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Special Issue: Economic Outlook for 2026

Structural vulnerabilities test global resilience as new world order takes shape

Global economic growth is expected to maintain positive momentum in 2026, supported by fiscal stimulus and continued investment in AI technologies. Nevertheless, performance is projected to remain uneven across regions and countries. Global inflationary pressures should stay broadly contained, on the back of lower energy prices and the aggregate demand-deflating effects of higher tariffs in several countries. To support growth while avoiding a resurgence of inflation, major central banks are likely to adopt a cautiously accommodative stance in 2026. Some are expected to keep policy rates on hold, while others may proceed with further cuts, though at a slower and more cautious pace as their easing cycle nears its end. Even so, risks remain elevated, including from fiscal imbalances across major economies.

USA: retaining momentum in 2026 through fiscal support and robust AI tailwinds

China: domestic resilience and policy-led reflation on the cards for 2026

EA: sustained economic momentum with continued disinflation in 2026

Germany: hopes for 2026 GDP growth recovery rely on fiscal stimulus and critical reforms

France: fiscal strains and political uncertainty define the 2026 outlook

Italy: another year of low growth beckons as country enters new year with weak momentum

Japan: Takaichi's stimulus carries on country's tradition of unorthodox economic policy

India: resilient growth and low inflation along with hopes for milder US tariffs in 2026

UK: tough macroeconomic backdrop makes hard work of fiscal and monetary policy

Cyprus: economy's solid growth momentum in 2025 looks set to continue into 2026

Bulgaria: despite re-escalation of political uncertainty, good growth potential from investment

Turkey: construction activity and wealth effects to sustain robust GDP growth in 2026

CESEE: balance between fiscal slippages and RRF support to yield modest growth in 2026

EU Energy Markets: geopolitical developments and non-OPEC+ oil output rise shape the outlook

Key Downside Risks

DM & EM: renewed trade tensions, prolonged policy uncertainty, abrupt repricing in AI-related stocks, pronounced tightening of global liquidity conditions, intensifying geopolitical tensions; deepening income inequality, rising inflation expectations; fiscal slippages in CEE with increased geopolitical and idiosyncratic risks in the region

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Special thanks to the Global Markets team (Global_Markets_Trading@eurobank.gr).

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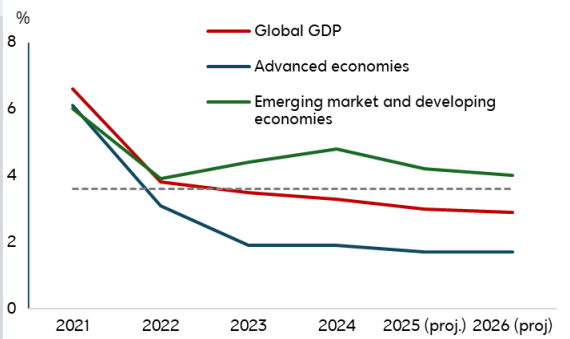
Macro Views

Global growth is expected to maintain positive momentum in 2026. However, risks remain elevated and continue to challenge the economy's resilience

Despite a challenging 2025 marked by trade disruptions from US tariff measures and heightened policy uncertainty, the global economy showed unexpected resilience as world GDP grew an estimated 3.0%, a solid, if below-trend, pace that exceeded some of the worst expectations from earlier this year. The economy was supported by the private sector's ability to adapt to higher trade barriers, the rapid restructuring of supply chains to redirect trade flows and mitigate potential losses of US market access, strong AI-related investment (Figure 2), firm labour markets that continued to sustain consumer spending and supportive fiscal and monetary policies.

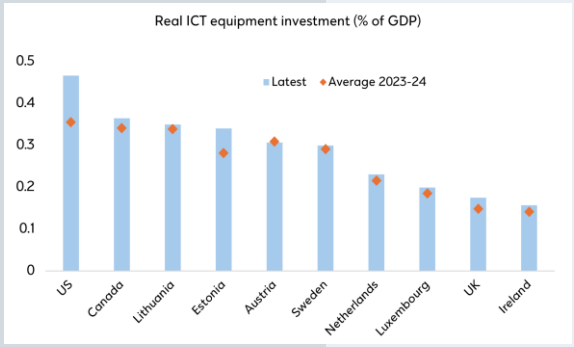
Figure 1: Global growth is expected to retain positive momentum in 2026



Source: Bloomberg, Eurobank Research

Despite this better-than-expected outcome, the global growth outlook remains fragile, with risks skewed to the downside given ongoing structural vulnerabilities. The unwinding of front-loaded US purchases is likely to continue for some time, and policy uncertainty — though lower than its April peak — remains elevated. Moreover, the full impact of higher US tariffs has yet to materialize, particularly in the US, where the anticipated tariff-driven increase in prices is expected to weigh on real incomes, consumer spending, and business investment. Labour markets, though still tight, are showing signs of easing as job openings per unemployed worker have fallen back to 2019 levels (Figure 3), partially due to higher participation rates. Even so, we expect global economic growth to retain positive momentum in 2026, with GDP projected to slow modestly from 2025 to 2.9% (Figure 1), with economic performance expected to remain uneven across regions and countries. Emerging markets should continue to outpace developed economies, supported by China's anticipated stimulus, AI-driven demand and near-shoring dynamics. Growth in emerging economies is forecast at roughly 4.0%, slightly below the 4.2% expected in 2025, while advanced economies are set to expand at 1.7%, matching last year's pace. The US and China are expected to lead the expansion, the Eurozone is likely to lag, and India will remain the standout performer.

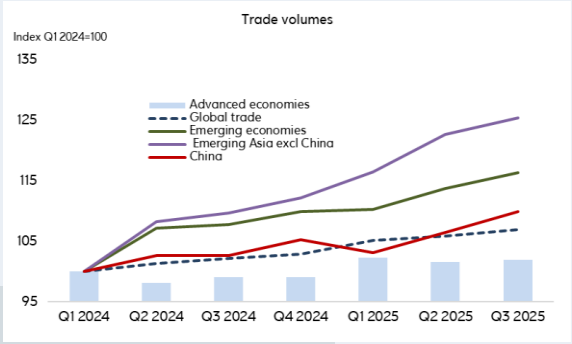
Figure 2: Strong ICT investment has supported economic growth



Source: OECD, Eurobank Research

A key driver of growth momentum will be front-loaded fiscal stimulus, notably in the US through the One Big Beautiful Bill Act and in China, as well as Germany's planned increases in defence and infrastructure spending. Technology investment will also remain a critical engine of global growth, with artificial intelligence and digital infrastructure continuing to shape global demand. AI-related capital expenditure is projected to exceed $500bn — its second consecutive year of strong growth — supporting productivity gains. Household balance sheets remain healthy, and the easing cycle of several major central banks still has further to run. Global trade has held on to some momentum (Figure 4) mainly supported by several Asian economies, where AI-enabling exports have increased sharply in response to rapid ICT equipment investment in the US and other economies. Moreover, reciprocal and sector-specific tariffs have led to trade diversion rather than a collapse in activity, reflecting gradual adaptation to trade tensions and improving non-US trade. China has redirected exports, and other Asian economies have gained market share — key factors behind their resilience in 2025.

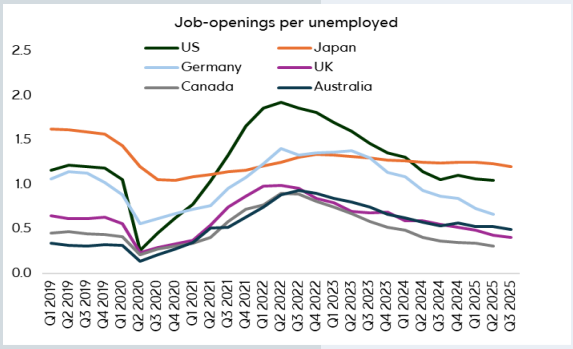
Figure 3: Trade growth has been resilient



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

Global inflationary pressures should stay broadly contained (Figure 5), on the back of lower energy prices and the aggregate demand-deflating effects of higher tariffs in several countries. However, inflation trends will vary across different economies. In some major economies, inflation has decreased to near or even below central bank targets, with China continuing to experience persistently low inflation. On the other hand, disinflation has lost momentum in certain countries, and headline inflation in 2026 is likely to remain above target, including the US where inflation is expected to remain above the Fed's target for the fifth consecutive year as the effects of tariff-induced price increases become more pronounced. Overall, global inflation is projected to average 3.4%, slightly lower than the 3.6% expected for 2025, but still above pre-pandemic levels. To support growth while avoiding a resurgence of inflation, major central banks are expected to retain a cautious easing bias in 2026. This implies that some will keep policy rates unchanged, while others may continue to ease further, though at a slower and more cautious pace as their easing cycle nears its end.

