

May 2026

Key takeaways

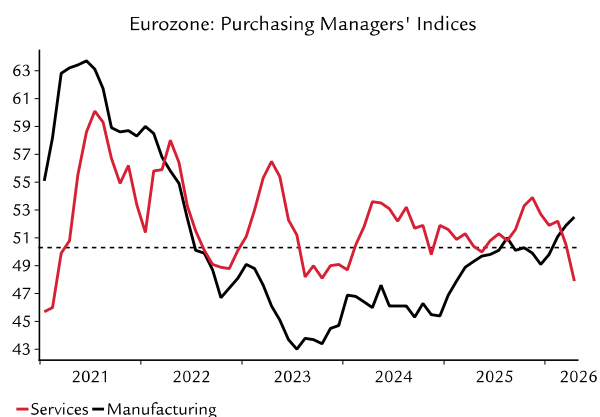
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Comparison of forecasts

	2026 GDP growth		2027 GDP growth		2026 inflation		2027 inflation	
	Swiss Life	Consensus	Swiss Life	Consensus	Swiss Life	Consensus	Swiss Life	Consensus
USA	2.3%	2.1% ↓	2.0%	2.0%	3.1% ↑	3.2% ↑	2.3%	2.4%
Eurozone	1.0%	0.9% ↓	1.2%	1.3% ↓	2.3%	2.7% ↑	1.6% ↓	2.1% ↑
Germany	0.7% ↓	0.7% ↓	1.3%	1.3% ↓	2.5% ↑	2.7% ↑	1.8% ↑	2.2% ↑
France	1.1%	0.9% ↓	1.2%	0.9% ↓	1.6% ↑	1.8% ↑	1.3%	1.6% ↑
Italy	0.8%	0.5% ↓	0.8%	0.7% ↓	2.3% ↑	2.7% ↑	1.5%	1.9% ↑
Spain	2.2%	2.2% ↓	1.8%	1.9% ↓	2.9% ↑	2.9% ↑	1.5% ↓	2.1% ↑
United Kingdom	0.9%	0.6% ↓	1.3%	1.1% ↓	2.9%	3.1% ↑	1.9%	2.5% ↑
Switzerland	1.1%	1.0% ↓	1.4%	1.4% ↓	0.6%	0.6% ↑	0.8% ↑	0.7% ↑
China	4.7% ↑	4.6%	4.7%	4.4% ↓	0.8%	1.0% ↑	1.0%	1.0%

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

Chart of the month



The Purchasing Managers' Indices (PMI) currently show a clear divergence between the manufacturing and services sectors in the eurozone. According to the April PMI, manufacturing – which is often tied up by long-term orders and investments – is still experiencing an upswing despite the Iran war. The robust order situation hints that certain pull-forward effects are occurring at companies as they anticipate potential price rises while at the same time suggesting that this momentum is temporary. By contrast, the services sector is currently proving much more demand-sensitive and already seems to be feeling the effects of higher prices more clearly.

