%
2026: 0.5%	2026: 0.6%

We continue to anticipate a short period of deflation due to falling import prices. However, the escalation in the Middle East conflict has resulted in a sharp increase in final consumer prices for oil products: at the end of calendar week 25, heating oil cost 16% more in Zurich than it did before Israel's attack on Iran. Even though no one is currently thinking about heating costs, a lasting rise in oil prices could be a key omen for how inflation rates will develop in Switzerland over the coming months.

UK Weakening labour market

GDP growth

Swiss Life Asset Managers	Consensus
2025: 1.1%	2025: 1.0%
2026: 1.2%	2026: 1.0%

Monthly GDP fell by 0.3% in April, the result of a decline in services and industrial production. A number of one-off effects were at play in April, including an increase in stamp duty and national insurance (social security) contributions and the introduction of the US trade tariffs. The figures point to a reversal in the front-loaded US demand for British goods seen in March. In April, for example, car production was down by 9.6% from the previous month's level, having risen by approximately the same magnitude in March. With this in mind, the GDP figures for April do not appear too worrying. However, the labour market is showing initial signs of a downturn. Wage growth slowed significantly in April, as did job growth, and the unemployment rate rose slightly to 4.6%. The figures confirm the weaker trend in employment growth, which can also be seen in other indicators such as the employment components of the Purchasing Managers' Index (PMI). The overall PMI for services and manufacturing for June also corroborated this trend in the employment figures, showing a further decline in the employment component. This decrease is mainly attributable to developments in the services sector, which are probably a consequence of the raising of social security contributions.

Inflation

Swiss Life Asset Managers	Consensus
2025: 3.1%	2025: 3.2%
2026: 2.2%	2026: 2.4%

Inflation dropped slightly to 3.4% in May, with the decline primarily being driven by lower service prices. An error in calculating vehicle excise duty for April by the Office for National Statistics, which resulted in total inflation being overstated by about 0.1 percentage points, was also a contributing factor here. Although the Bank of England left interest rates unchanged in June, it mentioned the slowdown in the labour market and reiterated its commitment to gradual easing in its communication.

China Robust despite the trade war

GDP growth

Swiss Life Asset Managers	Consensus
2025: 4.5%	2025: 4.5%
2026: 3.9%	2026: 4.2%

The Chinese economy faces multiple challenges – not just from the trade war with the US but also due to deflationary pressure resulting from weak consumer sentiment triggered by the real estate crisis. The country is nevertheless proving resilient: it has managed to avoid a slump in exports thus far by successfully diversifying its trade partners. In May, China recorded export growth of 4.8% year-on-year, even though exports to the US had fallen by over 30% due to the tariffs of 145% that applied until mid-May. Since the middle of May, tariffs have been cut to around 40%, meaning that the sharp fall in exports to the US is likely to lessen somewhat in the coming months. At the same time, China's tech industry is increasingly becoming established as a new growth driver. Not only is the country now the global leader in electric vehicles, solar panels and batteries; it also holds over 50% of global market share in sectors such as chemical production, shipbuilding, industrial robotics, drones and biotechnology. This position of strength will make it difficult for the US to obtain concessions from China in the trade war without offering something in return itself. Ongoing negotiations during the current tariff truce, which lasts until mid-August, are likely to be tough.

Inflation

Swiss Life Asset Managers	Consensus
2025: 0.3%	2025: 0.2%
2026: 1.3%	2026: 0.8%

At -0.1%, China's overall inflation was in negative territory for the fourth consecutive month in May. Even though core inflation – i.e. excluding volatile components like food and energy prices – rose slightly, the figure of 0.6% is still very low. We expect deflationary pressure to persist over the coming months as demand is not keeping up with production volumes.

Economic Research



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Released and approved by the Macroeconomic Research Department, Swiss Life Investment Management Holding Ltd, Zurich

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