

GLOBAL & REGIONAL MONTHLY

The global economy entered 2026 on a solid footing, as shown by the January PMI surveys, despite trade disruptions from US tariff measures and heightened geopolitical uncertainty. Adjustments in supply and production chains to redirect trade flows and offset reduced access to the US market, along with the AI-driven surge in services demand, have been key drivers of global resilience. Nonetheless, the growth outlook remains fragile, with downside risks prevailing. Geopolitical tensions continue to pose significant challenges, the possibility of renewed trade tensions cannot be ruled out and fiscal vulnerabilities in key countries persist. Inflationary pressures remain well contained, though price dynamics differ across economies, pointing to varying central bank policy paths in the months ahead.

Macro Picture

USA: solid growth and stabilising labour market conditions, while inflation stays elevated

EA: economic resilience likely extends into early Q1, inflation on track

China: growth target recalibration expected as deflationary pressures persist

Japan: business surveys suggest improving conditions for both manufacturing and services

CESEE: moderate growth on the cards for 2026 still expected to outperform EU core

Markets

FX: developments in US dominate key pairs; intervention fears remain central for USD/JPY

Rates: EUR and USD rates began the year with small movements, trading in tight ranges

EM: sovereign spreads have generally tightened amid a supportive risk environment

Credit: despite sharp volatility across assets, credit markets remained resilient

Policy Outlook

USA: absent major surprises, the Fed could ease policy further, but no need for imminent action

EA: with growth holding up and inflation near target, the ECB held rates at its February 5 meeting

Japan: price impact of weak JPY heightens BoJ urgency for further rate hikes

CESEE: delicate balance between improving growth dynamics and inflationary asymmetries

Key Downside Risks

DM & EM: intensifying geopolitical tensions; renewed trade jitters; abrupt repricing in AI-related stocks; prolonged policy uncertainty; rising fiscal vulnerabilities; shocks causing pronounced tightening of global liquidity conditions; rising inflation expectations

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Macro Views

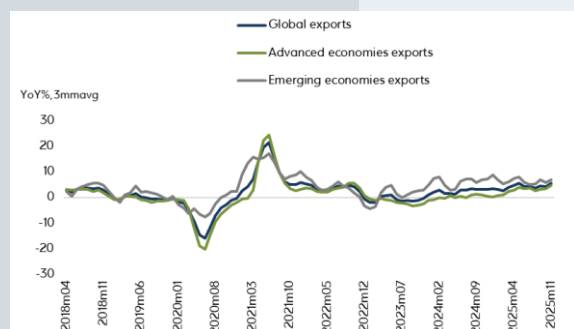
Global economy starts the year on a solid footing; divergent domestic inflation dynamics suggest varying central bank policy paths in the coming month

The global economy entered 2026 on a solid footing, despite trade disruptions from US tariff measures and heightened geopolitical uncertainty, as reflected in January's PMI surveys. After dropping 1.3pts in the previous two months, the global composite PMI rebounded 0.5pts from December's six-month low of 52.0, moving closer to the upper end of its range over the past four years and remaining consistent with continued solid global GDP growth. The rebound was broadly based across regions and sectors, driven by increased new orders and output, providing a constructive signal of growth sustainability. That said, elevated geopolitical risks and trade uncertainty may restrain future demand, keeping businesses vigilant. Adjustments in supply and production chains — with supply chains dominated by Asian exporters — to redirect trade flows and offset reduced access to the US market, along with the AI-driven surge in demand for semiconductors and related electronics, particularly in the US, have been key drivers of global resilience. This is reflected in global export momentum which remained broadly firm through November, despite volatility following the mid-year unwinding of pre-tariff front loading (November 2025 global exports: 2.6%MoM, or 6.8%YoY) as supply chains have been rapidly restructured. At the same time, numerous trade agreements have been concluded in recent months, aiming to mitigate the expected negative effects of changes in US trade policy. Indicatively, China's share of US imports has declined by around 5ppts since late 2024 (Figure 2). In tandem, the US import shares of Taiwan, Vietnam and Mexico have increased substantially, with Taiwan's gains largely reflecting the upsurge in AI investment.

For the full year, GDP growth is projected to slow modestly from a solid, if slightly below-trend, rate of 3.3% expected in 2025, to 3.0%, as the effects of tariffs continue to work their way through the economy with the usual lag.

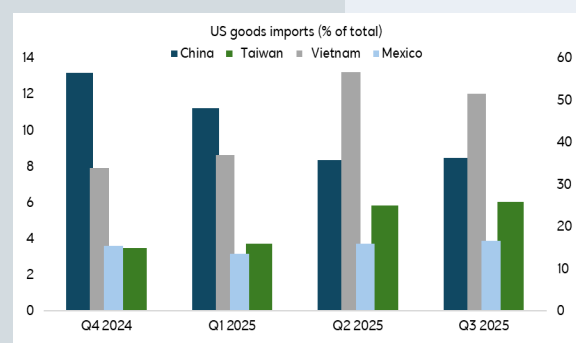
On inflation, pressures remain well contained. Headline CPI continues to ease gradually after

Figure 1: Global export momentum broadly firm through November



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

Figure 2: China's share of US imports has declined by around 5ppts since late 2024



Source: BLS, Eurobank Research

peaking in 2022 (at 3.2%YoY in November 2025), moving closer to central bank targets, while core inflation remains slightly higher, as services inflation has eased only marginally mainly due to persistently strong labour-cost pressures. Inflation dynamics, however, vary across economies, with the US among those standing out: inflation there remains well above the Fed's target, largely reflecting tariff pass-through effects. Over the coming months, global inflationary pressures are expected to remain broadly contained, with market consensus pointing to an average 2026 headline CPI of 3.3%, down from an estimated 4.3% in 2025. While projected GDP growth is solid, it is not expected to be strong enough to generate renewed inflation pressures, while — absent fresh geopolitical disruptions — ample supply conditions should keep oil price pressures relatively contained.

Differences in domestic inflation dynamics suggest varying central bank policy paths in the months ahead. With policy rates already at or close to neutral levels, some major central banks are likely to ease further, while others are expected to keep rates stable in the coming months, in the absence of major surprises. On a more hawkish tilt, however, a few central banks have begun tightening policy again, with the RBA becoming the first major central bank in 2026 to raise rates and signalling that further tightening remains on the table due to concerns that inflation may remain elevated for longer.

Despite a relatively optimistic outlook for the global prospects, the overall growth trajectory remains fragile, with risks tilted to the downside. Geopolitical risks remain elevated. Rising tensions signal a shift away from frictionless globalisation toward a more fragmented global landscape. Alliances are becoming less predictable, regulatory and trade rules are diverging, and abrupt policy shifts can increasingly disrupt global supply chains, investment flows and financial markets. Against this backdrop, countries are becoming more proactive in their trade policies, as reflected in the recent EU-India Free Trade Agreement, concluded after two decades of negotiations and marking another step toward the EU's strategic independence.

Trade policy uncertainty, although below its April 2025 peak, remains elevated, and the risk of renewed tensions — with potentially severe repercussions for global supply chains and production — cannot be ruled out. The Greenland dispute de-escalated after the US President withdrew the threat of imposing additional tariffs on several European countries following the conclusion of a “framework” agreement for a future deal with the NATO Secretary General. Nevertheless, it remains unclear whether the issue has been fully resolved. Crucially, this episode underscored the potential instability of trade deals already concluded with the US, as their longevity may hinge on the evolving priorities of the US administration.

Meanwhile, the July 2026 joint review of the USMCA (US–Mexico–Canada Agreement) is approaching. The agreement secures preferential market access for Canadian and Mexican exports to the US, and vice versa, reinforcing a deeply integrated regional economy. These provisions support cross-border investment and sustain tightly integrated supply chains that together generate nearly \$2trn in annual trade. In addition, the US Supreme Court ruling on a case challenging President Trump's country-level tariffs imposed under International Economic Emergency Powers Act (IEEPA), which currently apply to around 60% of US imports, is still pending. Even if the court were to rule the IEEPA tariffs unlawful, a material shift in US trade policy appears unlikely. The administration could instead rely on alternative legal instruments — such as Section 338 of the Tariff Act of 1930, Section 122 of the Trade Act of 1974, Section 232 of the Trade Expansion Act of 1962, and Section 301 of the Trade Act of 1974 — to preserve or expand tariff measures. These are viewed

as critical to financing the more expansionary fiscal path envisaged under the “One Big Beautiful Bill Act”, thereby sustaining elevated policy uncertainty and fiscal risks.

