

GLOBAL & REGIONAL MONTHLY

The global economy has demonstrated unexpected resilience to trade policy uncertainty, with its healthy momentum continuing into Q3. However, despite this stronger-than-expected performance, the outlook remains fragile, with risks skewed to the downside. The full impact of higher tariffs has yet to be fully realised, trade policy uncertainty remains elevated, and the risk of renewed tensions cannot be dismissed. Meanwhile, slightly below-trend global growth and low oil prices are expected to keep global inflation well contained, despite rising US goods inflation which represents a clear divergence from the rest of the world. Against this backdrop, most major central banks are expected to keep approach to monetary easing cautious, with interest rates gradually moving back toward neutral level.

Macro Picture

USA: continued divergence between solid activity and a gradually softening labour market

EA: signs of a pickup in growth, with limited evidence of further disinflation

China: Q3 GDP growth, although in line with consensus, confirms a softening in domestic demand

Japan: latest inflation prints come in higher than consensus expectations

CESEE: Q3 GDP flash estimates verify the diverging paths regarding growth resilience

Markets

FX: EUR/USD traded mostly lower; weakness in the JPY amid BoJ rate hike uncertainty

Rates: EU and US rates ended the month broadly unchanged after mid-October volatility

EM: continued to perform strongly, supported by a favourable macro environment

Credit: flows into credit remain stable, with the low-rate environment providing support

Policy Outlook

USA: Fed delivers another risk-management cut in October, but hints at caution over more easing

EA: ECB says monetary policy remains in a “good place”, subject to reassessment at each meeting

Japan: rate hike expectations pared back with change of PM, but BoJ may still hike in December

CESEE: Czechia’s more Eurosceptic political turn poses hurdles to further EU integration

Key Downside Risks

DM & EM: further escalation of protectionist measures; prolonged policy uncertainty; intensifying geopolitical tensions; a rapid and pronounced easing in labour market conditions; rising inflation expectations; abrupt repricing of AI-related stocks; fiscal slippages in CEE coinciding with a growing populist political turn

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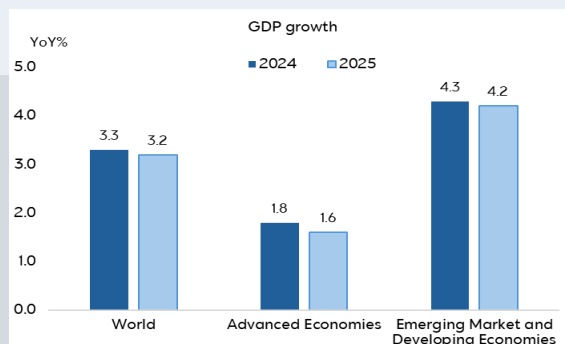
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Macro Views

Despite stronger-than-expected performance so far this year, the global growth outlook remains fragile, with risks tilted to the downside

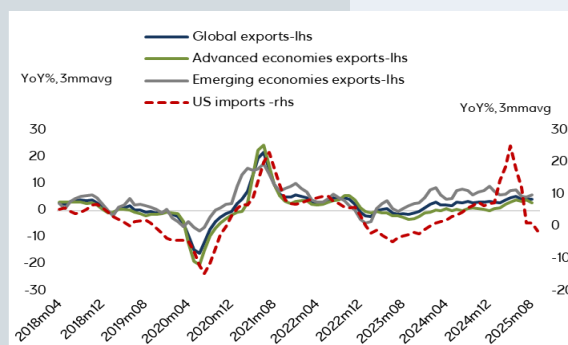
Contrary to earlier projections of a sharp slowdown driven by higher tariffs imposed by the US administration and the resulting trade uncertainty, the global economy has demonstrated unexpected resilience throughout the year, with this strong momentum continuing into Q3. Several factors have contributed to this stronger-than-expected performance: (i) the adaptability of the private sector, with US consumers and businesses front-loading good purchases during the first half of the year, ahead of anticipated higher tariffs; (ii) the rapid restructuring of supply chains to redirect trade flows and mitigate the potential loss of US market access. To counter the expected negative impact of changing US policies on global trade, numerous trade agreements have been signed in recent months, with more still under negotiation. Among the most notable is the EU-India Free Trade Agreement (FTA), which resumed talks in June 2022 after several years of hiatus, aiming for a conclusion by the end of this year (India is one of the EU's largest trading partners in goods). As a result, global export volumes have remained strong, despite a slowdown in US imports that began in early Q3 as the frontloading began to unwind, possibly reflecting improved non-US trade; (iii) the conclusion of trade agreements by the US with numerous partners, along with the granting of certain exemptions and (iv) the absence of retaliatory measures from most US trading partners in response to tariff increases. Other contributing factors include: the provision of monetary and fiscal support; persistent tightness in labour markets which has continued to support consumer spending; and the unexpected strong growth contribution from AI-related investment. That said, the global composite PMI fell to 52.8 in September from 53.3 in August, though it remains firmly in expansionary territory. The global services PMI also dropped to 52.8 from 53.3 but still aligns with the average pace of the last few years. Meanwhile, the global manufacturing PMI continued to expand, albeit at a slightly slower pace, at 50.8, down from 50.9. According to the IMF's latest World Economic

Figure 1: The IMF expects global GDP to edge only slightly lower in 2025 from last year's pace



Source: IMF, Eurobank Research

Figure 2: Global exports elevated, even though US imports started to slow in early Q3



Source: CBP Netherlands Bureau for Economic Policy Analysis, Eurobank Research

Outlook¹, global GDP is expected to grow by 3.2% this year, slightly down from 3.3% in 2024 and just below the trend pace. However, despite this stronger-than-expected performance so far this year, the global growth outlook remains fragile, with risks tilted to the downside.

The full impact of higher tariffs (with the US effective tariff rate at around 18%, well above end-2024 levels) has yet to be fully realised. The unwinding of US frontloaded purchases is likely to continue for some time, while the anticipated tariff-related increase in US prices is expected to weigh on US real income and consumer spending. Meanwhile, although trade policy uncertainty has eased from its peak in April, it remains high, and the risk of renewed trade tensions cannot be dismissed. Additionally, it is unlikely to ease significantly any time soon (according to the IMF, trade uncertainty may not fully subside for another three years). Much of the recent US/China trade agreement is temporary, involving a one-year trade truce until November 2026, which has raised some scepticism about the deal's scope due to the lack of firm commitments. In addition, recent press reports suggested rising tensions between the EU and the US administration over tariffs on specific goods (such as pastries, heavy vehicles) and issues related to AI, technology and climate regulation, potentially threatening the trade agreement framework reached this summer. At the same time, several Section 232 investigations into critical US imported goods, deemed potential national security threats — such as semiconductors and critical minerals — are still underway (expected to be concluded by the end of the year). The US Supreme Court's decision on a case challenging Trump's country-level tariffs imposed under International Economic Emergency Powers Act (IEEPA) — which currently cover around 60% of US imports — is not expected until the end of the year at the earliest. According to the IMF, uncertainty may not fully subside for another three years.

Beyond trade policy, other significant factors present downside risks to the global growth outlook, including stricter US immigration policies, China's weak growth dynamics, and the potential of an abrupt major market repricing in AI-related stocks, which would weigh on wealth and consumption, with broader repercussions for financial markets.

On the inflation front, global headline CPI remains close to central banks' 2% target, primarily driven by lower oil prices — currently under \$65/bbl — while core inflation is slightly higher, at around 2.5%YoY, due to a gradual decline in services inflation. Looking ahead, slightly below-trend global growth and low oil prices should keep global inflation well contained, even though US goods inflation has risen so far this year, marking a clear divergence from the rest of the world, where goods prices have remained relatively flat.

Against this backdrop, most major central banks are expected to maintain their gradual approach to monetary easing; either pausing after substantial rate cuts to assess the full impact of tariffs or continuing to lower rates to mitigate their effects. In both scenarios, interest rates are generally moving back toward neutral levels rather than into significantly accommodative territory.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2025/10/14/world-economic-outlook-october-2025>, “Global Economy in Flux, Prospects Remain Dim”, October 2025

Developed Economies

US: With congressional negotiations deadlocked over the extension of Affordable Care Act (ACA) premium tax credits, which are set to expire at the end of the year, there are few signs of progress toward resolving the government shutdown. In the absence of official data, attention has shifted toward alternative indicators, which suggest that underlying economic activity remained solid in early Q4. However, risks to the labour market are rising, while inflation, though still elevated, surprised slightly to the downside in October. Given the increasing risks to employment, the Fed once again placed greater emphasis on its full employment mandate and delivered another 25bps risk-management cut at its October meeting. However, with inflation still above target and tariff-related pressures expected to intensify as tariff passthrough effects build, the Fed signalled caution about further rate easing. Chair Powell emphasized that a December cut is “not a foregone conclusion”, hinting that risks may have shifted toward fewer cuts than envisioned in the latest Summary of Economic Projections (SEP).

