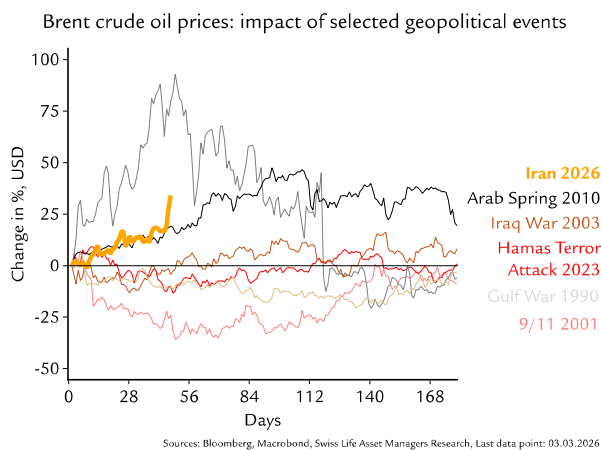


3 March 2026

Iran war and its implications

Our economic assessment

- The US and Israel entered a direct war with Iran.
- Oil prices have surged to around \$80/bbl due to supply risk premia. As the oil price is the main global macro transmission channel, three plausible scenarios for this month are outlined below.
- *Base case – elevated oil prices in the range of \$80–90/bbl:* hostilities persist as the US and Israel seek to further weaken Iran’s military and nuclear capabilities. Iran does not fully close the Strait of Hormuz, but tankers increasingly avoid the area. Offsetting factors help cap the upside on prices: a) OPEC+ supply increases b) Saudi & UAE pipelines combined are able to divert roughly 6.5 million bbl per day, bypassing Hormuz c) China’s high inventories reduce near-term replacement needs d) Iran front-loaded exports, providing a floating-storage buffer.
- *Positive scenario – swift de-escalation:* a rapid halt to hostilities, possibly including a “deal” with new Iranian leaders, brings oil prices back to pre-war levels.
- *Negative scenario – lasting oil price shock:* the destruction of energy infrastructure or a long closure of the Strait of Hormuz pushes oil prices above \$100/bbl. Europe/Japan are also hit by higher gas prices. Central banks, notably in energy-importing economies, face a trade-off between supporting economic growth and containing renewed inflationary pressure.



Financial markets developments

- The overall market impact has so far been limited, as the escalation was not unexpected. The main factor driving markets is the price of energy.
- European equities dropped sharply, given Europe’s high reliance on Middle Eastern energy. US equities were less affected due to US energy independence.
- Market-implied inflation expectations have risen, pushing global government bond yields up.
- Credit spreads widened in Europe and in lower-rated or energy-sensitive sectors; US spreads were largely stable. EM bonds of countries outside the Middle East saw indirect pressure from higher US yields and a stronger USD.
- CHF briefly strengthened before the SNB pushed back; the USD benefitted from safe-haven flows due to the US status as a net energy exporter.

Our current market assessment

- The market reaction so far is consistent with previous periods of heightened geopolitical tension. The market does not seem to be pricing in a high probability of our negative scenario.
- In our base case, we expect equity markets to recover, credit spreads to remain broadly stable, and interest rates to show limited movement as the global economic backdrop continues to be supportive and corporate earnings are solid. However, net energy-importing countries and energy-intensive sectors are likely to lag those that are energy exporters or less oil-dependent.
- The Swiss franc should stay firm but is unlikely to appreciate significantly against the euro, given the SNB’s readiness to intervene. The USD may strengthen further versus the EUR, reflecting the eurozone’s reliance on imported energy.
- Uncertainty around geopolitical developments and oil prices remains exceptionally high. In this environment, we continue to adopt a prudent risk stance while ensuring portfolios remain broadly diversified, including real assets, commodities, and precious metals in the portfolios, where possible.

