

# ECONOMIC PROJECTIONS

Geopolitics temporarily disrupts momentum . . .

*Expansionary policies backstop demand, but Middle East conflict and elevated public debt pose serious downside risks*

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# More stimulus, more growth, more risk. . .

Expansionary policies backstop demand, but Middle East war and elevated public debt pose risks

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## Middle East war poses risks to our constructive outlook

The war in the Middle East has introduced a fresh stagflationary risk to global growth amid disruptions to energy markets and global trade. While financial markets have reacted in an orderly fashion, at least so far, the situation remains uncertain. The duration of the conflict will determine the scale of the economic shock. If the worst of the shock is over by the summer, as we assume in our forecasts, then our still-constructive base case remains intact, with only temporary weakness in growth across major economies and modestly higher inflation in 2026, which fades in 2027.

Looking ahead, growth in major economies is likely to continue being supported by fiscal expansions and easing financial conditions. We expect the **US** to moderate to a still-healthy headline pace and continue to benefit from the AI and tech revolution, and outperform a **Eurozone** and **UK** held back by structural challenges. **China** looks set to slow somewhat as domestic challenges persist. We see **Japan** slowing, but still outpacing its anaemic potential rate.

Elevated public debt levels, combined with major fiscal expansions, could trigger renewed bond market instability if inflation surprises to the upside. The war in the Middle East, as well as broader geopolitical fragmentation and protectionism, threaten global supply chains and growth in export-oriented economies. Fiscal policy is expansionary across major economies. But effective stimulus will likely hinge on policymakers' ability to keep inflation within the safe zone, maintain credibility, and adjust to technological change as well as shocks from geopolitics.

## Central banks to turn policy from tight to easy in the US and UK, and to easy in the Eurozone

- In the UK, we expect the **Bank of England** to reduce the bank rate from 3.75% to 3.25% by end-2026.
- We look for the **US Federal Reserve** to lower the Funds Rate corridor from 3.75% (upper limit) to 3.25% by end-2026.
- In the Eurozone, we do not expect any further cuts from the **European Central Bank**.

## Risks – tilted to the downside, with serious geopolitical tail risks

- **On the upside:** So far, the diffusion of artificial intelligence (AI) technologies has boosted investment and profits, while triggering only modest job losses and weaker demand for young skilled workers. 2026 may be the first year in which AI begins to genuinely show up in a major way in productivity and living standards.
- **On the downside:** The immediate risk to watch is that the war in the Middle East turns into a long, drawn-out conflict that inflicts lasting disruptions to global energy and trade. As major nations project power in key regions, the risk of further shocks to global energy and commodity markets looms large.

## Tail risks in the age of instability

In addition to the two-sided immediate risks set out above, we need to keep a close eye on five serious downside tail risks: (1) The de facto US-China truce breaks down and the trade war restarts; (2) Labour markets deteriorate rapidly as AI adoption spreads across industries; (3) The AI-driven stock market bubble bursts and triggers a US recession; (4) Private demand stalls in China and financial imbalances resurface; and (5) Excessive public debt levels trigger a full-blown bond market crisis.

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# Summary of economic and financial projections

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## Peel Hunt economic projections

	GDP				Inflation				Unemployment				Industrial production			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
<b>North America</b>																
US	2.8	2.2	1.8	1.9	2.9	2.7	2.8	2.3	4.0	4.3	4.4	4.4	-0.6	1.2	1.6	1.7
Canada	1.6	1.7	1.3	1.7	2.4	2.1	2.3	2.1	6.4	6.8	6.5	6.4	n/a	n/a	n/a	n/a
<b>Asia and Oceania</b>																
China	5.0	5.0	4.1	4.3	0.2	0.1	1.5	1.3	5.1	5.2	5.3	5.3	5.6	5.9	4.2	4.2
Japan	-0.2	1.1	0.3	0.9	2.7	3.2	2.4	2.1	2.5	2.5	2.7	2.7	-2.9	0.1	2.3	1.1
India	8.2	6.3	7.0	6.6	5.0	4.6	2.4	4.1	n/a	n/a	n/a	n/a	4.4	4.1	3.6	4.7
Australia	1.1	1.8	2.2	2.3	3.2	2.8	3.4	2.6	4.0	4.1	4.2	4.3	n/a	n/a	n/a	n/a
<b>Europe</b>																
UK	1.1	1.3	0.9	1.6	2.5	3.4	2.8	2.0	4.4	4.9	5.2	5.2	-1.2	0.2	0.7	1.6
Eurozone	0.8	1.5	0.9	1.6	2.4	2.1	2.5	2.1	6.3	6.3	6.0	5.8	-3.0	1.6	-1.0	1.6
Germany	-0.5	0.4	0.7	1.6	2.5	2.3	2.7	2.3	3.4	3.8	4.0	4.0	-4.6	-0.9	-0.9	1.9
France	1.1	0.9	0.9	1.2	2.3	0.9	1.8	1.7	7.4	7.7	7.6	7.5	0.3	0.6	1.1	1.1

GDP, inflation (CPI basis) and industrial production data in % YoY. Unemployment rate in %

## Peel Hunt financial projections

	Current	2Q26	4Q26	2Q27	4Q27	Change
<b>Central banks</b>						
BoE Bank Rate	3.75	3.75	3.25	3.25	3.25	-0.50
Fed Funds Rate (Upper)	3.75	3.75	3.25	3.50	3.50	-0.25
ECB Deposit Rate	2.00	2.00	2.00	2.25	2.25	0.25
<b>10-year bond yields</b>						
UK	4.94	4.20	4.00	3.90	3.90	-1.04
US	4.30	4.10	4.00	4.00	4.00	-0.30
Germany	2.99	2.75	2.75	2.75	2.75	-0.24
Japan	2.28	2.30	1.80	1.80	1.80	-0.48
<b>Currencies</b>						
GBPUSD	1.34	1.38	1.40	1.40	1.42	6.15
GBPEUR	1.16	1.18	1.18	1.18	1.18	1.95
EURUSD	1.16	1.17	1.19	1.19	1.20	4.12

