

February 2026

## Key takeaways

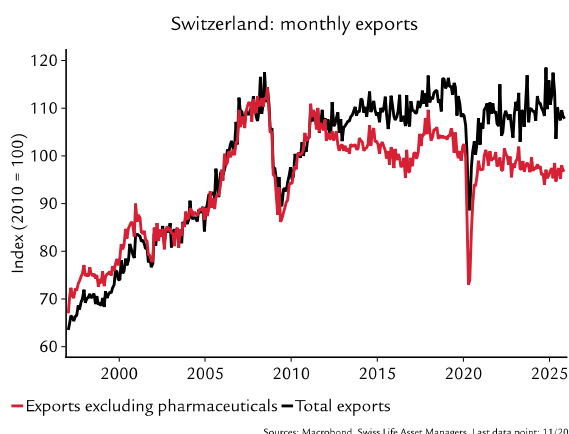
- USA: strong private consumption despite weak labour market? Lower savings rate is part of the explanation *p. 2*
- Germany: fiscal policy to support growth in 2026 – its implementation remains the greatest uncertainty *p. 3*
- France: domestic politics taking a breather *p. 3*
- Switzerland: inflation is moving away from zero again *p. 4*
- United Kingdom: a cooling labour market is leading to lower services inflation *p. 5*
- China: continuation of a divided economy – weak domestic demand, strong exports *p. 5*

## Comparison of forecasts

	2026 GDP growth		2027 GDP growth		2026 inflation		2027 inflation	
	Swiss Life	Consensus	Swiss Life	Consensus	Swiss Life	Consensus	Swiss Life	Consensus
USA	2.4% ↑	2.4% ↑	2.0%	2.0%	3.0% ↓	2.6% ↓	2.6%	2.4%
Eurozone	1.0%	1.1%	1.2%	1.4%	1.8% ↓	1.8%	2.0%	1.9%
Germany	0.9% ↓	1.1%	1.3%	1.5%	1.9% ↓	2.0%	1.7%	2.0%
France	1.1%	1.0% ↑	1.2%	1.1%	1.1% ↓	1.2% ↓	1.5%	1.6%
Italy	0.6%	0.7%	0.8%	0.8%	1.4% ↓	1.4% ↓	1.9%	1.8%
Spain	1.9%	2.2%	1.8%	1.9%	2.0% ↑	2.2% ↑	1.8%	2.1%
United Kingdom	1.2%	1.0%	1.3%	1.3%	2.4%	2.4% ↓	2.0%	2.2%
Switzerland	1.2%	1.2%	1.4%	1.5%	0.5%	0.4%	0.8%	0.7%
China	4.5% ↑	4.6% ↑	4.7%	4.4%	0.8% ↓	0.6%	1.0%	1.0%

Arrows indicate change from previous month. Source: Consensus Economics Inc. London, 16 January 2026

## Chart of the month



China has emerged as the world's second-largest developer of new drugs. So far, a simple model has dominated: Chinese companies license their active agents to global pharmaceutical companies. Both sides benefit – China from marketing and regulatory expertise, multinational companies from Chinese innovation. However, China is aiming to cover the full value chain and become a global player. While experts expect this to take years, the competition is coming – a growing challenge for Switzerland, whose export dynamics depend heavily on the pharmaceutical sector (see chart of the month).