Beyond trade-related concerns, global fiscal risks remain elevated, as high sovereign debt levels and structurally higher interest rates continue to constrain fiscal space. At the same time, rising pressures from aging populations, climate transition costs, and defence spending — against the backdrop of ongoing geopolitical fragmentation — are weighing on public finances. Moreover, developments that could tighten global financial conditions — such as a resurgence of inflation or an abrupt, broad-based market repricing in AI-related stocks — could rapidly drain global liquidity, with broader repercussions for financial markets and the real economy. Finally, politics add uncertainty to the outlook for US monetary policy. While the nomination of Kevin Warsh as the new Chair of the Fed’s Board of Governor is not expected to materially alter monetary policy, at least in the near-term, uncertainty remains surrounding the pending Supreme Court ruling involving Fed Governor Lisa Cook and Jerome Powell’s decision on whether to remain on the Board of Governors after his chairmanship ends in May.

Developed Economies

US: echoing a run of solid data releases underscoring the economy’s ongoing resilience to higher tariff-related headwinds, the Fed — having kept policy rates unchanged after 75bps of cumulative easing in late 2025 — presented a more optimistic assessment of economic activity at its 27-28 January meeting. This was most evident in the upgraded language about labour market conditions, as references to increased downside risks to employment were removed from the statement. On inflation, the Fed chair characterized price pressures as “somewhat elevated” attributing the overshoot relative to target primarily to goods inflation as a result of higher tariffs. Excluding the effect of tariffs, Powell argued that inflation appears close to target, taking comfort from ongoing disinflation in core services. As of early February, Fed funds futures continue to price steady rates under Chair Powell (his term expires in May) followed by two 25bp cuts in H2 2026 under his successor Kevin Warsh.

Euro area: economic activity continued to show resilience to higher US tariffs and elevated trade uncertainty at the turn of 2025, with GDP growing by a slightly higher than expected 0.3%QoQ in Q4 (or 1.3%YoY). For the full year, GDP growth increased 1.5% from 0.8% in 2024, largely reflecting the tariff-driven frontloading of exports to the US in H1. Looking into early Q1, sentiment indicators have remained broadly positive so far. On inflation, headline CPI eased 0.3ppts to 1.7%YoY in January due to energy base effects and a 0.1ppts decline in core CPI to 2.2%YoY, reflecting a 0.2ppts drop in services (3.2%YoY) that offset a 0.1ppts rise in core industrial goods inflation (0.4%YoY). However, a key concern remains the slow disinflation in services. On the other hand, geopolitical risks, tariff-induced adjustments and increased competition from China could be interpreted as downside risks to inflation. Against this backdrop, the ECB kept rates stable in February for the fifth consecutive meeting and signalled a preference for an extended period of rates on hold, until faced with a significant deviation from its baseline scenario or a material shift in the distribution of risks.

Emerging Economies

EM: three major trade initiatives, the EU–Mercosur agreement, the renewed momentum toward an EU–India trade deal and the deepening India–US trade relationship, stand out as key global economic developments over the recent period in the emerging markets sphere. The EU–Mercosur deal is particularly significant given its scale, linking two large economic blocs and promising long-term gains through tariff reductions, market access and supply-chain diversification, despite lingering political and environmental hurdles. In parallel, progress toward an EU–India trade agreement reflects Europe’s strategic pivot toward fast-growing Asian economies, aiming to reduce dependencies and strengthen economic resilience. Meanwhile, the India–US trade dynamic underscores India’s rising centrality in global trade and geopolitics, as both countries seek closer economic ties in technology, manufacturing and services. That said, these trade initiatives represent a meaningful shift toward deeper economic cooperation and strategic rebalancing, with implications that will unfold over the medium to long term rather than immediately altering near-term growth dynamics.

CESEE: cautious policy calibration given improving growth dynamics and persistent inflationary asymmetries remains the defining feature of the macro landscape. In Poland, monetary policy has shifted into a deliberate pause, with the policy rate held at 4.00% following substantial easing in the second half of 2025. This stance reflects rising confidence that inflation, at 2.4%YoY in December, is converging toward target. Strong fundamentals underpin the outlook: GDP expanded by a robust 3.6% in 2025, supported by resilient domestic demand, while stronger-than-expected growth in the final quarter is likely to generate a positive carry-over into 2026. Czechia is further advanced in the disinflation process, as headline inflation fell to 1.6%YoY in January, its lowest level in almost a decade. However, sticky services inflation constrains policy flexibility, keeping the central bank inclined to hold rates at 3.5% despite a notable improvement in growth. GDP rose by 2.5% in 2025, nearly doubling the pace of the previous year. Hungary remains the regional outlier, with the central bank maintaining a restrictive 6.5% policy rate amid elevated services inflation and election-related uncertainty. Although producer prices are easing and limited rate cuts are being priced in, investment and near-term growth remain subdued. Romania’s macro narrative is dominated by fiscal considerations. While the government targets a 6.2% budget deficit in 2026 and consolidation is expected to outperform plans, political pressure for additional support measures underscores the tension between fiscal discipline and growth objectives.

Markets View

Foreign Exchange

EUR/USD: was holding above 1.18 on the morning of February 5 as the recent pullback paused, with price action still driven primarily by US developments rather than Eurozone dynamics. A cautious Fed and a patient ECB kept policy expectations muted before the ECB's February 5 rates announcement. Positioning remained broadly supportive but showed early signs of fading enthusiasm. Near-term direction will hinge on US labour data, with a break below the 200-day SMA raising the risk of a deeper correction. Support levels include 1.1528, 1.1469 and 1.1411 while resistance levels include 1.2164, 1.2225 and 1.2285. One-month, six-month and nine-month implied volatility was at 6.18%, 6.45% and 6.62% respectively on February 5.

USD/JPY: was trading in the mid 157s on February 5, supported by a firmer US dollar as markets price in Fed signals, while Japan's pre-election uncertainty and dovish political tone keep the yen under pressure. Intervention fears and BoJ Fed policy divergence remain central, with stronger Japanese services PMI and BoJ hawkishness posing downside risks, while US data strength and the "Warsh Shock" nomination underpin upside moves. Overall, the pair sits near key technical resistance around 156.5, with momentum slowing but still biased upward unless US data weakens or BoJ tightening expectations increase. Support levels include 150.0147, 149.2571 and 148.4994 and resistance ones 161.0849, 161.8824 and 162.6798. One-month, six-month and nine-month implied volatility was at 9.09%, 9.35% and 9.31% respectively.

Rates

EU: rates traded in a narrow range through January. The 10yr EUR swap was around 2.88% early on February 5, before that day's meeting of the ECB's Governing Council, after printing a high of 2.95% and a low of 2.83% over the previous month. The curve steepened modestly, with 5s30s at ~65bps, up from a mid-January low near 56bps. Implied volatility declined across maturities, reflecting the limited movement in the underlying swap curve. Looking ahead, we expect EU rates to remain broadly range bound.

US: swap rates closed January marginally higher amid low volatility. The 10yr swap rate was trading at 3.88% in early February, up from 3.80% at the beginning of the year, after reaching a high of 3.91%. The curve shift has consolidated around 65 bps. Looking ahead, we expect yields to drift higher, but at a gradual pace and in a low-volatility environment. The Fed is expected to keep its policy rate unchanged in the first half of the year and to cut rates in the second half under incoming Fed chair Kevin Warsh, with risks skewed toward a later move if inflation and growth data continue to surprise on the upside. There is no guarantee that the easing cycle under Kevin Warsh would be aggressive.

Emerging Markets Sovereign Credit

The supportive global risk environment, characterised by low volatility, a weaker US dollar and the Federal Reserve likely still in a rate-cutting cycle, have allowed Emerging Market sovereign spreads to continue grinding tighter. The EMBI Global Index compressed by a further 11bps to 219bps at the time of writing on February 5, from the start of 2026. In Central Europe, Romanian sovereign bonds outperformed peers as the 2025 budget deficit came in better than targeted, pushing the 10yr EUR asset swap spread more than 20bps tighter since the start of the year. Bulgaria underperformed, with the 10yr EUR spread versus swaps widening by 5bps to 85bps. In Latin America, Chilean sovereign bonds extended their strong performance, with the 10yr USD asset swap spread tightening by 10bps year to date to reach 100bps. In Asia, Indonesian sovereign bonds came under pressure, with the 10yr EUR spread widening by almost 12bps to 119bps after demand weakened to its lowest level in a year amid MSCI-related invest ability concerns spilling over from equities into broader markets. Despite ongoing geopolitical un-certainties, we believe the constructive trend for Emerging Markets remains intact and still has room to run.