Notes: 1. Current data taken on 20 March 10:00GMT 2. Interest rates in % 3. All estimates are for end of period 4. Currency projections may not add up due to rounding 5. Change in percentage points for interest rates and percent for currencies

## Key economic forecast changes

### GDP

- **US:** We cut 2026 from 2.0% to 1.8%.
- **China:** We cut 2026 from 4.3% to 4.1%.
- **Japan:** We cut 2026 from 0.5% to 0.3%.
- **UK:** We cut 2026 from 1.1% to 0.9%.
- **Eurozone:** We cut 2026 from 1.1% to 0.9%.
- **Germany:** We cut 2026 from 0.9% to 0.7%.
- **France:** We cut 2026 from 1.0% to 0.9%.

### Inflation

- **US:** We raise 2026 from 2.5% to 2.8%.
- **China:** We raise 2026 from 1.3% to 1.5%.
- **Japan:** We raise 2026 from 2.2% to 2.4%.
- **UK:** We raise 2026 from 2.5% to 2.8%.
- **Eurozone:** We raise 2026 from 2.2% to 2.5%.
- **Germany:** We raise 2026 from 2.5% to 2.7%.
- **France:** We raise 2026 from 1.6% to 1.8%.

## Key financial forecast changes

- **BoE:** While we continue to expect two more cuts to the Bank Rate in 2026, from 3.75% to 3.25%, we have shifted these cuts from one per quarter in 2Q26 and 3Q26 to two cuts in 4Q26.

# UK: Fading headwinds restart growth

Policy easing and rising real incomes lift momentum, but worries over politics pose a headwind

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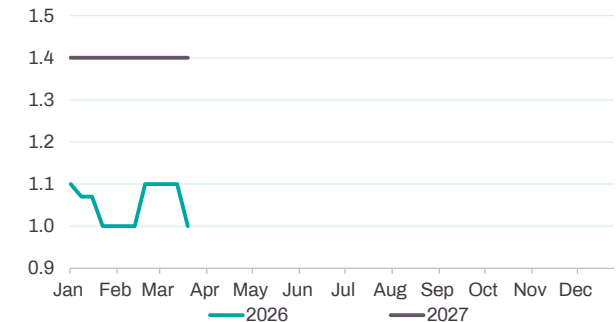
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		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	1.1	1.3	0.8	1.5	1.8	1.4	1.2	1.0	0.6	0.5	0.7	1.1
	% QoQ					0.7	0.2	0.1	0.1	0.3	0.1	0.2	0.5
	% QoQ ann.					2.7	0.8	0.2	0.2	1.3	0.4	1.0	1.9
<b>Private consumption</b>	% YoY	-0.2	1.1	0.8	1.6	1.1	1.3	1.1	1.0	0.9	0.9	0.6	1.0
	% QoQ					0.3	0.1	0.4	0.1	0.2	0.1	0.2	0.5
<b>Government consumption</b>	% YoY	2.9	1.7	1.7	1.6	2.1	1.8	1.4	1.6	2.1	1.5	1.6	1.6
	% QoQ					-0.1	1.0	0.3	0.4	0.4	0.4	0.4	0.4
<b>Total investment</b>	% YoY	1.7	3.4	1.6	3.1	4.0	3.4	2.8	3.6	0.7	2.0	1.4	2.4
	% QoQ					3.4	-0.8	1.1	-0.1	0.5	0.5	0.5	0.9
<b>Business investment</b>	% YoY	2.5	3.5	0.3	3.2	6.9	2.9	2.5	2.0	-2.1	0.5	-0.3	3.2
	% QoQ					4.9	-1.8	1.6	-2.7	0.8	0.8	0.8	0.8
<b>Final domestic demand<sup>1</sup></b>	% YoY	0.8	1.7	1.2	1.9								
<b>Stockbuilding<sup>1</sup></b>	% YoY	0.8	0.5	0.3	-0.2								
<b>Exports</b>	% YoY	1.4	1.6	0.6	1.6	3.5	2.0	1.5	-0.5	-0.3	0.4	0.6	1.6
	% QoQ					0.2	-0.3	0.2	-0.6	0.4	0.4	0.4	0.4
<b>Imports</b>	% YoY	2.7	4.2	2.5	2.3	7.6	2.1	5.3	2.3	1.6	2.9	2.9	2.7
	% QoQ					1.2	-0.2	0.5	0.8	0.6	1.0	0.6	0.6
<b>Net trade<sup>1</sup></b>	% YoY	-0.5	-0.9	-0.7	-0.3								
<b>Current account balance<sup>2</sup></b>	% of GDP	-3.0	-3.1	-3.1	-3.1								
<b>Industrial production<sup>2</sup></b>	% YoY	-1.2	0.2	0.7	1.6	0.6	0.0	-0.7	0.9	-0.3	0.5	1.6	0.8
	% QoQ					1.0	-0.6	-0.7	1.2	-0.1	0.1	0.4	0.5
<b>Retail sales<sup>2</sup></b>	% YoY	0.1	1.2	3.1	2.0	0.4	1.1	1.7	1.7	3.1	3.2	2.5	3.6
	% QoQ					0.7	0.2	1.3	-0.5	2.1	0.3	0.6	0.6
<b>CPI inflation<sup>2</sup></b>	% YoY	2.5	3.4	2.8	2.0	2.8	3.5	3.8	3.4	3.1	3.1	2.7	2.1
<b>Unemployment rate<sup>2</sup></b>	%	4.4	4.9	5.2	5.2	4.5	4.7	4.9	5.2	5.2	5.2	5.2	5.2
<b>Household savings ratio<sup>2</sup></b>	%	9.8	9.7	8.8	8.6								
<b>Public sector balance<sup>2</sup></b>	% of GDP	-5.3	-4.5	-3.8	-3.2								
<b>Public sector debt<sup>2</sup></b>	% of GDP	94.6	95.0	94.7	93.9								
<b>10year Gilt yield<sup>3</sup></b>	%	4.57	4.57	4.00	3.90	4.66	4.51	4.76	4.57	4.70	4.20	4.20	4.00
<b>BoE Bank rate<sup>3</sup></b>	%	4.75	3.75	3.25	3.25	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.25