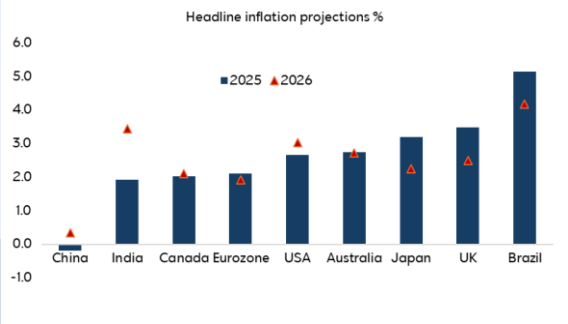
Figure 4: Labour market conditions are easing modestly



Source: OECD, Eurobank Research

Nonetheless, risks remain elevated and continue to test the global economy's resilience. Ample liquidity generated by recent supportive fiscal and monetary policies has driven by broad-based asset-price gains, exacerbating income inequality and producing uneven consumption patterns — reinforcing a "K-shaped" growth trajectory. This is particularly relevant in the US, where labour-income growth may struggle to recover amid tariff-related price increases and rising job-security concerns among low- and middle-income households. Any shock that tightens global financial conditions — such as a resurgence of inflation or a sharp correction in AI-related equity valuations — could swiftly reduce global liquidity, weighing heavily on growth through negative wealth effects.

Figure 5: Global inflation is expected to remain largely contained through 2026



Source: Bloomberg, Eurobank Research

Similarly, the gains from AI are likely to be uneven: advanced sectors will accelerate, while traditional industries may struggle to keep pace. Historical precedent also suggests that large-scale investment takes time to translate into broad productivity improvements. As a result, near-term AI impacts will be driven more by demand than supply-side efficiencies, further embedding a two-speed global economy.

The risk of renewed trade tensions also persists, with potentially significant consequences for global supply chains and output. The USMCA agreement faces its first joint review on July 1, and a US Supreme Court ruling remains pending (expected early-to-mid 2026). The US–China relationship also remains critical, particularly in key sectors such as rare earths and semiconductors. Much of their recent trade arrangement is temporary, effectively creating a one-year truce that expires in November 2026. The timing — aligned with US midterm elections — has raised scepticism about the substance of the agreement, given its short time horizon and lack of binding commitments.

Financial markets are also likely to focus on growing fiscal imbalances across major economies. While looser fiscal policy will help support growth, it may exacerbate fiscal vulnerabilities and increase long-term debt pressures, resulting to tighter financial conditions. In the US, the budget deficit is projected to exceed 6.5%, with further widening possible if tariff revenues fell short of expectations, while in France, the government may struggle to meet its 2026 deficit target due to the continued absence of a parliamentary majority.

Beyond these pressures, geopolitical developments remain an ongoing tail risk, especially if they push up commodity prices or disrupt supply chains. Rising political uncertainty heading into 2026 adds another layer of instability, particularly given the (albeit limited) risk of reduced Fed independence, which would have significant implications for financial markets.

Developed Economies

US: in a turbulent 2025 marked by tariff shocks and softening labour market momentum, the economy nevertheless exceeded initial expectations, with GDP estimated at 2.0%. Looking ahead to 2026, the economy is expected to remain on solid ground, with GDP projected to grow 2.0%, the same pace as in 2025,underpinned by: (i) fiscal stimulus from the major provisions of the OBBBA; (ii) the lagged effects from the Fed's past rate cuts; (iii) reduced trade uncertainty; and (iv) sustained strength in AI-related investment. On the inflation front, core PCE is anticipated to peak slightly above 3% around mid-year, as tariff pass-through becomes more evident. Disinflation is expected to resume in H2 2026, driven by moderating shelter costs and gradually easing core goods inflation as tariff-pass through fades. Solid growth, reduced trade uncertainty, and easier credit conditions are expected to help labour market conditions improve somewhat. On the monetary policy front, markets expect the Fed to deliver two additional cuts of 25bps each, bringing the cumulative reduction to 225bps once the easing cycle concludes in late-2026 under the next chair.

Euro area: despite persistent structural weaknesses and a challenging external backdrop marked by the tariff shocks and elevated trade uncertainty, the economy proved unexpectedly resilient in 2025. Looking ahead to 2026, growth is expected to hold its momentum, with GDP expanding by around 1.1% following an expected 1.4% in 2025. The main drivers include: (i) Germany's fiscal stimulus which should help domestic demand rebound; (ii) the lagged effect of past ECB rate cuts; and (iv) the gradual easing of trade uncertainty. Meanwhile, labour market conditions are expected to remain broadly stable, with the unemployment rate fluctuating near its current level of 6.3%. Disinflation is expected to continue. Headline inflation is projected to average 1.8%, down from an estimated 2.1% in 2025 and below the ECB's 2% target mainly due to energy base effects. With policy rates now assessed to be at neutral levels and the projected inflation undershoot considered temporary, the ECB is expected to keep rates unchanged following a cumulative 200bps of easing between mid-2024 and mid-2025.

Emerging Economies

EM: emerging markets enter 2026 following a year of unexpected resilience in 2025, when they absorbed tariff shocks and geopolitical uncertainty while still expanding slightly above 4%, supported by agile supply chains, proactive monetary easing and strong AI-related demand. Growth is expected to remain broadly stable at around 4% in 2026, though with increasing structural divergence: Asia moderates after an exceptional tech-driven year, with China slowing moderately and India remaining an outperformer, while South Korea and Taiwan transition to more sustainable growth. Emerging Europe should consolidate its recovery as domestic demand improves and investment is lifted by EU funding, though fiscal and political complexities will continue to shape outcomes, particularly in Poland, Czechia and Hungary. Latin America maintains a near-2% growth profile, with Brazil, Colombia and Mexico following varied monetary and fiscal trajectories and Argentina navigating a delicate exchange-rate strategy. Cross-regional themes such as trade fragmentation, geopolitical realignment, uneven AI diffusion and election-driven fiscal uncertainty will play a central role in shaping performance. Overall, EMs enter 2026 with a solid macro foundation but a more complex landscape in which geopolitics, technology and policy credibility increasingly influence medium-term prospects.

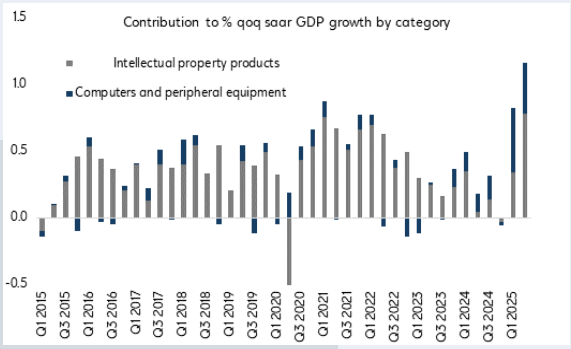
CESEE: the region is set for a modest improvement in 2026, supported by a revival in private consumption and a sharp acceleration in investment as RRF disbursements peak before the programme's expiry. While these tailwinds underpin a broad but uneven reacceleration, country outcomes will depend heavily on fiscal discipline, political cohesion and the effective delivery of structural reforms. Poland should remain the regional outperformer with growth near 3.5%, driven by robust real-income gains and strong RRF-financed investment, though its persistently high fiscal deficit — above 6% of GDP — remains a key vulnerability. Czechia is expected to grow around 2.5%, supported by firm household demand and favourable financing conditions, but faces risks from a more expansionary fiscal stance under the new government. Hungary's recovery toward 2.0% is sustained by improving external demand and rising real wages, yet fiscal slippage ahead of elections and limited access to RRF funds leave it exposed to refinancing pressures. Romania, growing near 2.0%, will benefit from accelerating RRF-driven investment, but higher indirect taxes as a result of stringent fiscal consolidation will keep inflation elevated around 6.5%. Overall, EU funding will be the main catalyst for growth, even as fiscal and political constraints shape the medium-term outlook.

