Perspectives
Economics

Swiss Life Asset Managers

August 2026

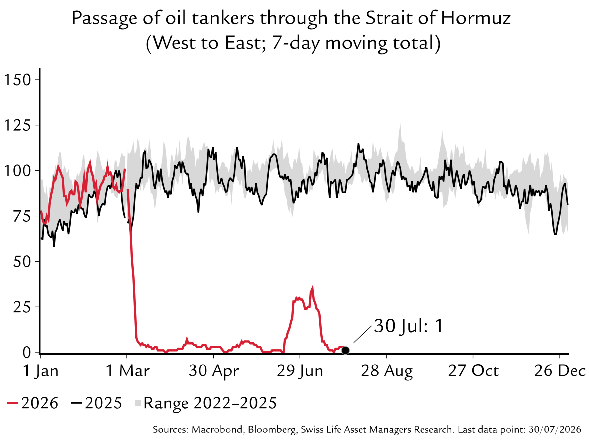
Key takeaways

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%	3.4% ↓	2.3%	2.4% ↓
Eurozone	0.8% ↓	0.5% ↓	1.2%	1.2%	2.7%	2.7% ↓	1.8%	2.2% ↓
Germany	1.0% ↑	0.7%	1.3%	1.1% ↓	2.6%	2.7% ↓	1.9% ↑	2.3%
France	0.8%	0.6%	1.2%	0.9%	1.8%	2.1%	1.4%	1.7%
Italy	0.9% ↑	0.6%	0.8%	0.6% ↓	2.7%	2.8% ↓	1.6%	2.1% ↑
Spain	2.4% ↑	2.3% ↑	1.8%	1.9%	3.1% ↑	3.2% ↓	1.8% ↑	2.4% ↑
United Kingdom	1.0%	0.9%	1.0%	1.0%	3.0%	3.1% ↓	2.1% ↑	2.7% ↓
Switzerland	1.3% ↑	1.1%	1.3%	1.3%	0.4%	0.6%	0.8%	0.7%
China	4.6% ↓	4.7%	4.7%	4.5%	0.9% ↓	1.0%	1.1%	1.1%

Arrows indicate change from previous month. Source: Consensus Economics Inc., London, 13 July 2026

Chart of the month



The opening of the Strait of Hormuz was only short-lived, but temporarily brought significantly lower oil prices in June and resulted in inflation figures coming in lower than expected. With the re-escalation of the war in Iran in July, we revised our energy price assumptions up again for the remainder of the year. There is still significant uncertainty regarding the outcome of the conflict and its timing. However, as neither side should have any interest in a prolonged blockade, de-escalation and a partial normalisation of shipping remains our base case scenario. All in all, therefore, there are hardly any changes to our inflation forecasts for 2026 and 2027.

USA

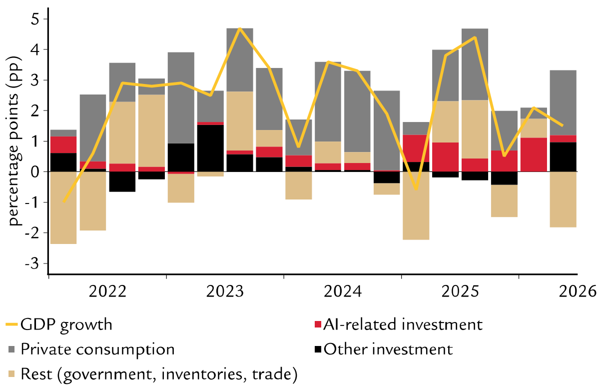
Growth is more broad-based

While the US economy grew disappointingly in the second quarter at 1.5% compared to the previous quarter (annualised), the details were positive. Firstly, private consumption defied higher energy prices and returned to encouraging growth following a weak start to the year. Secondly, the investment boom was more broad-based. AI-driven investment was weak, whilst other forms of investment picked up after four quarters of decline (see chart). The main drag on growth was higher imports, which is, however, a good sign for domestic demand. Initial figures for the third quarter give confidence that solid economic growth will continue as expected. The preliminary July Purchasing Managers' Indices (PMI) rose significantly in the services sector, which, according to the survey institute, is partly related to the football World Cup. In manufacturing, the PMI remained in expansionary territory. The effects of the renewed rise in energy prices following the re-escalation of the war in Iran are not yet fully reflected. Meanwhile, labour market data continues to point to a well-balanced US labour market. The number of unemployed people and vacancies are roughly balanced. In addition, the previously surprisingly good employment growth, which did not quite match the leading indicators, looks somewhat more realistic after downward revisions for June and a disappointing July figure.

