Perspectives
Economics

July 2026

Key takeaways

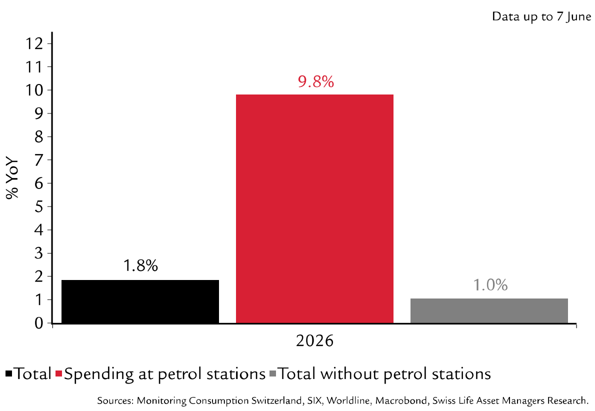
Comparison of forecasts

	2026 GDP growth		2027 GDP growth		2026 inflation		2027 inflation	
	Swiss Life	Consensus	Swiss Life	Consensus	Swiss Life	Consensus	Swiss Life	Consensus
USA	2.1% ↓	2.1%	2.0%	2.1% ↑	3.3% ↑	3.6% ↑	2.3%	2.5% ↑
Eurozone	0.9%	0.6% ↓	1.2%	1.2%	2.7% ↑	2.9%	1.7% ↑	2.3% ↑
Germany	0.7%	0.7%	1.3%	1.2% ↓	2.6% ↑	2.8% ↑	1.8%	2.3% ↑
France	0.8% ↓	0.6% ↓	1.2%	0.9% ↓	1.8% ↑	2.1% ↑	1.4%	1.7%
Italy	0.8%	0.6% ↑	0.8%	0.7%	2.7% ↑	2.9% ↑	1.6% ↑	2.0% ↑
Spain	2.2%	2.2% ↓	1.8%	1.9%	2.8% ↑	3.3% ↑	1.6% ↑	2.3% ↑
United Kingdom	1.0%	0.9% ↑	1.0% ↓	1.0% ↓	3.0% ↑	3.3%	2.0% ↑	2.9% ↑
Switzerland	1.1%	1.1% ↑	1.3% ↓	1.3% ↓	0.4% ↓	0.6%	0.8%	0.7%
China	4.7%	4.7% ↑	4.7%	4.5%	1.0%	1.0%	1.1%	1.1%

Arrows indicate change from previous month. Source: Consensus Economics Inc., London, 8 June 2025

Chart of the month

Switzerland: Consumer spending based on card transactions



According to data from Monitoring Consumption Switzerland, credit card transactions increased by 1.8% in nominal terms in the period up to 7 June compared with the previous year. Sales revenues at petrol stations rose by 9.8%; those at other payment outlets by just 1.0%. Rising energy prices are forcing households to tighten their belts for other consumer spending. A similar price increase was observed at the pumps in 2022. However, the reluctance to spend on other goods and services was less pronounced back then. As a result, providers of such products may now be less able to pass on higher energy costs to customers.

USA

How hot is the US economy?

The data picture emerging from the US is currently difficult to interpret and presents the central bank with challenges. We would put into perspective the often-held view that the economy needs to do brilliantly in the light of record-high share prices and overheating inflation. The US economy is currently exhausting its potential with around 2% annual growth, but private consumption and investments outside the AI sector are weak. While job growth has recovered significantly better than expected so far this year, the number of unemployed people and job vacancies have remained roughly balanced over the past 20 months (see chart), keeping wage growth subdued. Rather than a boom, we would talk more about stable GDP growth and a balanced labour market. From a growth and labour market perspective, the current monetary policy setting therefore seems to be just right.

Focus shifts to "trimmed mean inflation"

From an inflation perspective, however, pressure on the central bank to act is increasing, and the financial markets are pricing in interest rate hikes accordingly. The US Federal Reserve's Personal Consumption Expenditures (PCE) price index rose in its core rate (excluding energy and food) to 3.3%. An important driver is the exploding cost of memory chips, which have a high weighting in the PCE index. This puts the focus on "trimmed mean inflation", which trims inflation around such extremes, as it currently stands at "only" 2.4% and the new Federal Reserve chair Kevin Warsh has spoken favourably on this alternative core measure of inflation. Warsh has accordingly set up working groups to look at such issues. The central bank could thus buy itself some time to delay an interest rate decision and wait for inflation to develop following de-escalation in the Middle East.