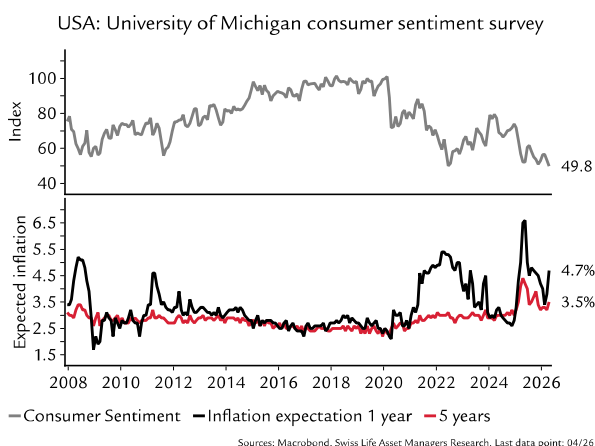
USA

Dismal sentiment despite improved labour market

Higher petrol prices weighed on US consumer confidence in April. According to a University of Michigan poll, it fell to its lowest level since the data series began in 1952. However, the link with actual consumer spending is weak. We therefore expect that US households will try to support their consumption by cutting back further on their already low savings rates. The fact that respondents only expect a temporary surge in inflation (see chart) makes this appear all the more likely. Meanwhile, the Purchasing Managers' Indices showed a stable order situation even after the outbreak of war. The cyclical upturn appears to be continuing in the manufacturing sector in particular. Labour market figures for March were also encouraging. While employment growth partly reflected a reversal following a weak previous month due to strikes and weather, it was nevertheless well above expectations. The unemployment rate fell to 4.3%, with the main contributors to the decline being those categories that suffered most in the previous year (young people, university graduates and new entrants to the labour market). It is conceivable that the AI-induced reluctance to hire new employees was excessive and that additional recruitment is now required as a result. The recovery in job vacancies for software developers seems to support this hypothesis.

Headline inflation high, core inflation down

In terms of prices, the Iran war in March mainly had an impact on petrol (+21.5% month-on-month) and airfares (+2.7%). Otherwise, inflation was weak. Core inflation, which excludes energy and food, even fell slightly to 2.6% year-on-year. Second-round effects are likely to be small due to companies' weak price-setting power and low wage pressure. As a result, we do not expect monetary policymakers to respond to the energy price shock with interest rate hikes.



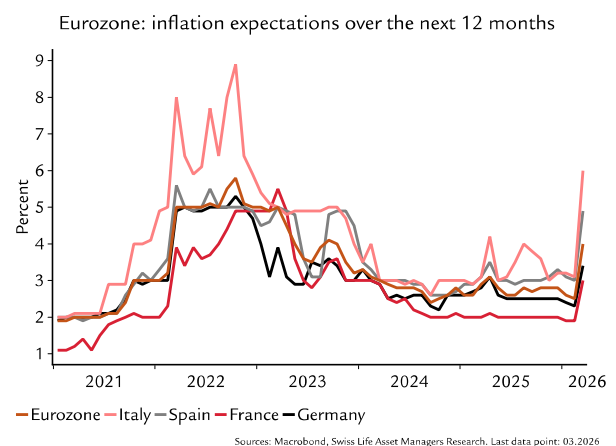
Eurozone

Manufacturing sentiment surprisingly robust

The latest data show the first effects of the war in Iran and the sharp rise in energy prices. Consumer confidence in the eurozone fell in April to its lowest level since the end of 2022. Business surveys also indicate a deterioration in expectations regarding future business trends. While the Purchasing Managers' Index (PMI) for the manufacturing sector rose in April, we expect the increase to be temporary (see chart of the month). Nevertheless, the order situation improved slightly in April according to the PMI. Companies indicated that they had built up inventories early in anticipation of higher prices and potential supply bottlenecks. This contrasts with recent data on industrial production, which were weak. The services sector, however, has already experienced a slump in sentiment, with all demand-related sub-indices now well below the growth threshold. However, we still expect the impact of higher energy prices on the real economy to remain limited and are leaving our 2026 GDP growth forecast unchanged.

Consumers adjust price expectations

March inflation data also reflect the energy price shock, especially in the transport category. Not yet available at the time of writing, the inflation figures for April should again show the rise in fuel prices. At the same time, a consumer survey by the European Central Bank (ECB) reveals a significant increase in inflation expectations over the next 12 months to 4.0% in March (from 2.5% in February, see chart). The inflation shock of 2022 is apparently still affecting consumers. We expect an inflation rate of 2.4% for 2026.