Sharp decline in inflation in June

Inflation fell surprisingly sharply in June, from 4.2% to 3.5% for headline inflation and from 2.9% to 2.6% for core inflation. Particularly surprising was the decline in services prices (excluding shelter costs), which we consider to be an outlier. Combined with the renewed rise in energy prices, we are leaving our inflation forecasts for 2026 and 2027 unchanged.

USA: contribution to quarter-on-quarter GDP growth, annualised



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 2026 Q2

Eurozone

Growth recovers in the second quarter

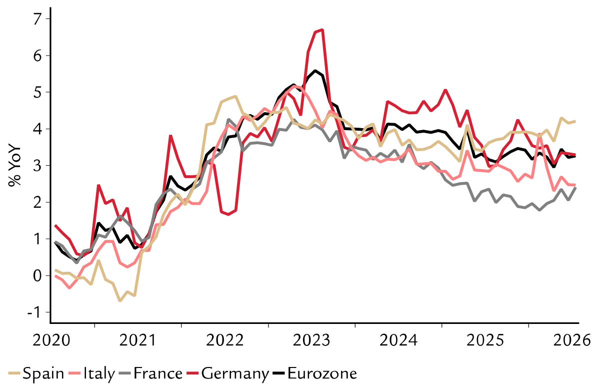
In the second quarter, the eurozone grew by 0.4 per cent quarter-on-quarter, significantly more than expected, and proved remarkably resilient despite the energy price shock. The momentum was broad-based: Germany, Italy and Spain exceeded expectations, and Ireland returned to a growth trajectory.

In the first quarter, a significant downward revision of Irish GDP growth triggered a revision of the GDP forecast for the eurozone. Irish economic growth is strongly affected by the activities of smaller US pharmaceutical and technology companies, which generate a significant proportion of their revenues through their Irish subsidiaries. As a result, Irish GDP is often subject to large fluctuations and can distort macroeconomic data for the eurozone.

Services inflation remains under control

Given the risk of second-round effects, the focus is returning to services inflation. The latest increase is mainly due to the higher energy prices being passed on for transport services, package holidays and hospitality services. On its own, however, this development is not yet a cause for concern, as prices in these areas are comparatively flexible and can adjust quickly. Rather, the decisive question remains whether wage growth in the eurozone is accelerating in response to the energy price shock. We do not currently see any signs of this. The price indices from the purchasing managers' surveys for the services sector point to a slight easing in price pressure, albeit less pronounced than in manufacturing. We are therefore sticking to our baseline scenario: We still do not expect any noticeable second-round effects on eurozone inflation. Services inflation is likely to remain elevated, but not at a level that is worrying for the ECB.

Eurozone: services inflation



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 07/26

Germany

Recovery becoming increasingly broad-based

The German economy continues to grow only moderately, but the recovery is becoming increasingly broad-based. Export orders, especially from the eurozone, grew more strongly than domestic demand and supported manufacturing (see chart). This was reflected in the July figures from the Ifo and Purchasing Managers' Index (PMI). Both indicators signalled a further improvement in business expectations. Confidence increased in manufacturing, but also in commerce and construction. Companies are also increasingly reporting improved order situations. Overall, this suggests that the recovery is gradually gaining momentum. At the same time, domestic momentum remains subdued, with retail and the labour market showing no convincing signs of a trend reversal so far, even if the PMI employment indicators have risen to a low level.
GDP growth of 0.2% in the second quarter highlights the resilience of the German economy despite the renewed escalation in the Middle East and persistently high levels of uncertainty, which are underpinned by both increased government spending and export demand. Together with the positive indicators in July, the probability of a further recovery in the third quarter has increased.

