Perspectives

Economics

SwissLife Asset Managers

October 2026

Key takeaways

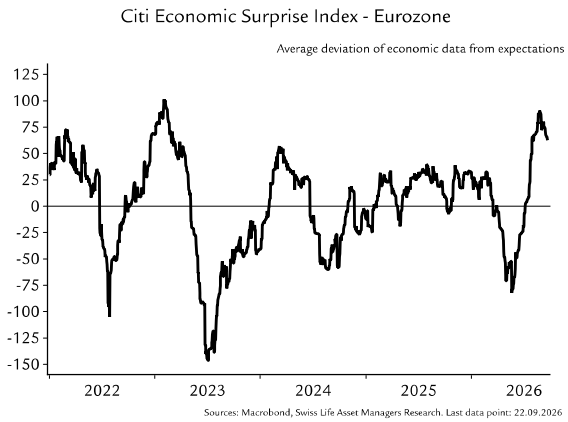
– USA: Good economic figures and persistently high inflation point to interest rate hikes *p. 2*
– Germany: Expectations brighten up in most sectors *p. 3*
– France: Scorch marks in GDP growth and food prices *p. 3*
– Switzerland: Record period followed by negative quarterly growth *p. 4*
– United Kingdom: Strong start to third quarter thanks to AI investments *p. 5*
– China: Growth likely to consolidate towards year-end, but this increases demand for oil *p. 5*

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	2.2% ↑	2.1% ↓	2.1% ↑	2.1% ↓	3.4% ↑	3.3%	2.3%	2.3%
Eurozone	0.9% ↑	1.0% ↑	1.2%	1.3% ↑	2.9% ↑	2.9% ↑	2.0% ↑	2.5% ↑
Germany	1.0%	1.1% ↑	1.3%	1.2% ↑	2.7%	2.7%	2.1% ↑	2.5% ↑
France	0.5% ↓	0.5% ↓	1.2%	0.8% ↓	2.1% ↑	2.2% ↑	1.5% ↓	1.9% ↑
Italy	0.9%	0.8% ↑	0.8%	0.7%	2.8% ↑	2.9% ↑	1.7% ↑	2.2% ↑
Spain	2.4%	2.5%	1.8%	2.0% ↑	3.4% ↑	3.4% ↑	2.0% ↑	2.6% ↑
United Kingdom	1.2% ↑	1.2% ↑	1.0%	1.1% ↑	3.0%	3.1%	2.1%	2.8% ↑
Switzerland	2.1% ↑	1.7% ↑	1.3% ↓	1.4% ↑	0.6% ↑	0.6% ↑	0.7% ↓	0.7%
China	4.5%	4.6%	4.7%	4.5%	0.9% ↑	0.9% ↓	1.1%	1.1%

Arrows indicate change from previous month. Source: Consensus Economics Inc., London, 14 September 2026

Chart of the month



In the eurozone, the feared slowdown in growth following the outbreak of the war in Iran failed to materialise. The robust economic figures caused the Citi Economic Surprise Index, which measures data surprises against consensus expectations, to rise to its highest level since 2023. In addition to robust domestic activity, increasing fiscal momentum from Germany and the NextGenerationEU programme are providing a tailwind, while inflation outside the energy component remains moderate. As such, the positive factors more than outweigh the negative effects of the Iran war.

USA

Services sector gaining momentum

Recent US economic data has been positive: US retail sales grew much more strongly than expected in August. In price-adjusted terms, e-commerce sales were particularly strong. The Purchasing Managers' Indices (PMIs) confirm the services sector's positive momentum (see chart below), despite subdued consumer confidence amid higher petrol prices. Sentiment in US manufacturing also remains positive, although the strong output growth seen in spring slowed sharply over the summer and turned negative in August. The US labour market surprised to the upside. The unemployment rate remained at 4.1% in August, while job growth picked up again significantly following a weak phase in early summer, with the IT and financial sectors the main exceptions.