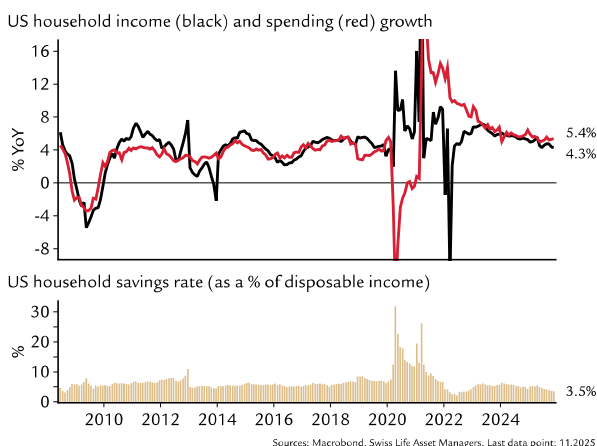
## USA

### The fog is clearing

Following the longest government shutdown in history, the data landscape for the second half of 2025 has consolidated. Overall, third-quarter GDP data and fourth-quarter activity figures surprised on the upside. The US economy is thus taking a lot of momentum into the new year, and we have therefore revised the GDP forecast for 2026 upwards. However, in view of the weak labour market, the robust private consumption is built on weak ground and can be explained, among other things, by a falling savings rate (only 3.5% in November). While inflation fell to 2.7% by the end of the year, it will be reported too low until March 2026 due to questionable assumptions on shelter inflation (data missing from during the shutdown). We also think that markets are underestimating tariff-related inflationary pressure for 2026. This means that the “purchasing power crisis” remains the number one issue for voters. The incentive to reignite the trade war ahead of the midterms is therefore low, which is likely to have contributed to the US government’s backdown in the Greenland dispute. Fiscal policy is already expansionary in 2026 due to the “One Big Beautiful Bill”. The government is now trying to address purchasing power through populist measures such as capping credit card interest rates, intervening in the housing market or putting pressure on the central bank. However, these are short-term measures with economically problematic side effects.

### 2027: return of growth to potential

In this edition of *Perspectives*, we are introducing our forecasts for 2027 for the first time. For the US, we expect 2% GDP growth, which is in line with growth potential. In contrast to 2026, we do not expect any fiscal or monetary stimulus, but the tariff shock is likely to be absorbed. Consequently, inflation will also gradually return to its 2% target.



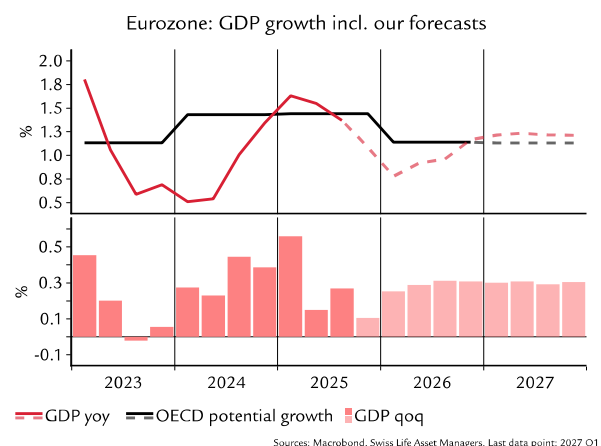
## Eurozone

### 2027: not a fiscal cliff, but a fiscal ramp

The European economy started the new year optimistically despite the latest geopolitical tensions, at least in terms of the purchasing managers’ indices (PMI). The PMI for the economy as a whole remained unchanged at 51.5 points. If we take an initial look at 2027, several issues come to the fore that will significantly influence the growth prospects of the eurozone as a whole. For example, we expect growth in 2027 to be particularly driven by fiscal policy, while monetary policy is likely to be more or less neutral. Fiscal policy in Germany in particular is set to become even more relaxed in 2027 than in 2026, leading to a growth rate above potential. However, we expect a tightening of fiscal policy for France and the southern eurozone countries. For the southern countries of the eurozone, the expiry of the NGEU (NextGenerationEU) programme is especially likely to cause a headwind. Italy and Spain in particular have benefited greatly from EU funds in recent years. However, 2027 is unlikely to mark an abrupt end to the funding, but rather a gradual reduction. While any remaining projects must be submitted by August 2026, the payouts can be made until the end of 2026. A significant share of the outstanding expenses is therefore expected to be incurred in 2027, which will cushion the impact somewhat. We thus expect the end of the NGEU programme to be less a “fiscal cliff” than a “fiscal ramp”, which means that fiscal policy is likely to become less restrictive than headlines suggest.

### Inflation under control

On the inflation side, we expect little excitement in 2027. We expect inflation to remain slightly below 2% in the four largest eurozone countries.



## Germany

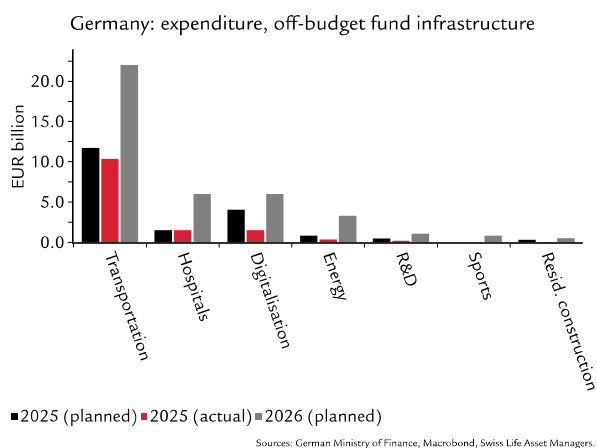
### Fiscal policy as the key growth driver

The German economy is starting 2026 under difficult conditions. Without government stimulus, economic momentum would be very weak. The outlook is therefore largely determined by fiscal expansion, but the implementation, speed and effectiveness of this remains uncertain. Expenditure from the special funds increased significantly in 2025 and is set to rise further in 2026. The differences between actual and planned expenditure also paint a mixed picture (see chart). In transport infrastructure, available funds were quickly committed as projects are in place and the focus is on maintenance. However, in more complex areas such as energy infrastructure, research and digitalisation, the actual utilisation was well short of that planned, suggesting higher requirements in terms of concepts, approvals and coordination. The fiscal momentum from these structurally important investments therefore depends heavily on how they are implemented in practice. The decisive factor is not the deficit path, but efficient and coordinated execution allowing for the rapid placement of specific orders and for production processes to commence.