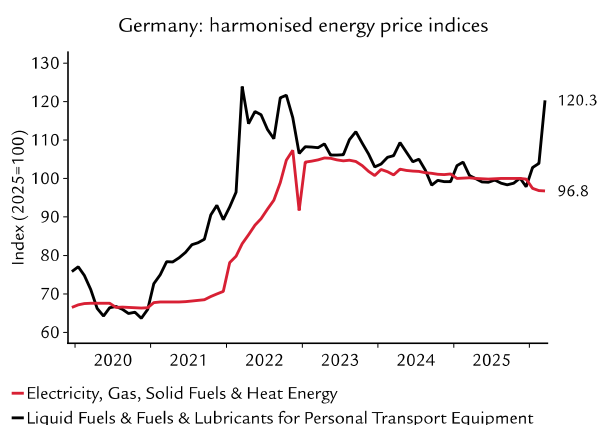
Germany

Survey data signals economic slowdown

Although hard economic data is not yet available, Purchasing Managers' Indices and ifo surveys are already showing a significant decline, in terms of both the current situation and expectations. The downturn is more pronounced in Germany than in other European countries. The surveys thus reflect the significant increase in uncertainty and higher energy prices. The tourism, transport and logistics sectors are particularly affected. In addition, uncertainty and the increased risk of possible interest rate hikes are weighing on sentiment and order volume in interest rate-sensitive areas such as real estate and the construction industry.

Oil price rises sharply, gas and electricity prices stable

March inflation data provides a first glimpse into the price pressure in Germany triggered by the Iran war. However, not all energy prices are equally affected. Oil and fuel prices, which quickly feed through to consumer prices and real incomes, rose significantly. By contrast, gas and electricity prices actually fell slightly between December and March due to various policy measures (see chart). They are less directly affected by the Iran war due to long-term supply contracts and administered prices. In addition, European gas markets are less dependent on the Middle East, while electricity generation is based to a significant extent on renewable energies. There has been no discernible impact on non-energy prices so far, and core inflation remains stable. The higher energy prices raised headline inflation to around 2.5% in March. In contrast to 2022, the shock has occurred in an environment of very low underlying inflationary pressure, which is why companies have been reluctant to increase prices so far. Whether this remains the case ultimately depends on how long the Iran conflict lasts.



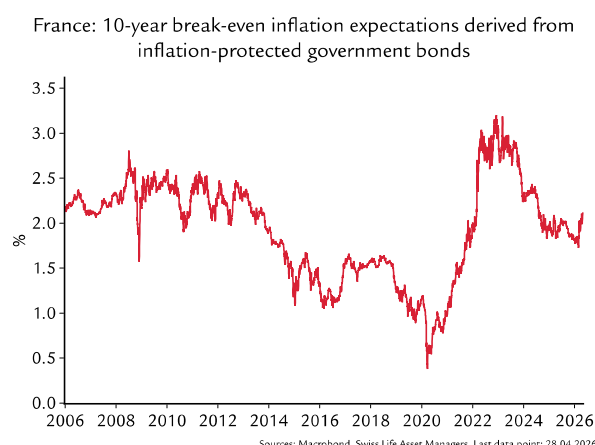
France

Slump in consumer confidence

Consumer confidence plummeted in April. This is mainly due to higher fuel prices, which brought the issue of the loss of purchasing power back to the fore. The decline in consumer confidence to its lowest level since May 2023 can be attributed to the experiences following the attack on Ukraine and the ensuing inflation shock. At the same time, the consumer confidence survey also shows that employees are concerned about the situation on the labour market. In our analysis, this is the main difference to the situation after 2022 – at present, the labour market is not witnessing any pro-cyclical inflationary trends. Sentiment indicators are currently heterogeneous overall. While the gloomy picture from the consumer survey is reflected in the Purchasing Managers' Index for the services sector, there is no sign of it in the various business sentiment surveys in manufacturing.

Only slight increase in inflation expectations

In April, prices at petrol stations increased by less than in the previous month. As in other eurozone countries, our inflation forecast is below consensus expectations. Our forecast is mainly based on the expectation that the Strait of Hormuz will be open again by the end of the year. If this is the case, the oil price is likely to be significantly below current levels, as suggested by futures contracts. We also anticipate that second-round effects of energy component price increases on core goods and services will be lower than in 2022 and 2023. In the inflation-linked bond market, the break-even inflation rate, i.e. the market-implied long-term average inflation forecast, has increased only marginally since March.