Euro area: Despite a challenging external environment and persistent domestic headwinds, GDP surprised slightly to the upside in Q3. The unwinding of Q1’s export front-loading to the US continued for the second consecutive quarter but was less pronounced than expected. Looking ahead to Q4, sentiment indicators point to continued, albeit modest, growth. Taking stock of the better-than-expected data, ECB President Lagarde adopted a slightly more optimistic tone on growth in her press conference following October’s policy meeting, during which the Governing Council maintained its wait-and-see stance. On inflation, Lagarde highlighted supply-chain disruptions and emphasized the sensitivity of inflation to wages and services prices, particularly given the acceleration in services inflation in October. Signs of improved growth and limited evidence of further disinflation suggest that the ECB’s easing cycle has likely come to an end. Any additional rate cuts would depend heavily on a significant economic downturn or sustained undershooting of the 2% inflation target.

Emerging Economies

EM: EMs are facing a mixed but cautiously optimistic phase heading into 2026. The IMF's October WEO projects moderate growth, highlighting structural divergence across regions. The recent ASEAN and APEC summits reinforced commitment to trade, digital economy and infrastructure, boosting confidence in Asia-Pacific EMs as strategic links in value chains. In Latin America, Argentina's October mid-term elections delivered a clear win for Javier Milei's party, sparking a sharp rally in local assets and easing political risk, providing with a positive tailwind for investor sentiment in the region. Meanwhile, EM equity performance in October showed moderate gains, based on the key gauge of MSCI emerging markets equity index which rose about 4.2% in October. The respective currency index posted minimal change, broadly flat, suggesting currency risks remain but are contained. All in all, EM assets benefit from a trade-related momentum, but challenges persist around inflation, external debt and political transitions across key markets.

CESEE: the latest macroeconomic data for the CEE region reveal diverging growth and policy challenges heading into 2026. Q3 2025 GDP highlights stark contrasts: Czechia grew 2.7%YoY, its fastest pace since mid-2022, while Hungary stagnated at 0.6%YoY. Czechia's resilience contrasts with Hungary's structural constraints. Politically, Czechia's October elections brought an ANO-led coalition with far-right partners, promising tax cuts, higher pensions and public wages, likely widening the fiscal deficit and limiting further monetary easing, with interest rates expected to stay near 3.5%. Regionally, Czechia's gradual Eurosceptic shift mirrors broader Central European preferences for national policy autonomy. Poland's inflation stabilised at 2.9%YoY, enabling a 25bps rate cut to 4.25%, though deficits near 7% of GDP could trigger additional credit rating outlook downgrades. Romania faces high inflation at 9.9%YoY, maintaining a 6.5% policy rate and projected deficits above 8% in 2025. Overall, the CEE region exhibits uneven growth, heterogeneous inflation and rising fiscal pressures, testing central banks' ability to balance monetary policy and governments' commitment to fiscal discipline amid evolving political landscapes.

Markets View

Foreign Exchange

EUR/USD: traded mostly lower through the month, with the dollar remaining firm as Fed Chair Powell signalled that further easing is not guaranteed. The prolonged US government shutdown added uncertainty but failed to dent USD strength. ECB officials maintained a cautious tone, holding rates steady and emphasizing data-dependence, which offered limited support to the euro. Technically, the pair remains below key moving averages, with downside risks toward 1.14 if bearish momentum continues. Support levels include 1.141, 1.135 and 1.1295 while resistance levels include 1.181, 1.186 and 1.192.

USD/JPY: surged to an eight-month high, driven by a bullish dollar and ongoing weakness in the Japanese yen amid BoJ rate hike uncertainty. The Fed's hawkish stance and easing US-China trade tensions supported USD strength, while Japan's new prime minister's pro-stimulus agenda reinforced expectations for delayed BoJ tightening. Despite safe-haven concerns from the US shutdown, the yen remained under pressure, with traders watching for potential intervention by Japanese authorities. Technically, the pair broke above key resistance at 153.3, with upside target at 155. Support levels include 148.797, 148.046 and 147.294, while resistance levels include 156.368, 157.142 and 157.916.

Rates

EU: rates had a volatile month, falling in the first half of October but retracing much of the move lower thereafter. The 10yr EUR swap was trading around 2.65% in the first week of November, close to early-October levels, after touching a low of 2.55% in early October. The curve steepened slightly, with 5s-30s at 56bps in the first week of November, up from 53 bps at the start of October. Implied volatility declined marginally across maturities. Looking ahead, we expect EU rates to remain range-bound, as President Christine Lagarde reiterated at the latest ECB meeting that the Governing Council is not in a hurry to cut rates, given that inflation remains near the 2% target and the economy continues to show resilience.

US: swap rates ended the month broadly unchanged after a volatile October. The 10yr swap was trading around 3.65% in the first week of November, having dipped to 3.50% in early October. The steepness of the curve remained broadly anchored, with the 5s-30s spread near 55bps in the first week of November, close to early-October levels. Looking ahead, we expect US rates to drift marginally lower. The FOMC noted at October's policy meeting moderating growth, a cooling labour market, and somewhat elevated inflation, reinforcing expectations for a measured start to the easing cycle in early 2026.

Emerging Markets Sovereign Credit

Emerging markets delivered another solid month, with sovereign spreads grinding tighter to historically low levels amid a supportive macro backdrop, as the Federal Reserve continued its rate-cutting cycle and global trade tensions eased. The EMBI Global Index, which had widened to around 350bps during April's tariff-driven turmoil, tightened by another 20bps in October to close at 235bps. In Central Europe, risk appetite remained strong, with Romanian and Serbian 10yr EUR spreads over swaps outperforming the region, tightening by 10bps and 13bps respectively, supported by their higher-beta profiles. In Latin America, Chile stood out, with its 10yr USD spread narrowing by 8bps to 111bps, reflecting solid fundamentals and investor confidence.

Corporate Credit

October was a strong, albeit volatile month for financial markets, supported by optimism around US-China relations, strong economic data and better-than-expected Q3 earnings releases. These outweighed political uncertainty in France and diminished FOMC rate-cut expectations, as well as fears around private credit and a potential AI bubble. Meanwhile, tariffs and trade remained at the fore, as President Trump adopted a negative stance towards China in early October, but concerns de-escalated following meetings between US and Chinese officials later in the month, which led to an agreement to extend the tariff truce. While this agreement provided a boost to risk assets, there was a significant wobble around private credit and regional US Banks in mid-October. In the end, fears were alleviated as other institutions reported credit provision losses that were less than expected. An equity rally led by a narrow group of tech stocks fuelled concerns about a potential AI bubble, with Nvidia becoming the first company to reach a \$5tn market cap. On the politics front, the budget situation in France remained in the spotlight. Against this backdrop, US equities advanced +2.4% from the end of September to the first week of November, registering total gains of over 16% year-to-date, largely led by the Magnificent 7. Europe saw mixed performance, with the Stoxx 600 up 1.4% as mild losses in Germany (-0.3%) were offset by positive performance in other EU markets.

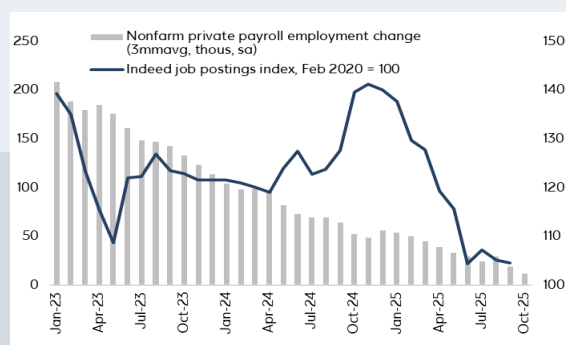
In credit markets, October was a volatile month, with synthetics moving wider in the first half of October, but stable flows in credit, along with low rates continued to provide support. As such, and despite volatility, Main ended slightly tighter from the end of September to the first week of November (-1.1bps). HY cash underperformed, with Xover +14.9bps. We saw several cracks in the HY space (collapse of First Brands, weak Chemicals and Industrials, concerns around US regional banks), which led to decompression between IG and HY, albeit manageable overall. EUR IG cash ended the period flattish to slightly tighter, with Industrials and Utilities faring better (-4bps) while Tech and Materials lagged (-1 to -2bps). The European primary market slowed down following the typical September rush, with total issuance at €123bn compared to €210bn in September. Despite volatility, flows into credit remain stable and the low-rate environments provide support for credit markets.