The federal states and defence spending are additional growth drivers. However, this is also increasing the pressure on capacities and the construction industry. As a result, there is a greater risk that programmes will compete for scarce resources and cause price pressure to rise. Politically and financially, the cornerstone of fiscal expansion has been laid; in terms of the real economy, the challenge of implementation is still pending.

### 2027: fiscal policy to remain the key driver

The economy will continue to be driven by fiscal policy beyond 2026, with the resulting growth leading to second-round effects. We therefore expect GDP growth to accelerate from 0.9% (2026) to 1.3% (2027).



## France

### Growth forecast slightly above consensus

It is likely that Prime Minister Lecornu will be able to push through a budget by making recourse to Article 49.3. This appears to have facilitated a breather in terms of domestic policy. After the municipal elections in March, the political agenda will be definitively focused on the 2027 presidential elections. Despite two years of domestic political instability, the cyclical economic recovery is continuing to take shape: sentiment in industry improved further at the start of the year. According to a survey by the National Institute of Statistics and Economic Studies (Insee), confidence in this area is at its highest level since July 2022. Consumer sentiment has also improved recently, helped in particular by a more optimistic assessment of future employment prospects. In times of high geopolitical uncertainty and widespread scepticism about the economic recovery in the core European markets, mentioning an upside forecast risk for once appears appropriate: there have been signs since September 2025 of a moderate dissaving process on the part of households. An acceleration of this development could support private consumption more than assumed in our baseline scenario.

### Inflation fears taking a back seat

Across the board, the familiar measurements of the inflation expectations of economic stakeholders are indicating an easing. The breakeven inflation rate, which is calculated from the prices of inflation-linked ten-year bonds, is currently 1.8%. Consumer surveys have for months yielded a stable inflation expectation of 2% on average over the next three years. The first available consensus forecast for 2027 is 1.6%. As the forecast table on page 1 shows, our own inflation expectation for 2026 and 2027 is slightly below the consensus expectation.



## Italy

### Exports to the US have normalised

The Italian economy continues to perform robustly. According to the business survey conducted by the Italian statistical office Istat, sentiment recovered in all sectors with the exception of the construction sector in the second half of 2025 – albeit from low levels in industry. Interestingly, the problem in the export sector is not the US, where, following a dip, exports already returned to record levels on a 12-month moving average in October, but Germany, where exports are still showing little sign of recovery. This is likely to change in view of Germany's fiscal package in 2026, with the Italian defence industry potentially benefiting in particular. Meanwhile, the domestic economy is robust, and the labour market remains in good shape. However, we expect economic activity to slow in 2027, as the NextGenerationEU programme, of which Italy has been the largest beneficiary, is coming to an end. However, as the funds drawn and the projects financed by them will continue to leave their mark on the economy in 2027, this will not result in a “fiscal cliff” but in an ongoing moderate headwind for the economy.

## Spain

### Insufficient fiscal support in 2027

The political situation in Spain remains complicated. Hopes of an imminent agreement in the budget dispute therefore also remain low, as the minority government under Pedro Sánchez lacks the necessary parliamentary majority. Particularly in view of the expiry of the NGEU programme in the summer of 2026 (see text on the eurozone), Spain is set increasingly to need support from domestic fiscal policy in order to compensate – at least partially – for the loss of this stimulus. However, such a scenario would require an early election. We do not expect that at this stage. Instead, we expect substantial fiscal stimulus to come only after the next regular national elections. These must be held in August 2027 at the latest, which suggests that a more active fiscal policy approach will not be possible again until the 2028 budget at the earliest. Due to diminishing fiscal support, we expect a GDP growth rate of 1.8% for Spain in 2027, which is slightly below potential and below the expected growth for 2026.