Corporate Credit

Financial markets entered 2026 with a strong yet volatile January, as resilient economic data and growth surprises underpinned risk assets. Escalating geopolitical tensions drove sharp moves across commodities, FX and traditional safe havens. Headline equity gains masked significant intramonth volatility, with investors repeatedly forced to react to shifting political developments despite broadly supportive macro fundamentals. Events ranged from unrest in Venezuela and escalating tensions with Iran, which briefly fuelled a 16.2% rally in Brent crude to \$70.7/bbl, its biggest monthly gain in four years, to renewed Greenland-related tariff threats that briefly triggered risk-off moves before easing on signs of deescalation.

European equities performed particularly well, with the STOXX 600 up 3.7% year-to-date, as of February 5, and reaching all-time highs. In the US, the S&P 500 also had a solid January, though a weaker start to February has left it up just 0.4% year-to-date as AI-driven automation tools and earnings guidance raised concerns about faster-than-expected disruption to software and semiconductor business models. Meanwhile, precious metals staged a historic rally, with gold up 14.6% since the start of January.

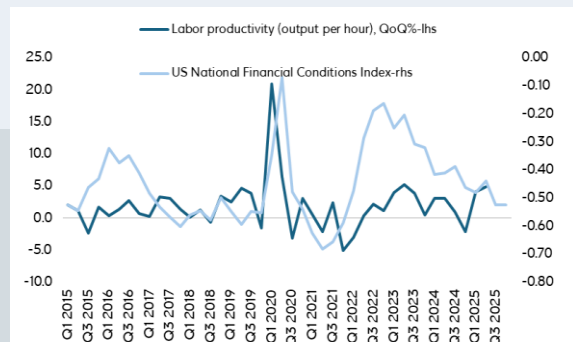
In credit markets, January was characterised by range-bound trading in synthetic indices, as bouts of volatility briefly pushed spreads wider before retracing. Since the start of the year, iTraxx Main has moved marginally wider by 0.8bps to 51.2bps, while iTraxx Crossover has widened by 2.7bps to 246bps. Euro IG cash spreads tightened by -7.1bps year-to-date, led by outperformance in Consumer Discretionary (-9.7bps). High-yield cash also tightened (-4.6bps year-to-date), though technology significantly underperformed (+53.8bps).

US

Fed signals stable rates for an extended period; next move likely a cut

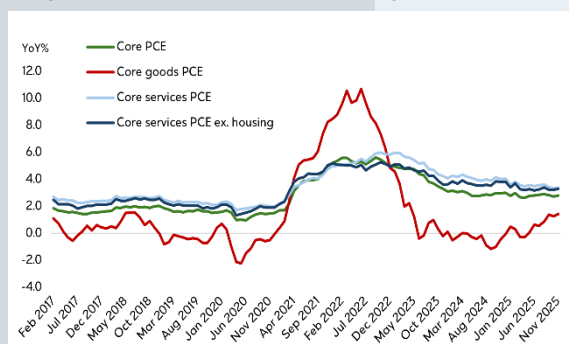
Echoing a run of solid data releases underscoring the economy's ongoing resilience to higher tariff-related headwinds, the Fed — having kept policy rates unchanged after 75bps of cumulative easing in late 2025 — presented a more optimistic assessment of economic activity at its 27-28 January meeting. This was most evident in the upgraded language about labour market conditions, as references to increased downside risks to employment were removed from the statement after the 0.1ppts drop in December's unemployment rate to 4.4%, the first decline since June. Chairman Jerome Powell reinforced this view, pointing to “signs of stabilisation” in the unemployment rate, alongside a “clearly improved” growth outlook. The main growth drivers include positive wealth effects from higher equity prices, real wage gains, resilient consumer spending, strong AI-related investment, early signs of an upswing in labour productivity (reaching a two-year high of 4.9%QoQ in Q3 2025) and easier financial conditions. On inflation, the Fed chair characterized price pressures as “somewhat elevated” — November's core PCE at 2.8%YoY% — attributing the overshoot relative to target primarily to goods inflation as a result of higher tariffs — November's core goods PCE at 1.4%YoY vs. a -0.2%YoY average in 2016-2019 — the effect of which is expected to peak around the “middle quarters of the year” before starting to move lower thereafter. Excluding the effect of tariffs, Powell argued that inflation appears close to target, taking comfort from ongoing disinflation in core services. The Fed refrained from providing clear signals about its near-term policy path, but Powell's overall tone aligned with market expectations for an extended period of stable rates, absent a renewed deterioration in labour market conditions. Further ahead, with rates close to the top end of the Fed's estimated neutral range, and the chair clarifying that “it isn't anybody's base case right now the next move will be a rate hike”, the next policy adjustment is likely to be to the downside, though not before the Fed gains confidence that inflation has peaked and is on a sustained path back toward the 2% target. As of early February, Fed funds futures continue to price steady rates under Chair Powell (his term expires in May) followed by two 25bp cuts in H2 2026 under his successor Kevin Warsh.

Figure 3: Easier financial conditions, while productivity shows early signs of an upswing



Source: Federal Bank of St. Louis, BLS, Eurobank Research

Figure 4: Inflation overshooting mainly due to goods inflation because of higher tariffs



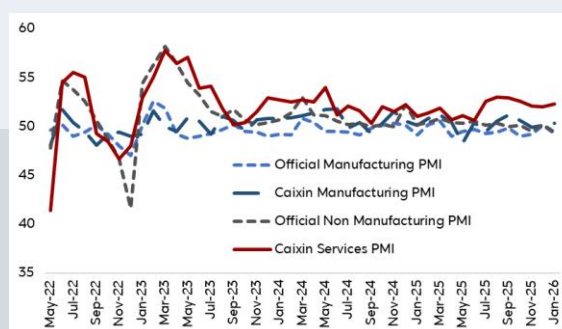
Source: BLS, Eurobank Research

China

Growth target recalibration expected as deflationary pressures persist

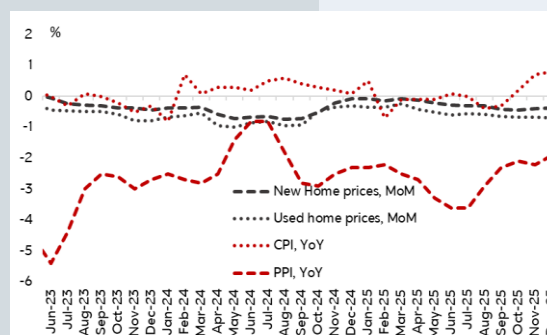
China entered 2026 having formally met its 5.0% real GDP growth target for 2025, yet the composition and late-year trajectory of growth point to a meaningful loss of momentum. Output growth slowed to approximately 4.5%YoY in Q4 2025, reflecting a prolonged contraction in the property sector and subdued domestic demand despite continued strength in net exports. Accordingly, expectations for 2026 have been revised lower. The national growth target is widely expected to be reduced to 4.5–5.0%, marking the first downward adjustment in four years. This recalibration is evident at the sub-national level, where many provinces that have released 2026 work reports have already lowered their growth objectives. A central structural feature of the current policy framework is the intensification of the government’s “anti-involution” campaign. The initiative aims to curb excess capacity and persistent deflationary pressures stemming from prolonged low-price competition, particularly in strategic manufacturing sectors such as new energy, batteries and electric vehicles. Macroeconomic indicators at the start of 2026 underscore a fragile cyclical environment. The manufacturing PMI in January re-entered contractionary grounds at 49.3, following the brief uptick to 50.1 in December while services activity also remained below the expansion threshold. The property sector continues to weigh heavily on aggregate demand as new and used home prices continue their ca 2.5 years declining streak. This persistent adjustment has constrained household confidence and consumption with retail sales growth limited to 0.9%YoY in December. Inflation dynamics remain subdued. CPI may have risen to 0.8%YoY in December 2025, but this increase was driven largely by a sharp increase in gold and platinum prices rather than a broad recovery in consumer demand. Producer prices in December marked a three-year declining course, leaving the economy exposed to continued deflationary risks. Looking ahead, the anti-involution framework is likely to remain central to macroeconomic management. By prioritising pricing stability and resource allocation over short-term output maximisation, policymakers appear increasingly willing to tolerate slower growth in exchange for reduced deflation risk and improved medium-term resilience.

Figure 5: Manufacturing PMIs are hovering around contractionary grounds...



