Group Economics – Macro Research – Global Monthly | 22 April 2026

The Hormuz stand-off

- **The Iran conflict has morphed from a hot war to an economic one, with both sides using the Hormuz chokepoint as negotiation leverage**
- **Energy supply disruptions are bigger than ever, but market worries have subsided, with peace efforts given the benefit of the doubt**
- **We make only incremental forecast adjustments this month, keeping our core view that severe energy disruptions persist to end-May**
- **We also update our more positive and negative scenarios for the conflict**
- **Regional updates: The ECB is signalling it can afford to wait to analyse the impact of the conflict on the eurozone economy**
- **The Netherlands opted for a less distortive package of energy support**
- **Inflation in the US will still run well above target, even if oil prices ease**
- **China remains resilient, albeit with early signs of Iran conflict impact**

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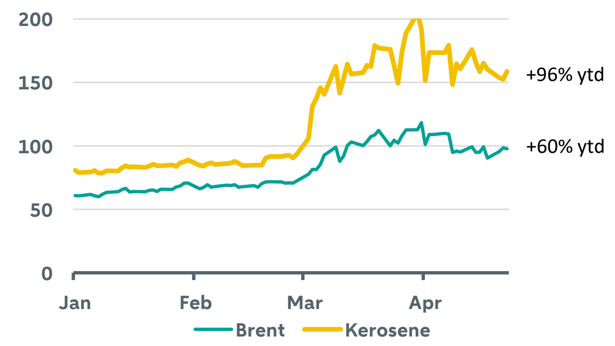
Global View: Still searching for a durable off-ramp

The Iran conflict clearly continues to dominate the near-term outlook, but although physical energy supply disruptions are bigger than ever, energy prices have fallen back, with the mood music in markets shifting once the US and Iran agreed a (just extended) ceasefire. As we wrote when the ceasefire was announced, developments so far remain in line with our base case, which does not take a view on the conflict itself but rather the extent and timing of the end of severe energy supply disruptions (to end-May). Given this, we refrain from making further material changes to our base case for growth, inflation and central banks this month, but we do make some incremental adjustments that take account of fiscal policy measures and evolving central bank reaction functions. Most notably, it has become clear that the ECB won't be ready to hike at next week's Governing Council meeting, though we think it will be ready to do so at the June meeting. In light of the continued uncertainty – and the likely fragility of any peace deal that may or may not materialise over the coming days – we also update our thinking on alternative scenarios to our base case, including touching on what a realistic worst case scenario could look like. Noteworthy is that a more positive scenario would still see inflation staying above target for sometime yet, while even in the most negative scenario, we still would not expect the inflation impact in Europe to be anywhere near as large as in the 2022-23 energy crisis. Significant demand destruction in emerging markets in response to high energy prices is likely to happen long before recessionary forces would take hold in advanced economies. As such, we continue to see a recession only in the most negative scenario, and even then, confined to Europe rather than the US.