US

The Fed signals caution about further rate easing

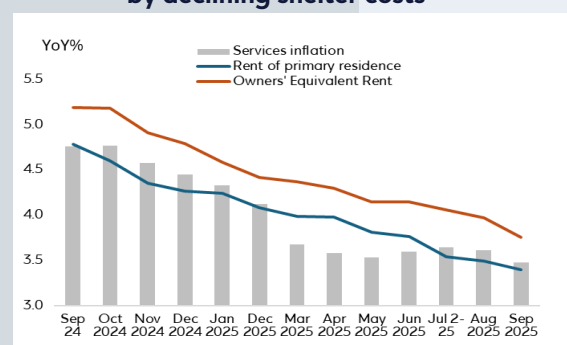
The federal government shutdown that began on October 1 has now surpassed the 21-day closure of 1995–96, becoming the longest in US history. With congressional negotiations deadlocked over the extension of Affordable Care Act (ACA) household tax credits, set to expire at year-end, there are few signs of progress towards a resolution. Consequently, the release of key economic data has been delayed, constraining visibility into current economic conditions. In the absence of official data, attention has shifted toward alternative indicators, which suggest that underlying economic activity remained solid in early Q4. The flash October PMI from S&P Global showed stronger business activity in both manufacturing and services, with the composite output index rising to 54.8 from 53.9 in September, consistent with a 2.5% annualized growth rate, broadly in line with Q3 projections. Regional business surveys, such as the NY Empire State index, also improved sharply in October (+19.4pts to 10.7), while household card spending growth (a proxy for retail sales) appears to have remained solid. Despite resilient activity, labour-market risks are rising, with private sector indicators such as ADP and Indeed suggesting a gradual softening in hiring trends. Meanwhile, September inflation data, released with some delay after furloughed BLS statisticians returned temporarily to complete the Social Security cost-of-living adjustment, surprised to the downside. Although still above target, core CPI eased 0.1ppts to 3.0%YoY, driven entirely by softer core services inflation (3.5%YoY) as shelter costs (which accounts for nearly 40% of the core basket) slowed. However, non-housing services inflation remained elevated (3.7%YoY), and core goods prices continued to rise (1.5%YoY) despite a notable drop in used cars, suggesting that higher tariffs are beginning to put upward pressures on prices for some products. Given rising risks to employment, the Fed once again placed greater emphasis on its full employment mandate and delivered another 25bps risk-management cut at its October meeting. However, with inflation still above target and tariff-related pressures expected to intensify as tariff passthrough effects build, the Fed signalled caution about further easing. Chair Powell emphasized that a December cut is “not a foregone conclusion”, hinting that risks may have shifted toward fewer cuts than envisioned in the latest Summary of Economic Projections (SEP).

Figure 3: Continued, though gradual, moderation in labour market conditions



Source: BLS, Fed of St. Louis, Eurobank Research

Figure 4: Softer core services inflation driven by declining shelter costs



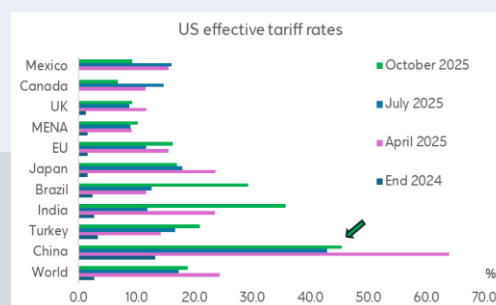
Source: BLS, Eurobank Research

China

Balancing between growth stabilisation and structural transformation

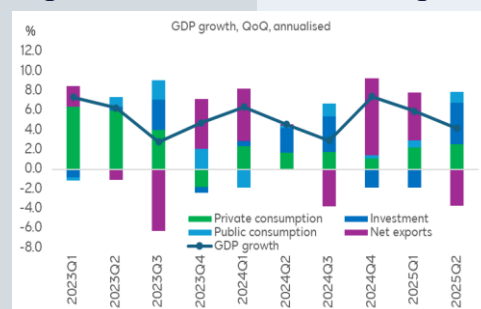
Third-quarter 2025 GDP growth of 4.8%YoY slightly outperformed expectations of 4.7%YoY but came in lower compared to the two previous quarters (5.2%YoY and 5.4%YoY in Q2 and Q1 respectively), bringing the 9M 2025 average growth rate at 5.1%YoY. The declining growth rate bodes well with rest of recent hard economic data that point to a rather pronounced weaknesses in domestic demand. Retail sales slowed to 3.0%YoY in September, marking the lowest rate in 2025, while household savings in-cresed by CNY2.96tn, the largest rise since March, according to the People's Bank of China. Manufacturing conditions deteriorated, as the official relevant PMI stayed on contractionary grounds, sliding further to 49.0 in October from 49.8 the previous month, marking a seventh consecutive month below. Despite the lukewarm sentiment, industrial production rebounded to 6.5%YoY in September, highlighting the divergence between resilient supply and frail demand. Against this backdrop, the 15th Five-Year Plan (2026–2030) was outlined, envisaging three strategic directions. First, technological self-reliance emerges as the top priority, with heavy investment in AI, semiconductors, intelligent vehicles and robotics in order to secure long-term competitiveness. Second, the “people-first” agenda seeks to raise the consumption share of GDP through expanded welfare, education and healthcare spending, laying the groundwork for domestic-demand-led growth. Third, the plan implies an average annual growth target roughly above 4.0% to achieve “mid-level developed country” status by 2035. Externally, the late-October Trump–Xi meeting at the APEC summit in South Korea resulted in a tactical truce in US–China trade tensions. Both sides agreed to suspend new escalatory measures for one year: the US eased its “50% rule” on export controls and cut fentanyl-related tariffs to 10%, while China paused the latest rare earth restrictions and resumed purchases of US soybeans. However, the core strategic rivalry over advanced semiconductors, mostly applied as AI chips, and critical minerals remains unresolved. The truce thus offers temporary relief rather than a durable reconciliation. Taken together, the economy still stands at a crossroads where it is stabilised in the near term by the recently announced additional fiscal stimulus of CNY1tn in quasi-fiscal stimulus for Q4 2025 and eased trade frictions but constrained by structural imbalances and geopolitical uncertainty. The bypass of the current impasse depends on whether rising household consumption and technological upgrading can offset the retreat of property-led investment, allowing the transition toward high-quality and innovation driven growth amid a persistently fragmented global order.

