Macro Outlook

GOING BY THE LEOPARD BOOK

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Consistent with our "Leopard" narrative, US growth has proved resilient but not overheated thus far, running modestly above its potential rate. Looking ahead to 2027, we expect the broad contours of our macroeconomic baseline to remain largely unchanged. Accordingly, the outlook for inflation remains open to the disinflation process.

The recent energy shock has inflicted less damage to the EA economy than initially feared. Provided that Middle East tensions have reached their peak and that energy prices are retracing, - albeit with some lingering volatility, from the peaks of March and April, we expect the EA economy to remain resilient throughout 2027, maintaining a growth path consistent with the 2026 trend. The outlook for inflation remains benign. The latest inflation prints have shown that evidence of indirect and second-round effects from higher oil prices has been virtually absent. We believe the inflation trend will remain tilted toward moderation, albeit at a slightly slower pace than our pre-summer expectations.

Recent activity data suggest that China's domestic economy continues to struggle for traction. With policy support gradually gaining traction across both the consumption and infrastructure investment fronts, we expect growth to improve modestly in 2027. Our baseline for inflation in 2026 remains unchanged. We continue to expect headline inflation at 1.0% (annual average). For 2027, considering the mild uptick in our growth baseline, we expect headline inflation to tick up to 1.2%.

We continue to expect the Fed to remain on hold for the rest of the year, but Chair Warsh speech at Jackson Hole has led to an increased probability of a hike in September. In 2027, the Fed could adopt an easing bias, considering that we expect economic growth to remain close to potential while inflation will have already reached target and will remain around 2% throughout 2027. That said, the Fed's stance in 2027 will ultimately depend on how the monetary-policy framework under Chair Warsh evolves and at which level FOMC members see the neutral rate.

Probabilities are increasing that the ECB will deliver an additional rate hike in September. At the same time, we maintain our view that the ECB will not be able to deliver the full amount of tightening currently priced by markets (a bit more than 2 hikes) between now and the end of H1 next year. Unless growth proves more resilient than expected amid the likely re-emergence of downside pressures associated with renewed instability in the Middle East, we believe that the conditions that could justify a third rate hike—namely elevated oil prices, in the absence of significant direct, indirect, or second-round effects on inflation—would represent a substantial drag on growth. This would make it difficult for the ECB to justify further tightening beyond a potential September hike. In 2027, we expect one/two rate cuts by the ECB, possibly in H2 2027 (vs. Q4 2026 before).

The PBoC's latest Quarterly Monetary Policy Report, released on 12 August, reinforced the central bank's dovish policy stance but stopped short of signaling any imminent broad-based monetary easing measures. Accordingly, we change our PBoC call, and we now expect no policy rate or RRR cuts in 2026 (compared with a 10bp policy-rate cut in Q3 in prior baseline), with near-term policy support more likely to come through faster fiscal-policy execution. Broad-based monetary easing is more likely to come later (in 2027), if growth weakens further or fiscal support proves insufficient.

GROWTH & INFLATION

US – Cruising altitude

Consistent with our "Leopard" narrative, US growth has proved resilient but not overheated thus far, running modestly above its potential rate. Looking ahead to 2027, we expect the broad contours of our macroeconomic baseline to remain largely unchanged. We forecast growth momentum to remain healthy, albeit shifting from the upper to the lower-end of the growth potential spectrum. Domestic demand continues to be the main growth engine, with AI-related investments consolidating its leadership over private consumption. Overall, we forecast annual GDP growth of 1.9% in 2027 from 2.1% expected in 2026. Accordingly, the outlook for inflation remains open to the disinflation process. Overall, we expect core CPI for 2027 to slow to 1.9% (annual average) from 2.5% currently expected for 2026. For core PCE, we expect 2027 (annual average) to come in at 2.2% from 2.7% currently expected in 2026.

Same story. The BEA's advance estimate placed Q2 real GDP growth at 1.5% q/q SAAR, following a 2.1% gain in Q1. However, as has occurred on several occasions, net trade and inventories weighed on the headline figure by 1.0pp and 0.7pp, respectively. The measure of private domestic final purchases, on the other hand, showed an increase to +3.9% q/q SAAR, re-accelerating following a lacklustre Q1 (1.7%), reflecting a strong upswing in consumer spending, which more than offset some moderation in business fixed investment following a very strong Q1.

While consumer spending posted a strong gain in Q2 (+3.2% q/q SAAR), we view this largely as a rebound following two quarters of subdued growth, especially in goods consumption, which rose by +5.2% q/q SAAR after expanding by just 0.5% in Q1-26 and 0.3% in Q4-25. By contrast, services spending (+2.2% q/q SAAR) remains on a trajectory consistent with trend-like economic growth. This dynamic was confirmed by retail sales data for July.

Indeed, in our view, the drop in retail sales in July was primarily a matter of a pullback in certain categories of goods spending that had been particularly strong in Q2, including a notable decline in non-store retailers (i.e., online spending) following the strong boost in June from Amazon Prime Day. However, sales at restaurants — a key indicator of discretionary services spending — held up in July. Overall, the July retail sales print removes some of the recent strength in goods, but overall consumption has still been resilient in the face of high prices.

No overheating. Overall, the incoming data on the labour market suggest that the economy is not overheating. Here are our two key takeaways from the weaker than expected July employment report: 1) the labour market does not need much stronger job growth to prevent slack from accumulating; 2) the labour market is not fuelling wage or inflation pressures. In the meanwhile, JOLTS data continue to confirm a "low-fire-low-hire" labour market, that will likely continue to ease wage-driven inflationary pressures.

2026, slightly above potential. Our 2026 baseline remains unchanged. We continue to see real GDP growth running moderately above potential (2.2% q/q SAAR on average for H2-26), underpinned by consumer spending that remains broadly aligned with trend and by fixed investment, which continues to be the primary driver of growth amid a robust AI-CAPEX cycle, as companies press ahead with the infrastructure buildout.

Looking ahead: 2027, slightly below potential. In a nutshell: consistent with our “Leopard” narrative, GDP growth proved resilient but not overheated in 2026, running modestly above its potential rate. Looking ahead to 2027, we expect the broad contours of the macroeconomic backdrop to remain largely unchanged, although growth is likely to shift from the upper end of potential to the lower end of the range.

