Perspectives
Economics

June 2026

Key takeaways

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	2.2% ↓	2.1%	2.0%	2.0%	3.1%	3.4% ↑	2.3%	2.4%
Eurozone	0.9% ↓	0.8% ↓	1.2%	1.2% ↓	2.4%	2.9% ↑	1.6%	2.2% ↑
Germany	0.7%	0.7%	1.3%	1.3%	2.5%	2.7%	1.8%	2.2%
France	0.9% ↓	0.8% ↓	1.2%	1.0% ↑	1.7% ↑	2.0% ↑	1.4% ↑	1.7% ↑
Italy	0.8%	0.5%	0.8%	0.7%	2.3%	2.8% ↑	1.5%	1.9%
Spain	2.2%	2.3% ↑	1.8%	1.9%	2.6% ↓	3.1% ↑	1.5%	2.2% ↑
United Kingdom	1.0% ↑	0.7% ↑	1.1% ↓	1.1%	2.9%	3.3% ↑	1.9%	2.7% ↑
Switzerland	1.1%	1.0%	1.4%	1.4%	0.5% ↓	0.6%	0.8%	0.7%
China	4.7%	4.6%	4.7%	4.5% ↑	1.0% ↑	1.0%	1.1% ↑	1.0%

Arrows indicate change from previous month. Source: Consensus Economics Inc. London, 11 May 2026

Chart of the month

The gap between exports from and imports to China continues to widen in the eurozone. This has prompted the EU to place greater political focus on reducing dependence on foreign suppliers and addressing the decline of manufacturing. Particular attention is being paid to strategically important sectors such as electric vehicles and batteries, where Europe has now clearly fallen behind in terms of global export share. In response, the EU has introduced the Industrial Accelerator Act, which, among other measures, provides for a "Made in EU" criterion in public procurement as well as stricter requirements for foreign direct investment.

USA

A two-speed economy

The US economy remains on a solid footing, expanding by 0.5% quarter-on-quarter in the first quarter and once again outpacing the eurozone. However, growth proved disappointing given the strong contribution from government consumption – a technical catch-up effect following the previous quarter's shutdown – and prompted us to revise our full-year forecast downwards slightly. Moreover, growth continues to be driven disproportionately by the AI investment boom. Private consumption expanded only moderately, as expected, and after the outbreak of the Iran war could only be sustained through a decline in an already low savings rate. Investment in software and hardware surged in the first quarter (see chart), while other equipment investment stagnated and construction investment declined further due to high interest rates. Our prediction from the start of the year – that the AI boom is masking cyclical weakness in the US economy and leading to a crowding-out of other investment – therefore appears to be borne out. On the positive side, purchasing managers' indices have remained resilient despite higher energy prices, particularly in manufacturing, and the labour market has shown a surprisingly strong increase in momentum. We therefore expect the US economy to maintain its current solid pace of growth.

Inflationary pressure higher than in Europe

In April, our assumption that inflationary pressure in the US is higher than in Europe due to robust growth was confirmed. Core inflation (excluding energy and food) rose at the consumer level from 2.6% to 2.8%. In addition to a technical effect in shelter costs, services in particular contributed to the increase. The sharp rise in producer prices (up 4.4% year-on-year, excluding trade margins, energy and food) – typically a leading indicator – also attracted attention.