<sup>1</sup> Percentage point contribution, <sup>2</sup> Period average, <sup>3</sup> End of period

Notes: 1. Private consumption includes households and non-profit institutions serving households 2. Total investment is based on gross fixed capital formation 3. Industrial production ex. construction 4. Retail sales for GB only inc. auto fuels 5. Public sector borrowing and debt based on calendar year

## UK: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

### Overview – improving momentum

- After a strong 1H25, growth stalled in 2H25. Looking ahead, we expect growth to restart as interest rate and inflation headwinds ease, lifting cyclical sectors.

### Risks – tilted to the downside near term

- Consumers and businesses are skittish after a succession of damaging policy mistakes. But easing financial conditions can support demand.
- A modest debt-financed public investment program should contribute to medium-term growth.
- Regulatory reform in housing and financial services is slow going, but could lift trend growth after a while.
- Anti-employment regulatory and tax measures are impairing labour market momentum.
- Trade wars hold back exports and production.

### Policy – turning easier

- Further rate cuts should turn monetary policy from tight to slightly easy by end-2026. Risks are skewed towards more cuts in 2026 in case inflation surprises to the downside.

# US: Dual stimulus backstops demand

## Fiscal easing and Fed cuts provide a backstop to demand and support investment

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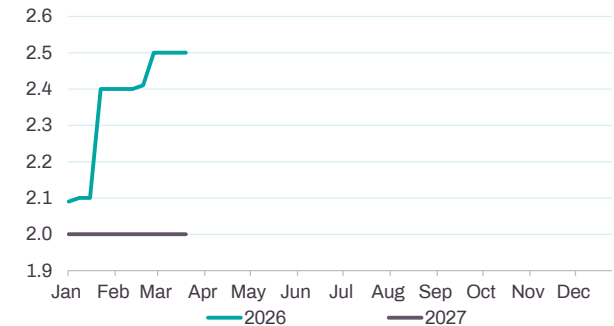
		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	2.8	2.2	1.8	1.9	2.0	2.1	2.3	2.2	2.9	2.1	1.1	1.1
	% QoQ					-0.2	0.9	1.1	0.4	0.5	0.1	0.1	0.3
	% QoQ ann.					-0.6	3.8	4.4	1.4	2.1	0.5	0.5	1.3
<b>Personal consumption</b>	% YoY	2.9	2.7	1.5	1.5	3.1	2.7	2.6	2.2	2.4	1.8	1.1	0.7
	% QoQ					0.2	0.6	0.9	0.6	0.3	0.1	0.1	0.2
<b>Government expenditures</b>	% YoY	3.8	1.2	0.0	1.5	2.7	1.9	1.1	-1.0	-0.5	-0.2	-0.4	1.2
	% QoQ					-0.2	0.0	0.6	-1.3	0.3	0.3	0.3	0.3
<b>Private investment</b>	% YoY	3.0	3.0	2.0	3.7	2.1	3.0	2.8	4.1	2.8	1.8	1.7	1.7
	% QoQ					1.8	1.2	0.3	0.7	0.9	0.9	0.9	0.9
<b>Nonresidential investment</b>	% YoY	2.9	4.2	2.6	3.8	2.8	4.0	4.0	5.9	4.1	2.5	1.9	1.8
	% QoQ					2.3	1.8	0.8	0.9	0.6	0.2	0.2	0.8
<b>Residential investment</b>	% YoY	3.2	-2.2	-0.8	3.0	-0.9	-1.7	-2.3	-3.7	-3.2	-1.6	0.5	1.2
	% QoQ					-0.2	-1.3	-1.8	-0.4	0.3	0.3	0.3	0.3
<b>Final domestic demand<sup>1</sup></b>	% YoY	3.2	2.6	1.4	1.9								
<b>Stockbuilding<sup>1</sup></b>	% YoY	0.0	-0.1	-0.2	0.0								
<b>Exports</b>	% YoY	3.6	1.7	1.6	2.0	2.1	1.5	1.7	1.7	1.6	2.6	0.8	1.5
	% QoQ					0.0	-0.5	2.3	-0.2	0.0	0.5	0.5	0.5
<b>Imports</b>	% YoY	5.8	2.7	-1.5	2.2	13.2	1.8	-1.7	-2.0	-9.2	-0.3	1.6	2.4
	% QoQ					8.4	-8.3	-1.1	-0.3	0.5	0.7	0.7	0.5
<b>Net trade<sup>1</sup></b>	% YoY	-0.5	-0.2	0.4	-0.1								
<b>Current account balance<sup>2</sup></b>	% of GDP	-4.0	-4.0	-4.0	-4.0								
<b>Industrial production<sup>2</sup></b>	% YoY	-0.6	1.2	1.6	1.7	0.7	0.5	1.7	1.7	1.8	1.4	1.3	2.1
	% QoQ					1.0	0.5	0.5	-0.3	1.1	0.1	0.4	0.5
<b>CPI inflation<sup>2</sup></b>	% YoY	2.9	2.7	2.8	2.3	2.7	2.4	2.9	2.8	2.5	3.1	2.9	2.6
<b>PCE inflation<sup>2</sup></b>	% YoY	2.6	2.6	3.0	2.4	2.6	2.4	2.7	2.8	2.9	3.3	3.0	2.7
<b>Unemployment rate<sup>2</sup></b>	%	4.0	4.3	4.4	4.4	4.1	4.2	4.3	4.4	4.4	4.4	4.4	4.4
<b>Household savings ratio<sup>2</sup></b>	%	5.5	4.5	4.2	4.5								
<b>Federal balance<sup>2</sup></b>	% of GDP	-6.9	-7.0	-7.0	-7.0								
<b>Federal debt<sup>2</sup></b>	% of GDP	123.6	124.7	125.8	126.8								
<b>10year Treasury yield<sup>3</sup></b>	%	4.58	4.18	4.00	4.00	4.23	4.24	4.16	4.18	4.00	4.10	4.10	4.00
<b>Federal Funds Rate (upper)<sup>3</sup></b>	%	4.50	3.75	3.25	3.50	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.25