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March 2026 – Update on the latest geopolitical developments in the Flash Comment at the top of the publication

Key takeaways

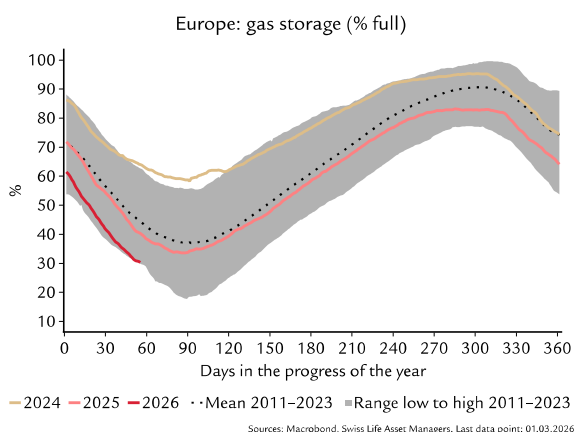
- USA: despite tariff chaos, we expect moderate growth and a stabilisation of the labour market p. 2
- Germany: fiscal policy to support growth in 2026 – its implementation remains the greatest uncertainty p. 3
- France: slight rise in inflation rates expected from now on p. 3
- Switzerland: positive economic signals at the start of the year p. 4
- United Kingdom: government spending supports economic growth p. 5
- China: exports continue to dominate economic growth p. 5

Comparison of forecasts

	2026 GDP growth			2027 GDP growth			2026 inflation			2027 inflation		
	Swiss Life	Consensus		Swiss Life	Consensus		Swiss Life	Consen-		Swiss Life	Consen-	
USA	2.4%	2.6%	↑	2.0%	2.1%	↑	2.8%	↓	2.6%	2.6%	2.4%	
Eurozone	1.2%	1.2%	↑	1.2%	1.4%		1.8%		1.8%	1.8%	1.9%	
Germany	1.0%	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	0.9%	0.8%	↑	0.8%	0.8%		1.5%	↑	1.4%	1.9%	1.7%	
Spain	2.2%	2.3%	↑	1.8%	1.9%		2.0%		2.3%	1.8%	2.1%	
United Kingdom	1.2%	1.0%		1.3%	1.3%		2.4%		2.5%	2.0%	2.2%	
Switzerland	1.1%	1.2%	↓	1.4%	1.5%		0.4%	↓	0.3%	0.8%	0.6%	
China	4.5%	4.6%		4.7%	4.4%		0.5%	↓	0.6%	1.0%	1.0%	

Arrows indicate change from previous month. Source: Consensus Economics Inc. London, 9 February 2026

Chart of the month



The gas market saw a sharp price increase in January 2026, mainly due to colder-than-expected weather, low storage levels (see chart of the month) and geopolitical uncertainty. However, the temporary price increase remained moderate compared to the 2022 energy crisis, and is likely to have a limited impact on eurozone inflation as many countries have regulated energy tariffs. We have only raised our inflation forecast for February slightly for Italy, as wholesale prices are feeding through to household prices more quickly there and Italy has a higher energy weighting in its inflation index.

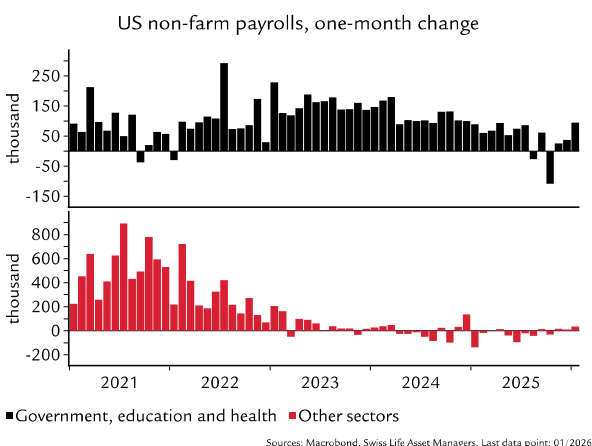
USA

The tariffs are dead, long live the tariffs!