US

Retaining momentum in 2026 through fiscal support and robust AI tailwinds

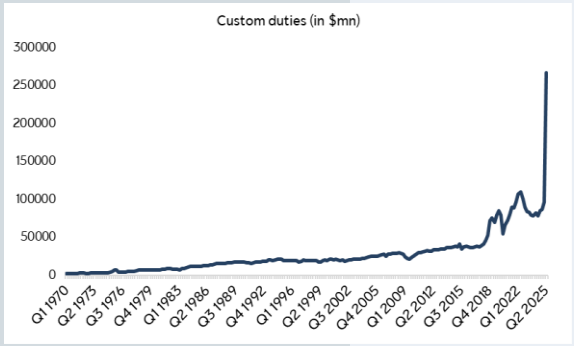
In a turbulent 2025 marked by tariff shocks and softening labour market momentum, the economy nevertheless exceeded initial expectations, with GDP estimated at 2.0% — still above potential— supported by the front-loading of imports, the delayed pass-through of tariff-related price increases, and equity market gains that bolstered household net wealth. Looking ahead to 2026, the economy is expected to remain on solid ground, with GDP projected to grow 2.0% — the same pace as in 2025 — underpinned by: (i) fiscal stimulus from the major provisions of the OBBBA; (ii) the lagged effects from the Fed's past rate cuts, which should increasingly ease financial conditions; (iii) reduced trade uncertainty. If the Supreme Court strikes down the IEEPA tariffs as illegal — its ruling is expected between early and mid-2026 — the administration is unlikely to resort to alternative legal instruments soon, to avoid fresh tariff escalation ahead of midterm elections in November (lower tariff revenues will further widen the federal budget deficit which is projected to reach -6.6% of GDP in 2026). But even if the Court upholds the tariffs, the administration is still expected to adopt a more market-friendly approach as the election cycle approaches; and (iv) sustained strength in AI-related investment. On the inflation front, core PCE is anticipated to peak slightly above 3% around mid-year, as tariff pass-through becomes more evident. Disinflation is expected to resume in H2 2026, driven by moderating shelter costs and gradually easing core goods inflation as tariff-pass through fades. Core PCE is expected to decline to around 2.5% by year-end, remaining though above the 2% target, partly due to the Fed's accommodative monetary policy stance that prevents a sharp cooling in domestic demand. Solid growth, reduced trade uncertainty, and easier credit conditions are expected to help labour market conditions improve somewhat, with unemployment edging down to 4.4% by end-2026 after peaking at 4.5% mid-year. Markets expect the Fed to deliver two additional cuts of 25bps each, bringing the cumulative reduction to 225bps once the easing cycle concludes in late-2026 under the next chair (Jerome Powell's leadership term ends in May). However, should labour market conditions continue to deteriorate or AI-related assets and investment spending undergo a sharp correction, the Fed may be forced to extend its easing cycle.

Figure 6: AI related investment was a key growth driver in H1 2025



Source: BLS, Eurobank Research

Figure 7: Customs revenue rose sharply after the April "Liberation Day" tariff announcement



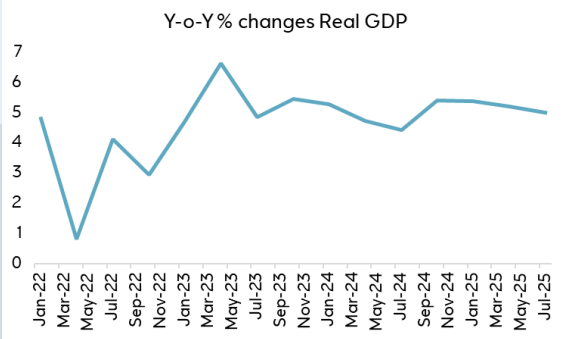
Source: Fed St. Louis, Eurobank Research

China

Policy-led reflation and domestic resilience on the cards for 2026

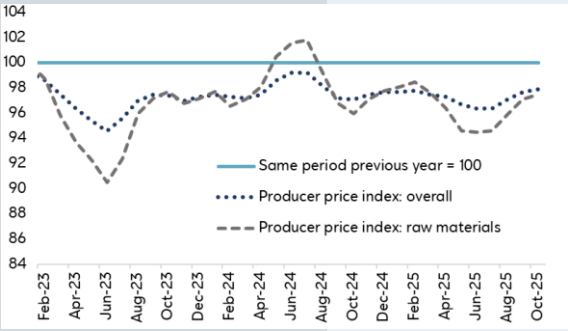
The outlook for 2026 points toward a period of slower yet increasingly stabilised growth, supported by a more assertive policy framework aimed at reflation and strengthening domestic demand. Following two years of steady 5% real GDP expansion, activity is expected to decelerate, with consensus forecasts centred around 4.5%. The policy configuration will remain pivotal in shaping macro-outcomes. Fiscal policy is set to remain decisively expansionary, with the official deficit holding near 4% of GDP and the broader fiscal stance staying accommodative. Authorities continue to emphasise the development of a more resilient, consumption-driven growth model. While consumption should remain the primary growth engine, its rebound is expected to be measured amid elevated precautionary savings and the diminishing impact of earlier trade-in subsidy programmes. Investment is likely to stabilise as headwinds from "anti-involution" adjustments recede and major initiatives under the 15th Five-Year Plan advance, particularly in green infrastructure and decarbonisation. Meanwhile, the property sector remains a structural drag, with real estate investment set for another year of contraction. External conditions will remain challenging and trade will be a focal point of the macro narrative. Export performance is expected to be mixed, with diversification toward emerging markets offering partial relief but insufficient to fully offset the im-pact of firmer US trade barriers. Looking ahead, US–China trade relations are expected to remain com-plex, characterised by a combination of stricter strategic controls and selective sectoral engagement. While continued tariff pressure is likely, there is room for incremental stabilisation — particularly in areas such as climate-linked goods, medical products and intermediate manufacturing inputs — where mutual interest could open the window for limited de-escalation or targeted exemptions. The macro environment is expected to shift more convincingly toward reflation in 2026. CPI inflation should recover toward 1%, driven by normalising food prices and a gradual firming in producer prices. Monetary policy is expected to remain steady with the benchmark policy rate held at 1.4% to balance reflation goals with financial-system stability. Overall, 2026 is shaping up as a year of cautious macro stabilisation, with policy-led reflation and domestic-demand resilience offsetting persistent property-sector adjustment and a challenging external backdrop.

Figure 8: Slower yet increasingly stabilised growth..



Source: OECD, Eurobank Research

Figure 9: ..with inflation set to recover driven by a gradual firming in producer prices



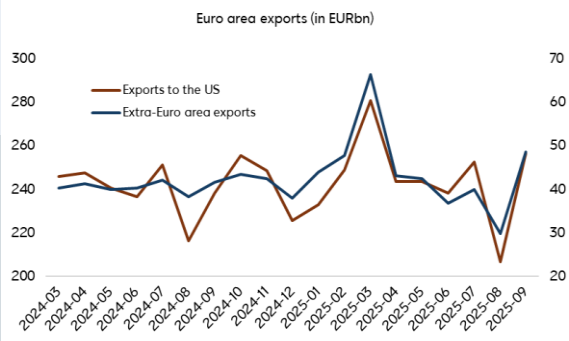
Source: OECD, Eurobank Research

Euro area

Sustained economic momentum with continued disinflation in 2026

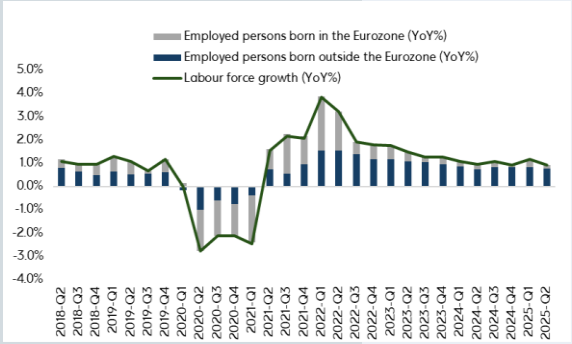
Despite persistent structural weaknesses and a challenging external backdrop marked by tariff shocks and elevated trade uncertainty, the economy proved unexpectedly resilient in 2025. Thanks largely to tariff-driven frontloading of US exports in the first half of the year, most notably in Ireland's pharmaceutical sector, economic output is set to expand by 1.4% (or close to 1% excluding Ireland). Looking ahead to 2026, growth is expected to hold its momentum, with GDP expanding by around 1.1%. After a relatively subdued H1, activity should gradually strengthen and rise slightly above trend in H2, as the full effect of the German fiscal stimulus becomes more evident and domestic demand rebounds. The lagged effect of past ECB rate cuts will continue to filter through to the real economy and trade uncertainty should gradually ease, although external demand is expected to remain weak, leaving trade as a continued drag on growth. Meanwhile, labour market conditions are expected to remain broadly stable, with the unemployment rate fluctuating near its current level of 6.3%. The gap between labour supply and demand is narrowing as earlier drivers of labour force growth — particularly strong immigration inflows — moderate, while softer hiring demand and reduced labour hoarding bring the market into a more even equilibrium. On the fiscal side, the budget deficit is forecast to widen by 0.2ppts to -3.5% of GDP, largely due to Germany's fiscal expansion, focused on higher defence and infrastructure spending. Disinflation is expected to continue. Headline inflation is projected to average 1.8%, down from an estimated 2.1% in 2025 and below the ECB's 2% target mainly due to energy base effects. Core inflation is also forecast to moderate, averaging 2.1% versus 2.4% expected for 2025, as wage growth gradually slows. With policy rates now assessed to be at neutral levels and the projected inflation undershoot considered temporary, the ECB is expected to keep rates unchanged following a cumulative 200bps of easing between mid-2024 and mid-2025. Further rate cuts would require clear evidence of a pronounced downturn and a persistent undershooting of the 2% target. Key risks that could trigger such an outcome include renewed trade escalation or broader trading restrictions, a sharp slowdown in the US economy and increasing competitive pressure from China.