<sup>1</sup> Percentage point contribution, <sup>2</sup> Period average, <sup>3</sup> End of period

Notes: 1. Government expenditures includes consumption and investment 2. Total investment is based on gross fixed capital formation

3. Industrial production ex. construction 4. Federal borrowing and debt based on calendar year

### US: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

### Overview – policy easing supports robust growth

- Tariffs will remain a headwind, and President Trump's haphazard approach to policymaking will continue to impair confidence and sow uncertainty.
- However, the US should benefit from a host of positive structural fundamentals, including the AI boom, as well as support from both fiscal and monetary policy.

### Risks – balanced

- Policy stimulus can underpin further gains in equities – supporting household net worth and reducing the cost of capital for firms. Domestic demand may surprise to the upside.
- Recessionary levels of borrowing pose risks that could materialise through bond markets in case inflation resurfaces.

### Policy – continued support

- The Fed is likely to ease policy through 2026 – but timing is uncertain. President Trump's 'One Bill Beautiful Bill' tax cuts should boost disposable incomes.

# Eurozone: Multi-speed expansion amid structural challenges

Trade wars and de-industrialisation make for a restrained cyclical upswing

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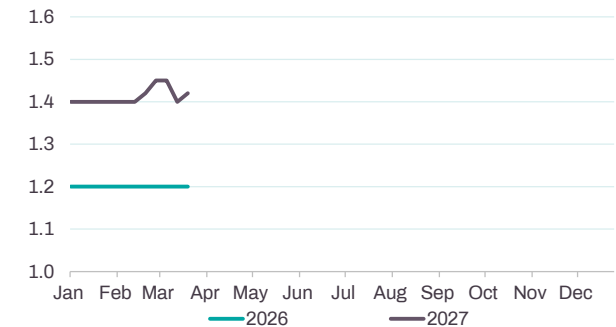
		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	0.8	1.5	0.9	1.6	1.6	1.5	1.4	1.3	0.8	0.9	0.9	1.0
	% QoQ					0.6	0.1	0.3	0.3	0.1	0.2	0.3	0.4
	% QoQ ann.					2.3	0.6	1.1	1.3	0.3	0.9	1.3	1.5
<b>Private consumption</b>	% YoY	1.2	1.3	0.6	1.0	1.5	1.6	1.1	0.9	0.7	0.5	0.6	0.6
	% QoQ					0.2	0.3	0.1	0.2	0.1	0.1	0.2	0.3
<b>Government consumption</b>	% YoY	2.2	1.7	2.1	2.0	2.1	1.5	1.7	1.6	2.1	2.2	2.0	2.0
	% QoQ					0.0	0.4	0.7	0.5	0.5	0.5	0.5	0.5
<b>Investment</b>	% YoY	-2.1	2.7	1.0	1.5	2.4	3.2	2.6	2.7	0.1	1.8	1.2	0.8
	% QoQ					2.6	-1.7	1.0	0.8	0.0	0.0	0.4	0.4
<b>Final domestic demand<sup>1</sup></b>	% YoY	0.7	1.6	1.0	1.3								
<b>Stockbuilding<sup>1</sup></b>	% YoY	-0.2	0.3	0.0	0.0								
<b>Exports</b>	% YoY	0.5	2.3	2.0	2.4	2.5	0.6	2.8	3.4	1.4	2.3	2.1	2.0
	% QoQ					2.3	-0.4	0.8	0.7	0.3	0.5	0.6	0.6
<b>Imports</b>	% YoY	-0.1	3.7	2.4	2.0	4.0	2.8	3.8	4.1	2.4	3.0	2.1	2.2
	% QoQ					2.3	0.0	1.4	0.4	0.6	0.6	0.5	0.5
<b>Net trade<sup>1</sup></b>	% YoY	0.3	-0.4	-0.1	0.3								
<b>Current account balance<sup>2</sup></b>	% of GDP	2.7	3.2	3.6	3.9								
<b>Industrial production<sup>2</sup></b>	% YoY	-3.0	1.6	-1.0	1.6	1.5	1.3	1.5	2.1	-1.6	-1.2	-0.7	-0.5
	% QoQ					1.9	-0.3	0.1	0.4	-1.7	0.1	0.5	0.6
<b>CPI inflation<sup>2</sup></b>	% YoY	2.4	2.1	2.5	2.1	2.3	2.0	2.1	2.1	2.1	2.6	2.7	2.5
<b>Unemployment rate<sup>2</sup></b>	%	6.3	6.3	6.0	5.8	6.3	6.3	6.3	6.3	6.1	6.0	6.0	5.9
<b>Household savings ratio<sup>2</sup></b>	%	15.2	15.2	14.5	13.7								
<b>Public sector balance<sup>2</sup></b>	% of GDP	-3.1	-3.0	-3.0	-3.0								
<b>Public sector debt<sup>2</sup></b>	% of GDP	87.1	86.3	86.0	85.7								
<b>10year Bund yield<sup>3</sup></b>	%	2.18	2.81	2.75	2.75	2.74	2.52	2.69	2.81	2.75	2.75	2.75	2.75
<b>ECB deposit rate<sup>3</sup></b>	%	3.00	2.00	2.00	2.25	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00

<sup>1</sup> Percentage point contribution, <sup>2</sup> Period average, <sup>3</sup> End of period

Notes: 1. Total investment is based on gross fixed capital formation 2. Industrial production ex. construction

3. Public sector balance and debt based on calendar year

## Eurozone: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

### Overview – gradual improvement as trade rebounds

- Continued expansion, aided by global demand and easing financial conditions, and German fiscal stimulus – growth can pick up in 2027.
- The Eurozone is a mixed bag. Core economies struggle to adjust to shifts in global production and supply, and high political uncertainty, while peripheral economies benefit from pro-growth policy reforms.

