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## INTERNATIONAL TRADE

**New tariffs for the pharmaceutical sector and reduced tariffs for steel and aluminium.** President Trump has announced a 100% tariff on 'patented pharmaceuticals and associated pharmaceutical ingredients' under Section 232 of the Trade Expansion Act. These duties will be reduced to 15% for the EU, Japan, South Korea and Switzerland under agreements concluded in 2025. Companies that have negotiated an agreement with the Department of Health will not be taxed; however, those planning to relocate their production to the United States will be taxed at 20% for four years (after which the rate will revert to 100%). Tariffs on steel and aluminium, typically set at 50%, may be reduced depending on the product's intended use (e.g. 15% for industrial equipment until 2027), its composition (25% customs duty applies if the product contains over 15% steel/aluminium/copper, 0% if it contains less), the origin of the metal (10% if US-sourced) or the product itself (25% for imports from the UK). The moratorium on e-commerce has expired, as the WTO Ministerial Conference failed to reach an agreement on its extension.

## ADVANCED ECONOMIES

### UNITED STATES

**Strong employment performance, but the energy shock is beginning to take its toll.** In March, payroll employment rose by 178k (a figure not seen since late 2024, averaging 68k in Q1), and the unemployment rate fell to 4.3%. The ISM manufacturing index has held steady for three months at an average of 52.6 (52.7 in March, +0.3 m/m). The non-manufacturing index remained high at 54, but has deteriorated (down 2.1 m/m) under pressure from the 'business activity' and 'employment' components. In both surveys, supplier delivery times were lengthening (up 3.8 and 2.7 m/m to 58.9 and 56.0 respectively), and the input price index has reached its highest levels since 2022 (78.5 and 70). Consumer confidence (Conference Board) improved to 91.8 (+0.8 m/m), but 1-year inflation expectations rose (+6.2%, +0.7pp). Retail sales rebounded (+0.6% m/m) due to tax refunds, but this momentum should be viewed in context (+3.7% y/y in nominal terms, with inflation at +2.4% y/y). Fed Chair Powell confirmed that the current monetary policy stance is appropriate and reiterated that the rise in inflation risks is coupled with ongoing employment risks. The Fed futures market indicates a 15% likelihood of a rate hike before the end of 2026 (compared with 70% in the week of 23 March). *Upcoming: Q4 2025 GDP (Friday), CPI inflation (Friday), durable goods orders (Tuesday), FOMC minutes (Wednesday), consumer confidence (Michigan, Friday).*

### EUROZONE

**Inflation driven up by energy in March, otherwise down.** Harmonised inflation rebounded to 2.5% y/y in March (1.9% in February) and reached 1.2% m/m (including +6.8% m/m for energy). Other components slowed: food at 2.1% y/y (-0.1pp), services at 3.2% y/y (-0.2pp) and goods at 0.5% y/y (-0.2pp). The composite PMI (-1.2 m/m to 50.7) was dragged down by the deterioration in services (50.2; -1.7), while the manufacturing PMI rose (+0.8 m/m to 51.6). *Upcoming: retail sales and producer prices (Wednesday).*

- **France: Rising fuel prices are impacting inflation and public finances while accelerating the transition to low-carbon energy.** Harmonised inflation reached 1.9% y/y in March (1.1% in February) due to rising fuel prices. Manufacturing output was stable in February (+0.2 m/m in January). The composite PMI fell to 48.8 in March (-1.1 m/m), weighed down by services (48.8; -0.8 m/m). The manufacturing PMI remained stable. The government estimates that the rise

in interest rates is likely to cost public finances EUR 3.6 billion (0.1% of GDP) in 2026 (due to higher rates on short-term debt, particularly social security debt, and the impact of rising inflation on index-linked bonds). The rise in fuel prices contributed EUR 270 million to public finances in March (EUR 120 million from higher VAT receipts, EUR 150 million from increased purchases, with a likely knock-on effect in April). In 2022, the consumption of petroleum products decreased by 7.5% in volume (reaching its lowest level by the end of 2023), but the decline was minimal in the first few months. The share of electric vehicles rose to 28% of car registrations in Q1 (vs. 20% in 2025), aiding the recovery in registrations in March (+13% y/y, but -2% y/y in Q1). The government has launched tenders to add renewable energy generation capacity, aiming to reach the equivalent of 10 EPR2 reactors in offshore wind by 2035. The government has also announced a new loan scheme for businesses in the transport, agriculture and fisheries sectors, where fuel costs exceed 5% of turnover. *Upcoming: foreign trade (Wednesday).*