Eurozone

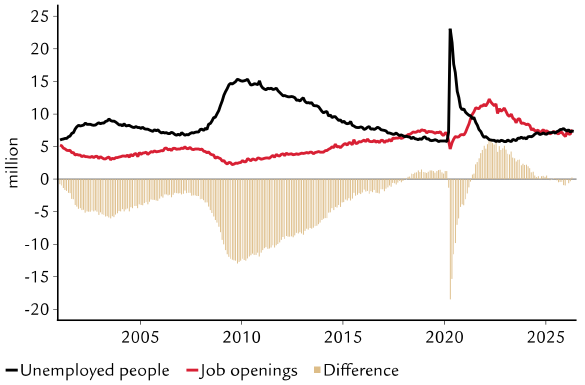
ECB reacts to higher inflation

The European Central Bank (ECB) met expectations and raised the key interest rate by 25 basis points to 2.25% in June, its first interest rate hike in almost three years. President Lagarde warned that inflation triggered by the Iran war is spreading beyond the energy sector. However, we still do not expect any major second-round effects. These arise, for example, when companies pass on increased energy costs to consumers through price increases. Eurozone headline inflation rose as expected to 3.2% in May, mainly driven by higher fuel prices. The simultaneous rise in core inflation to 2.5% in May is somewhat more worrying, but was mainly driven by higher services prices, which were likely also influenced by seasonal effects such as the timing of the holidays. Moreover, transport and travel services were most affected, which is not surprising given their direct dependency on fuel prices.

Wage pressure remains subdued

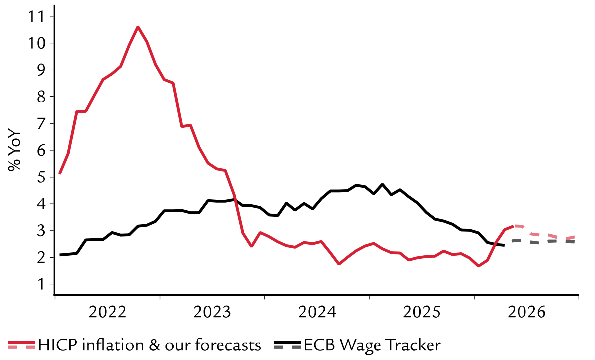
On the labour market, too, the risk of second-round effects amplifying seems limited at present. Various wage indicators currently point to relatively low wage pressure and thus limited bargaining power on the part of employees, which reduces the risk of a wage-price spiral. Should our expectation of a partial normalisation of oil prices over the next three months materialise, headline inflation might already have peaked in June. Compared to consensus, our inflation forecast for the eurozone is optimistic, especially for 2027. This is not only due to our assumptions on energy prices, but also to our rather optimistic assumptions regarding second-round effects.

US labour market (im)balance



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 04.2026

Eurozone: ECB wage tracker & headline inflation, incl. forecasts Swiss Life Asset Managers



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

Germany

Outlook for the services sector deteriorates

Following the stabilisation of sentiment indicators in May, a clear divergence between sectors emerged in June. While manufacturing remains robust according to the Purchasing Managers' Indices (PMI) and new orders have risen both domestically and in the export sector, the services sector is coming under significant pressure: The services PMI dropped significantly to 46.8, the lowest level in more than three years. The forward-looking sub-components also paint a rather weak picture.
The economic slowdown in the services sector is likely to have several causes. In the case of consumer-related services, the inflation-driven losses of purchasing power and the persistently weak performance of the labour market are reducing demand. In addition, increased uncertainty and higher interest rate expectations are having a dampening effect, particularly in sectors such as real estate and construction. However, as the services sector is very demand-sensitive, it could also recover quickly if the geopolitical situation calms down over the longer term, as is also reflected in the volatile performance of the services PMIs (see chart).

Inflation is falling slightly, but is more broad-based

Surprisingly, the annual rate of inflation fell to 2.6% in June, mainly due to lower energy prices and the fuel discount. Core inflation, on the other hand, rose to 2.5%, indicating more broad-based but still moderate inflation dynamics. This is also confirmed by wholesale prices, which rose on a broad scale. In addition to the direct effects of higher energy prices, other effects, such as the increased price of IT components triggered by the AI boom, are likely to have contributed to this price environment.