Figure 5: Encountered with the highest effective tariff rate from the US



Source: IMF, Eurobank Research

Figure 6: ..growth rate gets squeezed, given also the domestic challenges



Source: IMF, Eurobank Research

Euro area

Signs of a pickup in growth, with limited evidence of further disinflation

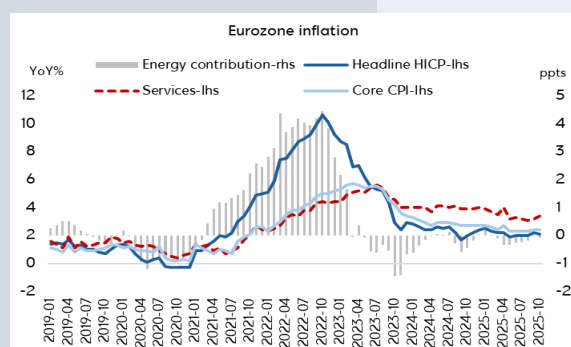
Despite a challenging external environment and persistent domestic headwinds, GDP surprised slightly to the upside in Q3. The flash estimate showed 0.2%QoQ growth (1.3%YoY), edging above the 0.1%QoQ increase (1.5%YoY) recorded in Q2, as well as the market consensus (0.1%QoQ) and the ECB's September forecast (0.0%QoQ). The unwinding of Q1's export front-loading to the US ahead of higher tariffs — particularly in pharmaceuticals from Ireland — continued into Q3 for the second consecutive quarter but was less pronounced than expected. Ireland's GDP contracted by just 0.1%QoQ, following a 0.2%QoQ expansion in Q2 and a 7.5%QoQ surge in Q1. Meanwhile, despite political and fiscal uncertainty, France performed strongly (0.5%QoQ), supported by unexpectedly strong exports. Looking ahead to Q4, sentiment indicators point to continued, albeit modest, growth. The composite PMI rose 1.0pts to 52.2 in October driven by a solid rebound in the services sector (+1.3pts to 52.6). Economic sentiment also improved in October for the second consecutive month (+1.2pts to 96.7) and consumer confidence strengthened further (+0.7pts to -14.2). Taking stock of the better-than-expected data, ECB President Lagarde adopted a slightly more optimistic tone on growth in her press conference following October's policy meeting, during which the Governing Council maintained its wait-and-see stance, keeping rates steady for the third consecutive time. Her optimism was further bolstered by recent positive developments, such as the EU-US trade deal, the Middle East ceasefire, and progress in US-China trade talks, though ongoing geopolitical tensions and global trade disputes remain a drag on the outlook. On inflation, Lagarde highlighted supply-chain disruptions, likely linked to China's export controls on rare earth products, as a potential upside risk. She also emphasized the sensitivity of inflation to wages and services prices, particularly given the acceleration in services inflation in October to 3.4%YoY from 3.2%YoY, even as headline CPI eased 0.1ppts to 2.1%YoY. Signs of improved growth and limited evidence of further disinflation suggest that the ECB's easing cycle has likely come to an end. Any additional rate cuts would depend heavily on a significant economic downturn or sustained undershooting of the 2% inflation target.

Figure 7: GDP growth surprised the ECB to the upside in Q3



Source: Eurostat, Eurobank Research

Figure 8: Eurozone headline inflation eased in October, but services inflation ticked up



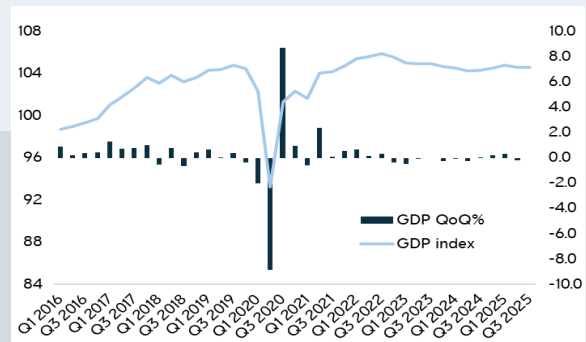
Source: ECB, Eurobank Research

Germany

Hopes for 2026 GDP growth recovery rely on fiscal stimulus and critical reforms

The economy narrowly avoided a technical recession, with GDP remaining flat in Q3 following a modestly upwardly revised contraction of 0.2%QoQ in Q2. This partly reflects the unwinding of the export frontloading earlier this year, which had boosted GDP to 0.3%QoQ in Q1, the fastest quarterly pace since Q3 2022. In its press release, the Statistical Office noted that exports were a drag on growth, while business fixed investment contributed positively, likely reflecting the favourable impact of the enhanced depreciation schedules for movable fixed assets introduced in July (the GDP growth breakdown is due on 25 November). In absolute terms, economic output remains largely unchanged from late 2019, with Germany continuing to lag the Euro area average, largely due to a mix of structural challenges. These include: (i) a decline in industrial competitiveness driven by prolonged underinvestment in technology-driven growth industries; (ii) the shift of China from a dynamic export destination to a key competitive rival; (iii) bureaucratic inefficiencies; and (iv) a shortage of skilled labour. Germany's heavy dependence on global trade, as one of the most open advanced economies, also makes it particularly vulnerable to trade disruptions, such as higher tariffs. Energy prices, although sharply lower from their 2022 peak, remain more than 50% higher than before the latest energy crisis. Cyclical factors, such as an economic slowdown in key trading partners and weak domestic demand, are also contributing to Germany's struggling economic performance. Looking ahead to Q4, leading indicators (October's IFO, PMI) offer hope for a modest rebound, keeping our 2025 GDP growth forecast of 0.3% within reach. However, for next year, markets are cautiously optimistic that the government's expansive fiscal policy will stimulate economic activity. The shift in fiscal regime is already under way, following the approval of the infrastructure fund by parliament, while the government is also advancing its reform agenda. The critical question for market consensus regarding 2026 GDP growth of 1.0% is how quickly the government can implement its ambitious fiscal plans for infrastructure and defence and how swiftly it can roll out the remaining key reforms outlined in the coalition agreement, especially those related to modernising the state and reforming pensions.

Figure 9: The level of GDP is largely unchanged from end-2019 levels



Source: Destatis, Eurobank Research

Figure 10: Germany is highly dependent on global trade



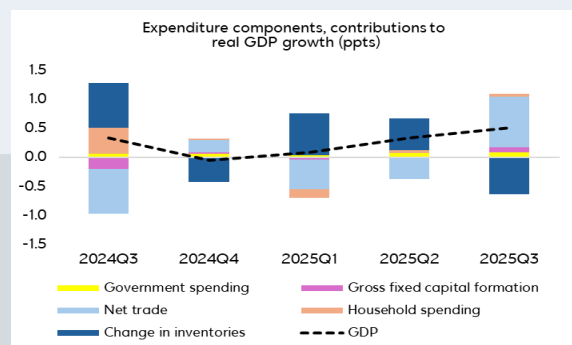
Source: World Bank, Eurobank Research

France

Growth accelerated in Q3 despite political uncertainty; risks remain

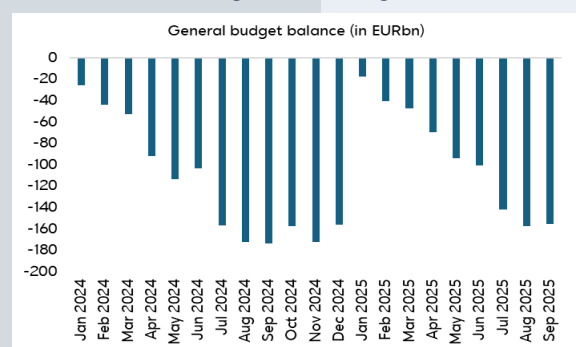
Political and fiscal uncertainty did not derail economic activity in Q3. Instead, GDP growth unexpectedly accelerated to 0.5%QoQ, up from 0.3%QoQ in Q2 and 0.1%QoQ in Q1. A major contributor to this performance was net trade (+0.9ppts). Imports fell (-0.4%QoQ) after a strong Q2 (+1.4%QoQ), while exports surged (+2.2%QoQ) driven by transport equipment exports, particularly in aeronautics. Additionally, the contribution from domestic demand excluding inventories was slightly stronger (+0.3ppts after +0.2ppts), thanks to a rebound in investment (0.4%QoQ vs. 0.0%QoQ), particularly from businesses. However, after strong accumulation in H1, inventories acted as a drag on GDP growth (-0.6ppts). Looking ahead to Q4, current data do not signal a clear deterioration in economic growth. The composite PMI disappointed in October (-1.3pts to 46.8), but this signal contrasted with the INSEE October business sentiment and consumer confidence surveys, which both showed slight improvements (+0.1pts and +0.2pts, to 97 and 90, respectively). However, it remains highly uncertain whether this solid performance can be sustained much longer on the back of persistent political and fiscal uncertainty. To avoid a potential vote of no confidence given the government's ongoing lack of a parliamentary majority and the prime minister's commitment not to invoke Article 49.3 of the constitution, the passage of the 2026 budget will likely hinge on support from the Socialist Party (SP). However, this backing will probably come with costly concessions, potentially including a scaling back of planned fiscal consolidation and a shift toward higher taxes for businesses and wealthy households. The government has already accepted a suspension of the 2023 pension reform until after presidential elections to ensure its survival in the two no-confidence votes held in mid-October. There is little to suggest that the budget deficit will shrink to 4.7% of GDP, as the government's draft budget envisioned, from the 5.4% of GDP expected this year, with the lack of meaningful consolidation effort potentially triggering fresh scrutiny from rating agencies after both Moody's and Fitch downgraded France's credit rating to the A-single category. After a strong Q3 GDP performance, growth is now expected to rise 0.8% in 2025, with a modest pickup to 0.9% in 2026, supported by spillover effects from Germany's fiscal expansion and increased EU defence spending.