Figure 10: Tariff tensions are easing



Source: Eurostat, Eurobank Research

Figure 11: Labour force growth has been supported by strong immigration inflows



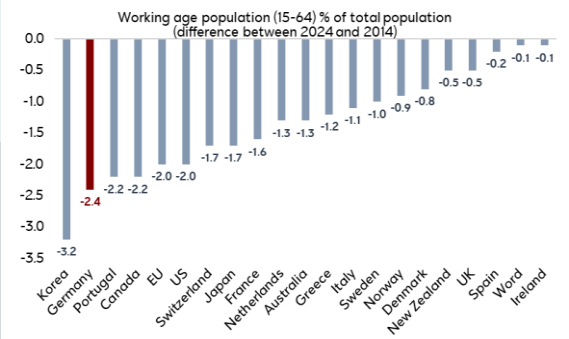
Source: Eurostat, Eurobank Research

Germany

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

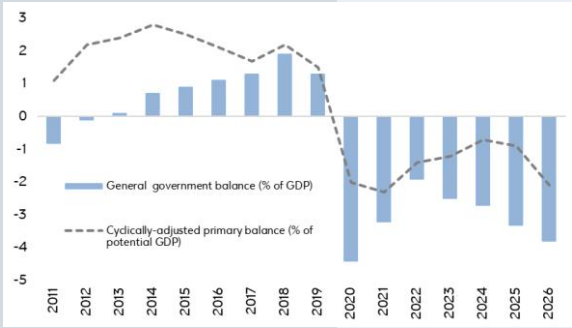
Although 2025 started on a positive footing, with GDP expanding by a solid 0.3%QoQ in Q1, the economy is expected to register another year of weak growth. GDP is projected to grow by a modest 0.3%, reflecting the unwinding of the export-frontloading early in the year and the drag from persistent structural challenges. This would mark the fifth consecutive year of near stagnation. However, Germany's historic shift away from long-standing fiscal austerity through a reform of the debt break in early 2025, allowing additional borrowing for defence and infrastructure-related investments, sets the stage for an improved growth outlook, turning Germany from a laggard into one of the Eurozone's key growth engines. Supported by generous tax incentives, including a 30% special depreciation allowance for three years and energy price subsidies from early 2026, the fiscal package comprises: (i) the establishment of a €500bn SPV for infrastructure spending over the next decade (11.6% of GDP), and (ii) the exemption of defence spending above 1% of GDP from the debt brake. Public consumption and public investment are expected to accelerate sharply, crowding in private capital expenditure, and helping to revive capacity utilisation in manufacturing which stands 5% below its post-pandemic 2019 level. Resident construction is projected to rebound, and private consumption should expand further, supported by low inflation and rising nominal wages as the labour market recovers. Nevertheless, net trade will likely remain a drag due to higher trade barriers and ongoing structural competitiveness challenges. Inflation dynamics appear favourable: headline CPI is projected to ease further, to 2.1%YoY after an estimated 2.2%YoY in 2025, while core is likely to stay above target, at around 2.5%YoY, partly reflecting the increase in the minimum wage (€13.90 from $12.82/hour, the largest rise since its introduction in 2015). Assuming the government swiftly implements its ambitious investment agenda, alongside key structural reforms outlined in the coalition agreement, GDP growth is forecast to reach 1.0% in 2026. Government debt is projected to increase to 65.5% of GDP, while the general government deficit is expected to widen to 3.8% from 3.3% of GDP in 2025, with the cyclically adjusted primary balance indicating a fiscal impulse of 1.2ppts.

Figure 12: Ongoing demographic headwinds: working-age population is shrinking



Source: OECD, Eurobank Research

Figure 13: Germany's fiscal stance will expand strongly in 2026



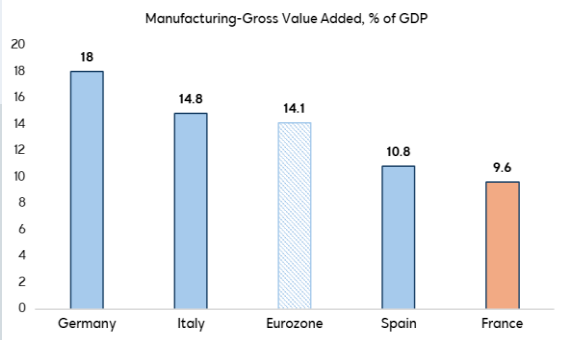
Source: AMECO, Federal Ministry of Finance, Eurobank Research

France

Fiscal strains and political uncertainty define the 2026 outlook

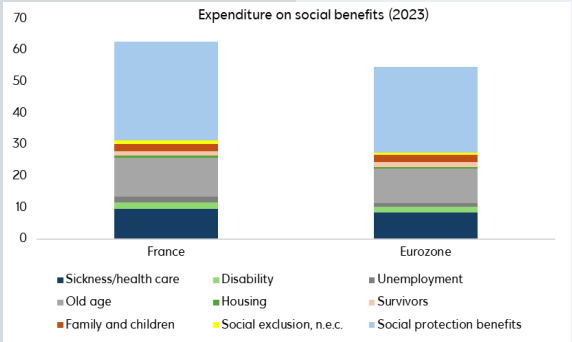
Despite political and fiscal uncertainty, as well as higher tariffs, economic growth has been somewhat stronger than anticipated so far this year, outperforming most major Eurozone peers. The relatively small manufacturing sector has undoubtedly helped shield the economy from global trade tensions. Still, the underlying growth momentum appears less encouraging: over the first three quarters, public consumption was the main driver of activity (1.7%YoY) alongside a pick-up in net exports thanks to the aeronautics sector, while investment increased only marginally (0.5%YoY), and private consumption edged down (-0.1%YoY). For 2025 as a whole, GDP growth is projected at 0.8%, before rising slightly to 0.9% in 2026 — still below the estimated potential rate of around 1.2% — supported by spillover effects from Germany's fiscal expansion and stronger EU defence spending (France has one of the EU's most complete and advanced defence industries). Yet, political uncertainty and concerns about domestic fiscal consolidation are likely to continue weighing on domestic demand, as reflected in the household savings rate which reached 18.7% in Q2 2015 — its highest level since 1979 (excluding the Covid-19 period) — up from 14.7% in late 2019, a much larger increase than the Eurozone average. Meanwhile, labour market conditions are easing: employment fell -0.2%QoQ in Q3, the second contraction this year after a flat Q2, with risks for a higher unemployment rate in 2026 (+0.4ppts to 8%) due to structural issues — labour market productivity remains around 12% below pre-covid 2019 levels — and elevated policy uncertainty. On the fiscal front, recent state budget data figures indicate that the minority government is on track to meet its 2025 fiscal deficit target of 5.4% of GDP. However, securing an agreement on the 2026 budget — especially given the prime minister's commitment not to invoke Article 49.3 of the constitution — requires costly concessions, including the reversal of the 2023 pension reform, limiting the scope for fiscal consolidation. The official deficit target is therefore set to exceed the initial goal of 4.7% of GDP, which would have required a structural primary adjustment of roughly 1ppts of GDP. The main risk to this outlook is a failure to reach an agreement on the budget, which could pave the way for snap legislative elections — most likely after the March 2026 municipal elections — if a subsequent no-confidence vote were to pass.

Figure 14: France's manufacturing sector is relatively small compared with other Eurozone economies



Source: Eurostat, Eurobank Research

Figure 15: Fiscal challenges stem mainly from government spending, reflecting higher social expenditure