Focus on inflation risks

The recent increase in economic momentum has prompted us to raise our GDP growth forecasts for 2026 and 2027 and strengthens the case for the US Federal Reserve to continue fighting inflation, which remains too high. Inflation was unchanged at 3.4% in August, in line with our and market expectations. However, the underlying composition was unfavourable. Services inflation excluding shelter costs picked up again following a weak spell in the middle of the year, pointing to continued pricing power among service providers amid solid private consumption. Given the continued instability in the Middle East, the risk of larger second-round inflation effects than previously expected is increasing. However, the evidence is not yet sufficiently strong for us to revise our inflation forecast for 2027, especially as we continue to expect the conflict to de-escalate and oil prices to fall next year.

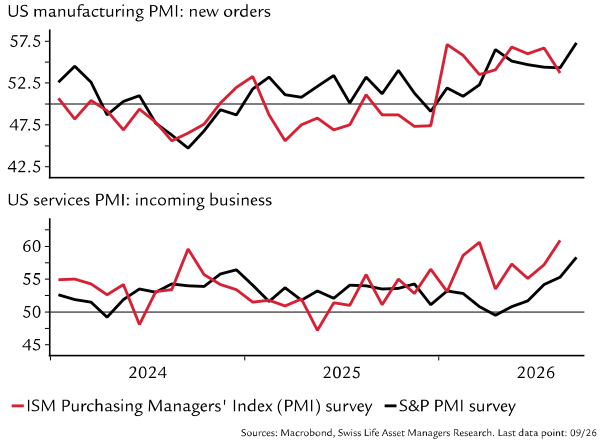
Eurozone

ECB focuses increasingly on the economy

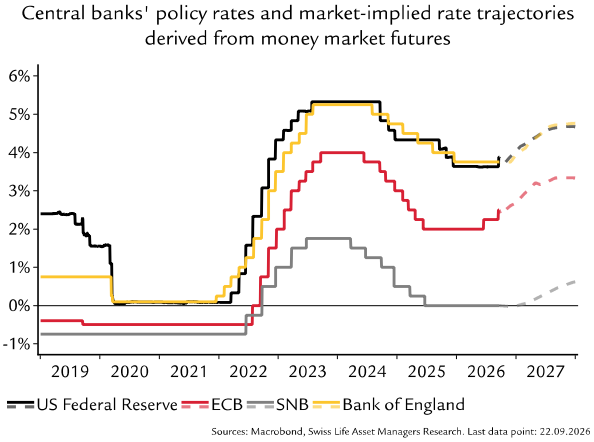
As expected, the European Central Bank raised its key interest rate again by 25 basis points in September, thus responding to ongoing inflationary pressure. Compared to the June projections, the ECB staff inflation projections have barely changed. They still do not expect any noteworthy second-round effects, which is also in line with our assessment. However, in its latest communication, the ECB put an increased focus on the ongoing economic upswing in the eurozone (see chart of the month). From the central bank's perspective, the economic recovery could generate additional inflationary pressure. The decisive factor, however, is how sustainable and broad-based this upturn actually is. After seven consecutive increases, the manufacturing purchasing managers' index remained unchanged, while the services index rose sharply in September. Although the employment component has brightened somewhat, so far it does not point to a strong increase in employment. Accordingly, private consumption also remains subdued, which was already able to grow only moderately in the second quarter. We expect this picture to continue in the coming year.

Further interest rate hike seems likely

Headline inflation continued to rise in August, while core inflation declined slightly. However, we expect core inflation to rise again in the short term. At the same time, risks related to the Middle East remain elevated and could temporarily exacerbate inflationary pressure. Together with the latest communication from the ECB, we consider the likelihood of a further rate hike to be high. We therefore now expect another interest rate hike of 25 basis points in December.



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 09/26



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 22.09.2026

Germany

Expectations brighten across most sectors

After three quarters of solid economic growth, sentiment indicators painted a positive picture in September. The manufacturing purchasing managers' index eased slightly from a high level, while the services index increased markedly. At the same time, export expectations improved across most industrial sectors, including sectors such as automotive and mechanical engineering, which have suffered from weak demand and structural challenges in recent years (see chart).