The end of the IEEPA tariffs has not brought about any immediate change in the US growth outlook. If the new tariffs, which were issued on the basis of Section 122 of the Trade Act, actually increase to 15% as announced, this will only provide marginal relief in terms of tariff costs for the US economy. We consider the following aspects to be more important: firstly, the Supreme Court's decision restores some of the confidence in the US institutions that has recently been lost; secondly, the decision enormously reduces the potential threat from tariffs, as new tariffs require lengthy approval processes; thirdly, trade uncertainty will increase again in the course of the next few months. The tariffs based on Section 122 are limited in duration to 150 days, and any extension would require approval from the US Congress, which is largely critical of Trump's trade policy. The government has therefore launched proceedings to introduce new tariffs based on Section 301, but these processes took longer than 150 days in the past. In this respect, it is conceivable that there will be a temporary tariff pause in five months, which could lead to volatility in trade figures.

Glimmers of hope on the US labour market

Despite the political noise, the US economy is performing solidly. Following weak GDP figures at the end of the year due to the government shutdown, Purchasing Managers' Indices pointed to moderate growth at the start of 2026. The fiscal tailwind should trigger a recovery in investments outside the IT sector, which has recently declined. The labour market has probably passed the low point. Job advertisements have stabilised, and job growth became somewhat broader in January. Inflation surprised again on the downside in January, which is why we have revised the forecast for 2026.



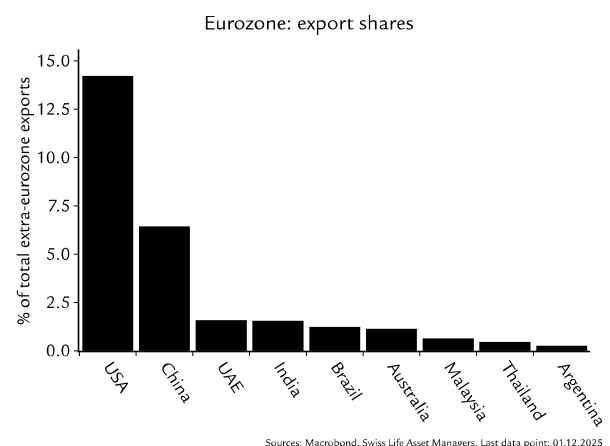
Eurozone

EU expands global trade partnerships

Trade uncertainty has increased again following the latest court ruling from the US. At the same time, the EU is negotiating new trade agreements not only with the US, but also with other trading partners. After a process lasting about 20 years, negotiations with the Latin American trade bloc MERCOSUR have been completed. However, the free trade agreement has not yet been ratified and is currently pending before the European Court of Justice. Full entry into force is unlikely to be realistic before 2028. As the share of exports to these countries is low, the economic benefits for the eurozone are likely to remain limited. The free trade agreement between the EU and India – the subject of much recent discussion – has also been negotiated but still has to be formally ratified by both sides. This is likely to take at least another year. This agreement is of particular interest to the European automotive industry, as India will reduce the import duty on European vehicles from 110% to 10% for a quota of 250 000 cars per year. If this quota is fully used up, India could become almost as important as the Chinese market for European car manufacturers. In addition, the EU is currently negotiating with Australia, Malaysia, the Philippines, Thailand and the United Arab Emirates. Although the volume of trade with these countries is also low, the EU is likely to be focusing more on the symbolic political effect of such partnerships.

Inflation expectations unchanged

Despite the price movements on the energy market, we are leaving our inflation forecast for 2026 unchanged (see chart of the month). In January, inflation fell as expected to 1.7%. There is therefore no need for the European Central Bank to take action.



