

[Find out more in our scenario and forecasts](#)

WAR IN THE GULF

UNITED STATES

Prolonged conflict, rising economic costs and risks. Attacks against and from Iran are continuing, accompanied by escalating rhetoric including explicit threats against oil infrastructure (from both sides). France and Italy are reported to have begun talks with Iran with a view to reopening the Strait of Hormuz. Türkiye and India have negotiated the safe passage of a number of ships. Nevertheless, production continues to decline and shortages of petroleum products, fertilisers and byproducts are emerging, affecting the chemical industry in Europe and Asia. The US has suspended its sanctions on Russian oil for 30 days (the EU and the UK have kept theirs in place), but this has not prevented oil prices from rising, share prices from falling, and bond yields and the dollar from appreciating (see below and the Market Review). The prospect of oil tankers being escorted by the US Navy, or even an international coalition as requested by President Trump, is still remote. Therefore, experts are revising their oil price forecasts upwards (see below). Against this backdrop, central banks, which are meeting this week, will likely adopt a highly vigilant stance on inflation risks, even if most of them will not take immediate action.

ADVANCED ECONOMIES

UNITED STATES

International trade: On the tariffs front, Section 301 will replace Section 122 this summer. The administration is launching investigations, due to be completed in July (when the 10% blanket tariff expires), under Section 301 of the Trade Act of 1974, targeting partners with “unfair trade practices”. One investigation covers 16 countries (including China, the European Union, Japan and Mexico) for “structurally excessive manufacturing capacity and output”, and another covers 60 countries (including the 16 already mentioned) for “forced labour”. However, the EU is reported to have received assurances from the Trump administration that the agreement reached last summer will be honoured.

Overly high inflation, with growth forecasts revised downwards. The headline and core CPI indices remained at +2.4% and +2.5% year-on-year, respectively, in February. Energy and food prices have been pushing figures up, whilst housing and used car prices are continuing to fall. In the PCE index, headline inflation fell (-0.1 pp to +2.8% y/y) in January, in contrast to core PCE (the measure favoured by the Fed), which rose to +3.1% y/y (+0.1 pp). Growth for Q4 2025 has been revised downwards to +0.7% on an annualised quarter-on-quarter basis (following +4.4% in Q3), weighed down by non-residential investment and an ultimately negative contribution from foreign trade. In February, existing home sales returned to their November 2025 level (4.1 million in annualised terms) following the volatility of December–January. Household confidence (University of Michigan), with half of the responses collected after the start of the war in Iran, fell to 55.5 (-1.1 m/m) in March after four months of improvement. The expectations component (54.1, -2.5 points) accounts for the decline. One-year inflation expectations remained unchanged (3.4%). A federal court has blocked the Department of Justice’s lawsuit (which will be appealed) against Fed Chair Jerome Powell, on the grounds that the “the government has produced essentially zero evidence to suspect Chair Powell of a crime”. Coming up: FOMC rate decision and quarterly projections (Wednesday), industrial production (Monday) and PPI (Wednesday).

EUROZONE / EUROPEAN UNION

European Union: Seeking ways to cushion the impact of the energy crisis. Ursula von der Leyen presented a series of measures to MEPs, including long-term supply contracts, targeted state aid and gas price caps. She is

also advocating maintaining the ETS carbon quota system. These measures are expected to be determined at the European Council on 19 March as part of the “One Europe, One Market” roadmap. A plan dedicated for developing small modular reactors (SMRs) for commercial use by the early 2030s was also presented (which is expected to mobilise EUR 200 million from the Innovation Fund), along with a new Infrastructure Fund for the transition to a low-carbon economy (the EIB will provide EUR 75 billion over three years). The finance ministers of the six largest EU countries have proposed creating a single supervisory body for European financial markets. Coming up: presentation of the 28th regime (Wednesday), European Council and presentation of the “One Europe, One Market” roadmap (Thursday and Friday).

Eurozone: Bond yields at their highest since 2010. The German 10-year yield reached 2.96% on 13 March. Yield spreads are widening, reaching 68 basis points for France (+10 basis points since early March) and 80 basis points for Italy (+17 basis points since early March). Industrial production fell again in January (-1.5% m/m). Coming up: inflation (Tuesday), labour costs for Q4 2025 (Wednesday), ECB meeting and new macroeconomic projections (Thursday), and January current account (Friday).