In our view, private consumption will remain resilient and broadly aligned with trend, while AI-related investment should continue to provide a meaningful boost to activity. However, support from non-AI capex is likely to fade as the investment incentives embedded in the One Big Beautiful Bill Act (OBBBA) gradually lose traction.

For residential investments we expect a moderate recovery. Meanwhile, imports should remain relatively strong, reflecting the foreign content of the ongoing AI investment cycle, whereas export growth is likely to stay positive but relatively subdued. Finally, the fiscal tailwinds that supported growth in 2026 are expected to dissipate. With the boost from the OBBBA largely fading by year-end, fiscal policy is set to transition from a source of support to a modest headwind in 2027. Overall, these forces point to an economy that continues to expand at a steady pace, albeit somewhat below the growth rates recorded in 2026.
Overall, we forecast annual GDP growth at 1.9% in 2027 from 2.1 expected in 2026.

Private consumption to stay resilient on a trend-like path. We believe the US consumer remains well positioned to sustain a resilient, yet not overheated, pace of spending, broadly in line with its long-term trend. Accordingly, we forecast real PCE growth to average 2.0% q/q SAAR in 2027. In short, the outlook for consumer spending is likely to be characterized by less support from income growth than in recent years, offset by still-strong household balance sheets. At the same time, the wealth effect should continue to provide a positive contribution to spending growth in 2027, driven primarily by further gains in equity markets.

More specifically:

- **Income growth returns to normal**. Real disposable personal income (DPI), defined as real personal income net of taxes and the main driver of real consumer spending growth, has now normalized following the exceptionally strong performance recorded in 2023, 2024, and 2025, which underpinned outsized gains in consumer spending. In practice, real DPI declined by 0.1% y/y in Q2-26, reflecting a combination of higher energy prices, tariff pass-through, and slower wage growth, which more than offset the reduction in the effective tax rate brought about by the OBBBA. While part of this weakness reflected temporary factors, notably policy-related distortions associated with changes in farm proprietors' income and a negative base effect stemming from a one-off Social Security payment in 2025, we believe the underlying pace of real disposable income growth has now returned to more sustainable levels. As these temporary distortions fade, year-over-year real income growth should improve modestly. Nevertheless, higher energy prices are expected to continue weighing on household purchasing power, leaving real income growth at a relatively subdued 0.9% in 2026 on a Q4/Q4 basis and 1.1% in 2027. This drag is likely to be particularly pronounced for lower-income households, which allocate a larger share of their budgets to food and energy expenditures.
- **Strong balance sheets keep the consumer afloat.** At the same time, household balance sheets remain exceptionally strong. The ratio of household net worth to disposable personal income remains close to historical highs, with household net worth standing at roughly 800% of disposable income, one of the highest readings on record outside the post-pandemic peak. Moreover, we expect the wealth effect to remain a positive driver of PCE growth in 2027. In our view, this support will continue to stem predominantly from equity gains, supported by the ongoing outperformance of AI-related providers. That said, because wealth effects are

increasingly concentrated in the equity space, the resulting boost to consumption is likely to accrue disproportionately to higher-income households, where equity ownership is most concentrated. As a result, the composition of spending growth may remain skewed toward upper-income consumers, even as aggregate consumption remains resilient.

Taken together, these forces suggest that the dynamics of private consumption in 2027 should look remarkably similar to those observed in 2026. Income growth is no longer providing the exceptional tailwind seen in recent years, but solid household balance sheets and continued positive wealth effects should help offset this moderation. As a result, we expect consumer spending to remain resilient and broadly in line with trend, rather than reaccelerating into an unsustainably strong expansion.

AI still fuels investment, but less support from non-AI CAPEX. Non-residential fixed investments were largely boosted by AI CAPEX in H1-26. We estimate that AI CAPEX in H1-26 contributed 1.8pp to real GDP growth (vs 1.5pp in 2025). We expect AI CAPEX to continue to perform well in the coming quarters, in line with the robust CAPEX guidance from hyperscalers. However, in H1-26, the boost to non-residential fixed investments did not come solely from AI. According to our calculations, non-AI CAPEX was not negligible: indeed, non-AI CAPEX in H1-26 contributed 0.8pp to real GDP growth (vs -0.2pp in 2025). We expect momentum in non-AI CAPEX to remain upbeat through H2-26, as the investment incentives embedded in the One Big Beautiful Bill Act (OBBBA) are increasingly feeding through to the data. By lowering the cost of capital and improving after-tax returns on investment, the legislation has provided a meaningful boost to business spending. Indeed, CAPEX growth in the investment categories most exposed to the new tax incentives accelerated significantly in H1-26. In this regard, our estimates suggest that the positive impulse from the OBBBA to CAPEX growth peaked in Q2-26 but should remain broadly supportive throughout the second half of the year. Overall, we estimate that the bill's provisions will add roughly 3pp to CAPEX growth in 2026, with the strongest impact occurring around mid-year. Looking ahead, however, this tailwind is unlikely to persist. As the initial boost from the tax incentives fades and base effects become less favourable, we expect the OBBBA-related contribution to CAPEX growth to turn negative in 2027. In other words, while fiscal incentives should continue to support investment activity in the near term, their growth-enhancing effect is likely to be largely exhausted by next year.

Against this backdrop, we expect fixed investments at 5.0% q/q SAAR on average in 2027, mainly driven by equipment investments and intellectual property products, and to a lesser extent, by structures investments.

Residential investments, stabilizing but subdued. Residential investment faltered in the first half of the year on the back of particularly poor weather and a sharp rebound in mortgage rates: after declining 8% q/q SAAR in Q1, residential fixed investment upticked very marginally at 1.5% q/q SAAR in Q2. The outlook for the economy's most interest rate sensitive sector is largely a function of the outlook for mortgage rates. Indeed, mortgage rates rebounded in March in response to the Iran War, higher oil prices, and the prospect of Fed hikes. The market expects mortgage rates to remain elevated for the foreseeable future, remaining around current levels (6.4%) through yearend before moderating slightly next year (6.3%). Sustained higher mortgage rates will continue to have their most pronounced impact on housing turnover. Almost 80% of mortgage borrowers have interest rates below current market rates, and almost 60% have rates 2pp below market rates, strongly disincentivizing them from moving. As a result, we expect existing home sales (i.e. housing supply) in H2-26 to gain only 3% above the pace of H1-26 (but still 22% below

2019). For 2027, we expect a further marginal increase from 2026 levels. Meanwhile, we expect housing demand to remain tepid: on the positive side, domestic demographic trends remain supportive, and survey-based measures of purchase intentions have improved. But on the negative side, reduced immigration will continue to weigh on household formation, and income growth is running well below the levels of the last two years.