This optimism comes at a time when the recovery is already clearly visible, but not yet broad-based. The positive trend in recent quarters was driven by one-off factors such as increased export demand from the eurozone and expanding government spending on defence and infrastructure. By contrast, consumption, business investment and the labour market have so far been rather subdued. It is noteworthy that expectations have also improved in sectors that have contributed little to the recovery so far. Companies are therefore assuming that the economy will continue to recover, with this recovery spreading to other sectors and developing into a sustained cyclical upswing. The positive view of companies therefore suggests a continuation of the moderate upswing rather than a renewed slowdown in economic growth.

Fuel discount lowers inflation

Inflation will continue to be determined primarily by the energy component. After fuel prices rose significantly again, the fuel rebate decided on in September is likely to dampen the rate of inflation by 0.2–0.3 percentage points. However, this effect will be temporary, lasting only two months and therefore hardly changing medium-term price pressure, which remains heavily dependent on energy prices.

France

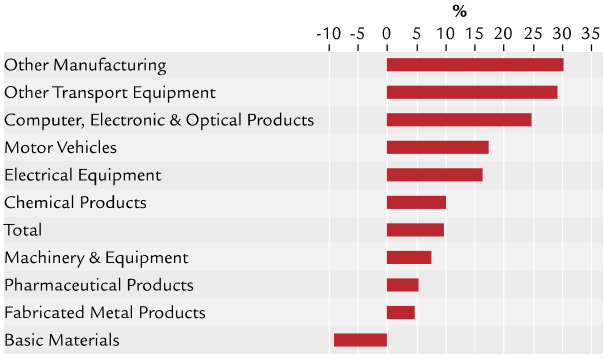
Forest fires reflected in economic data

Following negative quarterly growth at the beginning of the year, second-quarter figures were also disappointing. France's economy stagnated over the summer months, partly due to widespread forest fires and lower demand due to the heatwaves. So we can look back on a "lost" first half-year. We conclude that this dip in growth is not due to economic weakness based on the observation that business sentiment survey data from cyclical manufacturing is stable. Catch-up effects can therefore be expected for the second half of the year (see chart below). Our own assumptions regarding this temporary re-acceleration are more optimistic than, for example, those of the Banque de France. However, the still robust business sentiment does not reflect the unfavourable performance on the financial markets: the risk premium demanded by investors for French government bonds is at its highest level since July 2012. This also has a negative impact on the financing costs for the private sector and on the real estate market and may impact GDP figures in the form of lower investment activity.

Rising food prices

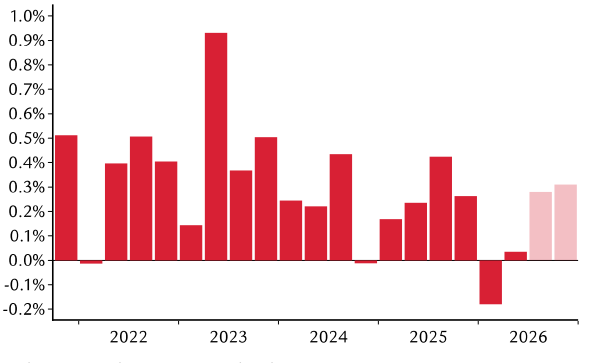
In our baseline scenario, the expected growth rate remains below the long-term potential of the French economy until the end of 2027. Apart from higher energy prices, this does not create serious inflationary pressure. For example, there is a slowdown in price momentum for the important "rents" index component. While this component rose by 2.4% year-on-year at the beginning of the year, price rises have recently cooled to 1.6%. Poorer harvests, on the other hand, led to significantly higher fruit and vegetable prices in August.

Germany: ifo export expectations



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

France: real gross domestic product including forecast



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

Italy

An expansive budget for the 2027 election year?