Source: Bloomberg, Eurobank Research

Figure 6: ..and producer and property prices continue their declining trajectory



Source: Bloomberg, Eurobank Research

Euro area

Economic resilience likely extends into early Q1; ECB in a wait-and-see stance

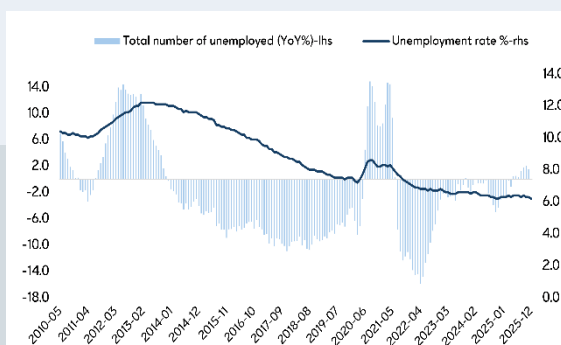
Economic activity continued to show resilience to higher US tariffs and elevated trade uncertainty at the turn of 2025, with GDP growing by a slightly higher than expected 0.3%QoQ in Q4 (or 1.3%YoY), matching the pace in Q3 and coming slightly above the ECB's projection of 0.2%QoQ. For the full year, GDP growth increased 1.5% from 0.8% in 2024, largely reflecting the tariff-driven frontloading of exports to the US in H1, with additional support from lower policy rates, weaker inflationary pressures and strong real wage growth. Looking

into early Q1, sentiment indicators have remained broadly positive so far. The composite PMI was unchanged in January at 51.5, standing 0.8pts below its Q4 2025 average and disappointing expectations for a modest improvement following a two-month declining streak. Nevertheless, it remains firmly in expansionary territory, consistent with a growth rate of around 0.2%QoQ. Sending more optimistic signals, economic sentiment rose by a hefty 2.2pts to a two-year high of 99.4, with gains across nearly all sectors except for construction which remained stable. Similarly, consumer sentiment increased 0.8pts,

reaching a near one year high of -12.3, with households becoming more confident about their financial situation, mainly due to ongoing labour market tightness, reflected in the unemployment rate falling to a new record low of 6.2% in December. On inflation, headline CPI eased 0.3ppts to 1.7%YoY in January due to energy base effects and a 0.1ppts decline in core CPI to 2.2%YoY, reflecting a 0.2ppts drop in service prices (3.2%YoY) that offset a 0.1ppts rise in core industrial goods inflation (0.4%YoY). However, a key concern remains the slow disinflation in services after peaking in early Q2 2025, as the subsequent decline has been more gradual than expected.

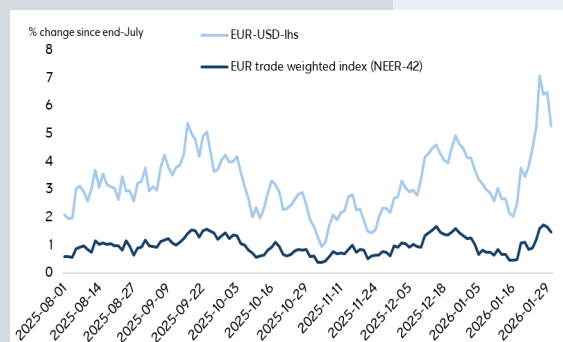
On the other hand, geopolitical risks, tariff-induced adjustments and increased competition from China could be interpreted as downside risks to inflationary pressures. The EUR's recent appreciation is also a source of concern, though it has been more modest when assessed on a trade-weighted basis. Against this backdrop, the ECB kept rates stable in February for the fifth consecutive meeting, and signalled a preference for an extended period of rates on hold, until faced with a significant deviation from its baseline scenario or a material shift in the distribution of risks.

Figure 7: Labour market remains tight; unemployment at a fresh record low



Source: Eurostat, Eurobank Research

Figure 8: Recent EUR appreciation modest when assessed on a trade-weighted basis



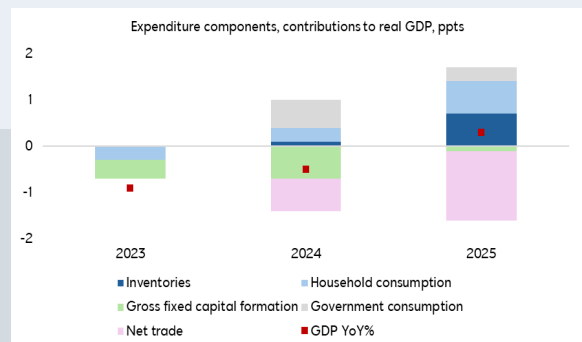
Source: ECB, Reuters, Eurobank Research

Germany

Defence spending is emerging as a key driver of the economic upswing

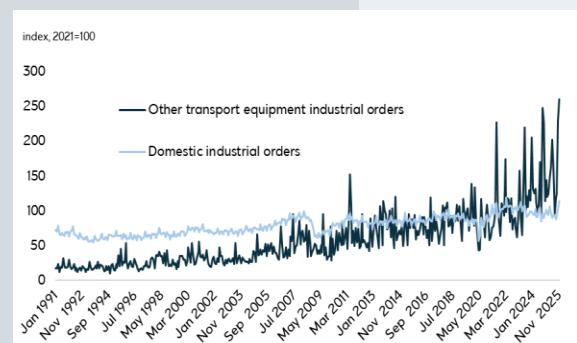
After two years of contraction, largely driven by a combination of structural challenges and cyclical headwinds, the economy edged back into modest growth in 2025, with GDP expanding 0.2% mainly supported by private consumption (+0.7ppts), government spending (+0.3ppts) and inventory buildup (+0.7ppts). By contrast, net exports were a significant drag (-1.5ppts), reflecting higher US tariffs, euro appreciation and intensified competition from China, while gross fixed investment was weak (-0.1ppts). For 2026, consensus points to a rebound in GDP growth to 1.0%, following Germany's historic shift away from long-standing fiscal austerity through the early-2025 reform of the debt brake. In support of improving economic conditions, the composite PMI rose 0.8ppts to 52.1, in January largely driven by stronger manufacturing activity (+2.1ppts to 49.1), while the services PMI dropped (-0.3ppts to 52.4), but remained in expansionary territory for a fifth straight month. The Ifo business climate index remained unchanged in January at 87.6 after two consecutive monthly declines. However, this reading should be interpreted with caution, as it was likely affected by renewed geopolitical tensions and threats of new tariffs. Optimism about improved growth prospects was further reinforced by recent data pointing to a tentative cyclical turning point in industry. Industrial production rose in November for the third consecutive month (+0.8%MoM), while domestic demand for industrial orders strengthened markedly (+6.5%MoM). Defence spending appears to be leading the upswing, as reflected in the "other transport equipment" component of industrial orders — a proxy for defence-related spending including military fighting vehicles — which hit an all-time high in November. General government budget data for 2025 show that the government nearly fully met its annual core defence spending target, with expenditure reaching €72.2bn, just €3bn below target. The Planning and Procurement Acceleration Act passed by parliament earlier this year, together with the new Infrastructure Accelerator Act, expected to be approved this spring, should help broaden the fiscal impulse across a wider range of industrial sectors and further support the investment outlook by shortening approval timelines and accelerating the implementation of public infrastructure projects.

Figure 9: Consumption, inventory buildup and government spending drove growth in 2025



Source: Destatis, Eurobank Research

Figure 10: Defence-related industrial orders ("other transport equipment") at all-time highs