Figure 11: The strong Q3 GDP print reflects a large contribution from net exports



Source: INSEE, Eurobank Research

Figure 12: The government seems on track to meet its 5.4% of GDP budget deficit target for 2025



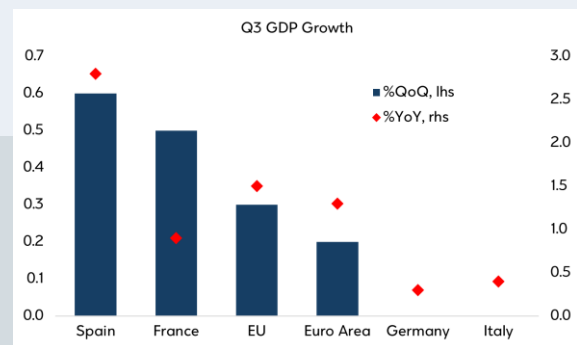
Source: INSEE, Eurobank Research

Italy

GDP stagnates in Q3; survey data points to improved momentum in October

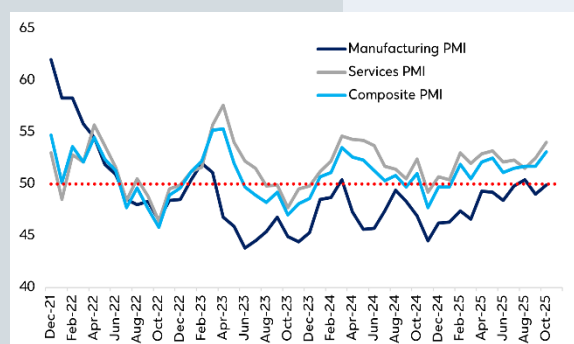
Italy's economy flatlined in Q3 2025, narrowly avoiding a technical recession. However, October's confidence indicators provide grounds for cautious optimism that things will improve. GDP was unchanged from the previous quarter after a 0.1%QoQ contraction in Q2 – a worse outcome than the consensus forecast that economic output would expand 0.1%QoQ. Istat doesn't give a breakdown by components in its flash estimate, though in its press release it noted that there was a negative contribution from domestic demand, which was "substantially compensated" by a positive one from net exports. In line with this, July's unexpected increase in industrial production proved to be a blip, with the index falling 2.7%YoY in August, compared with consensus forecast for a 0.6%YoY increase. In contrast to the disappointing hard data for Q3, October's survey data stands out for the consistency in pointing to an improvement in momentum, compared with most recent months, where the picture has been more mixed. The manufacturing PMI remained just below the 50-threshold separating expansion from contraction, but the 0.9pt improvement to 49.9 was better than the consensus estimate of 49.3. The composite and services PMIs each beat the consensus by 1pts, with the former increasing to 53.1 from 51.7 in September and the latter improving 1.5pts to 54. Consumer confidence increased 0.8pts to 97.6, manufacturing confidence rose to 88.3 from 87.4 and the European Commission's economic sentiment indicator climbed to 94.3 from 96.8 the month before. The real economy is likely to also benefit from expanding credit, which continued in September. While the rate of lending growth to the private sector slowed to 1.8%YoY from 2%YoY in August and 2.2%YoY in July. Credit growth to non-financial corporations held steady at 1.2%YoY, marking a fourth straight monthly expansion after more than two years of contraction. Meanwhile, inflation is lower than expected, with the EU-harmonised headline rate falling 0.5ppts to 1.3%YoY in October, lower than the consensus estimate of 1.6%YoY. Core inflation slowed to 1.9%YoY from 2.1%YoY in September. An uptick in headline inflation earlier in the year was largely driven by base effects from regulated utility prices, with those effects having now worked themselves out of the system. It puts Italian inflation well below the euro area average and, taken together with the weak Q3 GDP print, suggests that the ECB's monetary policy could still be a shade too restrictive for Italy.

Figure 13: Italy was one of the worst-performing major eurozone economies in Q3



Source: Eurostat, Eurobank Research

Figure 14: Composite and services PMI both reached their highest level since early 2024



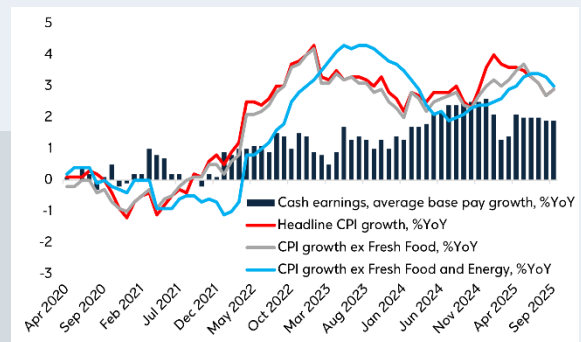
Source: Bloomberg, Eurobank Research

Japan

New prime minister promises change in economic policy direction; yen falls

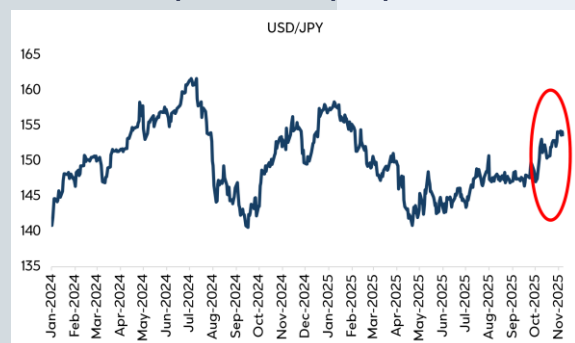
The Liberal Democratic Party's leadership vote on October 4 resulted in the winner, Sanae Takaichi, becoming Japan's first female prime minister. The process was more drawn out than after previous contests, as Takaichi's hardline conservative stances resulted in the LDP's longtime partner, Komeito, withdrawing from the governing coalition. Following some jostling that briefly raised the prospect that several opposition parties could unite, removing the LDP from power, Takaichi eventually reached a confidence-and-supply agreement with the Osaka-based Ishin no Kai party, enabling her to be sworn in as prime minister on October 21. Combined, the LDP and Ishin hold 231 seats in the legislature's lower house, two short of what is needed for an overall majority. Moreover, the alliance with Ishin is built on shakier ground than the 26-year cooperation between LDP and Komeito. It will be tested on contentious issues such as reducing the number of seats in parliament and regulating corporate political donations. That means that Takaichi faces some of the same problems that confronted her predecessor, Shigeru Ishiba, who presided over a weak minority government and divisions within the LDP. However, Takaichi's ascension to the leadership has been positively received – her standing in opinion polls is currently high – and she is expected to bring a directional shift in macroeconomic policy. Hailing from the Shinzo Abe faction of the party, she has been a loud advocate for both fiscal stimulus and easier monetary policy from the Bank of Japan. In her first pronouncements as the country's prime minister, Takaichi identified tackling inflation as the country's priority and, to that end, has ordered her government to come up with fiscal stimulus plan as a way to address it. That runs contrary to macroeconomic orthodoxy and given the country's high level of public debt, which currently stands at 236% of GDP, and rising long-end JGB yields, her government has stressed that it will pursue a "responsible" fiscal stimulus. Nevertheless, the change in approach has led to a weakening yen, with USD/JPY hitting an eight-month high of 154.22 in early November and the country's finance minister talking up the possibility of intervening in foreign exchange markets. While the Bank of Japan refrained from hiking interest rates at its October meeting, the weaker yen adds to reasons for the central bank to tighten monetary policy. Markets are pricing in 50% odds that the BoJ will raise rates 25bps to 0.75% in December.

Figure 15: September CPI growth was above consensus and is squeezing real earnings



Source: Bloomberg, Eurobank Research

Figure 16: JPY has fallen after Takaichi's election in response to the prospective shift



Source: Bloomberg, Eurobank Research

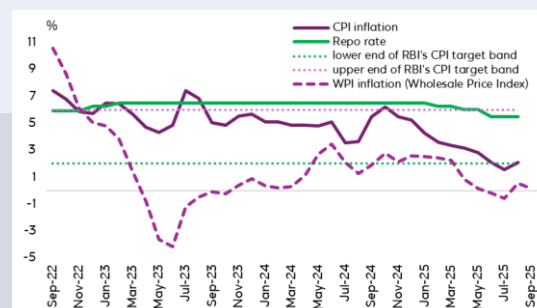
India

Low inflation, policy flexibility and resilient growth amid global headwinds

The recent macroeconomic landscape presents a mix of encouraging domestic stability and mounting global pressures. The interplay between historically low inflation and prudent policy support has allowed upward revisions to growth forecasts, even as trade frictions and currency pressures weigh on the out-look. Inflation data in September marked a turning point as headline CPI dropped to 1.54%YoY, the lowest in over eight years and well below the Reserve Bank of India's 2–6% target range. This was the second time in the last three months that inflation undershot the range, urging the RBI to revise its FY2026 inflation projection down to 2.6% from 3.1%.