Rising fuel prices drive inflation

Whilst core inflation, excluding energy and food, fell slightly to 2.4 per cent, energy prices rose sharply for two reasons: on the one hand, the fuel discount came to an end and, on the other, the renewed rise in oil and gas prices led to a significant rise in fuel prices. Petrol prices have risen from around EUR 1.90 at the end of June to around EUR 2.20 per litre at the end of July, significantly more than the average for the eurozone. As a result, headline inflation rose again to 2.8 per cent.

France

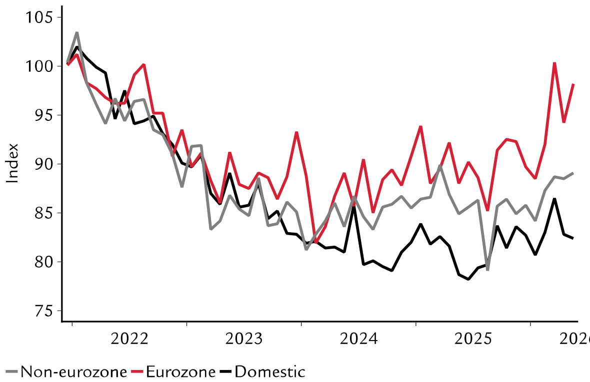
Economy has bottomed out

In its recent comments, France's central bank hinted at a broad-based acceleration of economic activity in June. We, too, assume that the economy has bottomed out. In the second quarter of 2026, the French economy, as expected, managed to make up for the decline seen in the first quarter. For the second half of the year, we anticipate a further slight acceleration in the pace of growth. Sentiment indicators made this assumption appear optimistic for a long time. However, in July, the purchasing managers' indices, consumer confidence and INSEE business surveys surprised on the upside. In view of weak growth in Europe, the labour market is proving robust, but it is not generating any positive momentum in the form of increased employment. The Manpower job index most recently fell to its lowest level since the first quarter of 2021. Electricity is increasingly becoming a very successful French export. This is due to the increase in electricity being produced by nuclear power plants compared to previous years and the higher capacity for renewable energies. France's electricity exports grew by 36% in the first half of the year, which had a positive impact on the foreign trade balance.

Inflation under control

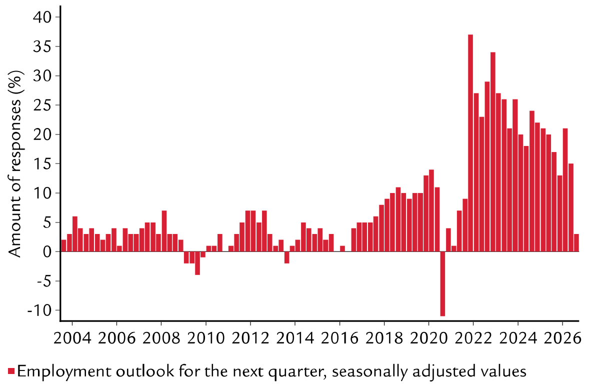
Apart from fluctuations in fossil fuel prices, inflationary pressure in France remains low. Long-term inflation expectations are well anchored. Measured by the price of inflation-linked bonds, the market is pricing in an average annual inflation rate of 1.7% over the next 10 years. If the ECB hikes its key interest rates further in September, its monetary policy would be too restrictive for eurozone member France.

Germany: new orders (excluding major orders), manufacturing



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

France: Manpower job index



Sources: Manpower Group, Macrobond, Swiss Life Asset Managers Research. Last data point: 2026 Q3

Italy

Solid growth despite uncertainty
The Italian economy performed well in the second quarter despite higher energy prices and geopolitical uncertainty. GDP rose by 0.2% quarter-on-quarter, which was slightly above our expectations and the consensus forecast, prompting us to raise our growth forecast for the full year (from 0.8% to 0.9%). According to a press release from the statistical office Istat, growth in the second quarter was driven by domestic demand, and in particular by the services sector.
On the inflation front, June's figures surprised to the downside; alongside lower energy prices, weak inflation numbers for services and core goods (excluding energy and food) also played a major role. Second-round effects of the energy price increase in the second quarter have therefore still not been observed, which is in line with our expectations. Based on the data for June, we would even have been required to revise our inflation forecasts downwards. The re-escalation of the war in Iran has forced us to raise the energy price path accordingly, resulting in unchanged inflation forecasts for 2026 and 2027.