Against this backdrop, we expect residential investment to remain weak in H2-26 (-0.2% q/q SAAR on average), due to supply constraints primarily linked to the mortgage market, which will remain tight. For 2027, we expect a moderate and gradual recovery in residential investment momentum (2.0% q/q SAAR on average).

AI fuels imports, exports lag behind. Our net trade outlook for 2027 incorporates the assumption that imports will remain relatively strong throughout the year, supported by the ongoing AI CAPEX cycle. Indeed, a significant share of AI-related equipment is sourced from abroad, meaning that part of the investment boost is likely to be offset by higher imports. By contrast, our baseline for exports remains one of positive but relatively tepid momentum. While exports of technology-related services should continue to benefit from the strength of the US innovation sector, reported exports of tech services in GDP accounts have so far remained surprisingly weak. This suggests that sales of intellectual property and related services, particularly chip design and other AI-related intangible assets provided to foreign manufacturers, may not be fully captured in the national accounts and, therefore, in GDP statistics.

Fiscal tailwinds fade, headwinds emerge. The fiscal boost from the tax cuts and spending measures introduced under last year's One Big Beautiful Bill Act (OBBBA) is set to largely run its course by the end of 2026. Fiscal impulse to GDP growth remained strongly positive throughout 2026, peaking in Q2-26, when it contributed roughly 0.8pp to GDP growth. We expect this fiscal support to remain positive in Q3-26 before fading to broadly neutral territory in Q4-26. However, the picture changes materially in 2027. As the effects of the OBBBA gradually dissipate and the expiration of key provisions from the Tax Cuts and Jobs Act (TCJA) begins to weigh on activity, the fiscal impulse is expected to turn negative. Our estimates suggest that the fiscal drag will be most pronounced in Q2-27, when it could subtract around 0.4pp from GDP growth. As a result, fiscal policy is likely to shift from being an important support for economic activity in 2026 to a modest headwind in 2027.

The outlook for inflation remains open to the disinflation process. After an unexpected drop in June (0.0% m/m), core CPI inflation in July printed at 0.2% m/m, decelerating by 0.1pp from the previous 3m average (excluding the unusual drop in June). Below the surface, core goods CPI increased at 0.2% m/m after three very weak months (0.0% in the prior 3m avg). Here, inflation for the auto sector surprised on the high side. Core shelter inflation (OER+RPR) up ticked after a notable drop in June to 0.25% m/m. However, the July print was in line with the pre-COVID average for this component, consistent with a core shelter outlook that remains in line with what the leading indicators predicted. Outside core shelter inflation, several items that saw earlier gains due to increased tourism around the FIFA World Cup dragged, with lodging deflating again at -2.8% (from -2.3% prior), and car and truck rental dropping 3% (from +5.1% prior). Admissions to sporting events fell 2% (from +3.3% prior), and overall recreation services were flat (from 0.3% prior). This is consistent with there being no overheating signal in the economy. Moreover, motor vehicle insurance remained in deflationary territory at -0.3% (from -2.0% prior). Prices in this category have fallen in six out of seven months this year. Supercore CPI (core services ex shelter) rose to 0.2% m/m from a very unusual -0.1% print in June. However, we note that excluding the June print, supercore CPI in July printed below its previous 3m average (0.3%).

Overall, our core CPI baseline remains unchanged. We continue to expect core CPI in Q3-26 at 2.5% y/y and 2.2% in Q4-26.

Further disinflation in 2027.

The inflationary impulse from AI is fading. Spot prices for equipment related to the AI CAPEX cycle rose sharply in H1-26, as companies sought to buy chips to equip data centers. Indeed, prices for some types of memory rose 10-15x in a few months between Q4-25 and Q1-26. More recently, spot memory prices have remained very high relative to pre-Q4-25 levels. However, we note that the pace of increases has slowed significantly. Contract prices faced by electronics manufacturers can lag spot prices by a few months, but the pace of increases has slowed for those, too. Higher memory prices have pushed up computer software and accessories inflation (both in CPI and PCE terms, although the effect was amplified in PCE due to a higher weighting). We built a proxy for computer software and accessories inflation using high-frequency memory prices along with data from memory manufacturers, and we expect that software and accessories inflation will slow from about 4-5% m/m in recent months to about 0.6% by year-end and 0.3% in 2027 (on average), reflecting the recent slowdown in memory price inflation. In July, the three-month average of the m/m % change for computer software and accessories prices decreased to 0.9% from the peak of 5.2% in April, suggesting that some of this slowdown is already underway.

Beyond AI inflation, we continue to see a relatively benign outlook for core inflation.

- We expect core shelter inflation to slow slightly below its pre-COVID pace, reflecting continued softness in new-lease rent growth. Momentum in shelter inflation has been volatile recently, spiking in April as the negative bias from last year's government shutdown unwound and then normalising to 0.3% m/m (on average) over the next three months (including July). Going forward, we continue to expect core shelter inflation to slow and to settle at a pace roughly 1-1½pp below the pre-COVID pace.
- We also expect slower wage growth to put downward pressure on supercore inflation. While we still expect some noise for notoriously volatile supercore components such as airfares – which are largely driven by oil price changes – we believe the disinflation process on supercore inflation has room to continue. Wage growth has continued to slow this year: the ECI measure (wages & salaries) decreased to 3.2% y/y in Q2-26 from 3.5% in 2025, while the AHEs measure decreased to 3.1% y/y in July from 3.4% in Q2-26 and 3.6% in Q1-26, and finally the measure of wage growth for job switchers from the Atlanta Fed tracker is remaining virtually unchanged. With wage growth slowing significantly in 2026, we expect wage-sensitive services inflation to follow suit over the next several months.

Overall, we expect core CPI for 2027 to slow at 1.9% (annual average) from 2.5% currently expected for 2026. For core PCE, we expect 2027 (annual average) to come in at 2.2% from 2.7% currently expected in 2026.

Risk outlook. We see risks to our forecast skewed to the upside, particularly if the situation in the Middle East deteriorates or if higher inflation expectations cause businesses to raise prices beyond the increase in their input costs. Inflation could prove lower than we expect if shelter inflation slows more quickly than we assume, if oil prices fall below our current market pricing, or if the AI-related memory crunch resolves faster than we anticipate.