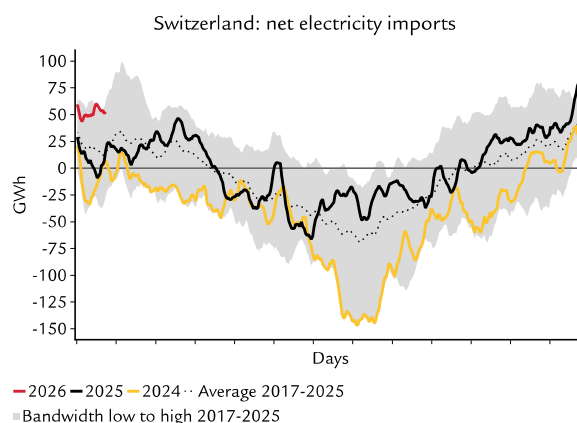
## Switzerland

### Unusually high electricity imports

Since November, the waves caused by the tariff dispute with the US have calmed. The subsequent marked improvement in consumer confidence leads us to believe there will be a brighter economic development as a result. However, a glance at the index of weekly economic activity (WEA) of the State Secretariat for Economic Affairs (SECO) shows that there is no sign at the moment of any immediate effect on economic momentum. Traders' warehouses in the US are so full that local demand is likely to be covered until the spring. At least the competitive disadvantages versus the competition from Europe and thus the short-term risk of a large-scale outsourcing of production by Swiss exporters have been eliminated. We now only expect a slight further increase in the unemployment rate by mid-2026. For the time being, the GDP growth forecast must continue to take account of the exceptional situation concerning power supply. Maintenance work at the Gösgen nuclear power plant has resulted in the need for unusually high electricity imports since the summer months (see chart). This already had a negative impact on the foreign trade balance in the gross domestic product reported for the third quarter of 2025. This situation has persisted since then, with net electricity imports in January 2026 alone six times as high as in the same month of the previous year.

### 2027: inflation forecast slightly above consensus

Our inflation forecast is slightly above consensus expectations for the current year and for 2027. The rental component in the Swiss Consumer Price Index is likely to receive a higher weighting again in 2026. The persistently above-average price development in this category is reinforcing the trend away from the current zero inflation.



## United Kingdom

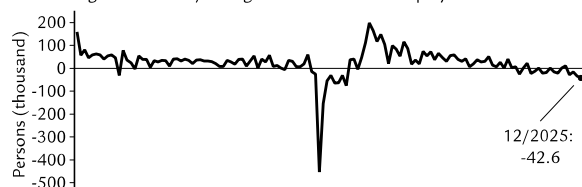
### Continued slowdown of the labour market

The UK economy grew stronger than expected in November at 0.3% compared to the previous month. One of the key drivers was a recovery in car production following the cyber attack on Jaguar Land Rover in September. In addition, the steady growth in the services sector continued. Nevertheless, we do not expect this positive momentum to have continued in December. Meanwhile, the slowdown in the labour market has intensified further. The unemployment rate has risen further, while the number of job vacancies continues to decline. However, wage growth is decreasing more slowly than the decline in labour market momentum would suggest, albeit due in particular to continuing increases in public sector wages. Overall, we do not expect any abrupt turmoil on the labour market, although the environment is set to remain challenging in 2026. However, these are welcome developments for the inflation outlook. Decreasing wage pressure is likely to have a dampening effect in particular on the persistently stubborn inflationary pressure on service prices, especially since wage costs account for a high proportion of costs in this sector. This should be further boosted by base effects for both energy and regulated prices and falling energy costs for households.

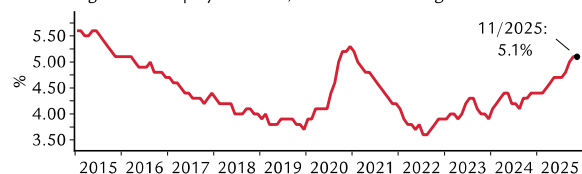
### 2027: moderate upturn

Inflation is nevertheless not set to fall below the Bank of England's 2% inflation target again until 2027. In terms of growth, we expect a slight acceleration in 2027 compared to 2026, which should above all be supported by the continued recovery of private consumption. On the other hand, we expect government consumption to decline slightly in 2027 compared to 2026 due to the fiscal policy measures announced in the autumn budget.