France

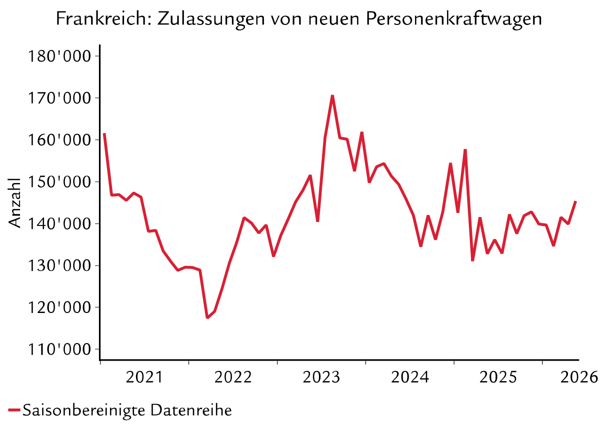
Increase in new car sales

Economic data from France continues to paint a contradictory picture, not least due to restraint on the part of consumers and their persistently strong propensity to save. Between March and May, the number of newly registered passenger cars increased by 5.3% compared to the same period last year. The combination of consumers having money available and incentives to purchase electric vehicles seems to be behind this increase. At the end of the second quarter, however, the situation in the manufacturing sector was less dynamic. According to a survey by the INSEE statistical office, industrial companies are more pessimistic on balance about both production volume and order intake than in the previous month. The same survey shows a decline in employment for the third consecutive month. However, the pattern of sometimes contradictory economic data continued in June: figures for purchasing managers' indices published on the same day painted a brighter picture of the state of the manufacturing sector.

Price data calms down

In France, fuel prices have fallen by between 10% and 20% from their peak reached in mid-April. However, they remain significantly above pre-war levels and are therefore weighing on household budgets. The average break-even inflation rate over the next ten years, derived from the prices for inflation-linked government bonds, is currently 1.85%, already 30 basis points lower than four weeks ago. Due to the assumption of only minor second-round effects from temporarily higher energy prices, our inflation expectation this year and next is well below the consensus forecast.

Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 06.2026



Quellen: IGEDD, Macrobond, Swiss Life Asset Managers Research. Letzter Datenpunkt: 05.2026

Italy

Energy prices higher, but core inflation stable

Growth in Italy in 2026 has so far been in line with our forecasts, which are somewhat more optimistic compared to consensus. However, inflation has recently surprised on the upside and prompted us to revise our forecasts. On the one hand, we underestimated the rise in energy prices somewhat because, in addition to fuel prices, there has also been a noticeable rise in gas and electricity prices for households. Italy occupies a special position in Europe, as wholesale prices are very quickly passed on to end consumers. We also underestimated services inflation, where higher prices in the financial and tourism sectors stand out in particular. Meanwhile, inflation for goods remains weak, with the exception of unprocessed food. Overall, we are sticking to our view that core inflation in Italy will remain at around 2% and that negative base effects due to falling energy prices will cause headline inflation to fall below 2% in 2027, leaving us well below consensus expectations.

Spain

Robust growth, tourism sector a risk

The Spanish government has taken comprehensive measures to cushion the impact of the rise in energy prices on the population. The temporary reduction in VAT on petrol and diesel from 21% to 10% is particularly significant. Despite this substantial fiscal package, the spread on Spanish government bonds over German government bonds has narrowed since April. Compared to other European countries, Spain spends less on defence as it deliberately avoided an increase in spending here. This enabled the government to provide support against the energy price shock without significantly burdening its fiscal situation. We therefore expect economic growth to remain robust in the second quarter, above the average for the eurozone. The biggest risk to this constructive outlook is the potential impact of the energy crisis on the tourism sector. Spain's economy is heavily dependent on air passengers, which account for around 90% of international tourist arrivals. The increase in kerosene prices could lead to a drop in visitor numbers, which would negatively impact GDP growth.

Switzerland

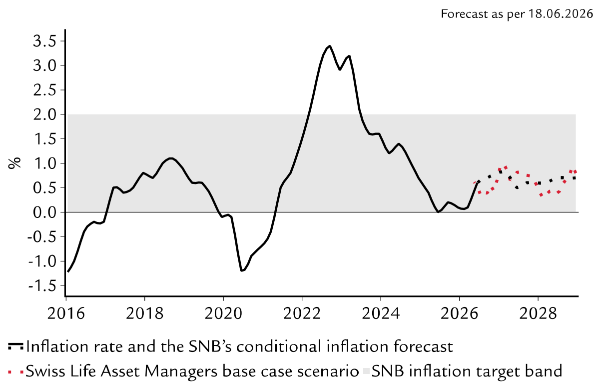
Moderate growth in real consumer spending

The chart on page 1 shows moderate real growth in private consumer spending in the first half of 2026. This fits in with our expectation of GDP growth rates slightly below the potential rate for the Swiss economy until the end of 2027. Together with the low inflationary pressure, this moderate momentum justifies a continuation of the SNB's expansionary monetary policy. However, the support this provides for the domestic economy is only limited. In the construction sector, the volume of new residential construction projects approved remained at the previous year's level, with only renovation projects, which were around three times less important in terms of value, recording strong growth of around 26% year-on-year. The foreseeable de-escalation of the Middle East conflict is having a positive impact. According to the initial available purchasing managers' indices from Europe and other regions of the world, the cyclical upswing is likely to have been slowed, but not halted. The export economy will also benefit from this in the coming quarters, not least thanks to stable exchange rates. Gross domestic product should also benefit from the normalisation of net electricity imports since the resumption of production at the Gösgen nuclear power station.