Energy prices have fallen back but remain high

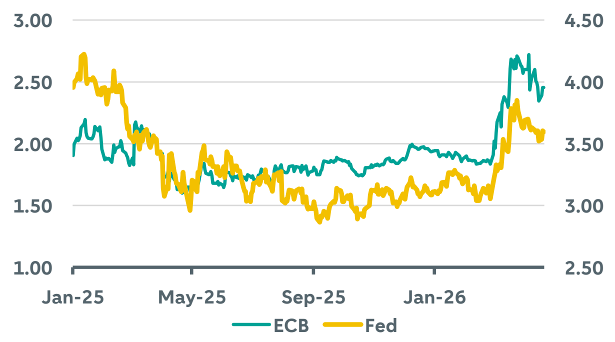
USD per barrel



Source: Bloomberg, ABN AMRO Group Economics

Markets have partly priced out ECB hikes

Market-implied policy rates, end-2026



Source: Bloomberg, ABN AMRO Group Economics

Incremental updates to our base case

Our base case continues to assume that severe energy supply disruptions last until the end of May. This keeps energy prices at elevated levels for some time yet, with Brent crude oil prices expected to average $100 per barrel over the course of Q2, before gradually moving lower through the year. While the prospect of a longer term peace deal between Iran and the US has pushed energy prices lower, and led to a pullback in pricing for central bank rate hikes, we note that in terms of energy supply, the situation has actually *worsened* compared to a month ago, due to the US blockade on Iranian crude exports. Iranian crude had been the only source of energy supply still making its way through the Strait until recently. Media reports suggest the blockade has not been watertight, but the supply situation is still on-net worse than it was. Meanwhile, though the US has extended (seemingly unilaterally) the ceasefire indefinitely, negotiations themselves on Iran's nuclear enrichment look to have stalled. Both the US and Iran are now essentially in a standoff over the Strait of Hormuz, using access to the chokepoint as leverage in their nuclear negotiations. Put another way, the war seems to have morphed from a hot war to an economic one. On the positive side, it has become clear that neither side wants to restart military action. On the other hand, there is no clear path yet to a durable peace agreement, with a lot of mistrust on both sides. Even if a deal is struck in the coming days, meanwhile, it could well be a fragile one.

While current events remain consistent with our base case, we have made some incremental adjustments to our forecasts this month, mainly in the eurozone and to the ECB view (see eurozone for more). Though Governing Council members are clearly guiding against an April hike, they have also largely expressed comfort with market pricing for two rate hikes over the coming months. We are therefore pushing rate hikes out – to June and July rather than April and June – but we do still see them happening in our base case.

What if a peace deal is reached soon, and what if it is durable?

What of alternative scenarios? We start with a more positive scenario, where a deal is struck in the coming days and the Strait of Hormuz is completely reopened. Instead of holding around current elevated levels for a time, energy prices could normalise more rapidly – with Brent crude perhaps falling more quickly to around $80-85 per barrel for a time. However, we think there are limits to this, and markets could well overshoot to the downside before rebounding as the scale of the residual supply shock becomes clear. First, even with a full re-opening of Hormuz, it would take time for shippers to fully trust that the peace deal is durable and that Hormuz really has safely re-opened (especially in light of the stop-start manner that this has gone in recent weeks). Second, energy output would also take months – in some cases years – to be restored back to pre-war levels. Coming alongside the need to replenish depleted stocks of downstream refined products, particularly diesel and jet fuel, tightness in the energy market would likely persist for a while yet. See the table below for a summary of current infrastructure damage.

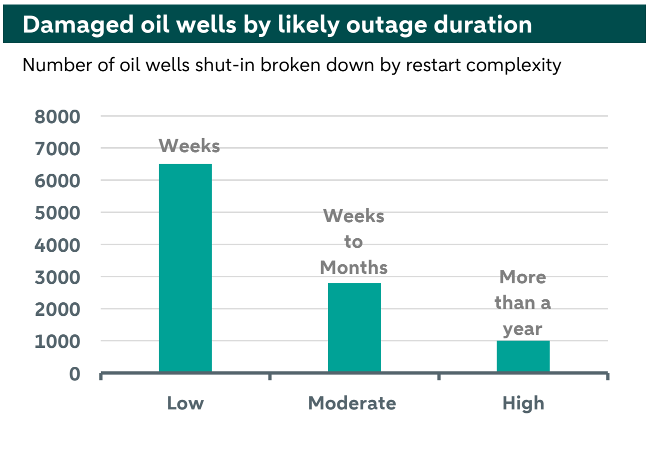
Country	Energy type	Damaged/at risk	% total country	% total ME	% world
Qatar	LNG - m tonnes pa	12.8	16	13	2.9
Saudi Arabia	Crude Oil - b pd	600000	6	2	0.6
Iran	Refined Oil - b pd	44000	2	0.4	0.0
UAE	Refined Oil - b pd	922000	66	9	0.9
Kuwait	Refined Oil - b pd	730000	52	7	0.7
Bahrain	Refined Oil - b pd	400000	100	4	0.4
Middle East	LNG - m tonnes pa	12.8		13	2.9
	Crude Oil - b pd	600000		2	0.6
	Refined Oil - b pd	2096000		21	2.1