Our GDP growth forecast for Italy since the outbreak of the war in Iran has always been 0.8% or 0.9% for the full year of 2026. We have therefore always been more optimistic than the consensus forecast, which fell to 0.5% in April 2026 and has since only been gradually adjusted upwards. Even the Italian Ministry of Economy and Finance was cautious for a long time – with a growth assumption of just 0.6% – with 0.8–1.0% now being more realistic according to Finance Minister Giancarlo Giorgetti. Thanks to improved growth assumptions, the government is creating fiscal leeway to potentially include certain stimulus measures in its 2027 budget proposal. For example, Deputy Prime Minister Matteo Salvini recently called for additional spending of EUR 20 billion next year. Elections are being held in Italy in 2027, and the government is under pressure to take action as it has become less popular this year – most likely due to persistently high inflation. Nevertheless, the government can already point to a success: since the beginning of September 2026, the Meloni government has held the record for the longest term in office since the founding of the Italian Republic.

Spain

Robust but slowing momentum

Spanish economic growth has been significantly above that of the eurozone since the start of 2023. However, we expect the peak in the growth rate to be reached in the second quarter of this year and see a slight slowdown in growth momentum in the second half of the year. The Purchasing Managers' Index (PMI) for the services sector weakened slightly in August, but remains clearly in expansionary territory. The industrial sector continues to lag behind. The manufacturing PMI fell below the growth threshold of 50 in August. The labour market has also benefited from this strong growth. The unemployment rate is close to historical lows. However, private consumption is likely to be subdued in the second half of the year, as the rise in energy prices is putting pressure on household budgets. Inflation in Spain rose again significantly in August and at 4.3% is well above the eurozone level. However, due to energy prices being directly passed on to consumers, we also expect a faster normalisation of the inflation rate in Spain next year.

Switzerland

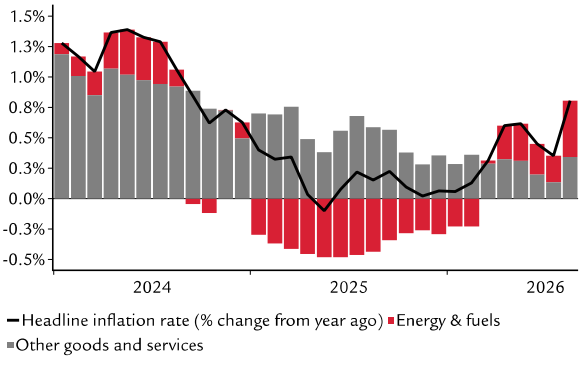
Record period followed by negative quarterly growth

Around two-thirds of the strong GDP growth in the second quarter of 1.5% compared to the previous quarter is due to the inventory cycle and strong exports from the chemical and pharmaceutical industries. Apart from the significant fluctuations surrounding the pandemic, we must look back to the fourth quarter of 1999 to find similarly strong growth in Swiss economic history. As is the case today, special factors at the time – such as IT spending to prepare for the new millennium – caused a temporary surge in growth. High-frequency data from the third quarter and export data up to August suggest that growth momentum has already returned to its long-term trend. This data suggests a negative rate of growth for the third quarter. However, not all of the gains from the previous quarter will fall prey to this countermovement, which is why the revisions to the growth forecasts for 2026 will nevertheless be significant. Another peculiar feature of the current cyclical upturn is the lack of a recovery on the labour market. The seasonally adjusted unemployment rate has remained at 3.1% for four months and the number of job-seekers has increased by more than that of vacancies over the past 12 months.

Small weighting, big impact

Fuel prices have also risen to a record high in Switzerland. At petrol stations, the price of diesel has risen by more than 30% since the start of the year. This trend is also reflected in the Swiss Consumer Price Index (CPI). Rising annual inflation remains largely driven by energy prices. The "energy and fuels" category has a weighting of just 5.1% in the CPI basket. However, it contributed 0.46 percentage points to 0.8% annual inflation.