- **France: Growth remains steady.** According to Banque de France (BdF), growth stood at 0.2–0.3% for the 1st quarter (0.3%, according to our nowcast, link to the scenario page), driven by manufacturing and market services. This survey does not yet show any impact from the shock to energy prices (which, according to BdF, could affect growth at the end of the quarter). France recorded a current account surplus in January (EUR 2.1 billion). The surplus in services remains stable (EUR 4.7 billion) and the deficit in goods is narrowing (EUR -2 billion), supported in particular by defence exports (EUR +750 million y/y, half of the defence export gain for the whole of 2025). The government is considering how to limit the rise in fuel prices, by capping fuel retailers’ margins in particular.

- **Germany: Strong exports to the US are offsetting weak domestic demand. In January, the trade surplus stood at EUR 21.2 billion (the highest since August 2024).** Imports fell (-5.9% m/m, the lowest level since November 2024), highlighting the weakness of domestic demand. Exports fell (-2.3% m/m), including those to the EU (-4.8%) and China (-13.2%), whilst sales to the US surged (+11.7%).

- **Italy: Manufacturing output fell in January** (-1.9% y/y), dragged down by the chemicals and petroleum-refining sectors. The drop in producer prices (-1.6% y/y) is moderating due to a rise in energy prices (+2.7% q/q). Coming up: January foreign trade figures (Friday).

JAPAN

Prepared to face the energy shock. The government has announced that it will release 45 days’ worth of oil reserves from Monday 16 March (80 million barrels), whilst over 90% of supplies come from the Middle East. The BoJ stands ready to intervene in the markets if volatility erupts or if there is an excessive weakening in the yen, which has depreciated over the past month (with USD/JPY at its lowest since 2024), falling to 159.46 on 13 March from 152.68 on 14 February. GDP growth was revised to +1.2% q/q (annualised rate) in Q4 2025 (+1 pp), driven by non-residential investment and public spending. In January, real wage growth was positive (+1.4% y/y) for the first time since December 2024, supported by scheduled contractual wage increases (+0.9 pp to +2.1% y/y). Coming up: BoJ meeting.

UNITED KINGDOM

While GDP stagnates, bond yields rise sharply. GDP remained flat month-on-month in January (+0.8% year-on-year), with construction (+0.2%) offsetting the decline in industrial production. The trade balance recorded



[Find out more in our scenario and forecasts](#)

a surplus in January (GBP +3.6 bn vs. GBP -4.4 bn in December), supported by exports (+7.2% m/m) of machinery and equipment and chemicals, in particular. The 10-year government bond yield peaked at 4.81% on Thursday, the highest since 2010, when it stood at 4.86%.

Coming up: January unemployment and wage figures (Tuesday), and BoE meeting (Thursday).

EMERGING ECONOMIES

AFRICA & MIDDLE EAST

Gulf countries: Widespread shock, with varying impacts. Stock market movements reflect the degree of vulnerability of Gulf countries to the consequences of the conflict. The Abu Dhabi and Dubai markets are by far the hardest hit (-11% and -15% since 27 February), whilst Saudi Arabia and Oman's markets are holding up better. For these latter two countries, oil remains a mitigating factor. Saudi Arabia, in particular, has the capacity to bypass the Strait of Hormuz via the Red Sea, accounting for 60–65% of its total exports. Furthermore, reports suggest an upcoming review of the asset portfolios of several sovereign wealth funds, likely with a view to supporting the macroeconomic stability of these countries.

ASIA

Currencies are holding up well. Since 27 February 2026, currency depreciation against the USD has ranged from 0.8% in Vietnam (spot rate) to 3.4% in the Philippines.

Some countries have adopted regulatory measures or incentives to limit fuel consumption (remote working in Thailand, the Philippines and Vietnam, and diesel rationing in Bangladesh and Pakistan) **and to mitigate the impact of rising oil prices on households.** Indonesia has announced an increase in subsidies, and Taiwan has introduced mechanisms to cushion the rise in fuel prices. Taipei has also confirmed that the country's energy reserves are above the legal thresholds (90 days' worth of oil, 11 days' worth of natural gas and 30 days' worth of coal).