Germany

Boom in orders brightens mood and outlook

Sentiment in German industry has improved noticeably. For the first time since 2022, the Purchasing Managers' Index (PMI) for manufacturing is back above the growth threshold, mainly thanks to a sharp rise in domestic orders in the fourth quarter. The increase was broad-based: orders for metal, mechanical engineering and electronic products each rose by more than 10% compared to the previous quarter. Overall, orders were up by 9.6%. Despite this improvement, caution is warranted. Order intake is volatile, and sectors with no connection to the fiscal expansion, such as vehicle manufacturing and pharmaceuticals, remain clearly burdened in terms of production and orders. In addition, the increase is mainly being driven by more volatile large orders (see chart). It remains unclear how sustainable the recent growth will be. Some of the government's orders are likely to come from pre-planned projects that can be implemented quickly, while more complex projects require longer planning and approval processes and are subject to greater uncertainty. The speed with which orders are processed remains crucial for the recovery of the German economy. Nevertheless, it is now becoming apparent that the German government is drawing on the funds made available quickly and on a large scale.

Stable services inflation despite January effects

Inflation data in January is particularly relevant as many rarely changed prices are reset at the beginning of the year. This applies above all to services, where inflation remained at 3.2% year-on-year. At the same time, new regulations often enter into force in January. The restaurant industry was affected this time: VAT on food was cut from 19% to 7%, while the minimum wage (which is valid for the whole economy but particularly relevant for this sector) was raised by 8.4%. Despite these changes, annual inflation in the restaurant sector remained unchanged compared to December.



Sources: Macrobond, Swiss Life Asset Managers. Last data point: 12.2025

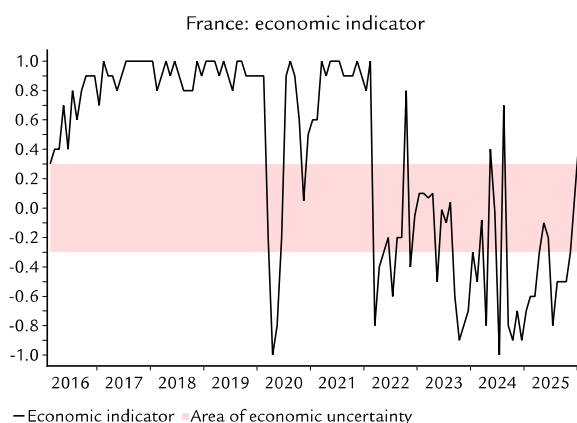
France

Economic ups and downs

In January, the monthly economic indicator from the INSEE statistical office shown below climbed to a level that has only been reached twice since March 2022. As in previous cases, however, this increase was followed by a relapse into economic uncertainty. That said, the signs of a sustained continuation of the economic upswing are good this time. In contrast to the previous occasions, consumer and business sentiment are recovering in step this time. Rising real wages and the improved economic prospects in Germany are also contributing to the favourable outlook. Positive knock-on effects from the neighbouring country's fiscal programmes are to be expected for France's construction suppliers and defence sector. Our growth forecast for 2026 and 2027 is slightly above consensus expectations. Nevertheless, we still consider it appropriate to mention an upside forecasting risk: since September 2025, a moderate drawdown of household savings has been emerging. An acceleration of this development could support private consumption more strongly than assumed in the baseline scenario.

Inflation now at multi-year low

Inflation continued to fall in January. Both headline inflation (currently 0.4%) and core inflation (January 2026: 1.0%) dropped to a multi-year low. However, inflation is now likely to have reached its cyclical low point. We expect a further increase to values above 1% in the course of the second quarter due to base effects. That said, we do not expect the inflation rate to pass the 2% mark again during the entire forecast period lasting until December 2027.



Source: INSEE, Macrobond, Swiss Life Asset Managers. Last data point: Gennaio 2026

Italy

Employment boom in construction continues

Italy ended 2025 with surprisingly strong growth figures, driven in particular by solid domestic demand, while foreign trade made a negative contribution. To date, surveys for 2026 by the Italian statistical office Istat continue to indicate a solid business situation for companies. Sentiment among service providers soared at the beginning of the year, while the manufacturing sector remains on a moderate recovery path. Meanwhile, labour market figures are reaching new record levels. At 5.6%, Italy now has the eighth lowest unemployment rate of the 21 eurozone countries. However, this encouraging figure is masking a slowdown in employment growth and a slight increase in the number of people no longer active in the labour market. In addition, employment growth has become less broad-based: the boom in the construction sector has continued, but employment has been stagnating in the industrial sector since 2023 and in the services sector since the end of 2024.