ANIMA baseline. Our baseline for Q3 and Q4-26 real GDP growth remains unchanged at 2.2% q/q SAAR. For 2027, we forecast annual GDP growth at 1.9% in 2027 from 2.1% expected in 2026.

On inflation, our core CPI baseline remains unchanged. We continue to expect core CPI in Q3-26 at 2.5% y/y and 2.2% in Q4-26. We continue to expect core PCE (annual average) at 2.7% (2.1% q4/q4). For 2027, we expect core CPI to slow to 1.9% (annual average) from 2.5% currently expected for 2026. For core PCE, we expect 2027 (annual average) to come in at 2.2% from 2.7% currently expected in 2026.

EA – And yet it moves

The recent energy shock has inflicted less damage to the EA economy than initially feared. Provided that Middle East tensions have reached their peak and that energy prices are retracing, - albeit with some lingering volatility, from the peaks of March and April, we expect the EA economy to remain resilient throughout 2027, maintaining a growth path consistent with the 2026 trend. Nevertheless, the structural headwinds still facing European economies are likely to limit any significant acceleration in growth momentum from current levels, keeping, at bay, overheating risks. Against this backdrop, we forecast real GDP growth to average 0.3% q/q in H1-27 and 0.4% q/q in H2-27, continuing the trend of resilience shown so far, but without gaining further momentum.

The outlook for inflation remains benign. The latest inflation prints have shown that evidence of indirect and second-round effects from higher oil prices has been virtually absent. We believe the inflation trend will remain tilted toward moderation, albeit at a slightly slower pace than our pre-summer expectations.

Surprisingly resilient. Despite the conflict in Iran and the rise in energy prices, the flash print for Q2 came in at 0.4% q/q, above trend and +0.1pp compared to our baseline forecast. As per our expectation, part of the gain was driven by a partial payback from Ireland. Indeed, Irish growth reported a +3.9% q/q rebound, following two consecutive quarters of contraction and made a positive contribution of +0.15pp to area-wide GDP growth. However, excluding Ireland, EA growth still came in at 0.3% q/q, slightly above the average quarterly pace recorded since early 2024. Consequently, the recent energy shock has done less damage to the EA economy than initially feared.

Domestic demand, though soft, has kept things afloat. A detailed expenditure breakdown is not yet available. However, based on country-level details available so far, real domestic demand growth improved a bit in France after a very weak Q1 (according to INSEE, domestic demand contributed 0.1pp to growth after subtracting 0.2pp in Q1-26) and remained strong in Spain. The limited commentary available points to unchanged domestic demand growth in Italy but soft underlying momentum in Germany.

The stronger-than-anticipated Q2 GDP outturn improves the growth carryover for the remainder of the year, prompting a mild upward revision to our annual forecast: we now project GDP growth of 0.9% in 2026, compared with 0.8% previously. In quarterly terms, we are leaving our forecasts for Q3 and Q4-26 unchanged, at 0.3% q/q. For completeness, while the Q2 upside surprise would mechanically lift our Q3 growth forecast by around 0.1pp, we see this effect as being fully offset by the economic disruption caused by the drought, heatwaves, low water levels, and wildfires experienced during July and August. As a result, our baseline quarterly growth profile remains unchanged.

Growth finds its footing, but not top gear. Provided that Middle East tensions have passed their peak and that energy prices are retracing, albeit with some lingering volatility, from the peaks of March and April, we expect the EA economy to remain resilient throughout 2027, maintaining a growth path consistent with the 2026 trend. Nevertheless, the structural headwinds still facing European economies are likely to limit any significant acceleration in growth momentum from current levels. Against this backdrop, we forecast real GDP growth to average 0.3% q/q in H1-27 and 0.4% q/q in H2-27, continuing the trend of resilience shown so far, but without gaining further momentum.

In our view, there are five resilience factors that will help the EA economy navigate 2027 with moderately positive momentum:

1) **Less energy dependent**. This dynamic of unexpectedly strong strength economic activity relative to the rise in energy prices observed in Q2-26 could be attributed primarily to the fact that the EA economy's energy dependence has declined. Indeed, the EU remains a big net importer of energy, with 57% of its energy imported. But the share of renewables in energy consumption — especially electricity — has risen sharply in recent years. The expansion of domestic wind, solar, and nuclear power has significantly decoupled the electricity market from global oil and gas price volatility. Moreover, the energy intensity of Euro area GDP has fallen notably through efficiency gains, behavioural changes, and fuel-switching.

2) **Real household income growth remains robust**. Labour markets have remained resilient despite sub-potential growth, with the unemployment rate at an all-time low. While employment growth has slowed, nominal wage gains continue to support growth in real incomes. Combined with an elevated household savings rate, this provides a supportive backdrop for household finances. Indeed, while two sizeable declines in H2-25 brought the saving rate to its lowest level since mid-2023, it still stands 1.8pp above its pre-COVID average. Consequently, this combination of elements should partly cushion the hit to private consumption from the imbalances brought on by the Middle-East conflict. As a result, we expect private consumption to maintain a modest but still positive growth trajectory, with little evidence of a delayed drag from higher energy prices.

3) **Fiscal policy supports growth**. Governments have (so far) provided only limited energy support measures, and much less than during 2022-23. But underlying fiscal policy has turned more growth-friendly, driven by highly expansionary fiscal policy in Germany and rising defence spending across Europe. As a result, we see a broadly neutral area-wide fiscal impulse this year compared with a drag of more than 1/2pp last year, while for 2027 we expect a mildly positive area-wide fiscal impulse. The net result of this is that we expect public investment to continue to contribute positively to GDP growth. Given that the uptick in the 2027 fiscal impulse will be mainly due to defence spending, we believe it is not a fiscal push that could generate inflationary pressures.

4) **Financial conditions remain broadly growth-supportive**. Our Macro-FCI (built by replicating the same methodology as the ECB) tightened at the onset of the war but has now almost eased back to pre-conflict levels, as higher equity prices and a weaker Euro have offset higher interest rates. We estimate that broad financial conditions — including also bank lending conditions and the ECB's policy stance — point to a (mildly) positive impulse to growth.