Eurozone

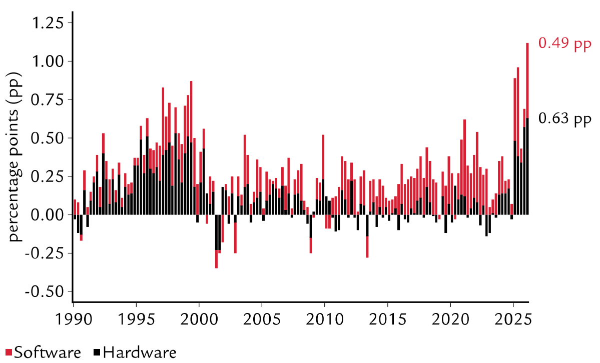
Subdued start to the year

The official figures for first-quarter GDP growth point to a slightly weaker start to the year than expected. With quarter-on-quarter growth of 0.1%, momentum in the eurozone has softened somewhat compared with 2025. From a regional perspective, the negative surprise was primarily driven by France, while Germany recorded significantly stronger-than-expected growth. The impact of the Iran war is likely to become evident in the second quarter. Purchasing managers' indices (PMI) for May point to weakening momentum. Having highlighted the resilience of the manufacturing sector last month – supported by front-loaded order intake – we now see the Purchasing Managers' Index indicating a more broad-based shock. Both the employment component and expectations for future output have deteriorated, while the sub-index for purchase prices has continued to rise. In addition to the PMI, national business surveys and consumer sentiment indicators also signal a slowdown. Nevertheless, we expect slightly stronger growth of 0.2% quarter-on-quarter in the second quarter, driven primarily by France. After the French economy stagnated in the first quarter, we now anticipate a degree of catch-up.

Core inflation remains under control

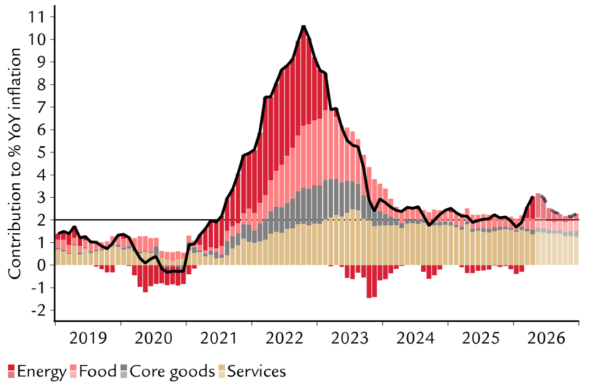
Inflation rose further in April, as expected, reaching 3.0%. This was driven by continued increases in energy prices, particularly for petrol. Core inflation, which excludes energy and food, declined to 2.2%. This suggests that, for the time being, there are (as yet) no second-round effects at play. Such second-round effects arise, for example, when companies respond to higher energy prices by raising their own prices.

US fixed investment: contributions of selected components to quarter-on-quarter GDP growth (annualised)



Sources: Macrobond, Swiss Life Asset Managers. Last data point: 2026 Q1

Eurozone: contributions to headline inflation incl. our forecasts



Sources: Macrobond, Swiss Life Asset Managers. Last data point: 12.2026

Germany

Economy: stabilisation in sentiment

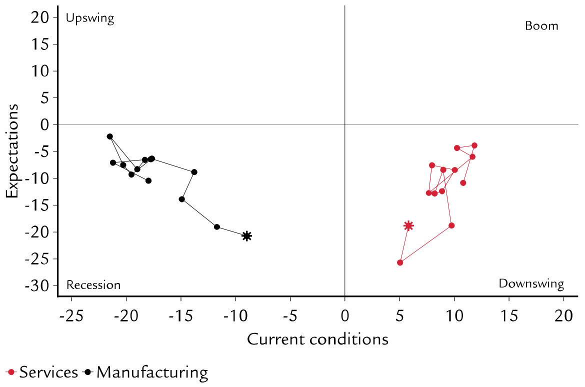
Leading economic indicators point to a cautious stabilisation following the energy price shock, albeit without a clear turnaround. The Purchasing Managers' Index (PMI) continues to signal a slight weakening in activity, with manufacturing stagnating. At the same time, expectations – particularly in the services sector – have improved somewhat of late, suggesting a degree of easing in sentiment.