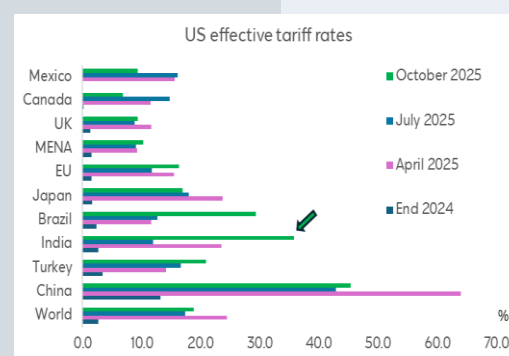
The October monetary policy meeting maintained the repo rate at 5.5%, yet the tone was notably dovish. The soft inflation backdrop has provided room for policy support to counteract external shocks, particularly from US trade actions. The government's GST (Goods and Services Tax) cuts, introduced on 22 September, were a key fiscal intervention designed to cushion the impact of US tariffs that doubled to 50% in late August. These cuts are expected to lead to even lower headline inflation in the coming months while supporting consumption. Furthermore, their impact on the fiscal balance is expected to widen the fiscal deficit only mildly in Q3 FY2026. In fact, if the GST cuts end up boosting consumption and supporting nominal GDP growth, the medium-term fiscal impact could even be neutral or mildly positive, as higher economic activity offsets the initial tax loss. The neutral or mildly negative effect is crucial as the fiscal deficit widened to INR5.73tn in H1-FY2026 which is equivalent to 36.5% of the full-year budget target and marks a 20.8%YoY increase from INR4.75tn in FY2025. The expansion reflects a sharp rebound in capital expenditure (+40%YoY), reaffirming the government's infrastructure-led growth strategy. Despite the global turbulence, growth momentum remains robust with the latest GDP growth rate (Q1 FY2026) rising to 7.8%YoY from 6.5%YoY in Q1 FY2025, driven by services, manufacturing, and agriculture. Reflecting this resilience, the RBI raised its FY26 growth forecast to 6.8%, while the IMF followed with an upward revision to 6.6% from 6.2% in April. In essence, India's economy in late 2025 resembles a vessel propelled by strong domestic winds of low inflation and policy flexibility but facing stiff external headwinds from trade and, contained for the time being, currency volatility. The balance between these opposing forces will determine whether the current phase of steady growth transitions into a sustainable medium-term expansion.

Figure 17: Favourable inflation dynamics act as tailwinds to the economy..



Source: NSO, Eurobank Research

Figure 18: ..as India is confronted with the second highest effective tariff rate



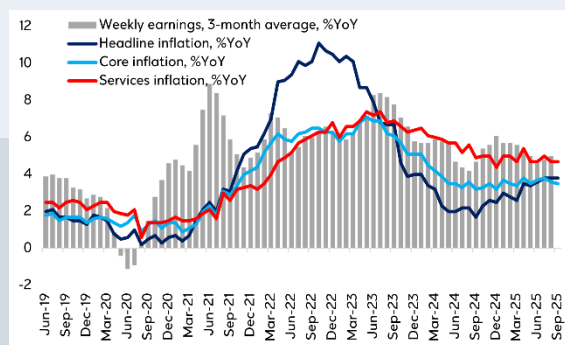
Source: IMF, Eurobank Research

UK

Finance minister lays ground for breaking tax pledge as BoE keeps rates on hold

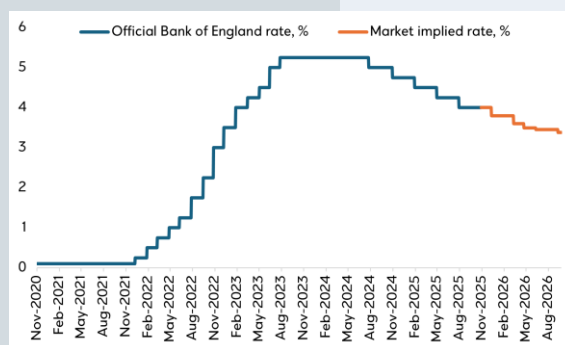
Against a backdrop of an economy that's struggling for sustained momentum, Chancellor of the Exchequer Rachel Reeves has started laying the ground for another round of tax hikes – which would probably involve breaking the Labour government's pre-electoral promises – in next month's Autumn budget statement. On the macroeconomic front, familiar challenges remain, notably the persistently sticky inflation that has prevented the Bank of England from taking a more aggressive stance towards policy easing. That said, headline CPI growth did hold steady at 3.8%YoY in September, whereas the consensus estimate was that would accelerate to 4.0%YoY, while core CPI growth unexpectedly slowed to 3.5%YoY. Services inflation, which is largely responsible for the long time it is taking for inflation to come down to the central bank's 2% target, was unchanged at 4.7%YoY. Meanwhile, labour market data for August showed that three-month weekly average earnings growth accelerated to 5.0%YoY from 4.8%YoY the month before, compared with the consensus estimate that it will slow to 4.7%YoY. That was also above the level that the central bank deems consistent with its inflation target. Consequently, the BoE's monetary policy committee voted, in a 5-4 split, to keep the policy rate on hold at 4% for a second straight meeting in October, sticking to its pace of one 25bp cut per quarter. In his press conference after the announcement, Governor Andrew Bailey said that the market pricing is currently giving a "reasonable view of a sensible path" for interest rates, suggesting a terminal rate close to 3.50%. For Reeves, the finance minister, a relatively higher terminal rate providing a headwind to economic growth compounds her problems in trying to comply with her chosen fiscal rules when she announces the budget on November 26. The Office of National Responsibility, which provides the forecasts on which the government's budget needs to be based, is widely expected in the coming weeks to announce a downgrade to UK productivity, with media reports suggesting that this will be by 0.3ppts. According to reports, this could end up meaning an additional hit of £20bln in budget measures that the government needs to make up. To make up the difference, the government is hinting it will have to break its pledge not increase one of the three major taxes paid by working people – income tax, VAT and employee national insurance contribution.

Figure 19: Sticky wage and services inflation keep the BoE from cutting rates more quickly



Source: ONS, Bloomberg, Eurobank Research

Figure 20: After November hold, BoE's Bailey said market implied pricing was reasonable



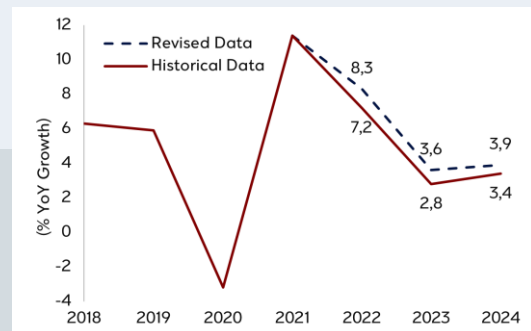
Source: Bloomberg, Eurobank Research

Cyprus

Upgraded growth trajectory and a proposed new tax framework

The statistical service revised the national accounts for 2022-24. The revision lifted cumulative GDP growth by 2.6ppts (from 13.9% to 16.6%). From the production side, the largest upward revisions were in electricity supply, construction and manufacturing. Six sectors were revised down, led by mining, water supply and trade. By expenditure, the upgrade reflects stronger investment (+24.7% vs +4.7%; around 80% due to inventory changes) and higher exports (+33.0% vs +30.1%), entirely from services (+38.9%) as goods' increase was slightly lower. This improvement was partly offset by a higher import path, especially in 2024 (and to a lesser extent in 2023), while the previously reported sharp 2024 destocking no longer appears. Over 2022–24, inventory changes were small, keeping total investment growth (+24.7%) close to gross fixed capital formation (+26.9%). In the real-estate market, property transactions rose annually by 1% in 2024, with purchases by domestic buyers up by 10% and foreigner purchases decreasing 10% (non-EU -12%; EU -3%). Momentum strengthened in 2025 Q1–Q3, as total sales rose by 13%YoY, 60% of which was by domestic buyers (+13%YoY) and 40% by foreign buyers (+14%YoY). Within foreign demand, EU purchases rebounded 24%YoY, while non-EU increased 9%YoY. This buyer mix is reflecting sustained international interest and firm local confidence. With improving financing conditions, resilient domestic confidence and a renewed EU-buyer rebound complementing gains in non-EU interest, activity should remain firm into Q4 2025. Regarding short-term indicators, Cyprus experienced another month of close-to-zero headline inflation in October, with a 0.3%YoY increase in consumer prices driving inflation to 1%YoY year-to-date. This is mainly driven by falling energy prices, which have dropped by 5.2%YoY year-to-date. Tourist arrivals increased by 10.3%YoY in January-September, while tourism revenue grew by 16.5% in January-August, continuing the positive year-long momentum. Following approval by the Council of Ministers, a package of tax-reform bills has been submitted to the parliament. The reform is framed as a step toward sustainable competitiveness and growth. For households, it will — for the first time — consider family composition and household energy efficiency, and even with alignment to the 15% corporate tax, Cyprus's wider pro-business advantages should preserve its overall attractiveness.

