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ADVANCED ECONOMIES

UNITED STATES / EUROPEAN UNION

New tariff threats. President Trump is considering imposing a 25% tariff on trucks and cars imported from Europe, citing the EU's sluggishness in implementing its part of the agreement reached in 2025. Furthermore, he has announced the withdrawal of 5,000 US troops stationed in Germany.

UNITED STATES

Key interest rate stable, smooth transition at the Fed and growth driven by AI. The FOMC has maintained the Fed Funds target range at 3.5%-3.75%, judging its policy to be 'well positioned' (see our [EcoFlash](#)). The Senate Banking Committee has approved K. Warsh's nomination as head of the Fed to be put to a vote before the full House. GDP growth accelerated to +2% q/q on an annualised basis in Q1 2026 (+0.5% in Q4 2025), bolstered by the end of the shutdown, AI-related investment and the resilience of household consumption. Household confidence (Conference Board) improved in April (+0.6 m/m, to 92.8). *Coming up: employment survey (Friday), non-manufacturing ISM (Tuesday), trade figures and JOLTS survey (Tuesday), Michigan household confidence (Friday).*

EUROPEAN UNION

Relaxation of state aid rules. For agriculture, fisheries and transport, compensation could cover up to 70% of the additional costs resulting from price rises (fuel, fertilisers). For energy-intensive industries, the aid ceiling has been raised from 50% to 70% for electricity. The European Commission has announced measures to simplify regulations in 12 sectors and remove national requirements that go beyond European obligations (gold-plating). It has also proposed new rules to simplify European laws governing mergers.

EUROZONE

Misleading GDP figures, hawkish tone from the ECB. Growth slowed to 0.1% quarter-on-quarter in Q1, hindered by one-off factors (France, as detailed below, and Ireland at -2% quarter-on-quarter), despite strong figures in Germany and Italy. The economic sentiment index hit its lowest level since November 2020 in April, dragged down by consumers (-4.2 points) and services (-3.2 points), while construction and industry held up. Inflation climbed to 3% y/y (2.5% y/y in March), driven by energy (+10.1% y/y), although core inflation slowed (-0.1 pp, to 2.2% y/y). Household inflation expectations for the next 12 months rose (+1.5 pp to 4%), as did expectations at a 3-year horizon (+0.5 pp to 3.0%, close to the 2022 peak). The ECB kept its key interest rates unchanged but noted an intensification of upside risks to inflation and downside risks to growth (see our [EcoFlash](#)). The unemployment rate fell to 6.2% in March (a record low). Restocking effects supported the manufacturing PMI in April (+0.6 m/m to 52.2). According to the ECB, credit conditions and lending criteria for households and businesses tightened more than anticipated in Q1 2026 (perceived risk increasing); this tightening is expected to continue in Q2, as is the deterioration in banks' access to funding sources (deposits, money markets, debt securities and securitisation).

- **France: One-off factors explain the stagnation in GDP in Q1.** Growth was held back by i/ the slowdown in aerospace exports (-20% q/q), while production continued to rise in Q1 (+1.5% q/q); ii/ a decrease in construction investment (-1.5% q/q) due to the end of the electoral cycle and the delayed approval of the 2026 budget (although the floor area of housing starts increased by 14.7% q/q in Q1); iii/ a decline

in household consumption (-0.1% q/q) which may continue as inflation stands at 2.5% y/y in April (+14.4% y/y for energy). Employment contracted by 0.1% q/q in Q1, primarily due to the construction sector; but the number of people registered with France Travail in category A fell by 1.2% q/q in Q1. The manufacturing PMI rose to 52.8 in April (+2.8 m/m), supported by production and demand. *Coming up: car registrations (Tuesday), industrial production (Wednesday), foreign trade (Thursday).*

- **Germany: Improved growth and fiscal outlook for 2027.** GDP growth reached +0.3% q/q in Q1 (+0.2% q/q in Q4), driven by both private and public consumption as well as exports. The manufacturing PMI (51.4; -0.8 m/m) recorded its second-best result in four years. Retail sales fell by 2% y/y in March (-3.3% in food). Harmonised inflation stood at 2.9% in April (+0.1pp m/m), while core inflation slowed (2.3%; -0.2pp). The government has unveiled the broad outlines of the 2027 budget: a 3.6% increase in public spending, defence spending equivalent to 3.1% of GDP, and net borrowing of EUR 196.5 billion (+8.2%). Measures have been announced to consolidate public finances over the coming years: reducing bureaucracy, digitising administration, introducing taxes (on plastic, sugar and tobacco), combating tax fraud, and reforming the healthcare system (with a plan to cut expenditure by EUR 16.3 billion from 2027). *Coming up: new industrial orders (Thursday), foreign trade and industrial production (Friday).*