- **Germany: Energy-driven inflation.** Harmonised inflation reached a high not seen since January 2025 in March, at +2.8% y/y, driven by energy prices (+7.2% y/y). Core inflation remained stable at 2.5%. The manufacturing PMI reached 52.2 (+1.2 m/m) in March, bolstered by production, new orders and delivery times, which were at their highest since July 2022. The input price index rose sharply, although it remained lower than in 2022. The services PMI (50.9; -2.6 m/m) negatively impacted the composite PMI (-1.3 m/m to 51.9). The unemployment rate remained stable at 4% in March. *Upcoming: industrial orders (Wednesday), foreign trade and industrial production, new car registrations (Thursday), inflation (Friday).*

- **Italy: Harmonised inflation remains stable at 1.5% y/y (+1.6% m/m).** The slowdown in core inflation (1.9% y/y, -0.8pp, a knock-on effect of the Olympics) offsets the rebound in energy prices. The European Commission's Economic Sentiment Indicator (ESI) fell by 1.3 points m/m but remained above its historical average. Household confidence declined (-5 points m/m). The manufacturing PMI rose to 51.3 (+0.7 m/m), bolstered by inventories. The decline in the services PMI (-3.5 m/m to 48.8) negatively impacted the composite index (-2.9 m/m to 49.2). The unemployment rate remains low (5.3% in February; -0.9 pp y/y). *Upcoming: industrial production (Friday).*

### JAPAN

**Businesses are optimistic.** The Tankan business sentiment index has reached its highest level since 1991, now standing at 18 (+1 point). This improvement is widespread (+4 points y/y for large manufacturing firms). However, industrial production and retail sales fell by -2.1% and -2% m/m respectively in February, following increases of +4.3% and +3% m/m in January. *Upcoming: wages (Tuesday), consumer confidence (Thursday).*

### UNITED KINGDOM

**Inflation expectations rebound.** Businesses raised their one-year inflation expectations by 0.5 percentage points to 3.5% (according to the BoE). PMI figures fell in March to 51 (-0.7 m/m) for manufacturing, 50.3 for the composite index and 50.5 for services (-3.4 m/m for both). Growth was confirmed at +0.1% q/q in Q4 (1.4% in 2025), bolstered by both private and public consumption as well as public investment.



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## EMERGING ECONOMIES

### AFRICA & MIDDLE EAST

**Sharp fall in PMI indices in the Gulf region in March.** In the United Arab Emirates, the index remains in expansionary territory (at 52.9, down from 55 in February) but has reached its lowest level since June 2021. This is also the third-largest monthly fall, which highlights the difficulties faced by the non-oil private sector in the face of the conflict. Confidence is at its lowest level since early 2021. **The impact is even more pronounced in Saudi Arabia**, where the PMI fell to 48.8 in March from 56.1 in February. This is the first time since August 2020 that it has fallen below the 50 mark.

**Qatar: The Central Bank is supporting the banking system.** In particular, the reserve requirement ratio on deposits has been reduced from 4.5% to 3.5%, allowing banks to offer their customers the option to defer payments for a period of three months.

### ASIA

**March PMIs signal the impact of the war in the Middle East on prices and activity.** In the vast majority of Asian countries, manufacturing PMIs fell in March but remained in expansionary territory. The decline in the 'new orders' and 'production' sub-components is explained by supply constraints and a downturn in demand prospects. The input prices sub-index rose on average from 56.9 in February to 61.4 in March. The decline in manufacturing PMIs was most pronounced in India (PMI at 53.8), the Philippines (51.3), Taiwan (53.3) and Vietnam (51.2), as they are particularly vulnerable to the impact of the blockage of the Strait of Hormuz on their fuel supplies. At the same time, demand for AI-related goods remains very strong and is bolstering industrial activity, particularly in South Korea (PMI up to 52.6 in March). In China, RatingDog's manufacturing PMI fell but remained above 50, while the official PMI rose slightly to 50.4; the sub-indices for input and output prices recorded the strongest increases.