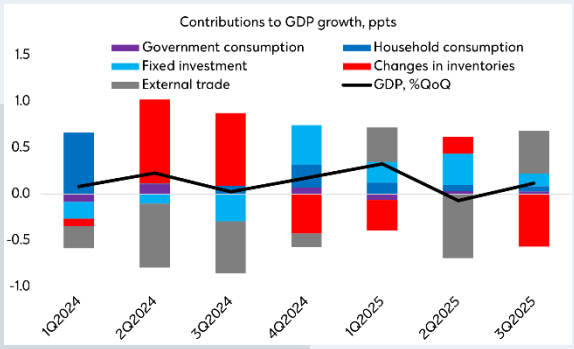
Source: Eurostat, Eurobank Research

Italy

Another year of low growth beckons as country enters 2026 with weak momentum

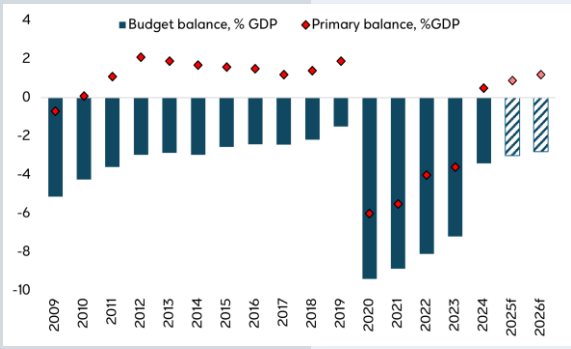
While 2025 has been a year in which markets have rewarded Italy for its continuing fiscal consolidation and political stability, the country's economy remains stuck in low gear, with growth stalling in the second half of the year. Even a small upward revision in the Q3 national accounts just showed that gross domestic product eked out a 0.1%QoQ expansion, instead of stagnating, following a 0.1%QoQ contraction the previous quarter. This means that the Italian economy grew 0.6%YoY in the first nine months of the year. With US tariff policy ramping up trade tensions and heightening the volatility of external demand, gross fixed capital formation proved to be a key driver of domestic demand in 2025, increasing 3.1%YoY in the first three quarters as NGEU disbursements accelerated and construction activity normalised after the drag from phasing out the Superbonus subsidy faded. Fixed investment is expected to remain an important component supporting growth in 2026, bolstered by the transmission of easier credit conditions. Given the loss of momentum as the year has progressed – the first quarter was boosted by the front-loading of exports to the US – we see overall growth in 2025 at 0.5%, with GDP increasing just 0.7% in 2026. That's in line with the consensus forecast, which sees Italy's growth next year as the slowest in the Eurozone. However, if Italy appears to be stuck in a low-growth equilibrium, then it should be noted that the labour market is nevertheless tight by the country's historic standards and inflation is extremely low. CPI growth is forecast to slow to an average 1.4%YoY in 2026 from 1.7%YoY this year, while the unemployment rate looks set to average 6.2% in 2025 – the lowest since before the 2008 global financial crisis – and remain at that level next year. It's against this macroeconomic backdrop that Italy's public finances have returned to their pre-Covid equilibrium of persistent primary budget surpluses. The government's 2026 budget projects the overall deficit to fall to 3% of GDP in 2025 – putting it back within the limit permitted by EU rules a year ahead of schedule – and to decline to 2.8% next year. Italy's fiscal rebound means it goes into 2026 with a clear firewall between it and France and shows that the explosion of its deficit to 7.2% of GDP in 2023 was not structural but rather was just due to the Superbonus policy. Bond markets reflected the turnaround, with the spread between Italian 10yr BTPs and German Bunds narrowing to a 16-year low of 68bps in the last month of 2025.

Figure 16: Fixed investment was a key support for Italian domestic demand in 2025



Source: Istat, Bloomberg, Eurobank Research

Figure 17: Stable budget finances have kept Italian bonds out of the market's crosshairs



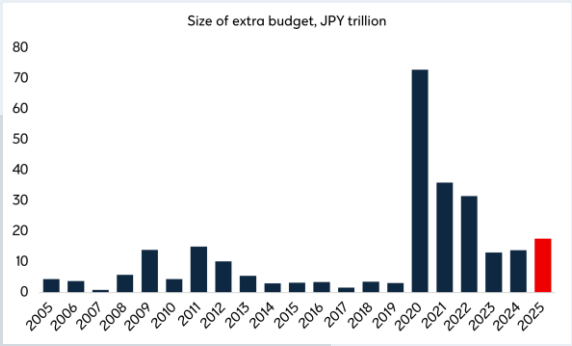
Source: Istat, Italian finance ministry forecasts, Eurobank Research

Japan

Takaichi's stimulus carries on the country's tradition of unorthodox economic policy

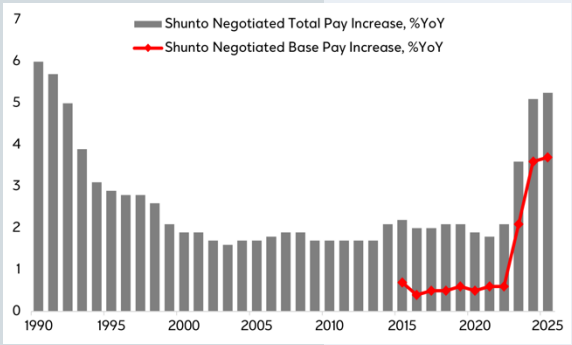
Macroeconomic developments in Japan in 2025 were largely overshadowed by gyrations on the political scene as the rising cost of living, disillusion with the ruling Liberal Democratic Party and volatile international politics led to the ouster of another prime minister. Shigeru Ishiba, who lasted just a year in the role, was replaced in October by Sanae Takaichi, who became the country's fifth prime minister in six years and the first woman to get the job. Although she faces many of the same challenges as her predecessor when it comes to managing the fractious LDP and the lack of an overall majority in parliament, she is currently riding a wave of popular approval and has set out ambitions to be a transformative prime minister. As a close ally of Japan's late former prime minister Shinzo Abe, Takaichi was known as a strong advocate for both fiscal stimulus and for an easy monetary policy – as such, her ascent to the country's leadership has been marked by a renewed bout of JPY currency weakness. But whereas Abe's fiscal activism was aimed at trying to pull Japan out of its deflationary trap, Takaichi's JPY 17.7trn (EUR 97bn) stimulus plan is aimed at tackling the country's inflation – unorthodoxly, but continuing the tradition of Japan being something of a laboratory for economic policy experimentation. The headline inflation rate averaged 3.3%YoY in the first 10 months of the year and still stood at 3%YoY in October, above the Bank of Japan's 2% target. The central bank had looked likely to raise its policy rate from 0.5% at its October meeting before Takaichi's election as LDP leader put it in wait-and-see mode. It now looks likely to finally move at its December 19 meeting, with markets pricing a 91% probability of a 25bp hike to 0.75%. Recent reporting suggests that BoJ officials expect to continue with more hikes in 2026, albeit continuing to move at a slow pace to gauge the impact on the economy. An important early signpost for the central bank will be the outcome of the annual *shunto* salary negotiations in spring for large corporations, which will set the tone for wage growth in the wider economy. After two years in which the negotiated increases exceeded 5% for the first time since the 1990s, gains could be more modest in 2026. Meanwhile, the consensus forecast for GDP growth is that it will slow to 0.7% in 2026 from an expected 1.2% in 2025. This reflects a hesitant consumer recovery and lingering tariff-related frictions, though Taikachi's bold fiscal stimulus poses an upside risk to that forecast.

Figure 18: Takaichi quickly announced a fiscal stimulus package that will be a key 2026 driver



Source: Bloomberg, Eurobank Research

Figure 19: The annual spring salary negotiations will also be in focus in early 2026



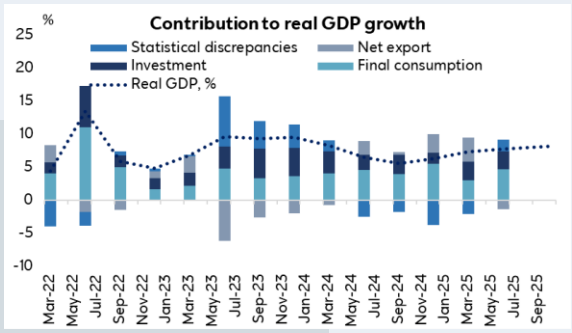
Source: Bloomberg, Eurobank Research

India

Resilient growth and low inflation along with hopes for milder US tariffs in 2026

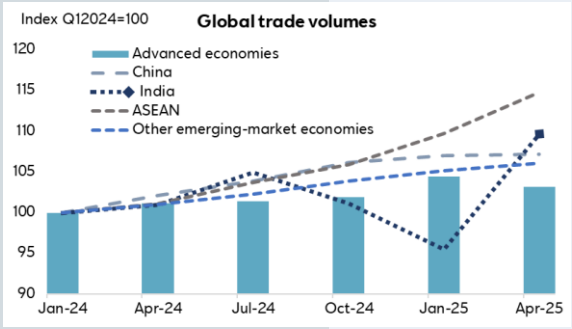
The outlook for FY2026 is characterised by resilient domestic demand, historically low inflation, continued fiscal consolidation and the early benefits of recent structural reforms. Real GDP growth is expected to remain strong within a 6.7%–7.0% range, supported by firm private consumption, rising real incomes and the easier financial conditions provided by the monetary easing at play since the previous year. Public capital expenditure continues to underpin investment momentum, while reforms — including digitalisation of public services, consolidation of the Goods and Services Tax (GST) and the most recent Labour Law Overhaul, are gradually enhancing productivity and strengthening the medium-term supply side. Even so, growth is likely to ease toward the end of the fiscal year as fiscal spending normalises and external conditions remain challenging. Inflation is projected to remain highly favourable, around 2.0%, helped by benign food price dynamics and the aforementioned tax reform. Core inflation should stay somewhat firmer but still well contained. Against this disinflationary backdrop, the monetary policy stance is expected to maintain an easing bias, with the policy repo rate likely to trough near 5.25% by year-end, reinforcing domestic demand at a time of softer external activity. Fiscal consolidation is set to progress, with the central government deficit narrowing to 4.4%–4.5% of GDP. On the external side, the current account deficit is expected to widen moderately to around 1.0% of GDP, reflecting subdued export performance and elevated gold imports. While the recent increase in US tariffs continues to weigh on merchandise exports, the drag from net exports is expected to be manageable rather than destabilising, supported by services exports and ongoing competitiveness gains. Importantly, there is increasing market speculation that renewed trade discussions between the US and India could open the door to a calibrated reduction in tariff rates, which would ease external pressures and provide upside risk to the medium-term export outlook. Looking ahead to FY2027, growth is projected to moderate to a more sustainable 6.2%–6.5%, with domestic demand remaining the principal driver. Inflation is expected to converge toward the 4% target, while fiscal and external balances stabilise. Monetary policy is likely to stay on hold initially, with scope for gradual tightening in the second half of the year as growth normalises and reforms continue to support potential output.