Spain

Strong end to year confirms growth path

The Spanish economy once again exceeded our expectations in the fourth quarter of 2025, recording growth of 0.8% compared to the previous quarter. This growth was broad-based. Private consumption remained strong and investments rose again significantly, which – at least in part – is still likely to be attributable to funds from the NextGenerationEU programme. On the production side, the services sector grew steadily while the manufacturing sector continued to slow down. With annual growth of 2.8% for 2025, Spanish growth was once again well above the average for the eurozone. The labour market reflects this economic strength. Both employment and wages rose significantly, while the unemployment rate continues to fall. We expect growth to slow slightly in 2026 compared to 2025. Our forecast of 2.2% is slightly below consensus expectations, but it is still significantly above expectations for the eurozone as a whole.

Switzerland

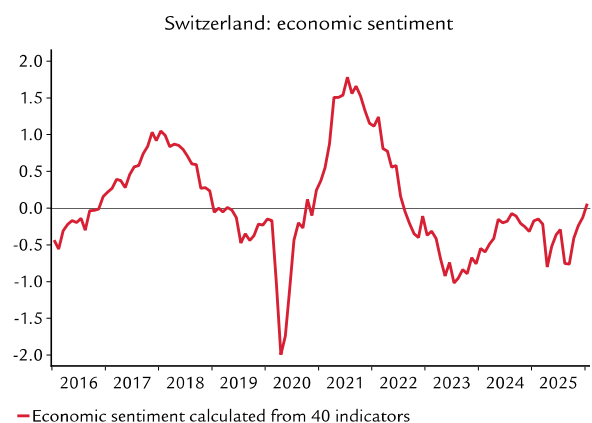
Signs of spring in the economy

Economic confidence has recently increased across the board in Switzerland. The SECO (State Secretariat for Economic Affairs) collective indicator of economic sentiment returned to positive levels in January for the first time since August 2022. This indicator summarises 40 domestic data series with good indicator properties. Among the observed data series is consumer confidence, which continued to improve at the beginning of the year. Households are increasingly confident about their financial situation. The surprise decline in the unemployment rate in January fits the positive overall picture. However, the challenges in industry remain significant. The renewed upheaval in the tariff dispute with the US is once again increasing uncertainty in the short term. It remains to be seen whether the high number of employees in short-time work programmes will lead to further job losses over the course of the year.

For the time being, the upswing will also be held back by the extraordinary electricity supply situation. Maintenance work at the Gösigen nuclear power plant has resulted in the need for unusually high electricity imports, which is impacting the foreign trade balance and having a negative impact on gross domestic product growth.

Inflation: new weightings in the basket

In January, inflation surprised strongly to the downside, with prices decreasing by 0.1% month-on-month. The adjustment of the basket weightings in the Swiss Consumer Price Index had unexpected consequences. As long-term inpatient care in nursing homes is now included in the calculation of the price index, the weighting of the main healthcare group increased at the expense of the housing and energy category. As a result, rising rents will play less of a role in the calculation of inflation from now on than was previously the case.



