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WAR IN THE GULF

Strikes on oil and gas facilities from both sides have intensified, driving up commodity prices. This escalation is expected to fuel inflation and dampen growth. Central banks have maintained their monetary policies as they await greater clarity, but the markets are bracing for tighter policies, as are we ([see our analysis](#)).

ADVANCED ECONOMIES

UNITED STATES

The prospect of rate cuts is receding, the economy is performing well and the administration is responding to the energy shock. The Fed's policy rate was kept at 3.5%–3.75%. The Summary of Economic Projections revises the long-term estimate for this rate to 3.1% (+0.1pp) and forecasts core PCE to be +2.7% y/y by end-2026 (+0.2pp), while still upholding the dot plot, indicating a potential rate cut this year. However, this cut is unlikely to materialise, as the FOMC's requirement for a reduction in inflation is becoming increasingly unattainable, with J. Powell hesitating to assert that energy and tariff inflation will only have a temporary impact that monetary policy can overlook. The probability of a rate hike in 2026 now exceeds 50%. In February, industrial production improved (+0.2% m/m, -0.5pp), while producer prices rose sharply (+0.7% m/m), driven by food, energy and core inflation. In order to curb petrol inflation, the Trump administration has announced a 60-day suspension of the Jones Act (which requires that ships sailing between US ports be US-flagged and US-built) for vessels transporting hydrocarbons and other raw materials. Added to this is a partial easing of sanctions targeting oil from Venezuela and Iran. **Banking deregulation is intensifying** with proposals targeting capital requirements: 1. an end to Basel III agreements for the nine largest banking groups; 2. reform of the method for calculating capital surcharges imposed on the eight global systemically important banks (G-SIBs); 3. a review of the standardised approach to measuring credit risk for other banks. These measures, along with the proposed reform of stress tests, could reduce CET1 capital requirements by an average of 4.8% for the eight G-SIBs, by 5.2% for mid-sized groups (those with assets of between USD 100bn and USD 750bn) and by 7.8% for small institutions. These proposals are open for comments for 90 days. *Upcoming: Q4 current account (Tuesday); consumer confidence (Michigan, Friday).*

EUROPEAN UNION

Progress on all fronts. The European Council meeting on 19 March approved the 'One Europe, One Single Market' roadmap, which sets out a tight schedule: 2026 for most deliverables and by the end of 2027 for the rest. Among the most significant measures, the Commission introduced the 28th regime on 28 March, which facilitates the establishment of a business online within 48 hours, with no minimum capital requirement and under a unified legal framework. To speed up its adoption, opting for a regulation will avoid the need for 27 national transpositions. On the energy front, the Commission will propose temporary, targeted and coordinated measures, including state aid for industries that are significantly affected, long-term supply contracts to stabilise prices, and gas price caps. **Towards the ratification of a trade agreement with the United States and another with Australia.** The ratification process for the agreement with the United States has been relaunched with several safeguard clauses: 1. expiry at the end of March 2028 of the tariff relief enjoyed by the United States; 2. suspension in the event of a US breach; 3. entry into force conditional upon verification of all commitments. Ratification is expected in April or May, following negotiations with Member States. A free trade agreement with Australia is nearing completion.

Eurozone

With inflation projected to exceed its target, the ECB is expected to raise interest rates. The ECB maintained its key interest rates in March but revised its growth forecasts (-0.3 pp to 0.9% in 2026; -0.1 pp to 1.3% in 2027) and inflation forecasts (+0.7 pp to 2.6% in 2026; +0.2 pp to 2% in 2027). A return to the 2% target is expected in 2027 (the baseline scenario includes two rate hikes according to market expectations), or potentially in 2029 under an adverse scenario. Some governors (Nagel, Makhlouf) do not rule out a key rate hike as early as April. The ECB's wage tracker anticipates negotiated wage growth of 2.3% in 2026 (a decline compared with 2025). Long-term rates have continued to rise: the German 10-year bond yield has crossed the 3% threshold for the first time since 2011 (+40 bp since the end of February). The spread stands at 73 bp with the French 10-year and 96 bp with the Italian 10-year (+17 and +33 bp compared to the end of February respectively). *Upcoming: consumer confidence (Monday), PMI (Tuesday), private credit and monetary aggregates (Thursday).*