### Risks – two-sided, but tilted to the upside

- Past ECB rate cuts and a big German stimulus could lift domestic momentum by more than we expect.
- Trade tariffs that impair global momentum and demand could badly hurt exports and production.

### Policy – turning more expansionary

- The ECB has managed to cut rates to actively easy levels – with a lag, this should support momentum.
- The Next Generation EU fund continues to provide modest fiscal support. Planned increases in defence spending can also support production industries.

# Germany: Fiscal easing supports momentum

Fiscal initiatives can support an economy mired by structural and cyclical headwinds

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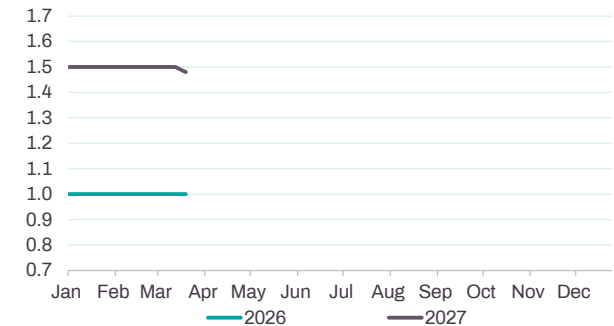
		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	-0.5	0.4	0.7	1.6	0.3	0.4	0.3	0.4	0.5	0.8	0.9	0.8
	% QoQ					0.4	-0.2	0.0	0.3	0.4	0.1	0.1	0.3
	% QoQ ann.					1.5	-0.8	-0.1	1.2	1.8	0.3	0.3	1.0
<b>Private consumption</b>	% YoY	0.5	1.7	0.7	1.0	1.6	1.8	1.7	1.8	1.1	0.8	0.7	0.3
	% QoQ					0.8	0.4	0.0	0.5	0.2	0.0	0.0	0.1
<b>Government consumption</b>	% YoY	2.6	1.3	2.5	2.3	2.5	1.0	0.6	1.2	2.5	2.7	2.6	2.0
	% QoQ					-0.8	0.3	0.6	1.1	0.5	0.5	0.5	0.5
<b>Investment</b>	% YoY	-2.9	3.2	1.4	1.9	2.9	5.0	4.4	0.5	2.4	2.6	-0.1	0.8
	% QoQ					-1.6	-0.1	2.8	-0.5	0.2	0.1	0.1	0.4
<b>Final domestic demand<sup>1</sup></b>	% YoY	0.2	1.9	1.3	1.4								
<b>Exports</b>	% YoY	-1.9	-0.3	0.0	1.6	-0.8	-1.1	-0.3	1.1	-0.9	-0.9	0.4	1.3
	% QoQ					2.5	0.2	-0.9	-0.6	0.4	0.3	0.3	0.3
<b>Imports</b>	% YoY	-0.4	3.7	1.6	1.4	3.6	3.7	4.0	3.6	2.3	1.5	1.0	1.6
	% QoQ					1.5	1.4	1.0	-0.3	0.3	0.5	0.5	0.3
<b>Net trade<sup>1</sup></b>	% YoY	-0.6	-1.5	-0.6	0.1								
<b>Current account balance<sup>2</sup></b>	% of GDP	5.8	5.7	5.7	5.4								
<b>Industrial production<sup>2</sup></b>	% YoY	-4.6	-0.9	-0.9	1.9	-2.2	-1.4	-0.9	0.9	-1.7	-1.1	-0.1	-0.8
	% QoQ					0.8	-0.4	-0.6	1.2	-1.9	0.2	0.4	0.5
<b>CPI inflation<sup>2</sup></b>	% YoY	2.5	2.3	2.5	2.3	2.7	2.0	2.1	2.3	2.3	2.7	2.6	2.5
<b>Unemployment rate<sup>2</sup></b>	%	3.4	3.8	4.0	4.0	3.6	3.7	3.8	3.9	4.0	4.0	4.0	4.0
<b>Household savings ratio<sup>2</sup></b>	%	8.6	8.1	10.5	10.5								
<b>Public sector balance<sup>2</sup></b>	% of GDP	-2.7	-3.0	-3.5	-3.5								
<b>Public sector debt<sup>2</sup></b>	% of GDP	62.2	63.1	64.5	65.8								

<sup>1</sup> Percentage point contribution, <sup>2</sup> Period average

Notes: 1. Total investment is based on gross capital formation and includes changes in inventories 2. Industrial production ex. construction

3. Public sector balance and debt based on calendar year

## Germany: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

## Overview – from stagnation to modest rebound

- Near term, the situation remains difficult. 2025 disappointed badly as implementation delays and bureaucratic hurdles impaired the transmission of fiscal stimulus.
- Although Germany has many strengths, its export and production-oriented economy has lost its erstwhile vigour, as businesses suffer shocks and shifts to global supply chains and energy markets.

## Risks – balanced over the medium term

- Germany's heavily export-oriented economy is the most exposed among major economies to downside risks to global trade coming from US tariffs. With any luck, the government's massive fiscal expansion could help stem the tide of de-industrialisation that has persisted since 2018.

## Policy – a possible gamechanger

- The government has announced a raft of large fiscal measures, including €500bn infrastructure spend, and for defence spending to be excluded from fiscal limits. This necessary rebalancing can provide a multiyear tailwind to demand and supply.