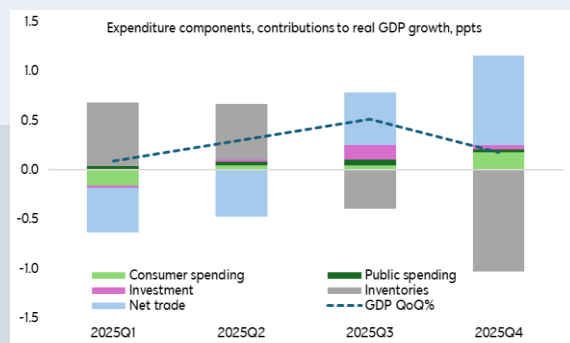
Source: Destatis, Eurobank Research

France

Economic resilience under a challenging fiscal trajectory

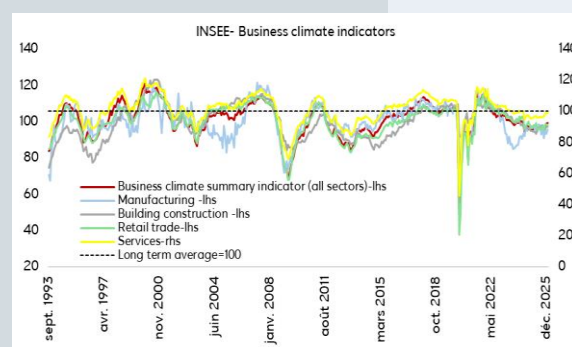
Despite elevated political uncertainty surrounding the 2026 budget and the risk of another government collapse, economic output continued to expand at a still decent pace in Q4 2025, with GDP growing 0.2%QoQ, albeit slower than 0.5%QoQ recorded in Q3. Growth was primarily driven by net trade (+0.9ppts) supported by strong aeronautics exports, and by domestic demand (+0.3ppts). The latter reflected a pickup in consumer spending (0.3%QoQ vs. 0.1%QoQ in Q3) and household investment (1.1%QoQ vs. 0.4%QoQ) mainly linked to housing transactions and home renovation activity, underpinned by lower bank lending rates. Overall, real GDP growth reached 0.9% in 2025 after 1.4% in 2024, largely supported by public consumption (1.7%YoY), despite fiscal consolidation. By contrast, net trade was a drag, while consumer spending (0.4%YoY) and business investment (0.1%YoY) remained weak in 2025. The adoption of the 2026 budget after the government activated the Article 49.3 of the constitution — given the absence of any realistic prospect of securing a majority in the highly fragmented National Assembly — should support economic activity by reducing political uncertainty, until at least discussions on the 2027 budget begin after summer. However, this period of relative political stability is likely to come at a cost in economic and fiscal terms. The additional spending measures adopted by the government to secure the implicit support of the Socialist Party (PS) in the subsequent no-confidence votes following the activation of Article 49.3, will be partly offset by higher contribution from businesses, notably through the extension for another year of the exceptional surtax on large companies. However, these measures are likely to weigh on business investment, particularly in the current external environment of heightened geopolitical and trade uncertainty. Moreover, with the government now projecting a 2026 budget deficit at 5.0% of GDP, above the 4.6% target outlined in the Draft Budgetary Plan submitted to the European Commission as a result of the concessions made in order to remain in office, and only marginally below the 5.4% estimated for 2025, France is clearly falling short of the fiscal consolidation path required to bring the deficit down to 2.9% by 2029. Overall, we expect GDP growth to reach 1.0% in 2026, little changed from 2025, with elevated fiscal slippage risks.

Figure 11: GDP grew at a decent pace in Q4 2025, despite elevated political uncertainty



Source: INSEE, Eurobank Research

Figure 12: Weak businesses confidence ahead of the 2026 fiscal consolidation



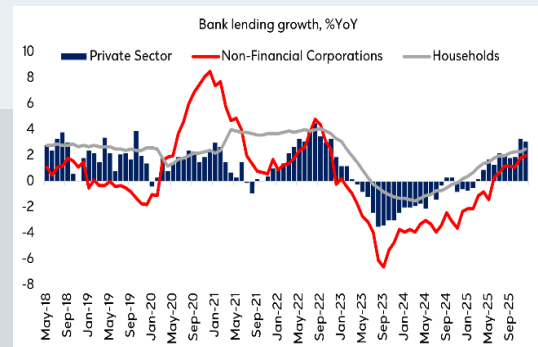
Source: INSEE, Eurobank Research

Italy

Stronger-than-expected Q4 growth helped economy expand 0.7% last year

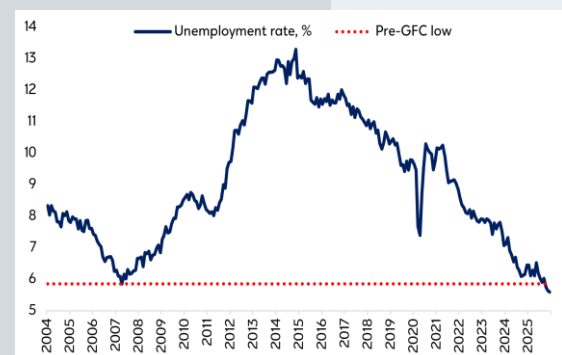
Economic growth in Q4 was higher than expected as easing financial conditions made their effects felt. GDP expanded 0.3%QoQ, more than the consensus forecast of 0.2%QoQ and the highest rate since Q1 2023, according to the preliminary reading from Istat. Growth in Q2 was also upwardly revised by 0.1ppts to 0.2%QoQ. This brings the overall GDP expansion in 2025 to 0.7%, compared with 0.5% in 2024, with the latter figure downwardly revised by 0.2ppts. Istat does not give a detailed breakdown by components in the preliminary release, though it noted that domestic demand, including inventories, contributed positively to Q4 growth, while net exports detracted. Istat also said in the release that there were increases in the value added of both industry and services – the former being more pronounced, and notable since the manufacturing sector has been struggling to escape slumping conditions for the past three years. The industrial production data for November, the most recent available, appeared to foreshadow this, showing a 1.4%YoY increase – a surprise to the consensus expectation for a second straight 0.2%YoY decrease. The capital-intensive manufacturing sector was probably aided by a recovery in bank lending to non-financial corporations, which picked up momentum at the end of 2025, growing 2.0%YoY in December, up from 1.8%YoY the month before and 1.1%YoY in October. However, the forward-looking PMI data looks less optimistic for manufacturing, with the indicator rising just 0.2pts to 48.1 in January, still below the 50-threshold that separates expansion from contraction and less than the consensus estimate of 48.5. That contrasts with above-consensus prints for the services and composite PMIs, which increased 1.4pts and 1.1pts to 52.9 and 51.4 respectively. The service sector is likely to continue leading growth given Italy's historically tight labour market. The unemployment rate in December remained unchanged at a record low of 5.6%, while hourly wages grew by more than inflation for a second straight year in 2025. In December, they rose by 2.9%YoY, up from 2.8%YoY the month before, while the average increase last year was 3.1%, 0.1ppts higher than in 2024. By contrast, inflation remains subdued, with HICP growth slowing further in January to 1.0%YoY from 1.2%YoY in December. Retail sales growth slowed to 0.9%YoY in December from 1.3%YoY in the two preceding months.

Figure 13: The recovery in credit expansion became entrenched as 2025 progressed



Source: ECB, Eurobank Research

Figure 14: Despite sluggish growth, Italy's unemployment rate is at a historic low



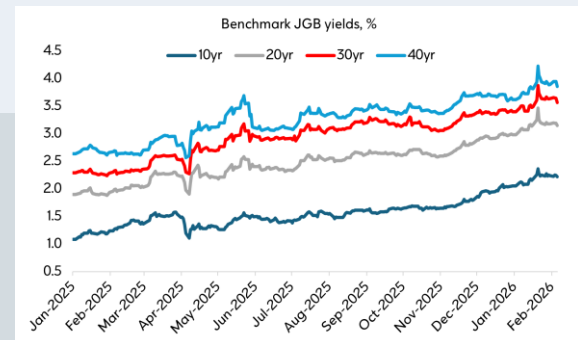
Source: Bloomberg, Eurobank Research

Japan

Takaichi looks set for large election victory, settling market turbulence

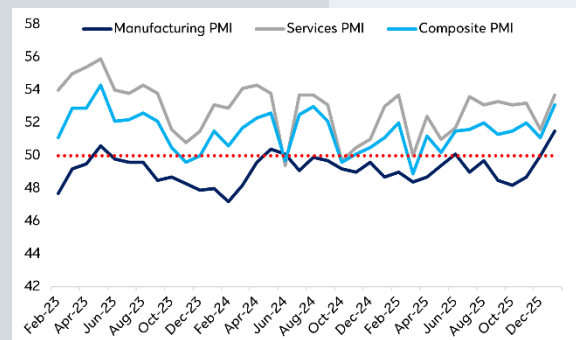
Prime Minister Sanae Takaichi's announcement on January 19 of snap elections brought with it a bout of bond market turbulence as it also came with a tax cut promise that signalled the country is likely to return to a period of wider budget deficits. Takaichi has advocated using fiscal stimulus as a means of combating inflation. In announcing the election – to be held on February 8 – her centrepiece policy announcement was an unfunded, temporary suspension of the sales tax on food if her Liberal Democratic Party-led coalition returns to power. Japan's gross public debt stood at 236% of GDP in 2024 and the International Monetary Fund forecasts that it will remain above 220% through 2030. JGBs sold off on the election announcement, with long-end yields rising sharply. The 40yr yield rose above 4% for the first time, the 30yr reached 3.87%, the most since it debuted, and both the 10yr and 20yr yields hit their highest levels since 1999. JGB yields subsequently stabilised, however. Bond markets have also been soothed by the prospect of a stable government, with the latest opinion polls indicating that Takaichi's ruling bloc – which held an extremely slim majority before she dissolved parliament – is heading for an overwhelming victory, with the LDP possibly even securing a majority on its own. That would appear to vindicate the prime minister's gamble that her own extremely high personal popularity would outweigh the unpopularity of the LDP, which has governed Japan almost continuously since 1955. Meanwhile, market volatility hasn't been consigned to the bond market, with the prospect of official intervention in the foreign exchange market leading to a precipitous jump in the JPY – which had weakened significantly this year – at the same time as the election announcement. However, it has since weakened again, and the summary of discussion from the BoJ's January 23 policy meeting indicated that policy makers are viewing the possible effects of the weak JPY on inflation with urgency. Markets are currently fully pricing in a 25bps rate hike by the central bank's July meeting. Against the turbulent political and market backdrop, Japan's economy appears to be gathering some momentum. The latest PMI indicators show improved conditions, with the manufacturing rising 1.5pts to 51.5 in January, after spending most of the past three years in contractionary territory below the 50 threshold. The services PMI increased to 53.7 from 51.6, while the composite indicator rose 2.0pts to 53.1.