France: Inflation is expected to rebound rapidly according to our forecasts. Fuel prices have risen by nearly 17% since early March (the same increase as in March 2022). The impact on year-on-year inflation is expected to be 0.6pp (1.7% in March compared with 1.1% in February). According to the Energy Regulatory Commission, the tariff for gas consumers is set to rise by 15% in May (a +0.2pp impact on inflation, which would exceed 2% for the first time since August 2024). The rise in gas prices is not expected to affect electricity prices (as gas is not used to generate electricity). The social security deficit reached EUR 21.6 billion in 2025, which is lower than the EUR 23 billion estimated by the government in its budget and EUR 15.3 billion recorded in 2024. *Upcoming: PMI (Tuesday), INSEE business climate and household confidence (Thursday), deficit and public debt in 2025 (Friday).*

Germany: The initial effects of the energy shock are being felt. The ZEW index fell by 58.8 points m/m in March to -0.5, although this decline was less severe than in March 2022 (-93.6 m/m to -39.3). Producer prices fell in February (-3.3% y/y; -0.3pp m/m). *Upcoming: PMI (Tuesday), IFO business climate (Wednesday), GfK consumer confidence (Thursday).*

JAPAN

Rate hikes still on the table. The BoJ maintained its key interest rate at 0.75% but signalled a hawkish bias. This position is reinforced by the inflationary consequences of the war in Iran, with the BoJ assessing the downside risks to growth as moderate. *Upcoming: inflation and PMI (Tuesday), BoJ minutes (Wednesday).*

UNITED KINGDOM

Rate cuts are becoming less likely. The BoE maintained its key rate at 3.75% but has not ruled out a further tightening of monetary policy. The yield on the 1-year government bond has risen by 60 basis points over three sessions, and by 110 basis points since early March. The 10-year yield has broken through the 5% mark for the first time since August 2008 (+80 bp since early March). The government has pledged support (GBP 53 million) for 1.5 million households to help with rising heating oil prices. Wage growth reached 3.9% y/y in January, including bonuses (3-month average), compared with 4.2% in December. *Upcoming: PMI (Tuesday), inflation (Wednesday), retail sales (Friday).*



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EMERGING ECONOMIES

AFRICA & MIDDLE EAST

Gulf countries are beginning to take action to support their economies.

Bahrain's Parliament has recently approved four measures, including exemptions from electricity, water and municipal tax bills for affected businesses. In the United Arab Emirates, the Central Bank is implementing measures to facilitate banks' access to liquidity. It has also opted for a temporary easing of capital and credit risk management requirements.

ASIA

Increasing pressure on currencies: Asian currencies have held up well so far, but tensions are mounting. Since 27 February, the Thai baht, the South Korean won and the Philippine peso have recorded the sharpest falls against the USD, falling by 6.5%, 4.7% and 4.3% respectively. The Indian rupee has shown stronger resilience, with a depreciation of 3.1%. It is partly due to the Central Bank's intervention in the foreign exchange markets.

China: Beijing tightens restrictions on exports of refined petroleum products. Since the start of the month, the National Development and Reform Commission (NDRC) is reported to have instructed the main national oil refineries to suspend exports of certain products, including diesel and kerosene. The Philippines and Vietnam are said to be among the countries most affected, as China supplies 25% and 14% of their refined product imports respectively. Beijing has also reportedly ordered fertiliser exporters to restrict their sales to certain countries, notably India.

Indonesia: Monetary policy unchanged despite rising inflation. The central bank is in a more delicate position than other central banks in the region due to inflationary pressures that arose prior to the outbreak of the conflict in the Middle East (+4.8% year-on-year in February). However, the rupiah's resilience (-0.9% since 27 February 2026) enabled the central bank to maintain its key interest rates at 4.75% at the monetary policy committee meeting on 17 March. The country's external accounts are less vulnerable to the energy shock than those of Thailand and the Philippines.