Figure 20: Resilient growth with consumption contributing the most, investments following…



Source: OECD, Eurobank Research

Figure 21: ..and net exports holding a pivotal role in GDP but also global trade growth



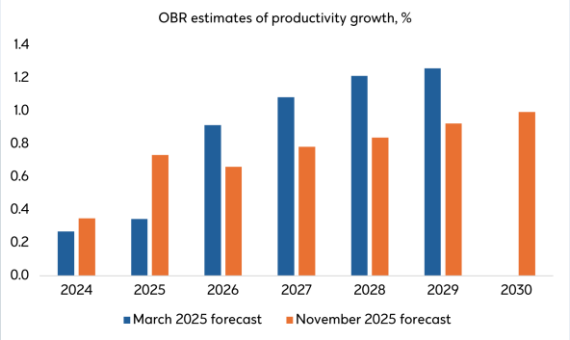
Source: OECD, Eurobank Research

UK

Tough macroeconomic backdrop makes hard work of fiscal and monetary policy

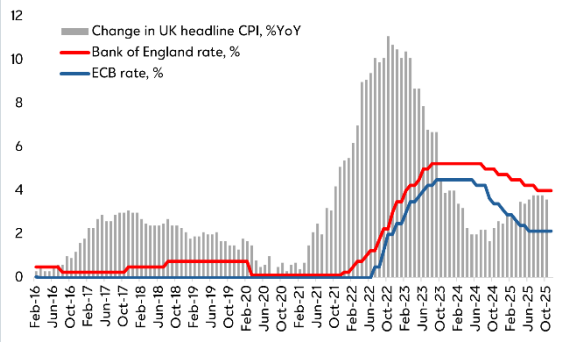
The Labour government had a torrid first full year in office following its election win in 2024 as a series of setbacks and self-inflicted communications disasters left gilts often at the sharp end of bond market sell-offs. At its crux, the government's problem has been the difficulty of trying to reconcile its election pledges not to raise any of the major taxes, to increase public investment and to stay in compliance with its chosen fiscal rules. That's led to some hard budget arithmetic, made even harder for the government by rebellions from its own MPs that forced it to reverse course on several policies aimed at keeping welfare expenditure contained. Those pressures were then compounded by the news that the Office for Budget Responsibility would significantly revise down its productivity forecasts for the UK economy, which, apart from highlighting the country's structural challenges, also had ramifications for the government's ability to meet the fiscal rules, which are based on the OBR's medium-term projections. In the end, Finance Minister Rachel Reeves announced a budget plan in November that was received well enough by the bond market – in the sense that it did not lead to a renewed sell-off – while putting off implementation of many of the £26 billion in tax increases until near the end of the current legislative term, which runs until 2029. The government's challenges have been compounded by a tougher macroeconomic backdrop than many of its developed-market peers, with GDP growth losing momentum in the second half of the year and a stubborn inflation problem which has prevented the Bank of England from easing monetary policy as much as some of its central bank peers. Futures markets are pricing in a 90% probability that the Monetary Policy Committee will cut the policy rate by 25bps to 3.75% at its December 18 meeting, which would be just its fourth such cut of 2025. Crucially, markets anticipate fewer than two additional 25bp cuts in 2026, which is broadly in line with recent reporting that BoE Governor Andrew Bailey and other policy makers see the neutral interest rate at around 3.25-3.50%. That's a marked contrast with the ECB, where the deposit rate currently at 2% is thought to be around its neutral rate. Overall, we expect that GDP will expand 1.1% in 2026 after growing by an estimated 1.4% this year. We also anticipate that headline inflation will average 2.5% next year after a projected 3.4% in 2025.

Figure 22: The OBR's downgraded productivity forecast came with fiscal ramifications



Source: Office for Budget Responsibility, Eurobank Research

Figure 23: Inflation reaccelerated in 2025, keeping UK rates higher than some other places



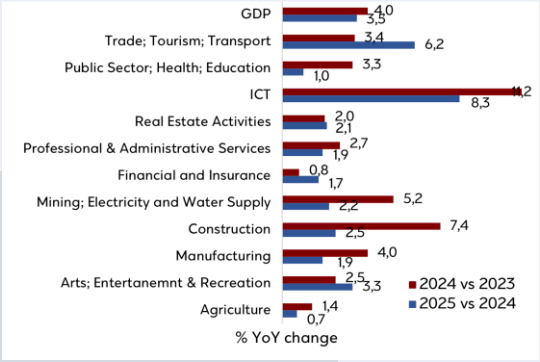
Source: Bloomberg, Eurobank Research

Cyprus

Economy's solid growth momentum looks set to continue into 2026

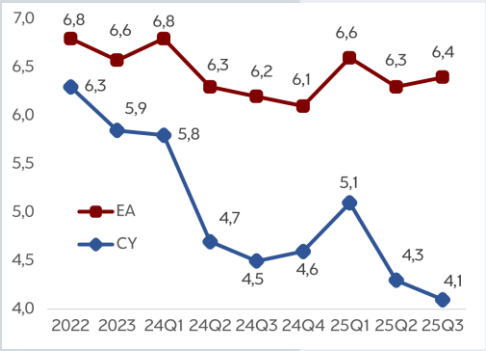
CYSTAT's latest labour market publication points to continued tightening. In Q3 2025, the unemploy-ment rate declined to 4.1% (from 4.5% a year earlier), with unemployment easing to 22k despite an ex-panding labour force (530k vs 516k). Participation and employment rates are constantly improving, pointing to conditions close to full employment. Non-Cypriot workers (around 25% of employment) re-main critical in tourism, ICT and construction. At the same time, CYSTAT's Q3 2025 GDP release con-firms Cyprus remains on a robust expansion path. In Q3 2025, the GDP growth reached 3.6%YoY (from an upwardly revised 3.6%YoY vs. 3.3%YoY initially in Q2), with Cyprus ranked the second-best performer in growth terms in the EU over the first nine months of 2025. Activity is broad-based with trade, tourism and transport remaining the main driver, while ICT and professional/administrative services provide strong additional support, underscoring the rising weight of high-value-added services. With employment approaching a plateau as the economy nears full employment, sustaining growth will increasingly depend on gains beyond additional hiring. In this environment, the key levers shift to faster productivity improvement (through digitalisation, innovation and better resource allocation) and capital deepening, as higher investment raises output per worker. At the same time, easing capacity constraints will require measures that expand effective labour supply (targeted skills upgrading, improved matching and, where appropriate, labour inflows). Looking into 2026, we expect Cyprus to remain on a solid, above-euro-area growth path, with real GDP expanding by 3.5%. Labour market conditions are projected to stay tight, as unemployment edges down to 4.2%, supporting household incomes and domestic demand. Inflation is forecast to reach 1.6%, following a year where inflation eased mainly due to de-escalation of energy prices. Risks, however, remain tilted to the downside, reflecting geopolitical uncertainty and potential tariff escalation, as well as possible turbulence in the EU economies that could weigh on tourism. Overall, the 2026 macro mix points to continued momentum, underpinned by resilient demand and stable fundamentals. Against this macroeconomic backdrop, Cyprus's assumption of the EU Council Presidency form January 1 will place the country at the frontline of EU policy coordination, significantly enhancing its institutional visibility within the EU.

Figure 24: Gross value added, 9-mo %YoY change



Source: CYSTAT, Eurobank Research

Figure 25: Euro Area and Cyprus unemployment rate



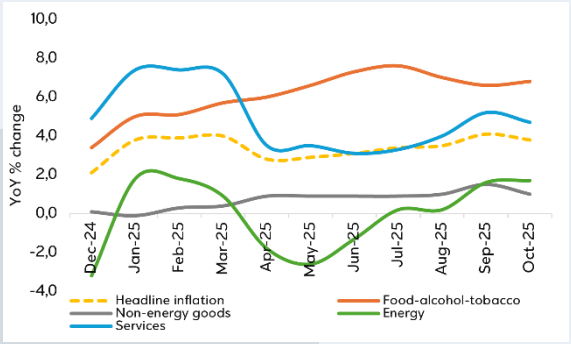
Source: CYSTAT, Eurostat, Eurobank Research