Figure 15: Japanese bond yields spiked after the announcement of sales tax cuts



Source: Bloomberg, Eurobank Research

Figure 16: Against a turbulent economic and political backdrop, PMIs show momentum



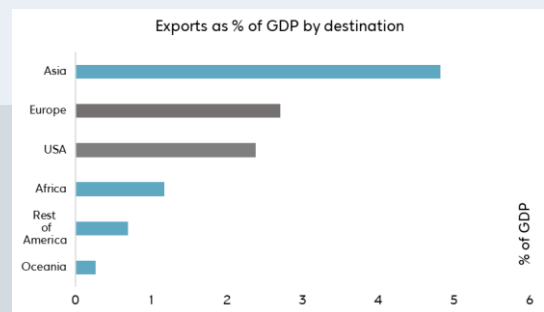
Source: Bloomberg, Eurobank Research

India

Reorientation of external economic strategy beneath the EU and US trade deals

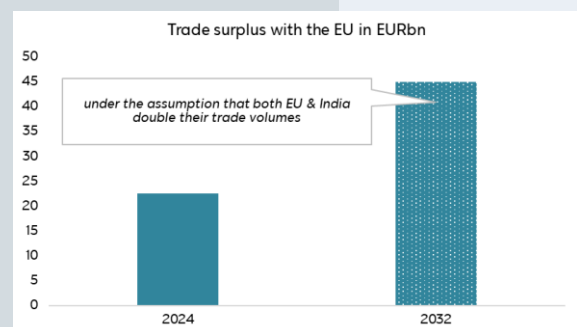
India took centre stage in January's global economic developments given the simultaneous engagement in trade negotiations with the EU and the US, reflecting a deliberate reorientation of its external economic strategy in an environment characterised by supply-chain reconfiguration and rising geopolitical fragmentation. From India's standpoint, these initiatives are less about near-term trade expansion and more about anchoring the economy within high-value trade networks while preserving strategic autonomy and policy flexibility. Negotiations with the EU have advanced within the framework of a comprehensive India–EU Free Trade Agreement, relaunched in 2022 after years of suspension. The EU accounts for approximately 17% of India's merchandise exports, making it a critical market for India's outward-oriented sectors. Potential gains are concentrated in labour-intensive industries such as textiles, apparel, pharmaceuticals and automotive components, where tariff liberalisation could significantly enhance export competitiveness. However, India's negotiating posture remains cautious. India's trade engagement with the US, by contrast, has evolved along a more incremental and pragmatic trajectory. Rather than pursuing a comprehensive free trade agreement, discussions have centred on sector-specific arrangements, supply-chain cooperation and the resolution of targeted trade frictions. The US is India's largest trading partner, with bilateral trade exceeding USD190bn, and remains a vital destination for services exports, especially in information technology and business services. For India, deeper economic ties with the US offer a pathway to attract investment, expand high-value services exports and position itself as a credible alternative manufacturing hub amid the reorganisation of global value chains driven by US–China strategic competition. Taken together, India's parallel trade engagements with the EU and the US underscore a broader strategic calculus. India is seeking to diversify export markets, deepen integration into global value chains and strengthen economic linkages with advanced economies while avoiding binding commitments that could constrain its developmental priorities. This approach reflects a trade policy centred on selective liberalisation and strategic sequencing, positioning external integration as a complement to — rather than a substitute for — India's domestic growth and industrial transformation agenda.

Figure 17: With the EU and the US being among its key trade partners..



Source: OECD, Eurobank Research

Figure 18: ..India reorients its external economic strategy



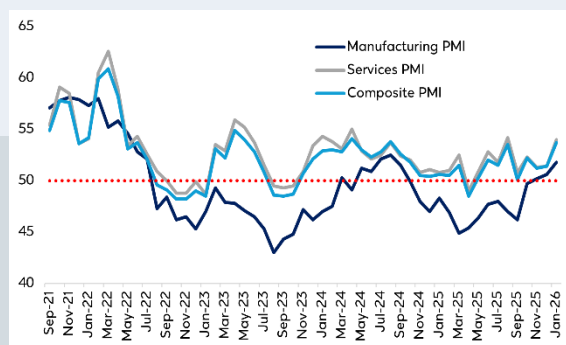
Source: European Commission, Eurobank Research

UK

Continuing growth momentum at start of 2026 masks growing labour force slack

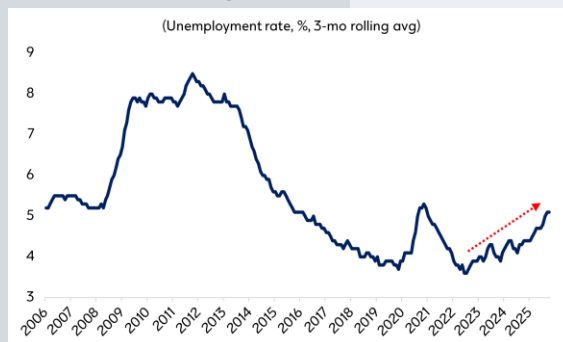
Following signs that UK economic activity ended 2025 on an upswing, leading indicators suggest that the momentum continued to build at the start of 2026. The manufacturing PMI increased by 1.2pts to 51.8 in January, its third straight month above the 50-threshold separating expansion from contraction after a year spent below that level. In the press release accompanying the numbers, S&P Global noted that production volumes expanded in consumer and investment goods sectors; when broken down by company size instead, SMEs saw a decrease in production, with the expansion driven by large manufacturers. The services PMI rose by an even larger amount, to 54.0 from 51.4 in December, helping to push the composite indicator 2.3pts higher to 53.7. A factor holding back services from even higher levels was subdued demand from clients in the construction sector, which remains mired in a deep slump. Still, much of the services expansion has been related to firms' investment in new technology, and has not been accompanied by much staff hiring, according to S&P Global. Instead, companies have preferred to try to improve productivity through automation rather than replacing voluntary leavers. Labour market slack has steadily picked up in 2025, with the unemployment rate at 5.1% in November for a second consecutive month, having risen from a low of 3.6% in 2022. Against that backdrop, the Bank of England's Monetary Policy Committee voted to keep the base rate unchanged at 3.75% on February 5 by a closer margin than expected. That led markets to reprice their expectations for monetary easing this year, despite inflation accelerating 0.2ppts – more than the consensus estimate – to 3.4%YoY in December. The market-implied odds of a 25bp rate cut in March increased to 60% from 21% before the meeting. Meanwhile, the political risk premium remains a factor in the UK, with Prime Minister Keir Starmer's leadership in crisis over his appointment of Peter Mandelson as ambassador to the US last year. While the consensus view is that Starmer's premiership is now in its dying days, he could limp on in the role for a few months longer if tactical considerations prevent his likeliest potential successors from immediately launching a leadership challenge. Local elections in May have long been seen as a possible trigger for a change in the government's leadership.