The ifo Business Climate Index paints a similar picture: it improved slightly in May but remains at a low level (see chart of the two components). A notable feature is the sectoral divergence: services show a clear recovery, while expectations in industry, particularly in light of declining new orders, have edged down again. Industry is still being supported in the short term by a robust trend in the first quarter. Front-loading effects and the momentum that existed prior to the Iran war initially stabilised activity. In May, however, signs are mounting that these effects are fading: order intake and production are trending downwards, weighing on the outlook for second-quarter GDP. Indicators of consumer demand point to heightened uncertainty and a corresponding slowdown. Government consumption and investment, however, are acting as a stabilising factor.

Input costs rising, pass-through limited

According to the PMI, input prices continue to rise sharply, while the pace of increase in output prices in German industry is slowing. This suggests that companies are passing on higher costs only gradually. Against this backdrop, the pass-through of higher energy prices to core inflation has so far remained modest. Should the blockage of the Strait of Hormuz ease in the coming months, inflationary pressures are likely to subside quickly.

Germany: ifo business cycle clock (last 12 months)



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 05.2026

France

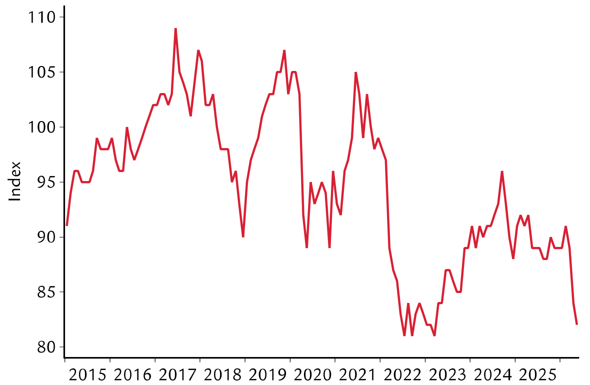
Further decline in consumer sentiment

Economic data for France remains difficult to interpret. Following the sharp drop in consumer sentiment in April, the decline continued in May. Consumer confidence has now fallen to its lowest level since March 2023. The main driver of the renewed decline is the revision in plans for major purchases. Purchasing managers' indices across all three sectors of manufacturing, services and construction confirm the subdued picture. In contrast to these indicators, however, a separate index on industrial conditions compiled by the statistical office INSEE has continued its upward trend so far this year. The same institution's monthly economic indicator also rose sharply again in May, reaching a level exceeded only three times since February 2022. In addition, the construction sector reported a sharp increase in residential building permits, which reached their highest seasonally adjusted level since August 2022. In the short term, the decline in new orders in industry indicated by the PMIs, combined with weaker tourism demand from Asia, is likely to weigh on growth somewhat more than previously expected. We are therefore lowering our 2026 forecast slightly by 0.1 percentage points.

Consumers do not expect a repeat of 2022

As outlined above, many economic indicators – even three months after the start of the war in the Middle East – differ significantly from the reaction after the outbreak of the Ukraine war. The consumer confidence survey also offered a bright spot in this respect: unlike in April, households in May were, on balance, somewhat less concerned about inflation dynamics over the coming 12 months.

France: consumer sentiment



Sources: Insee, Macrobond, Swiss Life Asset Managers. Last data point: 05.2026

Italy

We remain more optimistic than the consensus

Our 2026 growth forecast for Italy is now clearly above the consensus forecast. Since the outbreak of the Iran war, the latter has been revised down from 0.8% to 0.5%, while we have only reduced our projection from 0.9% to 0.8% over the same period. First-quarter GDP figures appear to confirm our relatively constructive view of the Italian economy. GDP increased by 0.2% quarter-on-quarter, exceeding market expectations. According to a press release by the statistical office ISTAT, growth was supported by the services sector and foreign demand – likely positively influenced by the Winter Olympic Games. Signals for the second quarter are mixed. The energy price shock has been somewhat mitigated by a fuel tax cut, and no second-round effects have been observed so far. Despite this, consumer sentiment has declined sharply amid weak wage growth. At the same time, purchasing managers' indices for both manufacturing and services have remained surprisingly resilient, which is why we have refrained from revising down our GDP growth forecast.