5) **A modest AI cycle is on its way**. We see a gradual shift in the structure of capex investments in the EA towards immaterial assets (software, chips, etc), for which spending is less volatile than that on machinery or construction. We think this is an illustration that, also in Europe, the AI push may lift the outlook for investments and could render investments less reactive to the usual headwinds than in previous cycles. As is well known, due to the poverty of data in the EA, we cannot really build a precise aggregate of "digital" or "AI-related" investment in the quarterly GDP data (in GDP terms, the EA digital investment series is available only in annual terms). Consequently, in line with the ECB's approach, we built a rough proxy from the supply-side of the economy. We aggregate monthly activity data for three services subsectors linked to

the digital transformation of the economy: publishing (which includes software publishing), computer programming & consultancy, and information services. This data replicates relatively well the trend and growth rate of EA digital investment. These data suggest digital investment has likely accelerated a touch in 2025-26.
According to equity-sell-side estimates, European data-centre capacity expansion is expected at approximately €45 billion in 2026, rising to €65 billion in 2027 — a significant ramp, though substantially below US levels. Hence, we assume that the contribution of AI investments to GDP growth has room to grow. In this regard, concrete commitments are already materializing. For instance, in France, AI projects estimated at €120 billion are expected to begin deployment in late 2026, spread over three years and peaking in 2028. Consequently, the GDP contribution from AI investment in Europe is real, albeit modest relative to the US. In our projections, AI-related investment is estimated to add approximately 0.2pp to EA GDP in 2027, compared to 0.5pp in 2027 for the US.

However, structural issues that continue to plague the EA economy will make it difficult to see accelerating growth momentum from current levels.

First of all, we believe that the external sector will continue to act as a drag. Euro area trade continued to move at a slow pace in historical terms. On a year-on-year basis, exports have been growing around 2-2.5% since mid-2024, vs more than 4% historically. We also note that detailed data show a shift in the destination of EA trade in goods: exports towards geographically close partners, in particular the rest of the EU, have been growing while exports to China and the US have been declining in 2025. Indeed, with their subdued trend since 2024, euro area exports of goods have failed to keep up with the solid rebound in world trade of the past two years. In other words, Europe has lost significant export market share, a notable change of direction compared to the period before 2023.
We thus think the softness of EA trade will remain a structural factor of weakness, reflecting challenging developments in EA competitiveness on the back of higher domestic energy prices since 2022 and intensifying competition from China.

Germany's heavyweight stays afloat, but structural problems limit the cyclical upturn. We estimate German GDP is currently about 1% below its potential level if resources were fully utilised, largely because of weaker productivity and higher unemployment. The negative output gap points to some cyclical upside as demand recovers and spare capacity is absorbed. Even so, the gap remains modest despite the economy's weak performance in recent years, reflecting persistent structural constraints and slower potential growth, due to demographic ageing that is constraining labour supply, the competition from China, which is especially hurting the auto industry, and higher energy prices, well above those of competitors.

The outlook for inflation remains benign. The latest inflation prints have shown that evidence of indirect and second-round effects from higher oil prices has been virtually absent. We believe the inflation trend will remain tilted toward moderation, albeit at a slightly slower pace than our pre-summer expectations.

Food inflation: under control. Food inflation (FAT) has been declining for 6 months, reaching 1.2% y/y in July from 2.6% in January. This encompasses a decline in both unprocessed food inflation and processed food inflation. Overall, the indirect effects of the recent energy price shock on food inflation appear to be limited thus far. But given current adverse weather conditions (heatwaves) and the likely arrival of El Nino, we built a more detailed forecasting framework for this component.

Motivated by the ECB evidence that global commodity prices can help explain EA food inflation, including both energy-related spillovers and more idiosyncratic food-input shocks, we construct a set of market-based food commodity indicators: we select 17 agricultural commodities and combine realized spot-price data with available forward curves. We then test whether these commodity indicators contain useful forecasting information for FAT inflation: most individual commodity series improve on a simple AR benchmark when forecasting 12-month-ahead sequential FAT inflation, as indicated by lower RMSEs. To summarise this information in a single indicator, we combine the individual commodity indices using backward-looking weights based on their recent forecasting performance. The resulting summary measure is designed to act as a leading signal for FAT inflation, with an approximate 12-month lead. At the current juncture, it points to some further moderation in the near term, followed by a gradual recovery from early 2027 (in response to the lag effect, probably related to the current heatwaves, and a partial effect related to El Nino) and a convergence toward more normal historical levels. The result is quite in line with our previous baseline assumption for food HICP.

Core goods inflation: remains normalized. So far, evidence of a broadening of price pressures in core goods has remained limited, as reflected in developments in our energy-sensitive core inflation basket. Indeed, core goods inflation remained largely in line with its pre-COVID average during the first half of 2026. Under the hood, we see offsetting forces: inflation for semi-durables (36% of NEIG) and non-durables (0.26% of NEIG) continues to move in line with pre-COVID norms, while in the durables category (38% of NEIG), the main category that is seeing some upward momentum is related to information and communication equipment (0.05% of NEIG and 0.1% of durables) — notably mobile phones, as well as computers, laptops, and tablets. We believe this is an idiosyncratic increase limited to this category, consistent with the impact of the AI cycle. Going forward, we expect core goods inflation to remain roughly normalized at current levels until H1-27, while for H2-27 we expect a moderate decrease as the pressures coming from the items linked to the AI cycle are absorbed.

Core services inflation: moving sideways for now and then down in 2027. Even in core services, indirect and second-round effects have been absent so far. We previously expected that the main impact of higher jet fuel prices on air fares could come during the summer travel season, in July or August. The softening in July could signal that this is still ahead or potentially, that we do not see a strong pass-through. For now, we side with the latter and expect services inflation to remain broadly unchanged next month, assuming non-tourism related services inflation also continues to move broadly sideways. At the same time, the lack of disinflation in the broader services basket suggests that there is limited room to move down over the next months, compared to our pre-summer baseline. We now assess the disinflation process as likely to be slower than previously envisaged. While we continue to see no evidence of renewed upward pressure on services inflation, we now expect it to remain stickier in the near term, averaging 3.3% in Q3 2026, up from 3.1% in our prior baseline, before moderating to 3.2% in Q4 2026, compared with 3.0% previously. Beyond this near-term persistence, we believe services inflation should resume its gradual downward trajectory in 2027, easing to 2.8% in H1-27 and further to 2.6% in H2-27.

Wages don't wiggle. Overall, the key reason why we continue to expect a gradual moderation in services inflation, rather than renewed upward pressures, is that wage growth is still set to decelerate.