Source: Various, ABN AMRO Group Economics

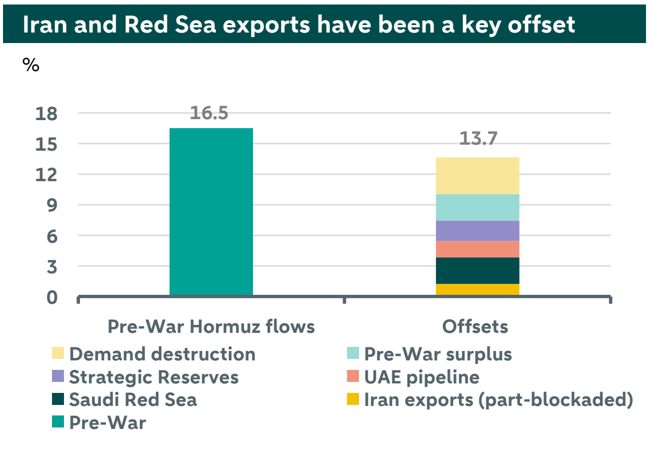
Adding to probably still somewhat elevated risk premium in the early stages of any peace deal, this will likely put a floor under energy prices, which are likely to remain meaningfully higher than before the war broke out. Even in a positive scenario, then, we would expect for instance inflation in the eurozone to stay above the ECB's target for much of the remainder of this year. While the ECB might then be more minded to look through the shock, there would still be a risk to inflation expectations that could prompt action.

What about more negative scenarios?

What if the conflict ends up re-escalating? And what could a realistic worst-case scenario look like? Below we outline how more negative scenarios could pan out. A key take is that while there negative scenarios would be much worse than our base case in terms of outcomes, the scale of the inflation shock would still be much smaller than we saw in 2022-23.



Source: Rystad Energy, ABN AMRO Group Economics



Source: IEA, ABN AMRO Group Economics

Negative scenario – In this scenario, vessel traffic through the Strait of Hormuz remains well-below normal levels for a prolonged period – for the remainder of this year. There is more damage to energy infrastructure. Brent crude prices jump to an average of around $130 per barrel over Q2-Q3, and on an intraday basis prices could spike as high as $150. European gas prices would jump to an average €120 per megawatt hour by Q4 with intraday spikes up to €180/MWh. Some energy rationing in Europe would be needed, particularly of jet fuel, leading to more meaningful disruption of activity. Inflation would peak at 4.5-5%, the ECB would hike rates by 100bp to take the deposit rate to 3%, while the Fed would also probably be pushed to hike in this scenario. Growth would be weaker than our base case but we would still expect advanced economies to avoid a recession.

Severe (reasonable worst-case) scenario – The energy supply blockade extends from Hormuz to the Red Sea, choking off a key offset to the current supply disruptions. At the same time, damage to energy infrastructure is even more severe and widespread, making largescale quick restarts more difficult, even once the conflict subsides. Brent crude prices jump to an average of around $175 per barrel over Q2-Q3, and stay at very elevated levels for longer. Inflation would peak around 6.5%, and the combination of energy rationing, the confidence shock and central bank tightening would push the eurozone into a mild recession. The US would still avoid a recession but growth would be very weak. The ECB would be expected to hike yet further, by 150bp in total, taking the deposit rate to 3.5%, while the Fed would hike 75bp taking the upper bound of the fed funds rate to 4.5%.

	Base	Negative	Severe
Oil 2026 average	86	110	140
Peak Quarterly oil ~	100	130	175
US GDP	Recovery	Modest growth	Weak growth
US PCE	Peak >3.5%	Peak ~5%	Peak ~6.5%
Eurozone GDP	Recovery	Weak growth	Mild recession
Eurozone HICP	Peak >3%	Peak ~4.5%	Peak ~6.5%
Fed	25bp cut in Dec	25bp hike	75bp hikes
ECB	50bp hikes	100bp hikes	150bp hikes

Source: ABN AMRO Group Economics

Eurozone: The ECB can afford to wait, for now

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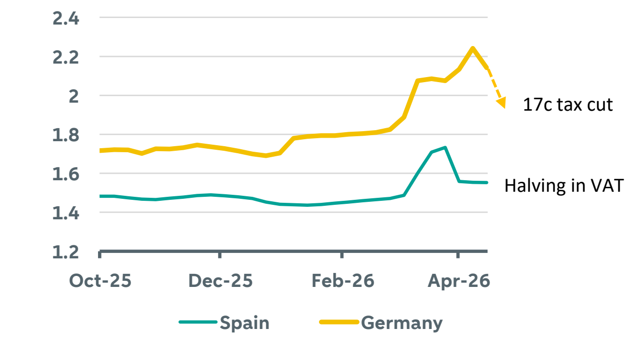
- Governments are taking the edge off the energy shock, but inflation is still yet to reach a peak
- Still, even a more negative inflation shock is likely to be an order of magnitude smaller than in 2022-23
- Hard data suggests a tepid start to the year, and likely downside risks to our 0.2% Q1 growth forecast
- Even hawkish Governing Council members seem minded to hold rates at the 30 April ECB meeting…
- …leading us to push back our call for hikes to June and July