Spain

Growth remains robust

The Spanish economy grew by 0.6% quarter-on-quarter in the first quarter of 2026, maintaining a robust pace and continuing to outperform the eurozone as a whole. Private consumption once again made a strong contribution to growth, although it lost some momentum compared with the previous quarter. Purchasing managers' indices (PMIs) for April indicate that sentiment in the Spanish services sector deteriorated at the start of the second quarter. Service providers reported a decline in sales volumes due to heightened uncertainty related to the war in the Middle East. The PMI for the manufacturing sector remained surprisingly resilient in April, partly reflecting front-loading effects in orders as firms sought to pre-empt price increases driven by higher energy costs. This effect is, however, likely to have moderated somewhat in May. Inflation eased to 3.2% in April, down from 3.4% in March. The decline was driven by lower prices for package holidays. At the same time, increases in petrol prices were clearly noticeable. We expect an inflation rate of 2.6% for this year.

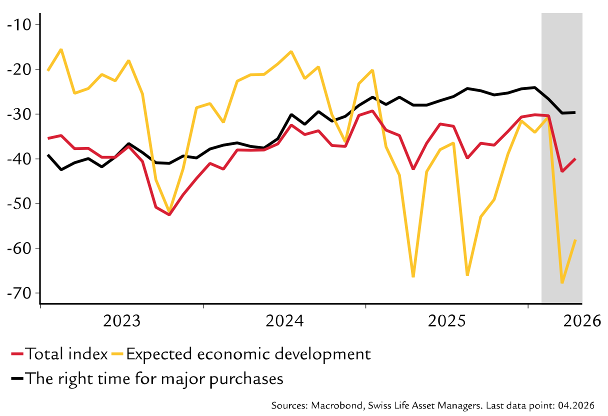
Switzerland

Fuel costs weighing on household budgets

Following the outbreak of the Iran war, we have not revised our growth forecast. The flash estimate by the State Secretariat for Economic Affairs (SECO) for first-quarter GDP growth, adjusted for sporting events, has since confirmed our expectation of a moderate cyclical upswing this year. High-frequency data series such as the Consumer Spending Index (published by Monitoring Consumption Switzerland) show that consumer spending via credit cards and mobile payments increased by 1.1% up to April. Sales at Swiss petrol stations rose by 5.9% over the same period due to higher fuel prices, while the increase at all other retail outlets was only 0.7%. Business surveys, including the business situation indicator of the Swiss Economic Institute (KOF) at ETH Zurich, have remained robust so far. With a balance of 18.1, the index reached its highest level since August 2023. The decline in exports to China described on page 1 is also affecting Swiss manufacturers: compared with the same period in 2024, exports to this market were 8.9% lower in the first quarter of 2026.

Price-setting power significantly weaker than in 2022

An important signal from the available data on consumer prices is the decline in the core inflation rate from 0.5% at the start of the year to 0.3% in April. Unlike during the inflation wave of 2022, domestic providers' price-setting power appears to be less pronounced this time. We are slightly lowering our forecast for average annual inflation in 2026, while remaining mindful of the risk of a renewed escalation in the Middle East and the potential for another increase in energy prices.



United Kingdom

Political turbulence back in focus

As expected, the Labour Party suffered significant losses in the local elections on 7 May. In response, some Labour MPs called for Prime Minister Keir Starmer to resign. While Starmer has so far ruled out stepping down, pressure on him is mounting. The heightened political uncertainty has also led to volatility in financial markets, particularly in government bonds. The most likely candidate to succeed Starmer at present is the Mayor of Greater Manchester, Andy Burnham. He is considered less fiscally restrictive than the current government, which has unsettled financial markets. However, Burnham is not currently a Member of Parliament, which complicates his position. That said, a by-election on 18 June triggered by a resignation could provide him with an opportunity to enter Parliament and subsequently initiate a leadership contest within the Labour Party. Political uncertainty is therefore likely to remain elevated in June. On the economic side, the release of first-quarter GDP figures provided a positive surprise. The UK economy expanded by 0.6% quarter-on-quarter, driven by strong household consumption. For the second quarter, however, we expect growth to slow, as high energy prices are likely to weigh on consumption and partly offset the strong performance in the first quarter.