Figure 19: January PMIs suggest economic momentum continued to build at the start of 2026



Source: Bloomberg, Eurobank Research

Figure 20: The unemployment rate has been steadily increasing from its low level in 2022



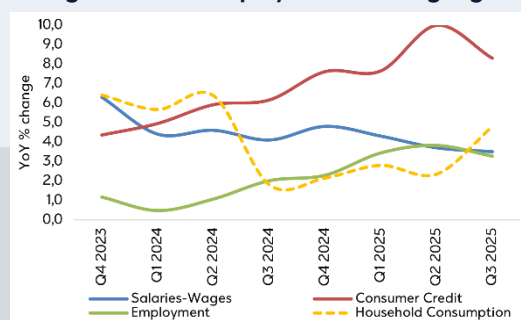
Source: ONS, Bloomberg, Eurobank Research

Cyprus

Household demand and services exports retain momentum in late 2025

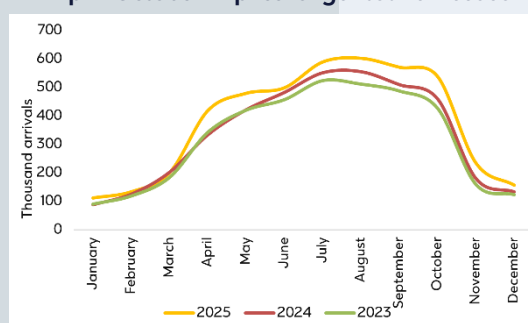
A week ahead of the release of the Q4 and FY2025 GDP flash estimates, the latest short-term indicators continue to signal strength in the key drivers of GDP growth in Q1–Q3, suggesting that the solid expansion was sustained into late 2025. Retail trade volume remained strong in December, expanding by 8.9%YoY. This lifted average growth in Q4 to the same pace, marginally above the 8.7%YoY recorded in Q3. Household spending continued to be supported by subdued inflation, which stood at 0.1%YoY in December. According to the flash estimate, inflation accelerated significantly in January, to 1.7%YoY, after hovering around 0% for seven months, due to fading base effects in food prices and higher services inflation. The income taxation reform effective from January 2026 is set to support household spending growth through a reduction in the tax burden, primarily benefiting low- and middle-income earners. External sector dynamics also remained supportive towards year-end. Tourist arrivals increased by 18.0%YoY in December, bringing average growth in Q4 to 20.4%YoY, the fastest pace recorded in any quarter of 2025, and pushing total arrivals to a new all-time high of 4.53mn, up 12.2% from the previous record in 2024. The strong Q4 performance was driven by higher inflows from a broad range of source markets, notably France, Poland, Germany, Austria, Sweden and Hungary, pointing to increased market diversification relative to earlier in 2025. Provided that geopolitical tensions in the region do not re-escalate, these trends also imply improved prospects for 2026. The expected positive contribution from services exports to GDP in Q4 is unlikely to be offset by higher goods imports, as had been the case earlier in 2025, due to their sharp decline in October–November (-9.7%YoY). This trend is likely to have persisted in December due to sizeable base effects related to ship imports. as early as October. For the same technical reasons, gross fixed capital formation is expected to contract in Q4. However, underlying investment conditions remained favourable in Q4, as credit growth to businesses and for housing purposes stayed strong, at 15.0%YoY and 4.3%YoY, respectively. Despite the 18-year high in transaction volumes recorded in 2025, initial data from the real estate market in 2026 provide early indications of sustained resilience, with property sales increasing in January by 10.7%YoY.

Figure 21: Despite fast credit expansion, household spending is linked to employment and wages growth



Source: Central Bank of Cyprus, CYSTAT, Eurobank Research

Figure 22: Flatter distribution of more tourists in 2025 in April–October implies longer tourism season



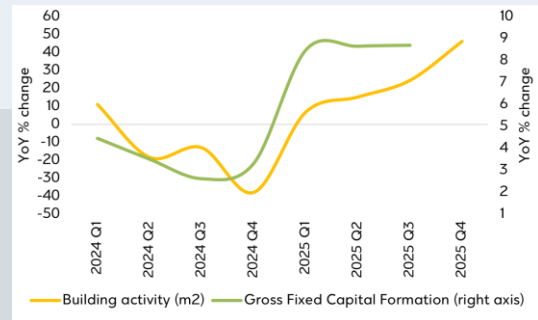
Source: CYSTAT, Eurobank Research

Bulgaria

No signs of further inflationary pressures one month after euro adoption

Political uncertainty remains elevated. After the expected failure of the three largest parties to form a government under the exploratory mandate granted by President Rumen Radev, he announced his resignation and signalled his intention to run for prime minister in the upcoming elections. Given legal constraints on party registration and candidate lists, Radev is unlikely to establish a new political party in time and would therefore need to participate via an existing political force or coalition. Upon his resignation, the presidential mandate will be completed by Vice President Iliyana Yotova, who is currently in the process of appointing a caretaker prime minister and cabinet. Under the Bulgarian constitution, snap elections must be held within two months of the appointment of a caretaker government. With around 25% of respondents still undecided in opinion polls and no clarity yet on Radev's electoral vehicle, uncertainty regarding the election outcome remains high. Turning to recent economic developments, the flash estimate for headline inflation in January, the first month under full euro adoption, pointed to a marked deceleration to 2.3%YoY from 3.5%YoY in December. The decline in inflation is consistent with the weakening of households' expectations for price increases over the year ahead, as re-reported in the January EC consumer survey. Activity in construction, which was a key contributor to GDP growth in Q1–Q3 2025, continued to accelerate in surface terms in Q4, rising by 46.1%YoY compared with 24.4%YoY in the previous quarter. This outturn reflects favourable base effects as well as a sustained expansion in housing credit, which grew by 27.9%YoY in Q4. Rapid credit growth also continued to support business investment, with corporate lending expanding at a double-digit rate in December for the first time since 2009, at 10.3%YoY, and averaging 8.5%YoY over Q4 2025. As highlighted in our 2026 Economic Outlook, investment should receive additional support from early 2026 onwards, driven by the disbursement of two RRF tranches in November–December and higher defence-related spending under the SAFE programme. Robust domestic demand continues to weigh on the external balance. The combined goods and services deficit widened by 154.6%YoY in November, although its increase was less pronounced than in October. The worsening stemmed entirely from the goods balance, largely reflecting stronger imports. These external sector dynamics are expected to act as a drag on GDP growth in 2026.

Figure 23: Building activity, a major fixed investment driver, grew strong in Q4



Source: National Statistical Service, Eurobank Research

Figure 24: Wholesale-retail trade volume growth is tracking inflation rather than moving counter-cyclically



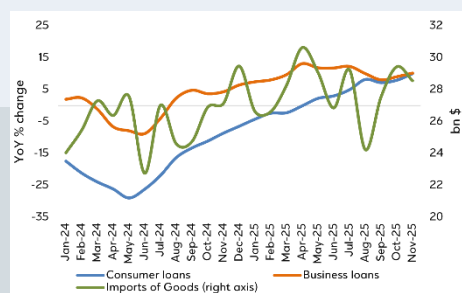
Source: Eurostat, National Statistical Service, Eurobank Research

Turkey

Disinflation stalls in January; milder monetary policy easing continues

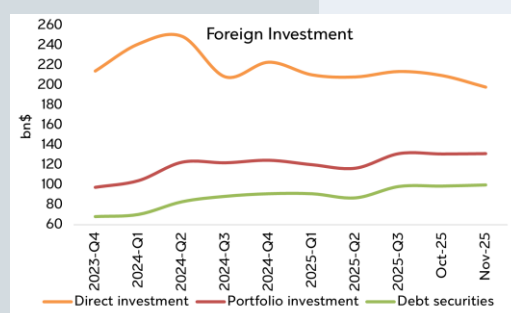
As anticipated in our previous report, Turkey's central bank (TCMB) proceeded in January to further monetary policy easing, albeit by less than in the previous four policy rate cuts, by 100bps, reducing it to 37%, a 26-month low. The TCMB once again justified its decision by pointing to the slowdown in seasonally adjusted (s.a.) monthly inflation in December, as well as Q4 2025 indicators suggesting demand conditions supportive of disinflation. At the same time, however, the central bank cautioned that the moderation in s.a. inflation was likely to be partially reversed in January. Although s.a. January inflation data were not available at the time of writing, headline CPI rose sharply by 4.8%MoM vs. just 0.9%MoM in the previous two months. As a result, annual headline inflation remained broadly unchanged at 30.7%YoY, vs. 30.9%YoY in December. This halt in the disinflation trend was driven mainly by food-alcohol-tobacco, telecommunications, and insurance-financial services prices. This outcome was largely expected, reflecting January's sizeable increases in the minimum wage, civil servant salaries, and pensions, as well as routine adjustments in administered prices and taxes. Accordingly, the inflation uptick cannot be primarily attributed to the cumulative monetary easing of 900bps since July. That said, continued policy easing does pose risks to the disinflation outlook, particularly given the acceleration in real consumer credit growth to 11.7%YoY in December, from -0.1%YoY in April. Credit expansion to non-financial corporates has also strengthened, rising by 9.8%YoY in Q4, and together with the government's housing programme for 500,000 publicly subsidised units, is expected to support a significant increase in investment activity in 2026. Meanwhile, construction sector growth moderated somewhat in November, to 22.3%YoY from a near all-time high of 27.9%YoY in October, driven by slower growth in building construction, pointing, however, to sustained momentum. The implications of robust domestic demand for the external balance remain evident. In October–November, the goods and services balance deteriorated sharply, turning negative from a surplus a year earlier and worsening by 138.9%YoY. This deterioration was entirely driven by the goods balance, where the deficit widened by 40.9%YoY due to higher imports. Preliminary December data suggest that the deterioration in the goods balance continued, albeit at a slower pace.