Figure 21: GDP growth revision for 2022-2025



Source: CYSTAT, Eurobank Research

Figure 22: YTD (January-September) property transactions



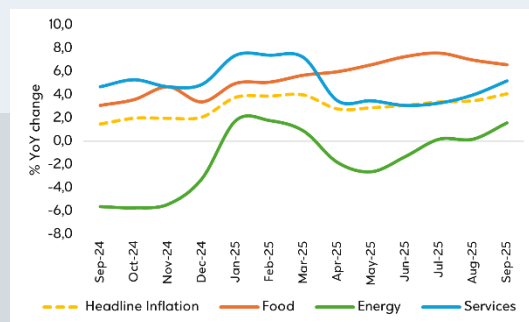
Source: Ministry of Interior, Eurobank Research

Bulgaria

Inflation accelerates despite anti-speculation policies

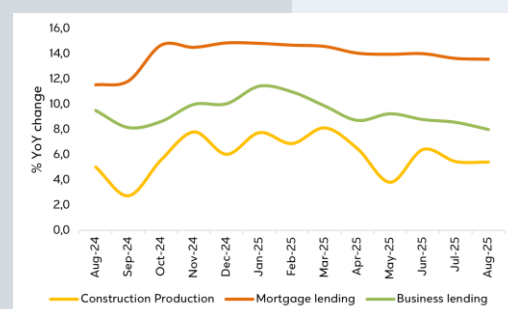
Despite the introduction in early August of anti-speculation measures tied to the euro transition, head-line inflation accelerated further in September, to 4.1%YoY from 3.5%YoY in August, a 21-month high. What is more alarming is that the increase was driven from core inflation which rose to 3.4%YoY from 2.5%YoY, an increase mainly linked to an uptick in services inflation to 5.2%YoY from 4.0%YoY. Among the services sectors, price pressures were most pronounced in utilities, restaurants-hotels, and entertainment-cultural activities. On the other hand, the acceleration was largely anticipated, given the grace period for the implementation of anti-speculation measures in August and September. However, if speculative price increases in essential goods and services (e.g., basic food items, household electricity, heating) are observed from October onwards, the ministerial council retains the authority to introduce additional measures without parliamentary approval. The 7.9%MoM increase in the gas price in November will reinforce inflationary dynamics toward year-end. The renewed inflationary momentum since July likely contributed to the moderate slowdown in retail trade volume growth, which eased to 4.6%YoY in July-August, from 5.9%YoY in Q2. Nonetheless, robust wage growth — supported by a tight labour market — and strong consumer credit expansion (+13.6%YoY in Q3, after +14.0%YoY in Q2) are expected to sustain household consumption growth through the remainder of 2025. On the investment side, a boost will come from strong mortgage credit growth (+27.5%YoY in Q3, up from +26.6%YoY in Q2) and significant business lending expansion (+8.8%YoY after +8.9%YoY). Their positive effects are evident at the sustained increase in the construction production volume in July-August, by 5.5%YoY, a pace broadly in line with Q2 (+5.6%YoY). However, resilient domestic demand continues to weigh on external balances. The goods and services balance deteriorated for a twelfth consecutive month in August, by 26.3%YoY. The goods deficit drove the overall shortfall, surging 142.3%YoY, offsetting the modest 4.0%YoY improvement in the services surplus. In early November, the Finance Ministry presented the 2026 draft budget, targeting a cash-based deficit of 3% of GDP. Expenditure is projected to rise 14.5%YoY relative to estimated 2025 spending, while revenues are expected to increase 15.0%YoY. To achieve the ambitious targeted increase in revenues, measures include higher social security contributions by 2ppts and an increase in the dividend tax from 5% to 10%.

Figure 23: The uptick in inflation is mainly related to services and secondly on energy prices



Source: National Statistical Service, Eurobank Research

Figure 24: Construction output growth is more related to business than mortgage lending expansion



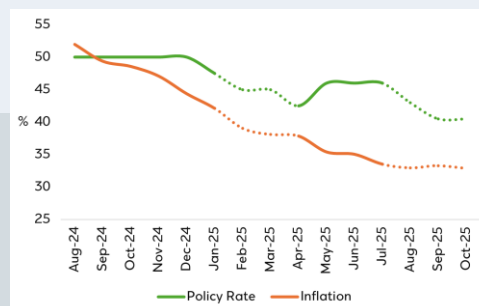
Source: National Bank, National Statistical Service, Eurobank Research

Turkey

Monetary policy easing continues despite persistent inflation

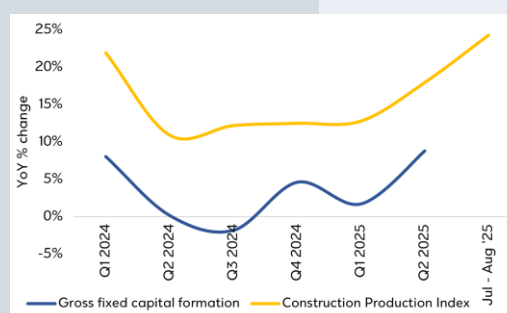
The Central Bank of Turkey (TCMB) proceeded with the third consecutive policy rate cut in October, despite the halt in the disinflationary trend in September, for the first time since it began in June 2024, as the headline inflation edged higher to 33.3%YoY from 33.0%YoY in August. However, this cut was smaller than the previous two, at 100 basis points (bps) instead of 250bps. The new cut came despite an increase in the seasonally adjusted monthly inflation in September, an indicator that the TCMB heavily considers in monetary policy decision making, to 2.7% from 2.5% in August, a 10-month high. Also, the central bank's accompanying press release highlighted that recent price developments, particularly in food items, have amplified the risks to the disinflationary process. The only reference in the TCMB's statement in line with its decision was that demand conditions continue to support disinflation. Among the short-term indicators reflecting demand dynamics at the time of the new monetary policy easing, retail trade volume growth weakened in August to 7.3%YoY from 12.5%YoY in July and 22.5%YoY in June. By contrast, the production index in other service sectors rose by 4.5%YoY in August, the strongest increase since February. Regardless of these mixed trends, the marginal slowdown in inflation in October, to 32.9%YoY, and the fact that inflation remains well above the central bank's upwardly revised August year-end target range of 25-29%, reinforces concerns over the effectiveness of the TCMB's recent monetary policy stance. The persistently high inflation, coupled with a slight annual decline in unemployment in Q3 (-0.2ppts), further suggests that household consumption growth may be slowing. On the investment side, activity in construction that drove the increase in gross capital formation in Q2 remains robust in Q3. Production growth in this sector accelerated further in August, to 24.7%YoY, up from 23.8%YoY in July and 17.9%YoY in Q2, driven primarily by civil engineering works and specialized construction activities. In the external sector, the goods and services trade balance improved for the second consecutive month in August, mainly due to an increase in exports of services, although the improvement was much smaller than in July. The stronger depreciation of the lira in these months (-17.8%YoY vs. -15.4%YoY in H1 2025) likely contributed to this development. Whether this holds will become clearer in September-October, as depreciation continued at the same rate.