United Kingdom: monthly change in the number of employees



United Kingdom: unemployment rate, three-month average



Sources: Macrobond, Swiss Life Asset Managers. Last data point: 12/2025

## China

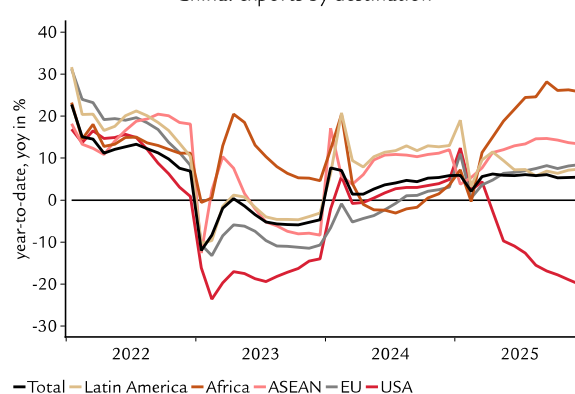
### China's economy remains divided

China achieved GDP growth of 5% in 2025, thus meeting its annual target. However, behind this figure lies a divided economy: domestic demand remains weak, weighed down by the correction in the real estate market and the anti-involution campaign against excessive local competition. At the same time, industrial production is growing robustly, particularly in the high-tech sector, as China's innovative strength is steadily increasing (see text for chart of the month). Despite tariffs, high-tech goods are driving export growth and are currently the most important growth pillar. Exports are once again likely to remain key for economic growth in 2026. Firstly, broadly diversified trade relations are cushioning the decline in US exports, which plummeted by 20% in 2025. Secondly, competitiveness remains high, driven by integrated supply chains and an undervalued currency. Thirdly, policymakers wish to further accelerate technological progress and high-tech goods such as electric cars, solar cells, microchips and electrical appliances were already among the strongest growth drivers in 2025. Nevertheless, we are forecasting economic growth of just 4.5% for 2026, as the correction in the real estate market continues to weigh on investments and consumer sentiment. Growth in 2027 is likely to be slightly higher at 4.7%, driven by the already established high-tech sector, while the negative effect of the correction in the real estate market will gradually ease.

### No reflation yet

We expect an inflation rate of just 0.8% in 2026 and continued producer price deflation as supply outstrips demand. Real reflation, understood as a return to a sustainable, demand-driven inflation level, would require significantly stronger impulses for consumption and services, which is currently not expected.

China: exports by destination



Sources: Macrobond, Swiss Life Asset Managers. Last data point: 12/2025

## Economic Research



**Marc Brütsch**  
**Chief Economist**  
marc.bruetsch@swisslife-am.com  
**in**@marc\_brütsch



**Damian Künzi**  
**Head Macroeconomic Research**  
damian.kuenzi@swisslife-am.com  
**in**@damian\_künzi



**Josipa Markovic**  
**Economist Emerging Markets**  
josipa.markovic@swisslife-am.com  
**in**@josipa\_markovic



**Christoph Lauper**  
**Economist Quantitative Analysis**  
christoph.lauper@swisslife-am.com  
**in**@christoph\_lauper



**Florence Hartmann**  
**Economist Developed Markets**  
florence.hartmann@swisslife-am.com  
**in**@florence\_hartmann

**If you have any questions or if you would like to subscribe to this publication,**  
please send an email to: [info@swisslife-am.com](mailto:info@swisslife-am.com).

For more information visit our website at: [www.swisslife-am.com/research](http://www.swisslife-am.com/research)

**in**

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

Swiss Life Asset Managers may have acted upon or used research recommendations before they were published. The contents of this document are based upon sources of information believed to be reliable but no guarantee is given as to their accuracy or completeness. This document includes forward-looking statements which are based on our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements.

**France:** This publication is distributed in France by Swiss Life Asset Managers France, 153 rue Saint-Honoré, F-75001 Paris to its clients and prospects. **Germany:** This publication is distributed in Germany by Swiss Life Asset Managers Deutschland GmbH, Clever Strasse 36, D-50668 Köln, Swiss Life Asset Managers Luxembourg, Niederlassung Deutschland, Darmstädter Landstraße 125, D-60598 Frankfurt am Main and BEOS AG, Kurfürstendamm 188, D-10707 Berlin. **UK:** This publication is distributed by Swiss Life Asset Managers UK Ltd., 55 Wells Street, London W1T 3PT. **Switzerland:** This publication is distributed by Swiss Life Asset Management Ltd., General-Guisan-Quai 40, CH-8022 Zürich. **Norway:** This publication is distributed by Swiss Life Asset Managers Holding AS, Haakon VII's gt 1, NO-0161 Oslo. **Italy:** This publication is distributed by Swiss Life Asset Managers Luxembourg, succursale Italia, Via San Prospero 1, I-20121 Milano. **Denmark:** This publication is distributed by Swiss Life Asset Managers Danmark, filial af Swiss Life Asset Managers Luxembourg, Luxembourg Frederiksgade 11, 1. tv, 1265 København K.