Spain

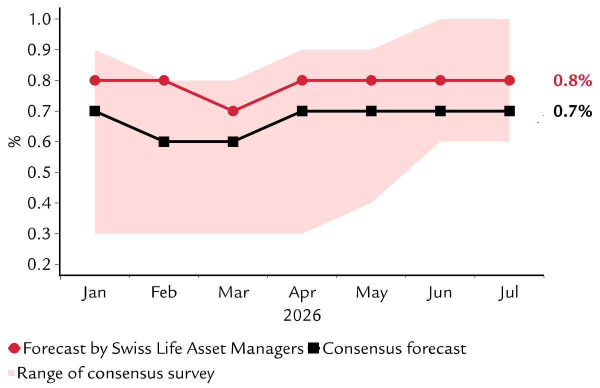
Europe's growth engine is still going strong
At 0.7 per cent quarter-on-quarter, the Spanish economy again grew significantly more strongly than we had expected in the second quarter. Growth continues to be driven largely by domestic demand. Household consumption, in particular, remained strong and held up well despite higher energy prices. We are therefore raising our growth forecast for 2026 from 2.2 per cent to 2.4 per cent.
We have revised our inflation forecast for 2026 slightly upwards. Inflation figures for June and July came in somewhat higher than both our expectations and market expectations. In contrast to many other European economies, lower energy prices in Spain did not lead to a drop in the "housing and energy" component of the consumer price index. The key factor in this was the expiry of tax relief measures for electricity and natural gas in June. This has largely offset the dampening effect of lower energy prices. In response to the rise in energy prices, the Spanish government had introduced more extensive support programmes than many other European countries.

Switzerland

Encouraging economic signals
Towards the end of the second quarter, high-frequency data suggested an acceleration of economic momentum. This development may exaggerate the general trend and, due to the situation in the Middle East, will turn in the opposite direction again in the coming weeks. The aforementioned positive trend in the hotel industry and labour market data has not yet become apparent. Consensus Economics collects GDP growth expectations that are not adjusted for sporting events. We will therefore increase this forecast by 0.2 percentage points for 2026. In addition to the above-mentioned observation of increased economic momentum in the middle of the year, the licencing income earned by FIFA as the organiser of the Football World Cup is likely to be higher than in previous tournaments due to the increase in the number of participating countries and larger advertising windows. Furthermore, planning insecurity remains elevated for companies. The trade agreement with the United Kingdom is thus a welcome achievement. However, the risk of renewed tariff disputes with the US persists.

Stable inflation expectations
The renewed rise in oil prices poses a short-term upside risk to our forecast. On the other hand, the decline in the producer and import price index in June confirms the assumption of a limited risk of second-round effects on goods and services prices outside the energy component. Inflation expectations are well anchored, which is also reflected in the consensus forecast for the inflation rate for 2027, which has remained unchanged since April. In contrast to the other European economies, our inflation forecast in Switzerland for 2027 is slightly above the consensus. We see increased inflationary pressure in domestic services prices as well as in the rents component.

Switzerland: forecast for 2027 inflation rate



Sources: Consensus Economics Inc. London, Macrobond, Swiss Life Asset Managers Research. Last data point: 07/2026

United Kingdom

Much remains unanswered in terms of fiscal policy
Andy Burnham has been Prime Minister since 20 July. However, the appointment of former Defence Secretary John Healey as Chancellor of the Exchequer came as a surprise. Burnham and Healey face significant fiscal challenges. While Burnham has reaffirmed that he will respect the fiscal rules and use the room for manoeuvre these provide, we view this room for manoeuvre as very limited. He will be influenced, amongst other things, by the development of energy prices up to October and by the new defence investment plan that Keir Starmer had presented. It also remains unclear how the measures he announced during the election campaign are to be financed, including higher spending on social housing, lower living costs and the introduction of a new National Care Service. Overall, Burnham has so far been vague about his fiscal policy plans. Nevertheless, we expect a somewhat more expansionary fiscal policy. For markets, the focus is likely to remain on statements about the fiscal framework. The announcement of the Autumn Budget in October will be an important milestone in this regard.