Wages are a key "second-round" channel that could turn a temporary energy shock into a more persistent inflation problem. After the 2022 energy crisis, for instance, workers recouped their purchasing power by bargaining for higher pay, which led firms in wage-sensitive sectors to raise prices in response. But we believe this will not be the case, as this time the script is different.

- First, workers entered the conflict with a purchasing power "cushion". More precisely, real wages were running slightly ahead of labour productivity — a gap that should narrow over time. This means that, as energy prices erode purchasing power, firms have room to resist nominal wage increases without pushing real wages below productivity.

- Second, labour markets now look somewhat looser than during the 2022 energy shock. In particular, the job vacancy rate and estimates of the job-finding rate have fallen back to pre-COVID levels. This is likely to reduce the ability of workers to bargain for higher wages. Moreover, we expect the Q2-26 increase in energy prices to be a headwind to labour markets, in contrast to the post-COVID labour shortages that prevailed at the onset of the 2022 energy crisis.

As a result, we continue to forecast year-over-year compensation-per-employee (the broadest measure of wage growth in the Euro area, and the one projected by the ECB staff) to slow over the coming quarters, reaching the 2.5-3% target-consistent range at the start of 2027.

Against this backdrop, our annual average forecast for core inflation in 2026 stands now at 2.3% vs 2.2% in our prior baseline. For 2027, we expect core inflation to moderate at 2.1% (annual average).

ANIMA baseline. On growth, we are leaving our forecasts for Q3 and Q4-26 unchanged, at 0.3% q/q. For 2027, we forecast real GDP growth to average 0.3% q/q in H1-27 and 0.4% q/q in H2-27, continuing the trend of resilience shown so far, but without gaining further momentum.

On inflation, we now expect core inflation at 2.4% in Q3-26 (vs 2.2% in our prior baseline), and 2.2% in Q4-26 (vs 2.0% in our prior baseline). Our annual average forecast for 2026 stands now at 2.3% vs 2.2% in our prior baseline. For 2027, we expect core inflation to moderate to 2.1% (annual average).

CHINA – JapanificatiON

Recent activity data suggest that China's domestic economy continues to struggle for traction, with little evidence so far of a meaningful turnaround in underlying demand. We now expect 2026 annual average growth at 4.6% (from 4.8% previously).
With policy support gradually gaining traction across both the consumption and infrastructure investment fronts, we expect growth to improve modestly in 2027. While we do not anticipate a sharp reacceleration in activity, the policy backdrop should support a tepid recovery in domestic activity. Against this backdrop, we forecast GDP growth of 4.8% in 2027.

Our baseline for inflation in 2026 remains unchanged. We continue to expect headline inflation at 1.0% (annual average). For 2027, considering the mild uptick in our growth baseline, we expect headline inflation to tick up to 1.2%.

Recovery still not in sight. Recent activity data suggest that China's domestic economy continues to struggle for traction, with little evidence so far of a meaningful turnaround in underlying demand.

July indicators were generally soft. Retail sales growth eased to 0.6% y/y, down from 1.0% in June, highlighting the ongoing fragility of household spending amid a weakening labour market. Investment activity remained under pressure as well, with year-to-date fixed asset investment declining 6.7% y/y, compared with a 5.7% contraction recorded in the first half of the year. The deterioration was broad-based, affecting infrastructure, manufacturing, and real estate investment alike. Meanwhile, industrial production growth moderated to 4.5% y/y from 5.3% previously. Although exports continue to provide an important cushion, external demand alone is proving insufficient to compensate for persistent weakness at home.

In our view, the outlook for China continues to hinge primarily on consumption and housing, which together account for roughly 70% of economic activity.

On the consumption side, labour market conditions remain the key determinant of household demand. While favourable base effects should offer some support in the second half of the year, we still anticipate a pronounced slowdown in retail spending growth, from 3.7% in 2025 to around 1.5% in 2026. Employment conditions remain challenging. The labour market has had to absorb a record 12.7 million university graduates this year, further intensifying competition for available jobs. At the same time, non-traditional forms of employment continue to gain importance. Estimates suggest that the number of workers employed outside standard full-time arrangements could rise to approximately 320 million in 2026, up from 280 million in 2025, representing close to 44% of total employment. While this flexibility has helped limit a sharper increase in unemployment, particularly in sectors affected by the downturn in technology, manufacturing, and property, it has also contributed to greater income uncertainty and weaker social protection. These factors are likely to continue weighing on consumer confidence and spending decisions.

The property sector remains another major source of concern. The renewed deterioration in investment, housing starts, and home prices reinforces our assessment that a durable bottom has yet to emerge. We expect property investment to decline by roughly 20% in 2026, following an average annual contraction of 12% between 2022 and 2024. Under this scenario, property investment would stand at less than half of its 2021 peak. Although the sector's direct share of GDP has fallen sharply over recent years, its broader influence on the economy remains significant. Weak housing activity continues to affect employment prospects, household wealth, and confidence, generating negative spillovers that extend well beyond the construction sector itself. As a result, the real estate downturn remains a key downside risk to both household consumption and overall growth.

Against this challenging backdrop, China's high-tech industries continue to stand out as a relative bright spot. Production in sectors such as industrial robotics, new-energy vehicles, and semiconductors maintained exceptionally strong momentum in July, with output expanding by 30%, 21%, and 31% y/y, respectively. These figures extend the strong performance already observed throughout 2025 and the first half of this year, underscoring the growing divergence between traditional sectors of the economy and the country's emerging technology industries.

We adjust our GDP baseline for 2026 to the downside. We now expect 2026 annual average growth at 4.6% (from 4.8% previously). However, the risks are skewed to the downside, should additional (quasi) fiscal support be delayed. Against a backdrop of a weakening labour market, a deeper housing-related negative wealth effect, and ongoing household deleveraging, we expect consumption to remain a key drag on growth in H2-26, alongside a roughly 20% y/y contraction in property investment.

A tepid uptick in 2027.

There is a desire to drive consumers outside. Beyond the near-term H2 outlook, China's State Council approved the "15th Five-Year Plan for Expanding Consumption" on July 13, reiterating that consumption is a medium-term policy priority amid softer retail sales momentum. The plan targets total retail sales of consumer goods of around RMB60tn by 2030, up from RMB50.1tn in 2025, implying a 3.7% annualized nominal growth rate during the 15th FYP period. This is modestly above the post-COVID trend-implied pace of 3.6% per year but still well below the pre-Covid trend. In our view, the medium-term consumption outlook will depend less on temporary goods subsidies and more on whether policymakers can generate a durable improvement in employment and income, household wealth, and consumer confidence.