Source: Macrobond, Swiss Life Asset Managers. Last data point: 01.2026

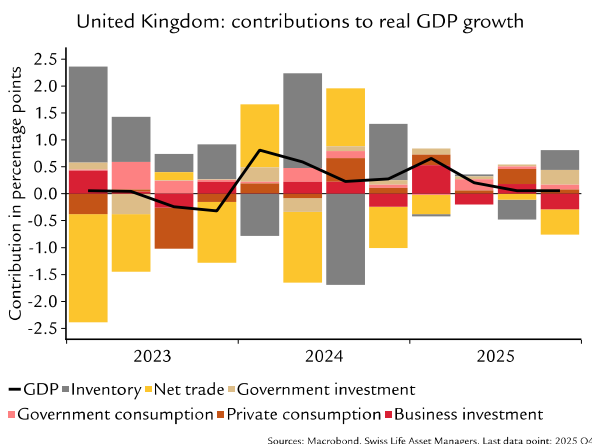
United Kingdom

Government spending remains key growth driver

In the fourth quarter of 2025, the UK economy grew by 0.1% versus the previous quarter for the second time in succession. The result was therefore slightly above our expectations but fell short of consensus estimates. Growth for 2025 as a whole thus came to 1.3%. The expenditure side clearly shows that both private and government consumption made decisive contributions to growth in the fourth quarter. Of particular note is public investment, which rose by a remarkable 11.6% and therefore represented a major growth driver. Without this strong government stimulus, the economy would probably have contracted slightly in the final quarter. Looking forward, we expect the economy to gain some momentum in the first quarter of 2026 compared to the fourth quarter of last year. Uncertainty about possible tax rises has decreased noticeably since the autumn budget, and recent one-off events such as cyber attacks on car production sites should also normalise over time. We therefore expect quarter-on-quarter growth of 0.4% in the first quarter of 2026.

Bank of England sees course confirmed

At the same time, wage pressure has eased further. In combination with falling inflation, this should make the Bank of England's work somewhat easier. Inflation eased more than expected in January, falling to 3%. We expect the Bank of England to cut interest rates again in March. The meeting at the beginning of February already showed an increasing openness to easing measures, with four of the nine members of the Monetary Policy Committee voting in favour of an interest rate cut.



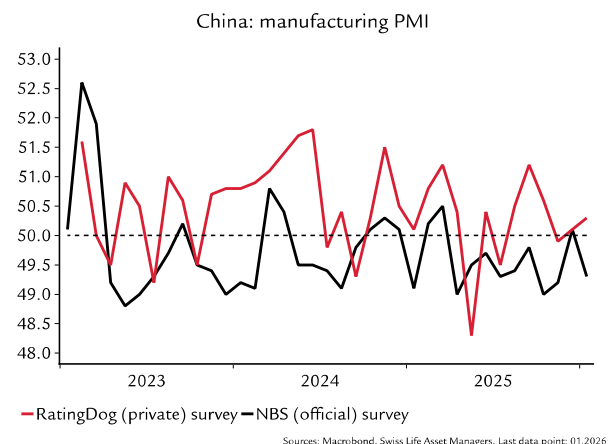
China

Exports continue to dominate growth

China concluded its nine-day nationwide holiday to mark the Chinese New Year in February. The available holiday data shows solid domestic activity. At an average of 308 million trips per day, travel volumes were 6.6% above the level of the comparable holiday period last year, and sales of key retailers and restaurants increased by 8.6% year-on-year over the first four days of the holiday. However, official economic signals – especially the Purchasing Managers' Indices (PMI) – suggest that economic momentum will continue to be strongly supported by foreign demand in 2026. The official NBS PMI, which mainly reflects large state-owned industrial companies, fell back into contractionary territory at 49.3, reflecting weak domestic activity. By contrast, the private PMI, which focuses more on smaller, private and export-oriented companies, remained in expansionary territory at 50.3, showing that exports in particular – especially of higher-value technology products – remain the most important pillar of the economy. This could be further boosted by the US Supreme Court's decision to lift the 20% IEEPA tariffs on Chinese exports. However, many other tariffs remain in place and some of the now struck-down tariffs could be reintroduced through alternative legal instruments.

Smaller decline in producer prices

At 0.2%, consumer price inflation was weaker than expected in January – mainly due to volatile energy and food prices. The picture is brightening somewhat on the consumer side. Despite continuing negative figures, the decline in prices is slowing, driven by higher commodity prices and a price stabilisation in sectors such as solar, cement and lithium-ion batteries.



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