Bulgaria

Solid growth potential in 2026 from investment; signs of weaker inflation in Q4

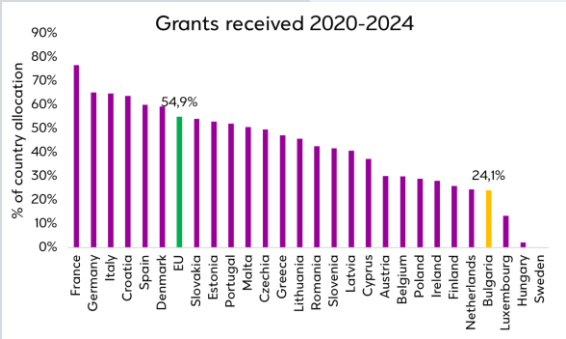
GDP growth eased for a second consecutive quarter in Q3 2025, slowing to 3.2%YoY from 3.4%YoY in Q2 and 3.5%YoY in Q1. The deceleration was driven primarily by a deterioration in the external balance, as imports rebounded sharply — rising 4.1%YoY after only 0.3%YoY in Q2 — while the contraction in exports remained broadly unchanged at -5.6%YoY. By contrast, investment accelerated markedly to 10.9%YoY, and already-solid household consumption gained further momentum, rising 8.8%YoY versus 7.7%YoY in Q2, despite headline inflation picking up to 3.7%YoY from 2.9%YoY previously. Looking ahead to 2026, the transition to the euro represents the most significant macroeconomic challenge. The full implementation of anti-speculative measures since October appears to be yielding early results, with harmonised inflation easing in the same month for the first time since April and maintaining that trajectory in November. The durability of this disinflation trend will be tested in the initial months following euro adoption and again after July 2026, when the measures expire. Wage dynamics are also expected to shift: after sizeable nominal adjustments in 2024–2025 — driven by compensation for the high inflation in 2022–2023 and one-off increases in public-sector segments, wage growth should moderate in 2026, as firms will aim to maintain cost competitiveness within the euro area. Consequently, real income gains and household demand growth will also weaken. Investment should receive meaningful support from the restart of RRF funding, with two tranches disbursed in November-December, increased public and private defence-related spending under the SAFE programme, and improved business sentiment linked to eurozone entry. Political risks re-escalated but will not significantly affect the outlook. The government withdrew its 2026 budget proposal on December 2, after widespread protests targeting mainly the planned 2ppt increase in pension contributions and a 5ppt hike in the dividend tax. A revised draft submitted on December 8 postponed the two measures by one year. Despite that, demonstrations continued, resulting in the government resignation on December 11. This development does not affect the country's Eurozone entry as of January 1. In any case, the challenge of ensuring fiscal prudence and long-term social-security sustainability persists. Overall, despite an expected slowdown in both household and public consumption, strong investment momentum should keep GDP growth only marginally softer in 2026, at 3.4% compared with 3.5% in 2025.

Figure 26: Inflation weakening ahead of the euro adoption mainly due to services prices



Source: Eurostat, Eurobank Research

Figure 27: Strong growth potential from the restart of RRF funding, as Bulgaria performed poorly up to 2024



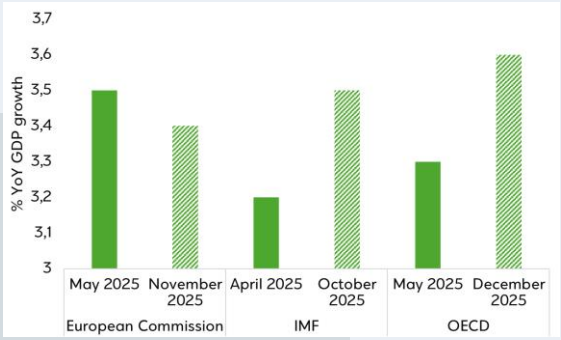
Source: Eurostat, Eurobank Research

Turkey

Construction activity and wealth effects to sustain robust GDP growth in 2026

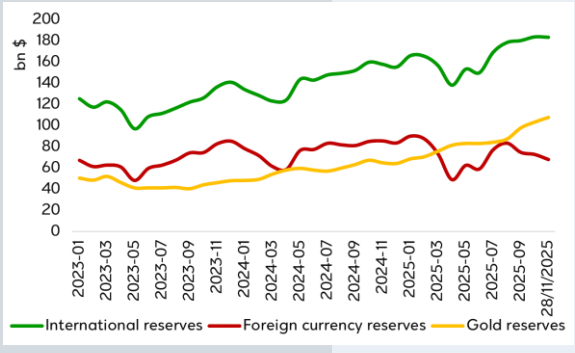
GDP growth accelerated modestly in Q3 2025 to 4.9%YoY, from 4.5%YoY in Q2, bringing average growth in January–September to 4.0%YoY. As in previous quarters, the expansion was driven primarily by gross fixed capital formation (+11.1%YoY) and household consumption (+4.9%YoY). In contrast, the external balance deteriorated: exports returned to contraction (-0.9%YoY) despite sustained Turkish lira (TRY) depreciation, while import growth remained broadly stable (+4.8%YoY vs. +5.6%YoY in Q2). Construction investment remained the key contributor to the rise in fixed capital formation. This momentum is likely to persist into 2026 and beyond, underpinned by the "Century Housing Project" — a nationwide programme to build 500,000 publicly subsidised dwellings, announced in mid-October. The less restrictive monetary policy stance by the central bank (TCMB) could provide support to both households and businesses. Between July and October, the TCMB delivered 600bps of cumulative rate cuts, bringing the policy rate to a 23-month low of 39.5%. However, the pause in disinflation between July and October — when inflation stabilised around at 33% — keeps price growth well above the TCMB's upward-revised year-end target of 25%–29% and limits the scope for meaningful policy easing in 2026. Part of the inflation stickiness reflects wealth effects associated with the rising value of household gold holdings. Gold remains a trusted store of value in Turkey, particularly during periods of macroeconomic uncertainty. Based on credible estimates, the value of households' gold stock in-creased by $160.4bn in 2025 relative to end-2024, or 57.5%. Absent a sharp drop in global gold prices, these wealth effects are likely to continue supporting household demand in 2026, thereby complicating disinflation efforts. For lower-income households, consumption will receive an additional boost from the minimum-wage increase scheduled for January 2026 — currently expected at 20%–30%. While not sufficient to fully compensate for 2025's inflation-induced erosion in real incomes, it will nevertheless support spending at least early in the year. Strong domestic demand will continue to fuel import growth. However, we expect an improvement in the external balance in 2026, driven by a recovery in merchandise exports as Middle East trade tensions ease and global trade adjusts to new conditions shaped by higher US tariffs. Taking these factors together, we expect the GDP growth rate to increase to 4.5% in 2026, from an estimated 3.9% in 2025.

Figure 28: Recent 2026 GDP projections by institutions were mostly revised upwards



Source: IMF, OECD, Eurobank Research

Figure 29: Gold appreciation drives international reserves to all-time highs; currency reserves fall



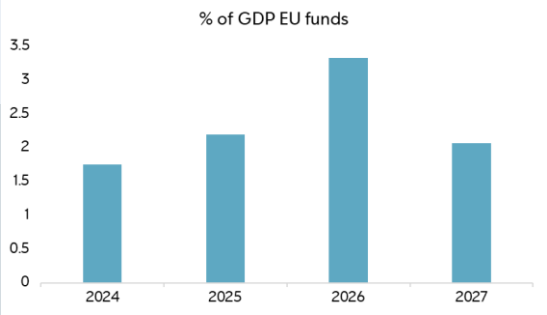
Source: Central Bank of Turkey,, Eurobank Research

CESEE

Balance between fiscal slippages and RRF support yield modest growth in 2026

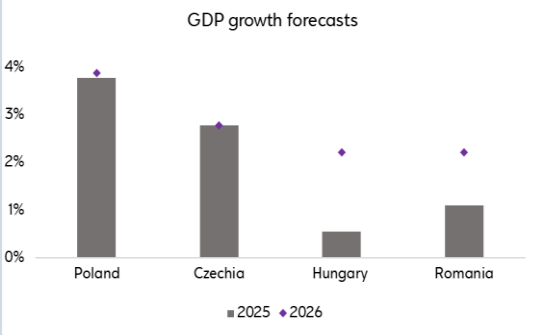
The macroeconomic landscape is poised for a modest improvement in 2026, driven by a revival in private consumption and a pronounced upswing in investment as RRF disbursements peak ahead of the programme's final deadline. While these tailwinds set the stage for a broad, yet uneven, reacceleration, country-specific outcomes will hinge critically on fiscal discipline, political cohesion and the effectiveness of structural reform execution. Poland is expected to remain the region's outperformer, with GDP expanding around 3.5%. Robust household spending, underpinned by solid real wage gains, and a substantial acceleration in RRF-financed investment should anchor the strong underlying momentum. Inflation is projected to moderate toward 2.5%, reinforcing real income growth and restoring policy space. Yet Poland's Achilles heel remains its persistently high fiscal deficit, projected above 6% of GDP. This limits the room for countercyclical manoeuvring and raises medium-term debt-sustainability concerns, particularly in a context of political cohabitation that may complicate policy implementation. Czechia is set to record growth of roughly 2.5%, supported by a firm rebound in household consumption and a favourable shift in real financing conditions while RRF inflows will continue to bolster investment. Inflation should stabilise near 2.5%, broadly aligned with the central bank's objective. The key risk stems from the possibility of a more expansionary fiscal stance under the new government, which could intensify inflationary pressures and elevate financing requirements despite formal fiscal-rule constraints. Hungary is likely to post a recovery around 2.0%, sustained by improving external demand and resilient real wages, alongside pre-election fiscal largesse. Inflation is expected to average about 3.5%, remaining among the highest in the region. The principal challenge is fiscal slippage, with the deficit projected around 5% of GDP as election-related spending rises and RRF resources remain largely inaccessible due to ongoing governance disputes. Romania's GDP is forecast to grow by around 2.0%, with investment benefitting meaningfully from the acceleration of RRF-funded projects. However, sizeable fiscal consolidation and indirect tax increases will restrain private consumption and keep inflation elevated near 6.5%, the highest in the region. The credibility of the fiscal consolidation strategy and, by extension, macro-financial stability, will depend heavily on political cohesion and administrative capacity.