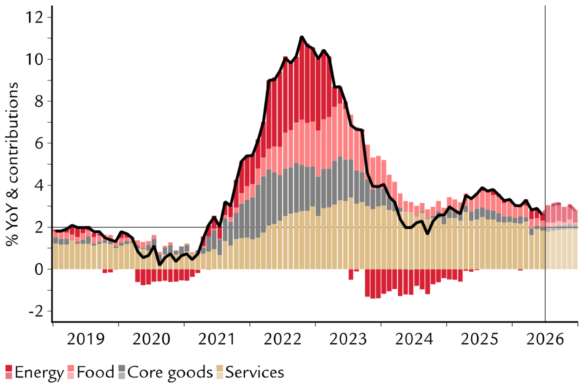
Temporary trough in inflation in June
After a weak start to the second quarter, monthly GDP surprisingly increased by 0.1% in May. This recovery was mainly driven by the services sector. Inflation was also lower than expected at 2.6% in June. Lower energy prices were the main driver, but lower food and clothing prices also contributed. However, we expect June to mark a temporary low. We expect the lifting of the energy price cap in July to trigger a resurgence of inflation.

China

Economy remains divided
The Chinese economy grew by 4.3% year-on-year in the second quarter of 2026 and thus posted its weakest growth rate since the pandemic. The slowdown is mainly due to the ongoing crisis in the real estate sector, production disruptions due to lower oil imports during the blockade of the Strait of Hormuz as well as the impact of the anti-involution campaign, which weighed on investments in selected industries. Against this backdrop, we have lowered our forecast for Chinese GDP growth in 2026 to 4.6%. Nevertheless, we expect a slight improvement in the second half of the year. Weak second-quarter data should pave the way for additional fiscal support measures. In addition, June data already hinted at a certain degree of stabilisation, especially in industrial production and, to a lesser extent, consumption. At the same time, the increasingly two-speed development of the Chinese economy is likely to continue. While high-tech industries, AI-related sectors and exports continue to grow robustly, consumption, private investment and large parts of the real estate market remain under pressure. This divergence is also evident on a regional basis: leading economic centres (tier-1 cities) are attracting capital and skilled workers and are showing initial signs of a recovery in house prices, while tier-2 and tier-3 cities are struggling with falling property prices and weak demand.

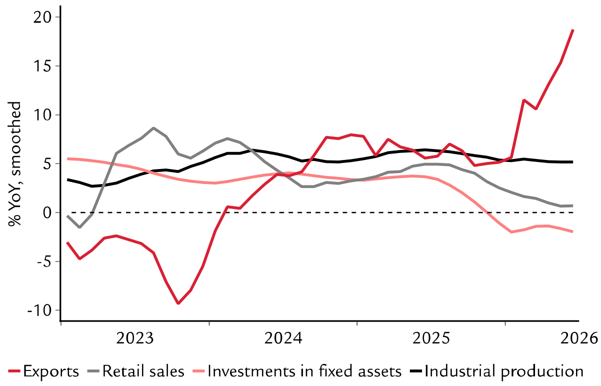
China's inflation set to remain moderate
We adjusted our inflation forecast slightly downwards following weaker-than-expected inflation data for June. While a renewed escalation of the Iran conflict poses an upside risk, overall, the persistently weak consumer confidence should limit inflationary pressure and keep inflation at a moderate level.

United Kingdom: inflation contributions incl. our forecast



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 06/2026

China: economic indicators



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

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2025 ConsensusEconomics FORECAST ACCURACY AWARDS FRANCE

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