China: The 15th Five-Year Plan, adopted on 12 March, focuses on industry, high technology and science. Beijing's objectives include continuing to move up the value chain in the manufacturing sector, leveraging AI to boost productivity gains and winning the "battle for future technologies". The rise in household consumption is not central to Beijing's economic strategy. It is, however, one of the plan's objectives. **The authorities are implementing measures to limit the rise in fuel prices at the pump,** notably by controlling the selling prices of state-owned refineries. China is also reported to have halted its exports of refined products (around 8% of its domestic production). **Economic data for the first two months of 2026 point to an acceleration in growth,** with a rebound in retail sales (+2.8% year-on-year in value terms in January–February 2026, following +1.7% in Q4 2025) and investment (+1.8% in January–February, following a decline in Q4 2025), as well as a sharp rise (of over 20% year-on-year in value terms) in exports and imports of goods (compared with +3.7% and +2.8% year-on-year, respectively, in Q4 2025). This rise is mainly driven by the significant increase in trade in microchips and to base effects.

EMERGING EUROPE

Central Europe: Inflation fell in February, with regional variations. Inflation was below 2% year-on-year in Hungary (1.4%) and the Czech Republic (1.6%). In Poland, it was just over 2% (2.1% year-on-year), whilst it remained very high in Romania (9.3% year-on-year after 9.6% in January). The conflict in the Middle East is likely to lead to an uptick in inflation and prompt caution around monetary policy. The prospects for easing are fa-

ding, with central banks in the region expected to opt for a status quo in the coming months.

Hungary has already introduced a cap on fuel prices at the pump (19.25 forints per litre for petrol and 20.48 forints per litre for diesel).

Central European currencies remain resilient. Over the past week, movements have been relatively limited. The Polish zloty has even appreciated (by +0.2% against the EUR), thereby limiting the losses recorded since 27 February. In the region, the Czech koruna, the Polish zloty and the Romanian leu have been the least affected (CZK/EUR: -0.8% since 27 February, PLN/EUR: -1.1%, RON/EUR: 0%, and HUF/EUR: -4.2%).

Türkiye: The government has activated the mechanism to offset rising fuel prices by reducing excise duties (eşel-mobil or sliding scale) on fuels. The mechanism is designed to offset up to 75% of the rise in pump prices for petrol, diesel and LPG. On 12 March, the central bank kept its key policy rate (the one-week repo rate) at 37%, as well as the corridor range for other key policy rates (35.5%–40%). Over the past week, the lira has remained almost stable against the dollar (-0.1%). Since 27 February, it has depreciated by just 0.4% and appreciated by 2.1% against the euro. By contrast, the yield on 10-year government bonds remains around 30%, compared with 28% at the end of February.

LATIN AMERICA

The impact of the war in the Middle East is less severe than in other emerging regions. Direct risks are limited (only a marginal proportion of hydrocarbon imports comes from Gulf countries) and several countries (Argentina, Brazil, Colombia and Ecuador) have a surplus on their energy trade balance. Since 27 February, the most affected currencies have been those of net oil-importing countries: Uruguay (-4.4% against the USD), Chile (-3.8%), Mexico (-3.5%) and Peru (-2%). Peru is also a net exporter of gold, which could partially offset the increase in hydrocarbon imports. Among net hydrocarbon-exporting countries, the Colombian peso has appreciated by 2.1% and the Argentine peso by 1.2%. By contrast, the Brazilian real has depreciated by 1.6%.

COMMODITIES

The war in Iran and the closure of the Strait of Hormuz are disrupting oil supply chains. The International Energy Agency (IEA) estimates that Gulf countries have reduced their total oil production by at least 10 million barrels per day (8 mb/d of crude oil and 2 mb/d of condensates and NGL). The region's refining capacity has also been affected, with an estimated loss of over 3 mb/d of capacity. As a result, the IEA estimates that global oil supply is set to fall by 8 mb/d (around 8% of global supply) in March.

Furthermore, the alternative routes around the Strait that were not previously exposed to the conflict, are now being targeted by Iran, with an Omani port evacuated and operations suspended for several hours on 12 March. Although other routes are still operating, they are being avoided by ships and oil tankers (such as the Fujairah terminal in the UAE). Disruptions in the oil market are expected to continue.

The US EIA has significantly revised its forecast for the price of Brent in 2026 upwards to USD 79 per barrel (+37% compared to the February 2026 estimate) and forecasts Brent to exceed USD 95 per barrel for the next two months.

This weekend's attacks on Fujairah and Kharg Island (from where 90% of Iran's exported oil is shipped) and the ongoing conflict are weighing on Brent crude, which reached USD 106 per barrel on Monday morning (up 3% from its previous close).