- **Italy: GDP growth holds up, inflation accelerates.** Growth (0.2% q/q in Q1, following 0.3% in Q4) was driven by external demand. Harmonised inflation rose to 2.9% y/y in April (1.6% in March) due to rising energy prices (core inflation fell by 0.1pp to 1.7% y/y). The unemployment rate fell to 5.2% in March (-0.1pp m/m). The manufacturing PMI rose in April (+0.8 m/m to 52.1), driven by production, while demand declined. *Coming up: retail sales, composite PMI (Wednesday), industrial production (Friday).*

- **Spain: Growth remains robust** at 0.6% q/q in Q1 (after +0.8% in Q4), with two-thirds of this growth driven by domestic demand. Inflation rose by 0.1 percentage points in April to +3.5% y/y. The manufacturing PMI rose to 51.7 (+3 m/m) in April, driven by a rise in production. *Coming up: Composite PMI (Wednesday).*

JAPAN

The BoJ has kept its key interest rate at 0.75% (see our [EcoFlash](#)). The central bank has revised its inflation forecast (+0.9pp to 2.8%) and growth forecast (-0.5pp to +0.5%) for 2026. The exchange rate strengthened on 30 April, with the USD/JPY falling below 157 after exceeding the 160 threshold the previous day, following intervention in the foreign exchange market. Industrial production fell in March (-0.5% m/m) but shows significant improvement in Q1 2026. Retail sales rose (+1.3% m/m) following a decline in February. In April, household confidence (32.2, -1.1 m/m) continued to be adversely affected by the energy shock. *Coming up: BoJ minutes (Thursday).*

UNITED KINGDOM

The Bank of England kept its bank rate at 3.75% in a near-unanimous decision (8-1), with the chief economist voting in favour of a 0.25% rise. Market expectations point to two to three rate hikes by the end of 2026 (see our [EcoFlash](#)). The manufacturing PMI rebounded to 53.7 in April (+2.7 m/m), driven by production and demand. *Coming up: local elections (Thursday).*



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EMERGING ECONOMIES

AFRICA & MIDDLE EAST

China is abolishing customs duties on imports from Africa with effect from 1 May. This policy applies to all countries that maintain diplomatic relations with China (which excludes Eswatini). China is the primary destination for African exports (20% of total exports).

Saudi Arabia: Sharp slowdown in Q1 growth. Real GDP grew by 2.8% y/y, compared with 5% in Q4 2025. This slowdown is widespread and is expected to continue in Q2. However, the Saudi economy seems to be less affected than other Gulf countries, largely due to its ability to bypass the Strait of Hormuz via the Red Sea.

Qatar: Inflation spiked in March. The CPI index rose by 4.2% (+1.7 percentage points compared with February). The rise in food prices (+8.7% in March compared with 2% in February) stems from additional logistics costs linked to the closure of the Strait of Hormuz (on which Qatar's supplies are almost entirely reliant). The other components of the CPI index remain stable.

ASIA

Asia: Pressure on currencies is mounting with the risk of a prolonged war in Iran and rising oil prices. The most vulnerable countries (net importers of oil and gas, heavily dependent on Gulf producers and/or with significant macroeconomic imbalances) have seen the sharpest depreciation since 20 April, notably the Philippine peso (-2.3% against the USD) and the Indian rupee (-1.9%).

South-East Asia: Decline in manufacturing PMIs, except in Malaysia. Surveys confirm a weakening in activity in Indonesia and the Philippines (PMIs at 49.1 and 48.3 respectively), and a slowdown in Vietnam (index at 50.5, the lowest level since September) due to a reduction in new orders (particularly for exports) alongside rising costs.

China: April's official PMIs confirm the strength of the export sector (the manufacturing PMI fell by just 0.1 percentage points to 50.3 despite the war in Iran) and the fragility of domestic demand. The services PMI slipped back into contraction territory (49.6, down from 50.2 in March). The 'input prices' and 'producer prices' sub-indices did not rise as much as in March but remain high.