Figure 25: Higher real business and consumer credit fuelled im-port demand



Source: Central Bank of Turkey, Eurobank Research

Figure 26: Moderate switch of foreign investment from direct to portfolio after the March-25 turmoil



Source: Central Bank of Turkey, Eurobank Research

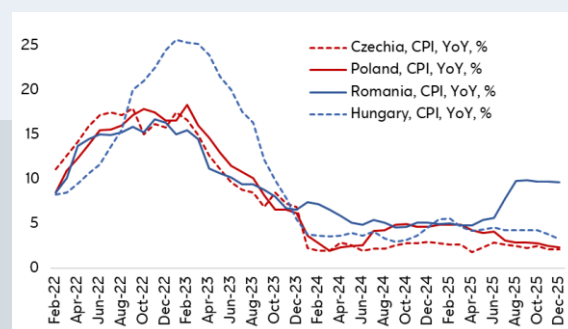
CESEE

Delicate balance: improving growth dynamics and inflationary asymmetries

Cautious policy calibration given improving growth dynamics and lingering inflationary asymmetries are the common denominator in the region's macro landscape. Poland, Czechia, Hungary and Romania are navigating late-cycle disinflation and uneven recoveries, yet with markedly different policy constraints. In Poland, monetary policy has entered a deliberate pause. The Monetary Policy Council kept the reference rate unchanged at 4.00% in early February, following an aggressive easing cycle in the second half of 2025. This pause reflects growing confidence that inflation, 2.4%YoY in December, is converging to-ward the central bank's target band. The macro backdrop is supportive:

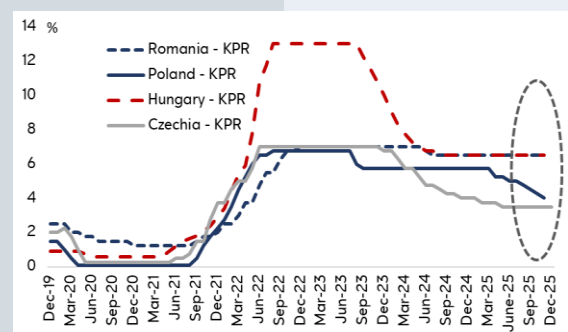
Poland posted robust 3.6% GDP growth in 2025, driven by resilient domestic demand while the stronger than expected Q42025 growth print could provide a carry-over effect into 2026, keeping the economy among the region's fastest growers. Czechia, by contrast, is further along the disinflation path but faces more binding constraints on policy easing. Headline inflation fell sharply to 1.6%YoY in January, its lowest level in nearly a decade, yet services inflation remains stubbornly elevated. As a result, the Czech National Bank appears committed to holding rates at 3.5% for longer. Still, the growth picture has improved meaningfully: GDP expanded by 2.5% in 2025, nearly double the prior year's pace, reflecting a recovery in domestic demand. Hungary remains the regional outlier in both inflation risks and policy stance. In late January, the central bank maintained its base rate at a restrictive 6.5%, the highest in the EU, while reiterating hawkish, data-dependent guidance. Although producer prices have begun to contract and markets are tentatively pricing in limited easing ahead of the April elections, elevated services inflation and political uncertainty continue to weigh on investment and near-term growth prospects. Romania's recent macro narrative has been dominated by fiscal rather than monetary developments. The government has set a 2026 budget deficit target of 6.2% of GDP, while market participants expect fiscal consolidation to out-perform official plans over the medium term. Nonetheless, political pressure for additional social and economic support measures highlights the ongoing tension between consolidation efforts and growth support. Taken together, the region is moving toward a more stable macro equilibrium, but policy normalization remains uneven, shaped by country-specific inflation dynamics, political cycles and fiscal constraints.

Figure 27: CEE3 appear to have concluded the disinflation phase but Romania has ground to cover



Source: Bloomberg, Eurobank Research

Figure 28: ..with the segregation reflected also on the monetary policy by regional central banks



Source: Bloomberg, 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)		
	2025e	2026f	2027f	2025e	2026f	2027f	2025e	2026f	2027f	2025e	2026f	2027f	2025e	2026f	2027f
World	3.3	3.0	3.0	4.1	3.3	3.0									
Advanced Economies															
USA	2.2	2.4	2.0	2.7	2.7	2.4	4.3	4.5	4.3	-3.7	-3.0	-3.1	-5.9	-6.3	-6.5
Eurozone	1.4	1.2	1.4	2.1	1.8	2.0	6.3	6.3	6.2	2.2	2.1	2.0	-3.2	-3.4	-3.4
Germany	0.2	1.0	1.5	2.3	2.0	2.1	6.3	6.2	6.0	4.6	4.6	4.3	-2.6	-3.5	-3.7
France	0.8	1.0	1.1	0.9	1.3	1.7	7.6	7.7	7.6	-0.5	-0.1	-0.3	-5.4	-5.2	-5.0
Periphery															
Cyprus	3.6	3.5	3.5	0.8	1.6	2.1	4.4	4.2	4.1	-7.0	-6.5	-6.0	3.6	3.4	3.4
Italy	0.5	0.7	0.8	1.6	1.3	1.8	6.0	6.1	6.1	1.3	1.2	1.2	-3.0	-2.8	-2.8
Portugal	2.0	2.1	1.8	2.2	2.0	2.0	6.4	5.8	5.8	1.8	0.9	1.0	0.2	0.0	-0.2
Spain	2.9	2.2	1.9	2.7	2.1	2.0	10.5	10.0	9.7	2.3	2.5	2.3	-2.7	-2.6	-2.5
UK	1.5	1.0	1.4	3.4	2.4	2.1	4.8	5.1	5.0	-2.4	-2.5	-2.4	-4.5	-3.7	-3.2
Japan	1.2	0.8	0.9	3.2	1.9	2.0	2.5	2.5	2.4	6.4	4.5	4.4	-1.4	-3.0	-2.8
Emerging Economies															
BRIC															
Brazil	2.3	1.8	2.0	5.0	4.0	3.9	6.0	6.4	6.8	-3.3	-2.7	-2.7	-8.5	-8.2	-7.7
China	5.0	4.6	4.5	0.1	0.7	1.0	5.2	5.1	5.1	3.2	2.8	2.6	-5.8	-5.8	-6.7
India	7.3	6.5	6.7	2.1	3.9	4.0	4.9	4.9	4.9	-1.1	-1.2	-1.3	-4.4	-4.3	-4.2
Russia	0.8	1.0	1.3	8.7	5.5	4.5	2.3	2.8	3.0	1.5	1.4	1.6	-2.7	-2.2	-1.6
CESEE															
Bulgaria	3.5	3.4	3.2	3.5	2.9	2.7	3.6	3.5	3.5	-3.9	-3.0	-2.3	-3.2	-2.6	-2.9
Turkey	3.8	4.2	4.0	35.2	26.0	20.7	8.4	8.2	8.1	-1.4	-1.3	-1.4	-4.1	-3.8	-3.0

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

Eurobank Fixed Income Forecasts

	Current	March 2026	June 2026	September 2026	December 2026
USA					
Fed Funds Rate	3.5-3.75%	3.42-3.67%	3.2-3.45%	3.05-3.3%	3.01-3.26%
3m SOFR	3.66%	3.54%	3.32%	3.2%	3.16%
2yr Notes	3.54%	3.47%	3.39%	3.35%	3.32%
10yr Bonds	4.26%	4.15%	4.13%	4.11%	4.11%
Eurozone					
Refi Rate	2.15%	2.15%	2.15%	2.14%	2.14%
3m Euribor	2.04%	2.03%	2.02%	2.03%	2.07%
2yr Bunds	2.09%	2.07%	2.11%	2.15%	2.19%
10yr Bunds	2.86%	2.83%	2.89%	2.97%	3.03%
UK					
Repo Rate	3.75%	3.59%	3.4%	3.31%	3.27%
3m Sonia	3.7%	3.56%	3.4%	3.32%	3.3%
10-yr Gilt	4.56%	4.46%	4.42%	4.37%	4.36%
Switzerland					
3m Saron	-0.06%	-0.03%	-0.03%	-0.03%	-0.03%
10yr Bond	0.25%	0.30%	0.37%	0.41%	0.44%

Source: Bloomberg (market implied forecasts)

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