**South Korea: The government has announced economic support measures amounting to nearly 1% of GDP.** These measures are primarily aimed at easing the financial burden on households and small businesses that are vulnerable to rising energy prices, by capping fuel prices and building up naphtha reserves. Total public expenditure is expected to rise by nearly 12% in 2026 (8% in the initial budget). The public deficit forecast remains unchanged (less than 2% of GDP): the additional expenditure will be financed by the tax revenue surplus, largely linked to corporation tax from the export sector (in Q1, exports rose by 37% year-on-year in value terms).

**India: The central bank is supporting the rupee.** Having banned banks from holding net open daily foreign exchange positions exceeding US-D100m at the end of last week, the RBI is now prohibiting them from offering non-deliverable forward (NDF) contracts in rupees. This action aims to mitigate the volatility of its currency (-4% against the USD in March).

### EMERGING EUROPE

**PMI indices are sending mixed signals.** The impact of the conflict in the Middle East is barely noticeable. In Poland and Romania, the manufacturing PMI remains in contraction territory but improved slightly in March (Poland: 48.7; Romania: 46.6). In the Czech Republic and Hungary, PMI indices remain above 50. They rose in the Czech Republic but fell in Hungary. New orders are declining across the region (excluding the Czech Republic).

**Currencies tended to appreciate last week.** In the region, the Hungarian forint appreciated the most against the euro and the dollar. However, it continues to be the worst-performing currency since the beginning of the war, depreciating by 2.1% against the euro and 4.3% against the dollar.

In Romania, the leu remained stable against the euro. According to Bloomberg, the Central Bank intervened in the foreign exchange market with around EUR 1 billion to support its currency.

**Poland: Inflation accelerated in March** (+3% y/y, compared with 2.1% in February), mainly due to rising fuel prices. By contrast, food inflation slowed over the same period (+2% y/y vs. 2.4% in February).

**Türkiye: Sharp month-on-month disinflation in March** (+1.9% after +3% in February and +2.5% a year earlier in March 2025). The 'transport' category recorded the sharpest rise (+4.5% month-on-month), driven by rising fuel prices despite a tax reduction implemented on 5 March. Inflation in housing services was limited to 1.9% month-on-month. Year-on-year, the headline inflation rate stands at 30.9% and core inflation at 29.7%.

### LATIN AMERICA

**In March, PMIs remained in contraction territory in Brazil, Colombia and Mexico.** New orders rose slightly in Colombia, while they continued to deteriorate in Brazil and Mexico, reflecting strains on demand and inflationary pressures linked to rising energy prices.

**Colombia: Key interest rate raised by 100 basis points to 11.75%.** This decision by the Central Bank was expected given the highly inflationary environment. Inflation reached 5.3% year-on-year in February (exceeding 5% for the seventh consecutive month). Pressures have been exacerbated by the increase in the minimum wage (+23% on 1 January) and rising energy prices. Although Colombia is a net exporter of crude oil, the country imports significant quantities of gas and fertilisers. Further rate hikes are expected in 2026.

## COMMODITIES

**The Strait of Hormuz is at the centre of attention.** Iran is seeking ways to maintain its control over the strait and is in discussions with Oman regarding the introduction of a 'toll' and licensing system for ships passing through. Around 40 governments met on Thursday 2 April, at the UK's suggestion, to consider a solution to ensure the free flow of maritime traffic. The United Nations Security Council is due to meet on Tuesday 7 April to vote on a draft resolution put forward by the Gulf states aimed at protecting ships as they pass through the strait. The outcome of the vote is uncertain and could lead to an escalation, with threats from Iran and warnings from other countries, including France and China. Attacks on ships sailing near the Strait (Dubai, Qatar) continue, as do strikes on energy infrastructure in the Gulf, including the Minal al-Ahmadi refinery in Kuwait, the Habshan gas facility in Abu Dhabi (UAE) and the Iranian steel plant in Mobarakeh. However, 21 ships were able to pass through the Strait of Hormuz this weekend.

**Tensions over supply flows remain high.** Russia is extending its restrictions on petrol exports to oil producers until 31 July. Until now, the restrictions had only applied to retailers. It is estimated that around 40% of Russia's export capacity is affected by these restrictions.

**OPEC+ member countries are maintaining their production increase programme** and are forecasting a rise of 206,000 barrels per day by May 2026. Given that flows are still restricted due to the closure of the Strait of Hormuz, the increase announced on 5 April at their monthly meeting has had a limited effect.

**The price of Brent is currently around USD 109/bbl.**