Italy

Industry unimpressed so far

As in most developed economies, the effects of the Iran war were mainly seen in higher energy prices in Italy in March, while other inflation remained well anchored. Thanks to the temporary tax cut of 25 cents per litre on petrol and diesel, the monthly increase in energy prices of 4.9% was much lower than in other eurozone countries. Nevertheless, higher prices also left their mark on survey data in Italy, with consumer confidence declining significantly in March. On the business side – according to the Purchasing Managers' Index – service companies in particular complained of lower demand in March, while industrial companies continued to report good production and orders. In terms of “hard” production data, Italy was indeed the only one of the four major eurozone economies that did not record a decline in industrial production in February. When this data is combined with the record number of overnight stays due to the Winter Olympics in February, we continue to expect solid first-quarter GDP growth data (figures were not yet available at the time of writing).

Spain

Higher inflation, stable growth prospects

In Spain too, inflation data for March reflect higher energy prices, especially in transport costs. Inflation rose to 3.4% in March, from 2.3% in February – a significantly larger increase than we expected. However, inflationary pressure remained well anchored otherwise. Core inflation rose only moderately to 2.9% (from 2.7% in February). As in Italy, the reduced VAT rates on diesel, petrol, electricity and natural gas probably helped to prevent a stronger increase. However, business and consumer surveys indicate a deterioration in sentiment. Although the Purchasing Managers' Index for the services sector rose again in March, the industrial index fell below the growth threshold of 50. The slowdown was mainly driven by weaker expectations for future export orders and higher input prices. On the growth side, we continue to expect a robust picture for Spain. Anecdotal evidence suggests that a “substitution effect” away from long air journeys is occurring due to higher prices, which could benefit Spain.

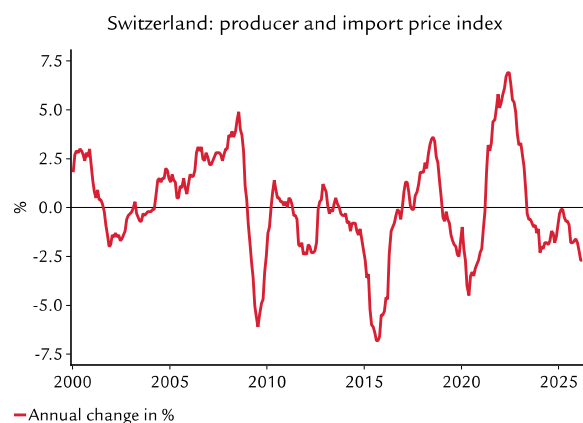
Switzerland

US tariffs more important than energy price shock

At the moment, there is little reliable data from the real economy to gauge the Iran war's immediate effect on the economy. Solid values from business surveys of purchasing managers are countered by a sharp decline in consumer confidence. We still expect the consequences of past and future developments in US tariff policy to shape the growth outlook more than higher energy costs. Even though US tariffs are expected to be raised again from the current 10% to 15%, the agreement reached in November is holding, which reduces the risk that domestic industrial companies will relocate their production sites. Based on these assumptions, the unemployment rate should reach its cyclical peak by the middle of the year. Domestic growth is being supported by the Swiss National Bank's continued expansionary monetary policy. Positive knock-on effects can also be expected from the two major German fiscal packages for infrastructure and defence. The resumption of electricity production at the Gösigen nuclear power plant also eliminates a negative factor from recent quarters.

Price pressure: no comparison with 2022

Year-on-year, producer prices continued to fall in March, even though higher energy prices had already been factored into the index. In general, price setting power is significantly lower than it was during the outbreak of the Ukraine war, so second-round effects, if any, are likely to be lower than in 2022 and 2023. Nevertheless, we are slightly raising the inflation forecast for 2027. This is due to tariff adjustments by public transport service providers of an average of 3.9%. This price increase will be included in the Swiss Consumer Price Index (CPI) from December 2026.