Switzerland: consumer price index and the contribution of the energy component to annual inflation



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

United Kingdom

AI effects becoming increasingly visible

The UK economy continues to surprise on the upside. Monthly GDP increased by 0.4% in July from the previous month, significantly exceeding expectations. This points to a robust start to the third quarter. The broad-based growth momentum is particularly pleasing. Manufacturing output rose by 0.9% from the previous month, reaching the highest level in three years. In particular, the UK Office for National Statistics highlighted AI-related products and the production of ICT goods as well as investments in cloud computing as important growth drivers. This suggests that the UK economy is already benefiting noticeably from global artificial intelligence investment surges. The services sector also made a solid contribution to economic expansion with growth of 0.4%. In view of this encouraging development, we have slightly raised our growth forecast for the current year to 1.2%. On the other hand, the labour market remains less dynamic. The unemployment rate remained at 4.9%, while the number of employees on payrolls continued to decline.

Bank of England likely to act soon

Inflation rose to 3.1% in August as expected. The energy component is still mainly responsible for this, with fuel prices in particular rising again significantly. More encouragingly, core inflation remained unchanged at 2.6% and so continues to point to limited second-round effects. As expected, the Bank of England kept its policy rate unchanged in September. However, in our view, it will find it increasingly difficult to ignore rising inflationary pressure. We therefore anticipate an interest rate hike of 25 basis points in December.

China

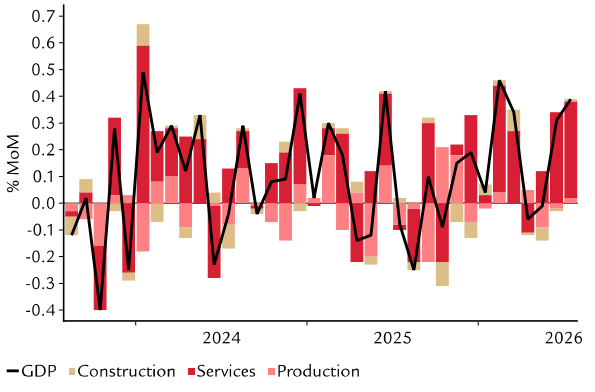
Buffer effect on global oil market eases

China's economy continues to remain divided: while high-tech manufacturing and exports are benefiting from the global AI boom and state-sponsored technological modernisation, the consumption and real estate sectors remain weak. Falling real estate prices and persistently low construction activity continue to weigh on domestic demand. We expect the economy to remain divided, although growth dynamics at the end of the year should be more broad-based. For example, the sharp rise in refinery margins (see chart) suggests there will be a further recovery in refinery activity. Both the easing of Chinese export restrictions on refined oil products and the sharp rise in fuel prices globally, which is making production more attractive, are contributing factors to this. At the same time, the government is likely to speed up the implementation of already decided fiscal measures. Additional support for infrastructure projects, high-tech industries, renewable energy and other strategic sectors is expected in the light of weak investment activity. While this supports the growth outlook for China, it has less positive implications for the oil market. As refinery activity picks up and investment increases, oil demand should pick up moderately again, easing China's dampening impact on the global oil market.

Price pass-through to consumers remains weak

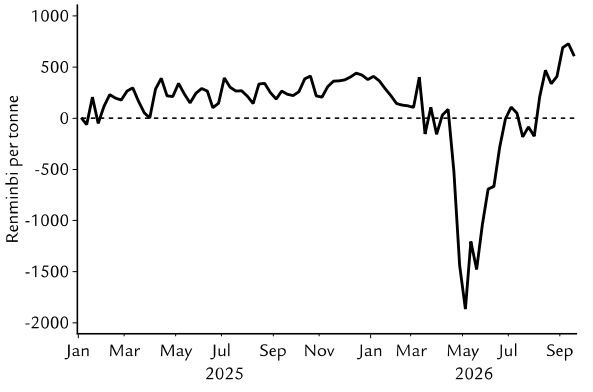
Producer prices in China rose by 3.8% in August, driven by higher energy prices. However, many companies cannot pass on these higher costs to their customers as demand remains subdued. Accordingly, consumer price inflation remains low at 0.8%, indicating ongoing price pressure in end-customer business.

United Kingdom: monthly GDP growth



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

China: Weekly independent refinery margin



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 22.09.2026

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2025 ConsensusEconomics FORECAST ACCURACY AWARDS FRANCE

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