Infrastructure support building, but the payoff is a 2027 story. Recent developments on the investment side suggest that policymakers are laying the foundations for a more forceful infrastructure investment cycle following the July Politburo meeting. Local government special-bond issuance accelerated in August, while provincial authorities have begun receiving implementation guidelines for the new CNY 800bn policy-based financing facility, allowing project approvals and fund deployment to move forward. Importantly, the new framework expands both the scale and scope of policy support. For the first time, eligible projects will benefit from interest subsidies, while investment eligibility has been broadened beyond traditional infrastructure to include private-sector and industrial projects, as well as digital infrastructure, AI, transportation, energy, consumer-related infrastructure, and urban utility networks. Taken together, these measures point to a renewed effort to convert policy easing into tangible investment activity.
That said, given the well-known lags with which policy stimulus tends to filter through to China's hard economic data, we believe the macroeconomic impact will materialize only gradually. As a result, while the policy setup is becoming increasingly supportive, we expect the bulk of the growth benefits to emerge in 2027 rather than in the remainder of 2026.

Against this backdrop, we expect annual GDP for 2027 at 4.8% from 4.6% currently expected in 2026.

Inflation still weak. July inflation data suggest that the boost from earlier increases in upstream and commodity prices may already be starting to fade. Producer price inflation moderated after several months of strengthening following the escalation of Middle East tensions earlier this year, while the contribution from energy to headline CPI declined notably as gasoline price inflation eased. At the same time, poor domestic demand is keeping core inflation pressures low. Food prices continued to contract across a broad range of categories, while core CPI slowed to 0.9% y/y, slipping below the 1% threshold for the first time since January. The softening was particularly evident in discretionary spending categories. Tourism-related inflation lost momentum, with price growth for travel agencies and related services slowing to 2.2% y/y, roughly half the pace recorded previously. This suggests that household demand for travel and leisure services remained subdued despite the start of the summer holiday season, reinforcing the broader picture of still-fragile domestic demand.

Our baseline for inflation in 2026 remains unchanged. We continue to expect headline inflation at 1.0% (annual average), softer than consensus expectations (1.2%). For 2027, considering the mild uptick in our growth baseline, we expect headline inflation to tick up to 1.2%.

ANIMA baseline. We now expect 2026 annual average growth at 4.6% (from 4.8% previously). For 2027, we expect annual GDP at 4.8%.

Our baseline for inflation in 2026 remains unchanged. We continue to expect headline inflation at 1.0% (annual average). For 2027, considering the mild uptick in our growth baseline, we expect headline inflation to tick up to 1.2%.

MONETARY POLICY

Fed – Between old and new

The US macro-outlook has been evolving in line with our baseline, but Chairman Warsh's Jackson Hole speech was undoubtedly more hawkish than we expected, increasing the probability of a September rate hike. However, we find that his remarks *were sufficiently conditional while several of the arguments underpinning his inflation concerns remain open to debate. More importantly, even if the FOMC were to deliver a 25bp rate hike in September, we would not view such a move as the beginning of a sustained tightening cycle. Rather, it would more likely represent an adjustment aimed at reinforcing the Fed's inflation-fighting credentials. Therefore, we maintain our view that no additional rate hikes will be necessary before December. While the risks surrounding our baseline have clearly increased following Warsh's remarks, they are not yet significant enough to convince us that any eventual policy tightening would evolve into a prolonged sequence of back-to-back rate increases. In 2027, the Fed could adopt an easing bias, considering that we expect economic growth to remain close to potential while inflation will have already reached target and will remain around 2% throughout 2027. That said, the Fed's stance in 2027 will ultimately depend on how the monetary-policy framework under Chair Warsh evolves and at which level FOMC members see the neutral rate.*

The Jackson surprise. Although the US macro-outlook has evolved broadly in line with our growth baseline, Chairman Warsh's surprisingly hawkish speech at Jackson Hole led us to conclude that a 25bp rate hike in September has become increasingly likely.

For the following reasons:

1) Warsh dismissed recent macroeconomic developments, including the last two benign inflation prints.

2) Warsh's preferred inflation metrics suggest that he believes the Fed is already behind the curve on inflation. About half of the items in the Fed's preferred inflation basket are rising faster than 3%, he said, which is well below post-pandemic highs but still above the roughly 30% share observed during the two decades before the pandemic.

3) The Chairman suggested that he would favour retiring one of the holy grails of monetary policy thinking. Wage growth, he said, "has not proven to be a reliable indicator of future inflation for a very long time." Had the same messages been delivered by his predecessor, Jerome Powell, we think the market would have priced in a September rate hike and a subsequent series of increases as being close to certain.

However, the situation is not that simple nowadays. Warsh's short track record and his well-known distaste for forward guidance leave room for doubt, in our view.

For several reasons:

1) To start with, Warsh said: "I stand here today committed to a discipline, not to a decision."

2) Dismissing macroeconomic developments and fundamentals is easier said than done. The FOMC that Governor Warsh chairs remain firmly anchored to a more traditional view of monetary policy. Much of the above-target inflation is being driven by supply-side factors that could fade even without restrictive monetary policy. This is a point that, in a way, Governor Warsh himself acknowledged in his speech when he argued that "the wiser course was to await new information," particularly given "possible developments in supply chains, investment flows, and geopolitics, before deciding whether a change in interest-rate policy was advisable."

3) One could argue that Governor Warsh wanted to close ranks within a divided FOMC. In the past, former Chair Powell used his Jackson Hole speeches to nudge a consensus-oriented committee towards a decision. However, the current dynamic is different because Powell's colleagues understood his reaction function, even when they disagreed with him. By contrast, Governor Warsh and his colleagues are still figuring each other out.

We think Warsh's harsh comments on the role of wages in determining long-term inflation will not be readily embraced by all FOMC members.

4) It is widely acknowledged, at least among more traditional economists, that one of the costs of waiting too long to tighten policy is allowing inflation expectations to become entrenched, requiring even more aggressive action later on. In our view, it is difficult to argue that inflation expectations have become de-anchored. Ironically, we think, Governor Warsh appears to share that assessment: "The good news is that measures of inflation expectations over the medium term, by and large, remain stable. Inflation compensation measures derived from the swaps market send a similarly reassuring message.". Therefore, we think that continuing to wait would still be the right course of action for the Fed.