Figure 25: Policy rate cuts in 2025 have contributed to halting disinflation



Source: Central Bank of Turkey, Turkstat, Eurobank Research

Figure 26: Activity in construction will continue fueling fixed investment in Q3



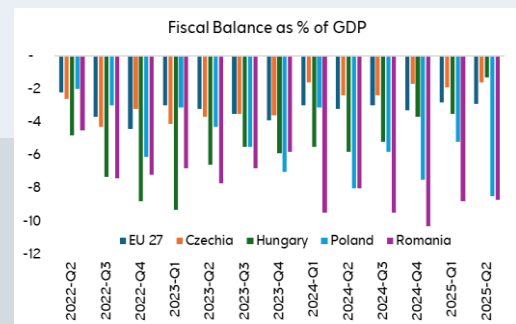
Source: Turkstat, Eurobank Research

CESEE

Diverging paths regarding growth resilience, fiscal and inflation challenges

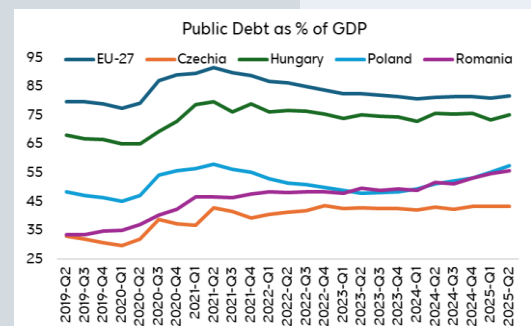
The latest macroeconomic indicators for the CEE region underscore diverging growth dynamics and complex policy trade-offs heading into 2026. The Q3 2025 GDP flash estimates for Hungary and Czechia highlight contrasting economic fortunes. Czechia expanded robustly by 2.7%YoY (0.7%QoQ), its fastest pace since mid-2022 while Hungary's economy stagnated, rising only 0.6%YoY and flat on a quarterly basis. These figures reaffirm Czechia's resilience amid global headwinds and Hungary's struggle with structural inertia and limited policy flexibility. Czechia's political landscape also shifted significantly following the October 2025 parliamentary elections, in which the populist ANO party secured a decisive victory. The ANO-led coalition joined by the far-right SPD and AUTO movements, is expected to reverse several years of fiscal consolidation. Its platform of tax cuts, higher pensions and increased public wages points to a widening deficit, potentially higher once compared to the outgoing government's target of about 3.0%. This fiscal expansion, coupled with already-elevated core inflation, will likely constrain further monetary easing by the Czech National Bank, which may need to hold interest rates near 3.5% for longer. Regionally, Czechia's more Eurosceptic turn, though milder than Hungary's, signals a gradual realignment toward a bloc of Central European countries prioritizing national policy autonomy over EU integration, shaping the region's medium-term political tone. Inflation and fiscal conditions in Poland and Romania present a parallel picture of macroeconomic stress and policy divergence. Poland's inflation stabilised at 2.9%YoY in September, comfortably within the National Bank of Poland's tolerance band. Encouraged by this moderation, the MPC cut its key rate by 25bps to 4.25% in October, with markets anticipating further easing toward 3.5% in 2026. However, fiscal discipline has eroded sharply: deficits are projected to hover near 7% of GDP through 2025–26, triggering additional credit rating outlook downgrades and pushing public debt above 60% of GDP. Romania faces the opposite challenge with persistently high inflation at 9.9%YoY in September, driven by energy and tax adjustments. The National Bank of Romania maintained its 6.5% policy rate, signalling no cuts before 2026, when inflation is expected to fall more decisively. Yet fiscal risks remain acute, with deficits projected above 8.0% of GDP in 2025 and 6.0% in 2026. The government's consolidation plan must hold to safeguard investment-grade status. Together, these developments capture a region grappling with divergent growth paths, inflation heterogeneity and widening fiscal imbalances, testing both monetary prudence and political cohesion across the CEE economies.

Figure 27 : Widening fiscal deficits in the post pandemic era...



Source: Eurostat, Eurobank Research

Figure 28 : ...have led to swelled public debt levels, posing constraints to fiscal policy



Source: Eurostat, Eurobank Research

Eurobank Macro Forecasts

	Real GDP (YoY%)			CPI YoY%, avg)			Unemployment rate (% of total labor force)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f
World	3.3	3.0	2.9	5.8	3.6	3.5									
Advanced Economies															
USA	2.8	1.9	1.8	3.0	2.8	2.9	4.0	4.2	4.4	-4.1	-3.9	-3.6	-6.9	-6.1	-6.3
Eurozone	0.9	1.3	1.1	2.4	2.1	1.8	6.4	6.3	6.3	2.7	2.2	2.1	-3.1	-3.2	-3.4
Germany	-0.5	0.3	1.0	2.5	2.2	2.0	6.0	6.3	6.3	5.7	5.0	4.8	-2.7	-3.0	-3.5
France	1.2	0.8	0.9	2.3	1.0	1.5	7.4	7.6	7.6	-0.2	0.3	-0.3	-5.8	-5.4	-5.3
Periphery															
Cyprus	3.4	3.6	3.5	2.3	1.1	2.2	4.9	4.4	4.2	-8.3	-7.1	-6.0	4.0	3.7	3.6
Italy	0.7	0.5	0.7	1.1	1.7	1.6	6.6	6.2	6.2	1.1	1.0	1.0	-3.4	-3.0	-2.8
Portugal	1.9	1.7	1.9	2.7	2.2	2.0	6.4	6.3	6.3	2.1	1.1	1.0	0.5	0.2	0.0
Spain	3.5	2.8	2.0	2.9	2.5	2.0	11.4	10.6	10.2	3.2	2.6	2.5	-3.2	-2.9	-2.6
UK	1.1	1.4	1.2	2.5	3.4	2.5	4.3	4.7	4.8	-2.2	-3.0	-2.7	-5.2	-4.4	-3.7
Japan	0.1	1.1	0.7	2.7	3.0	1.8	2.5	2.5	2.4	4.8	4.6	4.3	-2.0	-3.4	-3.3
Emerging Economies															
BRIC															
Brazil	3.4	2.2	1.7	4.4	5.1	4.2	6.9	6.1	6.5	-3.0	-3.2	-2.7	-8.5	-8.5	-8.2
China	5.0	4.9	4.3	0.2	0.0	0.8	5.1	5.2	5.1	2.3	2.4	1.5	-4.8	-5.5	-5.7
India	6.4	6.6	6.2	4.6	2.8	4.0	4.9	4.9	4.9	-0.8	-1.0	-1.4	-4.9	-4.4	-4.3
Russia	4.3	1.0	1.2	8.4	8.8	5.7	2.5	2.3	2.7	2.9	2.0	1.7	-1.7	-2.5	-1.5
CESEE															
Bulgaria	2.8	3.3	3.4	2.4	3.5	2.8	4.2	3.7	3.5	-1.8	-2.8	-2.3	-3.0	-4.2	-3.3
Turkey	3.2	3.8	3.7	58.5	33.4	21.2	8.7	8.4	8.2	-0.8	-1.4	-1.2	-4.9	-4.8	-4.7

Sources: European Commission, World Bank, IMF, OECD, Bureaus of National Statistics, Bloomberg, Eurobank Research

Eurobank Fixed Income Forecasts

	Current	December 2025	March 2026	June 2026	September 2026
USA					
Fed Funds Rate	3.75-4%	3.58-3.83%	3.36-3.61%	3.17-3.42%	3.05-3.3%
3m SOFR	3.88%	3.72%	3.51%	3.32%	3.22%
2yr Notes	3.57%	3.5%	3.42%	3.37%	3.34%
10yr Bonds	4.08%	4.12%	4.1%	4.08%	4.07%
Eurozone					
Refi Rate	2.15%	2.11%	2.08%	2.08%	2.08%
3m Euribor	1.99%	1.99%	1.99%	2.02%	2.01%
2yr Bunds	1.98%	2.03%	2.07%	2.12%	2.16%
10yr Bunds	2.64%	2.76%	2.85%	2.91%	2.94%
UK					
Repo Rate	4%	3.93%	3.74%	3.53%	3.38%
3m Sonia	3.86%	3.83%	3.65%	3.47%	3.37%
10-yr Gilt	4.43%	4.53%	4.43%	4.35%	4.3%
Switzerland					
3m Saron	-0.07%	-0.04%	-0.04%	-0.04%	-0.04%
10yr Bond	0.09%	0.39%	0.42%	0.47%	0.52%

Source: Bloomberg (market implied forecasts)

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