Taiwan: Monetary status quo against a backdrop of low inflation and robust growth. The Central Bank kept its key interest rate at 2% at its meeting on 19 March. CPI inflation stood at 1.2% year-on-year for the first two months of 2026, and it is not expected to exceed 2% this year, according to the Central Bank's latest forecasts. The Bank is optimistic about the growth outlook, forecasting a growth rate of 7.3% for 2026 (following 8.7% in 2025), which continues to be bolstered by demand for AI-related goods. However, the economy is vulnerable to the energy shock caused by the war in the Middle East, due to its heavy reliance on hydrocarbon imports. A helium shortage could also affect the semiconductor sector.

EMERGING EUROPE

Central Europe: Currencies relatively stable over the past week. However, since the start of the conflict, the depreciation of the Hungarian forint has been significant (-4.4% against the euro and -6.4% against the dollar). In contrast, the depreciation of the Polish zloty (-1.3% against the euro and -3.3% against the dollar) and the Czech koruna (-1.1% against the euro and -3.1% against the dollar) has been less pronounced.

Czech Republic: Monetary status quo. The Central Bank voted unanimously to maintain the key interest rate at 3.5%. Its statement indicates that future decisions will be based on the latest available figures and their impact on inflation. The monetary authorities anticipate that inflation will remain below the 2% target this year. Projections, which factor in higher oil prices, have not yet been released.

LATIN AMERICA

Chile and Peru: Pressure on currencies has intensified. Since 27 February, the Chilean peso and the Peruvian peso have depreciated by 5% and 7.5% respectively against the USD. The reason: concerns over developments in the copper market. In Chile, economic activity slowed slightly in Q4 (1.6% y/y, down from 1.7% in Q3, resulting in GDP growth of 2.5% in 2025). The new administration plans to drastically cut public spending. In Peru, the interim president's declaration of a state of emergency has heightened concerns about the political climate, particularly as the presidential campaign enters its final stretch. The first round of the elections will take place on 12 April.

Brazil: The Central Bank of Brazil (BCB) is cautiously beginning its cycle of monetary easing. The BCB cut its key interest rate (SELIC) by 25 basis points to 14.75%, which is a more moderate cut than the anticipated 50 basis points before the war in Iran. Future decisions by the BCB will be contingent on developments in the energy markets, as they adopt a resolutely cautious stance. This decision follows the government's announcement of a support plan designed to mitigate the impact of rising fuel prices, which includes 1/ tax relief, 2/ targeted subsidies mainly for diesel producers and importers, and 3/ regulatory measures to combat speculation and excessive price rises under the supervision of the National Petroleum Agency.

COMMODITIES

War in Iran: Attacks on strategic gas facilities in Iran and Qatar indicate prolonged disruptions to production and supply on the gas market.

The damage caused to infrastructure at Ras Laffan, the world's largest LNG export site located in Qatar, will require 3 to 5 years of repairs before it can return to pre-conflict production levels, according to QatarEnergy, with approximately 17% of Qatar's production capacity affected. The attack on Thursday 18 March on the world's largest gas field, South Pars, which is shared by Iran and Qatar, compelled Iran to suspend its LNG exports to Türkiye (around 8 billion cubic metres in 2024). According to the International Energy Agency (IEA), over 40 energy production facilities have been severely or very severely damaged by the ongoing conflict.

The European Commission has called for greater flexibility from member states to replenish their gas stocks. It has advised EU members to wait until 1 December to achieve their stock replenishment target of 80% (10 percentage points below the official target, which had already been revised to 80% by 2025) and to avoid hastily replenishing stocks while the market is under strain.

Saudi Arabia has exported around 4.2 million barrels per day (mb/d) of oil in the last five days via the Yanbu terminal located on the Red Sea. Prior to the outbreak of the conflict, Saudi exports stood at over 7 mb/d.

The European TTF rose by 23% in the past week. It currently stands at around €60/MWh. Brent rose by 13% to reach \$114/bbl on Monday morning.

The IEA has clarified the composition of the 400 million barrels of oil drawn from the strategic reserves of its 32 member countries: crude oil accounts for the majority, while European countries are primarily contributing with petroleum products. In addition to releasing reserves, oil-producing countries in the Americas are set to increase their production.

Gold and silver prices are falling sharply (on Monday 23 March, down 15% and 20% respectively over the past week) amid fears of a return of inflationary pressures and the prospect of higher interest rates.