5) We continue to believe that the US macro-outlook remains consistent with a gradual decline in inflation, albeit a slow one given the simultaneous impact of several supply-side shocks. Economic activity remains resilient, but we expect the quality of growth to deteriorate during the second half of the year. Aggregate domestic demand is likely to remain healthy; however, growth momentum will increasingly be driven by AI-related investment rather than by private consumption. As a result, inflationary pressures should continue to ease.

Bottom line. While Chairman Warsh's Jackson Hole speech was undoubtedly more hawkish than expected and has increased the probability of a September rate hike, we do not believe that the case for tightening is settled. His remarks were sufficiently conditional, while several of the arguments underpinning his inflation concerns remain open to debate. More importantly, even if the FOMC were to deliver a 25 bp rate hike in September, we would not view such a move as the beginning of a sustained tightening cycle. Rather, it would more likely represent an adjustment aimed at reinforcing the Fed's inflation-fighting credentials. Therefore, we maintain our view that no additional rate hikes will be necessary before December. While the risks surrounding our baseline have clearly increased following Warsh's remarks, they are not yet significant enough to convince us that any eventual policy tightening would evolve into a prolonged sequence of back-to-back rate increases.

The return of the easing bias in 2027? 2027 could see the return of an easing bias by the Fed, for the following reasons:

1) We expect the economy to grow near potential in 2027, although with a diminishing contribution coming from AI investment, a factor which will further weaken the chances of an overheating of the economy.
2) We expect inflation to reach target at the end of 2026 and hover around target in 2027.

That said, the Fed's stance in 2027 will ultimately depend on:

1) How the monetary policy framework under Chair Warsh will evolve.
2) Whether the FOMC members will agree on the implementation of changes proposed by Chair Warsh.
3) At which level FOMC members see the neutral rate. At 3.50-3.75% the Fed fund rates could no longer be considered in restrictive territory if FOMC members raise their view on the neutral rate due for instance to permanent gains in the productivity of the economy.

ECB – Last hike

Probabilities are increasing that the ECB will deliver an additional rate hike in September, given: 1) the protracted conflict in the Middle-East, 2) the recent balance of macroeconomic data, and 3) developments in gas prices. At the same time, we maintain our view that the ECB will not be able to deliver the full amount of tightening currently priced by markets (a bit more than 2 hikes) between now and the end of H1 next year. Unless growth proves more resilient than expected amid the likely re-emergence of downside pressures associated with renewed instability in the Middle East, we believe that the conditions that could justify a third rate hike—namely elevated oil prices, in the absence of significant direct, indirect, or second-round effects on inflation—would represent a substantial drag on growth. This would make it difficult for the ECB to justify further tightening beyond a potential September hike. In 2027, we expect one/two rate cuts by the ECB, possibly in H2 2027 (vs. Q4 2026 before).

A September rate hike is in the cards. While in July, President Lagarde did not openly commit to an additional rate hike in September, we think that the probability that it will be delivered is increasing, for the following reasons:

The conflict in Middle-East has resumed, with no clear end in sight, and the Strait of Hormuz remains closed.

The balance of macroeconomic data. Despite the conflict in Iran and the rise in energy prices, the flash print for Q2 came in at 0.4% q/q, above trend and +0.1pp compared to our baseline forecast. Moreover, with no evidence of indirect and second-round effects from high energy prices, we believe the inflation trend will remain tilted toward moderation, but at a slightly slower pace than our pre-summer expectations.

Gas prices are now trading above the levels included in the June adverse scenario. While EA energy dependence on gas has declined, the ECB remains extremely sensitive to this variable, as highlighted during the July meeting.

We maintain our view that the ECB will not be able to deliver the full amount of tightening currently priced by markets. Unless growth proves more resilient than expected amid renewed downside pressures linked to instability in the Middle East, we believe that the pre-conditions supporting a third-rate hike - namely elevated oil prices without meaningful direct, indirect, or second-round effects on inflation - would weigh too heavily on growth to justify further tightening beyond a potential September move.

In 2027, we expect one or two rate cuts by the ECB, possibly in H2 2027. While we expect EA growth to continue performing in line with this year, inflation should decline back to target in 2027, with services inflation expected to start again declining again in 2027. Against this backdrop, we expect the ECB to wait for evidence of declining services inflation and declining inflation expectations among consumers and firms before taking back part of or all of the “insurance” rate hikes delivered in 2026.

PBoC – Out of the spotlight

The PBoC's latest Quarterly Monetary Policy Report, released on 12 August, reinforced the central bank's dovish policy stance but stopped short of signaling any imminent broad-based monetary easing measures.
Accordingly, we change our PBoC call, and we now expect no policy rate or RRR cuts in 2026 (compared with a 10bp policy-rate cut in Q3 in prior baseline), with near-term policy support more likely to come through faster fiscal-policy execution. Broad-based

monetary easing is more likely to come later (in 2027), if growth weakens further or fiscal support proves insufficient.

Stronger easing rhetoric, but few specific monetary measures. The PBoC's latest Quarterly Monetary Policy Report, released on 12 August, reinforced the central bank's dovish policy stance but stopped short of signalling any imminent broad-based monetary easing measures. Relative to the previous quarter's report, policymakers acknowledged some moderation in underlying growth momentum while maintaining a broadly constructive assessment of the economic outlook. In particular, the PBoC highlighted the resilience of external trade and emphasized fiscal-policy implementation as a key support for activity in the second half of the year, likely underestimating the lag that policy measures can have on actual growth.

Consistent with the messaging from July's Politburo meeting, the report reiterated the need to "strengthen counter-cyclical adjustment" but provided little additional guidance on potential easing actions. Instead, the emphasis remained on ensuring steady growth in financial aggregates, keeping short-term money market rates closely aligned with the policy rate, and relying on targeted structural policy tools to channel credit toward priority sectors.

Overall, the message was one of policy accommodation rather than policy escalation: the PBoC appears comfortable maintaining an easing bias while allowing fiscal measures and targeted credit support to do most of the heavy lifting for growth in the near term.

Accordingly, we change our PBoC call, and we now expect no policy rate or RRR cuts in 2026 (compared with a 10bp policy-rate cut in Q3 in our prior baseline), with near-term policy support more likely to come through faster fiscal-policy execution. Broad-based monetary easing is more likely to come later (in 2027), if growth weakens further or fiscal support proves insufficient.

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