# France: Uncertain upswing amid political uncertainty

## France's fiscal mess poses downside risks to recovery

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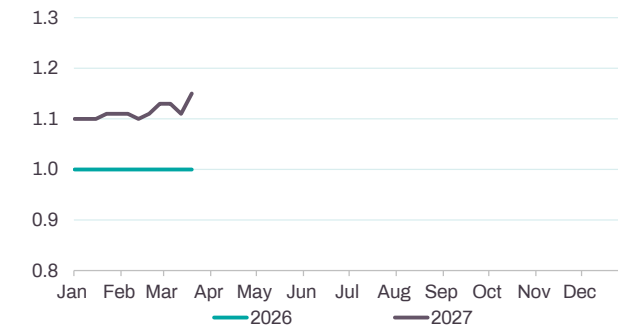
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		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	1.1	0.9	0.9	1.2	0.7	0.8	1.0	1.2	1.2	1.0	0.6	0.7
	% QoQ					0.1	0.3	0.5	0.2	0.1	0.1	0.1	0.3
	% QoQ ann.					0.5	1.4	2.2	0.9	0.6	0.5	0.5	1.1
<b>Private consumption</b>	% YoY	1.0	0.5	0.9	1.2	0.7	0.8	0.0	0.3	0.9	0.9	0.9	0.8
	% QoQ					-0.3	0.1	0.1	0.4	0.3	0.1	0.1	0.3
<b>Government consumption</b>	% YoY	1.4	1.7	1.1	0.8	1.3	1.7	2.0	1.7	1.6	1.3	0.8	0.8
	% QoQ					0.3	0.5	0.7	0.2	0.2	0.2	0.2	0.2
<b>Investment</b>	% YoY	-4.7	3.8	-1.9	1.2	2.8	7.1	3.9	1.5	-1.3	-3.9	-2.9	0.8
	% QoQ					3.1	2.8	-0.9	-3.4	0.3	0.1	0.1	0.3
<b>Final domestic demand<sup>1</sup></b>	% YoY	-0.2	1.5	0.3	1.1	0.2	-1.1	3.3	3.2	4.8	4.7	1.9	1.2
<b>Exports</b>	% YoY	2.4	1.4	3.2	1.5								
	% QoQ					-1.3	0.4	3.1	1.0	0.3	0.3	0.3	0.3
<b>Imports</b>	% YoY	-1.3	3.0	1.1	1.2	2.1	3.4	4.4	2.2	2.3	1.0	-0.2	1.2
	% QoQ					0.2	1.7	1.4	-1.1	0.3	0.3	0.3	0.3
<b>Net trade<sup>1</sup></b>	% YoY	1.2	-0.5	0.7	0.1								
<b>Current account balance<sup>2</sup></b>	% of GDP	-0.5	-0.3	-0.4	-0.6								
<b>Industrial production<sup>2</sup></b>	% YoY	0.3	0.6	1.1	1.1	-0.2	-0.3	1.1	1.7	1.6	1.7	0.5	0.8
	% QoQ					0.4	0.0	1.4	0.0	0.2	0.1	0.3	0.3
<b>CPI inflation<sup>2</sup></b>	% YoY	2.3	0.9	1.8	1.7	1.2	0.8	0.9	0.8	1.0	1.9	2.2	1.9
<b>Unemployment rate<sup>2</sup></b>	%	7.4	7.7	7.6	7.5	7.5	7.6	7.7	7.9	7.7	7.7	7.6	7.6
<b>Household savings ratio<sup>2</sup></b>	%	18.2	17.6	16.0	18.1								
<b>Public sector balance<sup>2</sup></b>	% of GDP	-5.8	-5.5	-5.0	-5.0								
<b>Public sector debt<sup>2</sup></b>	% of GDP	113.1	114.8	115.9	117.0								

<sup>1</sup> Percentage point contribution, <sup>2</sup> Period average

Notes: 1. Total investment is based on gross capital formation and includes changes in inventories 2. Industrial production ex. construction  
3. Public sector balance and debt based on calendar year

### France: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

### Overview – political instability hurts activity

- France was less exposed than other parts of core Europe to the 2022 global energy shock.
- Low inflation and energy security help France, but caution persists due to fiscal and unemployment concerns.

### Risks – tilted to the downside

- France's fragmented parliament casts uncertainty over the policy outlook and risks reform reversal.
- However, with its pent-up supply potential, France could surprise to the upside if policy gets back on track.

### Policy – staying mildly restrictive

- ECB policy turning easy could reduce the headwind to domestic private demand coming from weak confidence.
- But the public deficit and debt remain too high – an eventual agreement to curb borrowing could turn fiscal policy into a serious drag on growth.

# China: Growth targets and disinflation

Slowing trend growth may force Beijing to cut its official growth target

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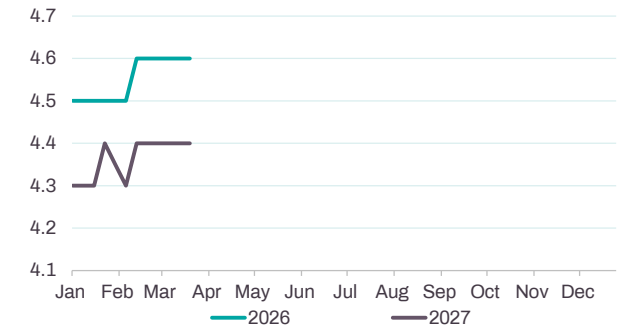