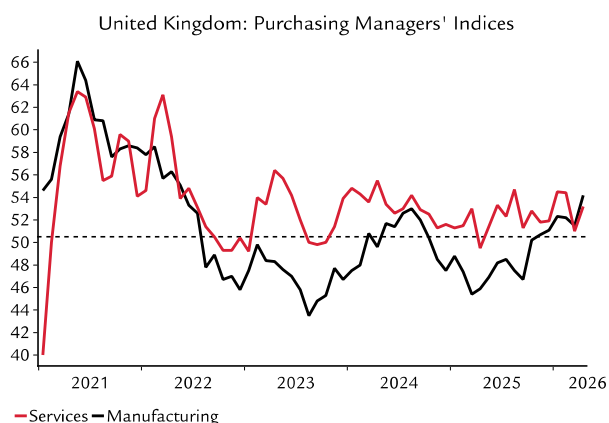
United Kingdom

Services sector remains resilient (for now)

The first effects of the war in the Middle East are also filtering through to UK data. The Purchasing Managers' Index (PMI) for the manufacturing sector showed a similar trend to the eurozone in April, with the index rising to 53.6. According to the PMI report, part of this strength can be attributed to companies bringing forward purchases because they expect prices to rise in the coming months. Accordingly, the price sub-indices for input and sales prices were up significantly. The increase was even stronger in the UK than in the eurozone. The decline in the sub-index for future production suggests that the industrial strength is unlikely to last. However, in contrast to the eurozone, the index for the services sector also showed an improvement. Companies cited positive momentum from technology investments and long-term development plans, while at the same time mentioning lower consumer confidence and higher prices as negative factors.

Energy price effects visible in March data

Inflation data for March already reflects this trend as well. The increase to 3.3% in March was largely driven by energy prices, as petrol prices rose by 8.5% and heating oil prices by as much as 90% compared to the previous month. Services inflation was also higher – mainly due to higher transport prices, especially for air travel. By contrast, core inflation actually fell slightly in March. Wage cost pressure also continued to ease, which should counteract any strong second-round effects on inflation, but the starting point for inflation before the rise in energy prices was significantly less favourable than in the eurozone. The market therefore currently expects two and a half interest rate hikes by the Bank of England.



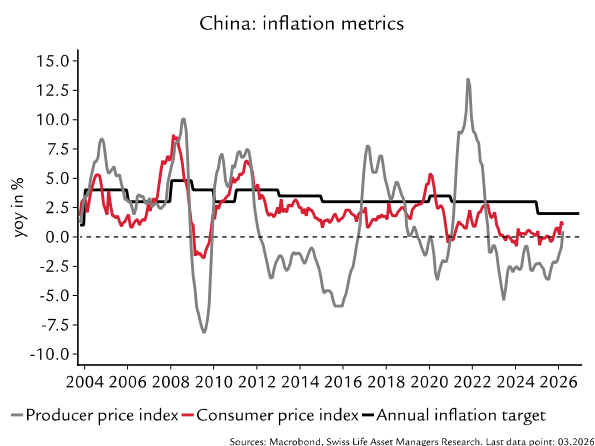
China

Shielded from the effects of the Iran war

At 5.0%, China's economic growth was stronger than expected in the first quarter. While private households continue to suffer due to falling property prices and an uncertain labour market outlook, economic activity is being supported by robust industrial production in the high-tech sector and corresponding exports, which grew by around 15% year-on-year in the first quarter. The Iran war's economic impact on China has remained limited so far. The main effects were in higher import values due to increased commodity prices and higher import volumes, especially for coal in the context of strategic stockpiling. Nevertheless, Chinese decision-makers are aware of the risks should the conflict drag on. A protracted war could dampen global demand, jeopardising export momentum, which is currently a key pillar of growth. In addition, the Middle East is a major supplier of upstream products for semiconductor manufacturing, including helium and sulphur. In this context, China has already announced that it will ban exports of sulphuric acid from May.

Energy prices weigh on profitability – not inflation

Producer prices recorded a positive year-on-year increase for the first time after 41 months of deflation. This increase primarily reflects higher input costs due to the jump in energy prices. As domestic demand remains weak, companies' price-setting power is limited, meaning that higher costs cannot be passed on to end consumers. The cost increases caused by energy prices in connection with the Iran conflict are therefore reflected in falling margins rather than higher consumer prices.



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