Downward revision of inflation forecast for 2026

We are again revising the inflation forecast for 2026 downwards. Although energy still costs noticeably more than before the outbreak of the war, the price of heating oil has been trending downwards since May. In addition, there is the almost complete absence of second-round effects on prices for goods or services outside the transport sector. Our medium-term base case scenario regarding inflation dynamics is broadly in line with the latest conditional inflation forecast of the Swiss National Bank (SNB).

SNB Conditional Inflation Forecast



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

United Kingdom

Weak start to the second quarter

Following a strong first quarter, the monthly GDP data for April (-0.1% month-on-month) shows, as expected, a subdued start to the second quarter for the UK economy. The main driver of the weakness was the services sector, while industrial production stagnated. According to the Office for National Statistics, the strongest negative contributor came from the arts, entertainment and leisure industry, which suffered due to the cancellation of sporting events in the Middle East. This is likely to relate to the two Formula One races in Saudi Arabia and Bahrain. The Formula One Management Group, the global rightsholder for Formula One, is headquartered in London. In addition to this one-off effect, retail sales also plummeted, reversing the increase seen in March, when drivers filled their tanks out of fear of further price increases. The weaker GDP data should play into the hands of the Bank of England (BoE) as there are growing signs that the war in Iran is holding back the economy. Unlike the ECB, the BoE kept interest rates unchanged in June, despite another noticeable rise in inflation in May.

Six prime ministers in less than ten years

The political situation also remains tense. As expected, the Makerfield by-election was won by Andy Burnham. With his election to Parliament and Prime Minister Starmer's subsequent resignation, nothing now stands in the way of a leadership handover within the Labour Party. Whether a challenger to Burnham will emerge from within the party remains to be seen. In the meantime, we expect volatility to remain elevated, especially in the bond markets.

China

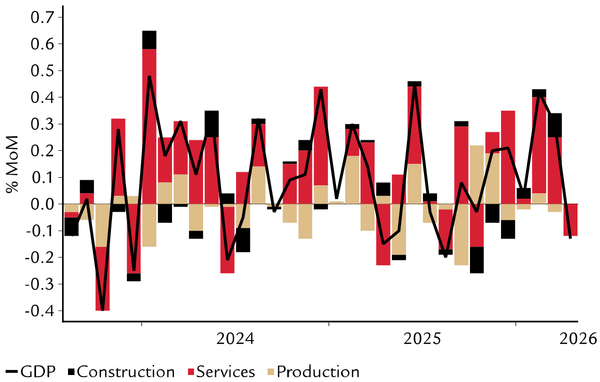
Lower demand for oil dampens global oil prices

Chinese activity data for May shows a persistent split: while export demand – especially for high-tech goods – remains robust, the domestic economy continues to weaken. Exports increased by more than 19% year-on-year in May, but all major domestic indicators disappointed. Three main factors explain this development: first, China significantly reduced its oil imports as a result of global disruptions around the Strait of Hormuz, intentionally accepting some weakness in demand rather than relying heavily on its strategic reserves. This weighed on industrial production, particularly at refineries and chemical companies – but at the same time had a dampening effect on global crude oil prices. Second, the "anti-involution" policy aimed at curbing overcapacity continues to hold back investment, especially in the solar and battery industries. Third, the ongoing real estate crisis is weighing on investments and consumption. A gradual normalisation of oil supplies should support manufacturing in the second half of the year and lead to an improvement in industrial data again, while the structural weakness due to the property correction remains intact.

China's inflation likely to remain in positive territory

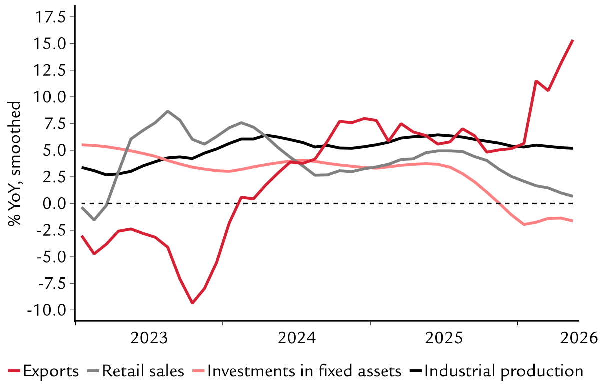
China's inflation outlook is changing. After years of deflationary pressure, price growth is now entering positive territory. Initially, this was mainly being driven by higher energy prices, but increasingly also by AI-related price increases for memory chips, which are no longer only lifting producer prices, but increasingly also consumer prices. Nevertheless, we expect consumer price inflation to remain subdued as domestic demand remains weak.

United Kingdom: monthly GDP growth



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 04.2026

China: Economic indicators



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

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2025 ConsensusEconomics FORECAST ACCURACY AWARDS FRANCE

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