		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	5.0	5.0	4.1	4.3	5.4	5.2	4.8	4.5	4.5	4.2	3.9	3.8
	% QoQ					1.2	1.0	1.1	1.2	1.1	0.7	0.8	1.1
	% QoQ ann.					4.9	4.1	4.5	4.9	4.5	2.8	3.2	4.5
<b>Retail sales<sup>1</sup></b>	% YoY	3.4	2.8	2.7	4.3	3.5	4.4	2.6	0.7	1.7	1.3	3.2	4.6
	% QoQ					0.4	1.5	-0.9	-0.3	1.5	1.0	1.0	1.0
<b>Industrial production</b>	% YoY	5.6	5.9	4.2	4.2	6.4	6.4	5.8	4.9	4.1	4.4	4.2	4.2
	% QoQ					2.3	0.5	0.9	1.1	1.5	0.8	0.8	1.0
<b>Fixed asset investment<sup>2</sup></b>	% YoY	3.8	0.7	4.0	4.0	4.2	2.8	-0.5	-3.8	4.0	4.0	4.0	4.0
<b>Exports<sup>1,3</sup></b>	% YoY	8.1	7.2	15.2	7.4	9.6	6.6	5.8	7.1	23.2	19.3	12.6	7.6
	% QoQ					-11.3	5.1	7.9	6.5	2.0	1.8	1.8	1.8
<b>Imports<sup>1,3</sup></b>	% YoY	4.2	-0.5	11.4	7.4	-4.3	-1.2	1.1	2.3	17.4	11.6	9.7	7.6
	% QoQ					-11.1	7.1	3.6	3.8	2.0	1.8	1.8	1.8
<b>CPI inflation<sup>4</sup></b>	% YoY	0.2	0.1	1.5	1.3	-0.1	0.0	-0.2	0.6	1.0	1.6	1.8	1.6
<b>Unemployment rate<sup>4</sup></b>	%	5.1	5.2	5.3	5.3	5.3	5.0	5.2	5.1	5.3	5.3	5.3	5.3
<b>Public sector balance<sup>4</sup></b>	% of GDP	-4.8	-5.5	-5.5	-5.5								
<b>Public sector debt<sup>4</sup></b>	% of GDP	57.8	60.3	62.6	64.9								

<sup>1</sup> Nominal, <sup>2</sup> Year-to-date, <sup>3</sup> USD basis, <sup>4</sup> Period average

Notes: 1. Fixed asset investment includes state investment 2. Public sector balance and debt based on calendar year  
China's official data may overstate actual performance

## China: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

### Overview – structurally weaker growth

- After decades of outsized growth driven by exports and investment, China is struggling to transition to a more consumer- and services-oriented economy.
- China has become old and indebted before it has become fully rich. An ageing population, decades of capital misallocation and rising global trade barriers weaken growth potential on trend.

### Risks – balanced

- Policy efforts to bolster soggy domestic demand appear to be working and growth has picked up.
- China has so far managed the US tariff headwind well, by diversifying its exports and taking steps to modernise industry.

### Policy – turning more aggressive

- Policymakers are stepping up their stimulus efforts to strive for an overly ambitious growth target of 4.5–5.0% YoY in 2025.

# Japan: New PM, new stimulus

With the return of inflation, the BoJ is tiptoeing towards policy normalisation

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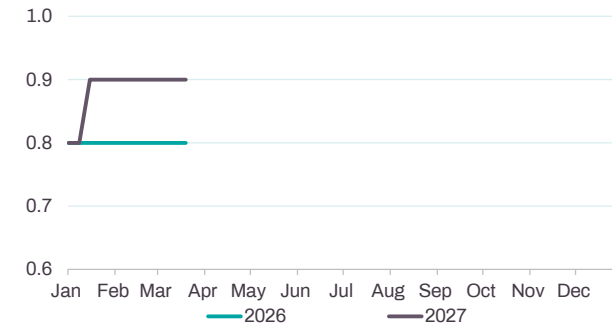
		2024	2025	2026	2027	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
<b>GDP</b>	% YoY	-0.2	1.1	0.3	0.9	1.6	1.9	0.6	0.2	0.3	-0.2	0.5	0.7
	% QoQ					0.3	0.5	-0.7	0.1	0.4	0.0	0.0	0.2
	% QoQ ann.					1.0	2.1	-2.6	0.2	1.7	0.1	0.1	0.8
<b>Private consumption</b>	% YoY	-0.6	1.4	0.5	0.3	1.2	1.5	1.4	1.4	0.8	0.6	0.2	0.2
	% QoQ					0.7	0.2	0.4	0.1	0.1	0.0	0.0	0.1
<b>Government consumption</b>	% YoY	1.6	0.7	0.8	1.3	1.9	0.2	0.4	0.5	1.0	0.7	0.7	0.8
	% QoQ					-0.3	0.5	0.1	0.1	0.2	0.2	0.2	0.2
<b>Investment</b>	% YoY	-0.5	0.5	0.4	1.7	1.6	1.6	-0.9	-0.2	0.1	-0.7	1.2	1.1
	% QoQ					0.1	0.9	-1.8	0.6	0.4	0.1	0.1	0.5
<b>Final domestic demand<sup>1</sup></b>	% YoY	-0.1	1.0	0.5	0.9								
<b>Stockbuilding<sup>1</sup></b>	% YoY	-0.1	0.3	0.0	0.0								
<b>Exports</b>	% YoY	0.9	2.9	0.7	2.4	4.2	5.7	2.0	0.0	0.7	-0.8	1.0	1.7
	% QoQ					-0.2	1.9	-1.4	-0.3	0.5	0.4	0.4	0.4
<b>Imports</b>	% YoY	0.9	4.0	1.6	2.4	6.1	4.8	1.9	3.5	1.5	0.8	1.6	2.4
	% QoQ					2.5	1.4	-0.1	-0.3	0.5	0.7	0.7	0.5
<b>Net trade<sup>1</sup></b>	% YoY	0.0	-0.1	-0.1	0.0								
<b>Current account balance<sup>2</sup></b>	% of GDP	3.9	3.8	3.7	3.7								
<b>Industrial production<sup>2</sup></b>	% YoY	-2.9	0.1	2.3	1.1	2.0	0.1	-0.7	-0.8	1.9	2.1	2.6	2.8
	% QoQ					-0.6	-0.1	-0.2	0.1	2.1	0.1	0.3	0.3
<b>CPI inflation<sup>2</sup></b>	% YoY	2.7	3.2	2.4	2.1	3.8	3.5	2.9	2.7	1.9	2.7	2.6	2.4
<b>Unemployment rate<sup>2</sup></b>	%	2.5	2.5	2.7	2.7	2.5	2.5	2.5	2.6	2.7	2.7	2.7	2.7
<b>Public sector balance<sup>2</sup></b>	% of GDP	-4.5	-4.0	-3.5	-3.5								
<b>Public sector debt<sup>2</sup></b>	% of GDP	254.6	248.8	242.7	236.9								
<b>10year gov. bond yield<sup>3</sup></b>	%	1.08	1.98	1.80	1.80	1.52	1.47	1.63	1.98	2.30	2.30	1.80	1.80