A brief respite for inflation

Inflation fell to 2.8% in April, down from 3.3% in March, in line with expectations. The decline was driven by a significant easing in services inflation as well as a reduction in the government-imposed cap on household energy prices, which came into effect in April. For May, however, we expect inflation to rise again due to higher fuel prices.

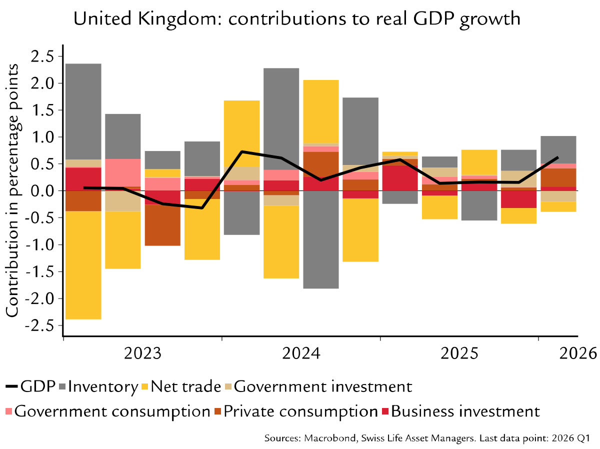
China

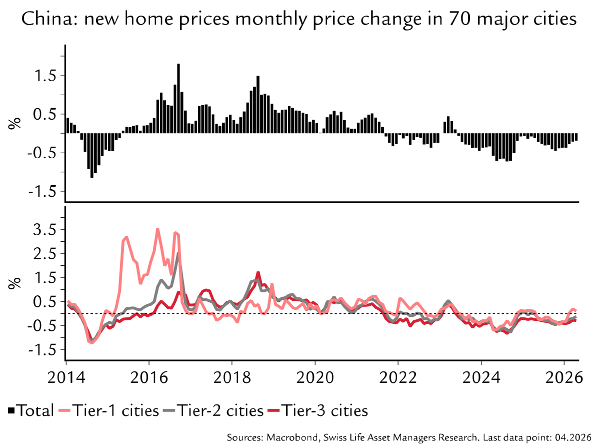
Ongoing weakness in the domestic economy

April data clearly highlights the two-speed nature of the Chinese economy. While exports exceeded expectations and grew strongly by around 15% – driven primarily by demand for AI-related products and green technologies – domestic activity remained weak overall. There are essentially three reasons for this. First, although China is relatively well shielded from the oil supply shock thanks to large reserves and a diversified energy mix, parts of petrochemical production nevertheless experienced declines. Second, the so-called anti-involution policy, which aims to reduce overcapacity and intense price competition, is exerting a moderate dampening effect on industrial production and investment. Third, the ongoing correction in the real estate sector continues to weigh not only on construction activity but also on overall sentiment, which is reflected in weak consumer demand. Although property sales are showing signs of stabilisation, the large property stock remains a key challenge and continues to put pressure on prices. This oversupply is particularly pronounced in tier-3 cities, where the existing property stock corresponds to around three years of current sales. In tier-1 cities – China's largest and most important economic centres – the imbalance is significantly smaller. Should sales stabilise sustainably, these cities are likely to be the first to see a more stable price trend in the real estate market.

Consumer price inflation remains moderate

Consumer and producer prices surprised on the upside in April, mainly driven by higher energy prices. Rising oil and gas prices are pushing producer prices up significantly; however, the pass-through to consumer prices remains limited due to weak demand and government intervention.





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