Figure 30: RRF funds disbursements in Poland and rest CEE4 are expected to pick in 2026..



Source: OECD, Eurobank Research

Figure 31: ..supporting Poland and Czechia and assisting the recovery in Hungary and Romania



Source: Bloomberg, Eurobank Research

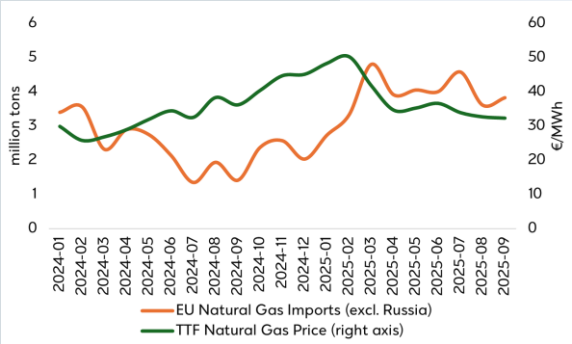
EU Energy Markets

Geopolitical developments and non-OPEC+ oil output growth shape the outlook for 2026

The European energy market in 2025 has been shaped by several pivotal developments, particularly in trade policy, gas supply dynamics, and oil market fundamentals. Among the most significant events were: i) heightened trade policy uncertainty following President Donald Trump's announcement of reciprocal tariffs on April 2, as well as responses from affected countries; ii) the termination of the Russian gas transit agreement through Ukraine at the start of the year; iii) the US-EU trade deal in July, which included provisions for increased US LNG supplies to Europe; iv) OPEC+ modest reactions to the weak global oil demand growth; and v) crude oil oversupply by non-OPEC+ producers. A major development for Europe's energy landscape going forward is the recent EU decision to phase out Russian gas imports by the end of October 2027.

EU natural gas market: Russian gas imports declined 21.6%YoY in the first nine months this year, although Russia remained the third-largest supplier, accounting for 14.1% of total EU imports. The shortfall was more than compensated by an increase in imports from the US, contributing to a 5.8%YoY rise in total European gas imports. However, gas storage levels in the EU were 74.8% full by December 1, falling short of the EU's 90% target for this date, largely due to the combined impact of the harsh autumn of 2024 and a cold winter in 2025. Despite lower-than-usual gas inventories, the TTF benchmark futures contract on December 12 traded at €27.7/MWh, 35.3% lower than a year ago and at a five-year low for this period of the year. These low-price levels reflect Europe's successful diversification of its gas supply, reinforced by the US-EU trade agreement, ongoing global economic sluggishness, optimism for the outcome of the US peace negotiations in Ukraine and a relatively mild autumn. However, the market remains vulnerable to a range of risk factors, such as geopolitical tensions and unpredictable winter weather. Nonetheless, most investment banks, including ABN AMRO and ING, expect the risks to be tilted to the upside, with average gas prices in 2026 forecast by both to decline to €30/MWh, down from an anticipated €37/MWh in 2025.

Figure 32: Higher reliance on non-Russian gas imports likely to lower TTF hub prices



Source: Eurostat, Refinitiv, Eurobank Research

EU oil market: Drivers are somewhat different in crude oil markets. Brent prices have experienced a notable 14.5%YoY average decline in January-November 2025, averaging $68.8 per barrel, the lowest in five years, a drop largely attributed to oil oversupply, driven by a combination of factors including weaker-than-expected global oil demand growth and a significant rise in supply from non-OPEC+ producers. According to the International Energy Agency, global oil demand in 2025 is expected to grow by only 830,000 barrels

per day (bpd), a reduction from the forecast of 1.05 million bpd (mbpd) in January, while supply will expand by 3 mbpd vs. 1.8 mbpd initially projected. However, it is noted that China's significant oil stockpiling, estimated at 900 kbpd, masks demand dynamics. Robust production growth is due to the sustained unwinding of OPEC+ output cuts, as well as strong increases in non-OPEC+ supply, driven by much higher output in Canada, the United States, Guyana and Brazil. These trends in demand and supply, together with US sanctioned Russian oil on water, led global observed inventories to four-year highs in October, estimated at 8,030 mb. Looking ahead to 2026, oil demand growth is expected to be slightly better, rising by approximately 900 kbpd, supported by improvement in global economic conditions, due to the US-China trade deal and easing of trade wars in general. However, supply growth is expected to continue outpacing demand, with non-OPEC+ producers leading the way, as OPEC+'s unwinding of production cuts will be mitigated by US sanctions on Russian and Venezuelan oil exports. As a result, analysts are projecting a bearish outlook for Brent crude, with a Reuters poll of 35 analysts forecasting an average price of $62.23 per barrel for 2026, down from $68.5 per barrel this year. More cautious projections from ING and ABN AMRO estimate prices as low as $57 and $55 per barrel, respectively.

Figure 33: Brent oil price at 5-year lows for December and in 2025

Source: Refinitiv, 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	3.4									
Advanced Economies															
USA	2.8	2.0	2.0	3.0	2.8	2.9	4.0	4.3	4.4	-4.0	-3.9	-3.5	-6.9	-5.9	-6.6
Eurozone	0.9	1.4	1.1	2.4	2.1	1.8	6.4	6.3	6.3	2.7	2.2	2.3	-3.1	-3.3	-3.5
Germany	-0.5	0.3	1.0	2.5	2.2	2.1	6.0	6.3	6.3	5.7	4.9	4.7	-2.7	-3.3	-3.8
France	1.2	0.8	1.0	2.3	1.0	1.3	7.4	7.6	8.0	-0.2	-0.3	-0.2	-5.8	-5.4	-5.4
Periphery															
Cyprus	3.4	3.6	3.5	2.3	0.8	1.6	4.9	4.4	4.2	-8.3	-7.0	-6.5	4.0	3.6	3.4
Italy	0.7	0.5	0.8	1.1	1.7	1.4	6.6	6.2	6.2	1.1	1.2	1.3	-3.4	-3.0	-2.9
Portugal	2.2	1.8	2.0	2.7	2.2	2.0	6.4	6.2	6.1	2.1	1.1	1.0	0.5	0.2	0.0
Spain	3.5	2.9	2.1	2.9	2.6	2.0	11.4	10.6	10.1	3.2	2.7	2.5	-3.2	-2.8	-2.6
UK	1.1	1.4	1.1	2.5	3.4	2.5	4.3	4.8	4.9	-2.2	-3.0	-2.6	-5.2	-4.4	-3.7
Japan	-0.2	1.3	0.7	2.7	3.1	1.9	2.5	2.5	2.5	4.5	4.8	4.5	-2.0	-3.0	-3.2
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	-8.2	-8.0
China	5.0	4.9	4.3	0.2	0.0	0.8	5.1	5.2	5.1	2.3	2.9	2.4	-4.8	-5.5	-5.7
India	6.4	6.8	6.4	4.6	2.3	4.0	4.9	4.9	4.9	-0.8	-1.0	-1.1	-4.9	-4.4	-4.3
Russia	4.3	0.8	1.1	8.4	8.8	6.0	2.5	2.3	2.7	2.9	1.8	1.5	-1.7	-2.7	-2.0
CESEE															
Bulgaria	2.8	3.5	3.4	2.4	3.6	2.9	4.2	3.6	3.5	-1.8	-3.0	-2.3	-3.0	-4.2	-3.4
Turkey	3.2	3.9	4.3	58.5	35.0	20.7	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	3.5-3.75%	3.55-3.8%	3.38-3.63%	3.18-3.43%	3.04-3.29%
3m SOFR	3.7063%	3.7%	3.49%	3.28%	3.18%
2yr Notes	3.513%	3.5%	3.44%	3.38%	3.34%
10yr Bonds	4.1694%	4.06%	4.05%	4.04%	4.04%
Eurozone					
Refi Rate	2.15%	2.15%	2.14%	2.14%	2.14%
3m Euribor	2.082%	2.06%	2.06%	2.06%	2.07%
2yr Bunds	2.1499%	2.04%	2.06%	2.1%	2.13%
10yr Bunds	2.84%	2.74%	2.78%	2.83%	2.88%
UK					
Repo Rate	4%	3.77%	3.6%	3.38%	3.29%
3m Sonia	3.7464%	3.79%	3.57%	3.41%	3.33%
10-yr Gilt	4.4902%	4.45%	4.49%	4.44%	4.37%
Switzerland					
3m Saron	-0.04%	-0.05%	-0.05%	-0.05%	-0.05%
10yr Bond	0.27%	0.25%	0.29%	0.35%	0.40%

Source: Bloomberg (market implied forecasts)

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