<sup>1</sup> Percentage point contribution, <sup>2</sup> Period average, <sup>3</sup> End of period

Notes: 1. Total investment is based on gross fixed capital formation 2. Industrial production ex. construction

3. Public sector balance and debt based on March to April fiscal year

## Japan: Bloomberg consensus, real GDP



% YoY. Weekly data. Source: Bloomberg

## Overview – policy stimulus supports growth

- Prime Minister Sanae Takaichi's expansionary fiscal policies prioritise running a high-pressure economy to underpin demand and ensure Japan fully escapes the disinflation trap.
- As long as bond markets tolerate high borrowing, growth is likely to remain above Japan's anaemic potential over the medium term.

## Risks – balanced

- If Chinese momentum surprises to the downside, it could drag on Japanese exports and production.
- The return of inflation and healthy wage gains may add momentum to spending, investment, and risk-taking. International inflows into equities could strengthen corporates and lift productivity.

## Policy – supportive

- Aggressive fiscal support provides a backstop to domestic demand. Although the Bank of Japan is gradually normalising interest rates, monetary policy remains accommodative.

# Consensus forecasts

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Bloomberg consensus data taken on 20 March 10:00GMT

## Bloomberg consensus

	GDP			Inflation			Unemployment			Industrial production		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
<b>North America</b>												
US	2.2	2.5	2.0	2.7	2.7	2.4	4.3	4.4	4.3	1.1	1.7	1.8
Canada	1.7	1.2	1.8	2.1	2.1	2.0	6.8	6.5	6.3	n/a	n/a	n/a
<b>Asia and Oceania</b>												
China	5.0	4.6	4.4	0.0	0.7	1.0	5.1	5.1	5.1	5.8	5.0	4.7
Japan	1.2	0.8	0.9	3.2	1.9	2.0	2.5	2.5	2.5	1.1	1.2	1.3
India	6.4	7.5	7.0	4.6	2.1	4.0	n/a	n/a	n/a	4.1	4.0	5.4
Australia	1.9	2.2	2.2	2.82	3.48	2.7	4.1	4.2	4.31	n/a	n/a	n/a
<b>Europe</b>												
UK	1.4	1.0	1.4	3.4	2.5	2.2	4.8	5.2	5.1	n/a	n/a	n/a
Eurozone	1.5	1.2	1.4	2.1	2.0	1.9	6.4	6.2	6.1	1.6	0.7	1.6
Germany	0.3	1.0	1.5	2.2	2.1	2.0	n/a	n/a	n/a	-1.1	0.8	1.9
France	0.9	1.0	1.2	0.9	1.3	1.6	7.6	7.7	7.7	0.5	1.4	1.2

GDP, inflation (CPI basis) and industrial production data in % YoY. Unemployment rate in %. Annual data. Source: Bloomberg

## Peel Hunt versus consensus

	GDP			Inflation			Unemployment			Industrial production		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
<b>North America</b>												
US	-0.03	-0.71	-0.10	0.01	0.10	-0.08	-0.03	-0.01	0.12	0.06	-0.05	-0.10
Canada	0.02	0.12	-0.10	0.00	0.20	0.09	-0.02	0.00	0.15	n/a	n/a	n/a
<b>Asia and Oceania</b>												
China	-0.02	-0.54	-0.06	0.06	0.79	0.33	0.06	0.19	0.20	0.06	-0.79	-0.53
Japan	-0.14	-0.45	0.00	0.00	0.50	0.10	0.02	0.20	0.20	-0.92	1.14	-0.16
India	-0.10	-0.50	-0.35	0.00	0.30	0.08	n/a	n/a	n/a	0.00	-0.43	-0.68
Australia	-0.10	0.00	0.10	-0.02	-0.08	-0.13	0.00	0.00	-0.01	n/a	n/a	n/a
<b>Europe</b>												
UK	-0.08	-0.14	0.24	-0.03	0.26	-0.17	0.05	-0.04	0.07	n/a	n/a	n/a
Eurozone	-0.04	-0.29	0.15	0.03	0.50	0.18	-0.10	-0.21	-0.35	0.03	-1.66	0.01
Germany	0.06	-0.25	0.09	0.06	0.60	0.31	n/a	n/a	n/a	0.13	-1.74	-0.02
France	0.03	-0.11	0.03	0.03	0.46	0.08	0.07	-0.05	-0.17	0.10	-0.25	-0.07

Difference in ppt between Peel Hunt and Bloomberg consensus. Green/amber/red highlights where Peel Hunt projections are positive/equal/negative compared to consensus projections. For GDP and industrial production values above consensus are positive. For inflation and unemployment values below consensus are positive. We set the thresholds as +0.09ppt deviations.

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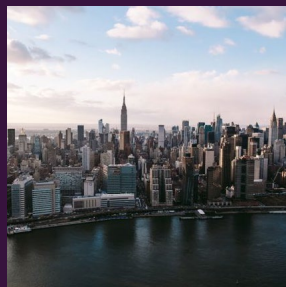
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