China: Resumption of exports related to refined products. Chinese refineries are preparing to resume their exports of kerosene, petrol and diesel. Beijing is reported to have set a new quota for the main state-owned refineries, allowing them to export to Asian customers and relaxing the export ban in force until now.

Taiwan: Growth remained very strong in Q1 2026, driven by AI. Real GDP growth reached +13.7% y/y (after +12.7% in Q4 2025) and +2.8% q/q (after +5.4%). It is driven primarily by exports of AI-related semiconductors, while the effects of the export sector's momentum on domestic demand have strengthened. However, in the short term, the energy shock and potential supply issues could weigh on economic activity. However, the government is introducing support measures and the central bank is expected to keep its key interest rates unchanged, with inflation remaining very moderate (stable at +1.2% y/y in March). Above all, the economy should continue to benefit from the AI boom. Manufacturing PMIs also rose in April (reaching 55.3 in Taiwan and 53.6 in Korea).

EMERGING EUROPE

Hungary: Renewed optimism and a rebound in activity. Real GDP growth accelerated to +1.7% y/y in Q1 2026 (+0.8% q/q), bolstered by the strong performance of services and renewed momentum in industry. The central bank kept its key interest rate unchanged at 6.25%, despite inflation being below its 3% target (1.8% y/y) and the lack of pressure on the forint (+3.7% against the euro since late February). The central bank remains cautious amidst the energy price shock.

Czech Republic: Moderate slowdown. Q1 GDP growth slowed to 2.1% y/y and +0.2% q/q (after +0.7% in Q4 2025), driven in particular by a negative contribution from foreign trade.

Manufacturing PMI: Overall indices are largely unaffected by the war in the Middle East, although sub-indices have been more significantly impacted. In Poland and Romania, PMIs remain below 50 but have risen slightly compared with March. In the Czech Republic and Hungary, they are above 50 and are seeing slight increases. There is evidence of longer delivery times, higher input costs and increased input stock levels.

Türkiye: Pressure on foreign exchange reserves and the lira. The Central Bank's (CbT) foreign exchange reserves, which had recovered between late March and mid-April, have declined. As of 24 April, international foreign exchange reserves (including gold holdings) stood at USD 171 billion, and over the past week, the CbT's net external position (which acts as a proxy of the foreign exchange reserve movement) has deteriorated. In April, the lira depreciated by 1.4%, the sharpest monthly fall since July 2025. Furthermore, the manufacturing PMI remains in contraction territory.

LATIN AMERICA

Monetary policy: War-related inflation is shaking things up. The Central Bank of Brazil has cut its key interest rate by 25 basis points for the second consecutive month (to 14.5%), but the upward revision to the inflation forecast for 2026 (4.6%, +0.7 percentage points) is expected to limit its room for maneuver. In Chile, the Central Bank left its rate unchanged at 4.5% but may take action soon to ensure that two-year inflation expectations remain anchored at 3%. In Colombia, the Central Bank left its key rate unchanged at 11.25% after raising it by 200 basis points since the start of the year.

Brazil is turning to the euro to diversify its financing. The government recently raised EUR 5 billion (its first euro-denominated issue since 2014). This operation is part of the Treasury's strategy to tap into different markets and creates a euro benchmark that should facilitate future issues by Brazilian companies abroad. Foreign currency borrowings account for around 7% of public debt.

COMMODITIES

The United Arab Emirates announced its withdrawal from OPEC on 1 May. This decision reflects the differences between the UAE and some of the other cartel members regarding medium- and long-term oil policy. The UAE is the cartel's third-largest producer (3.4 mb/d in January 2026) and, alongside Saudi Arabia, the only member with rapidly deployable spare production capacity (in excess of 1 mb/d). Once the Strait of Hormuz reopens, the Emirates will be able to increase their production without being constrained by OPEC quotas. Current production capacity is estimated at around 4.8 mb/d (the authorities are targeting 5 mb/d by 2027).

The OPEC+ member countries have announced an increase in their production by 0.188 million barrels per day in June. However, this announcement will remain largely symbolic as long as the Strait of Hormuz remains blocked.

The sharp rise in nitrogen fertiliser prices (+70% since late February) since the closure of the Strait of Hormuz (through which one-third of the world's fertiliser trade passes) is a cause for concern as it threatens food security in the most vulnerable countries. The possible occurrence of a severe El Nino episode exacerbates risks related to global food security