Uncertainty is still high, but we continue to think the economic impact of the Iran conflict on the eurozone will be considerably different to – and smaller than – what we saw during the 2022-23 energy crisis. Inflation in March already jumped well above the ECB's 2% target to 2.6% y/y, and is likely to pick up further before it falls back. But even in a negative scenario, with a prolonged conflict and even higher energy prices, inflation would peak much lower than the double digits we saw four years ago – nearer 5-6% rather than 10%. As things stand, and following our base case of severe energy supply disruptions lasting until the end of May, inflation is now expected to peak slightly lower than we expected last month, at 3% in Q2. This is partly due to the smaller impact on natural gas prices, forecasts of which we revised down this month, as well as fiscal interventions: following Spain's halving of VAT on petrol and diesel pump prices, Germany looks set to cut fuel duty by 17c per litre from next month (albeit time-limited for two months). We now expect inflation for the year to average 2.6% in the eurozone, down from 2.8% previously.

What about growth? While we only modestly downgraded our growth forecast on the back of the Iran conflict, underlying growth hardly looks strong. Incoming hard data suggests the year has started on tepid note so far. Despite Germany's defence spending splurge, industrial production started the year with a contraction and held below 2025 levels in February. Construction has been similarly weak. Consumption has not fared much better, with retail sales essentially flat year to date. Next week's Q1 GDP release is expected to come in at a modest 0.2% q/q. Absent a particularly strong March, the risks to this forecast look tilted to the downside.

Fiscal interventions are taking the edge of the energy shock

Petrol pump prices including taxes, EUR/litre



Source: Bloomberg, ABN AMRO Group Economics

Labour market is much looser than in 2022-23

Eurozone job vacancy rate, %

Source: Bloomberg, ABN AMRO Group Economics

ECB to hike in June rather than April

With risks of a very negative scenario for energy prices looking to have abated in recent weeks, even hawkish Governing Council member Isabel Schnabel said last week "the ECB can afford to take time to analyse the Iran shock." This essentially takes an April rate hike off the table. Market pricing for rate hikes has declined substantially following the less hawkish remarks and also in light of ceasefire optimism, although markets continue to price in roughly 50bp higher rates by end-2025 than they did prior to the conflict breaking out. Aside from ceasefire optimism, what may also be giving the ECB and markets some comfort is that the labour market is dramatically looser than it was four years ago, with the job vacancy rate hovering close to a 5 year low of 2.2% in Q4 25. This lowers the chance of the same wage-price spiral dynamics of 2022-23 taking hold this time around. Still, even in positive scenario where energy prices more quickly normalise, inflation would likely stay above the ECB's target for at least six months. While central banks typically look through energy price spikes, the risk to inflation expectations – so soon after the last shock – remains substantial. Though a rate hike at the 30 April meeting now looks unlikely, we still think the Governing Council will want to get ahead of a de-anchoring of inflation expectations by hiking at the June and July meetings.

The Netherlands: A tailored support package

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- While downside risks have clearly increased, we expect Q1 GDP to come in at 0.4% q/q
- The Dutch cabinet has proposed various measures to support households and companies
- The risk of second round effects on wages and inflation is bigger for the Netherlands
- Rather than rising, the new bout of inflation will mean purchasing power stagnates in 2026

On the 30th of April, Q1 GDP will be published, which we expect to come in at 0.4% q/q. While the conflict in the Middle-East that erupted on the 28th of February has a substantial impact on consumer confidence and producer confidence (producer prices and delivery times both increased) the growth impact is expected to be more limited in the near term than say the energy shock of 2022 was. Amongst others due to solid underlying economic momentum at the start of the year and resilience, with prudence of recent years – reflected by an elevated savings rate – being a source of strength going forward. Risks to our Q1 forecast are clearly tilted to the downside. Additionally, as the impact of the conflict in the Middle East on growth is expected to peak in the middle of 2026, we will likely lower our growth forecast and these effects will also weigh on the 2027 growth figure.

This week, the Dutch cabinet has proposed various measures to support households and companies. Rather than a fuel tax cut, it is a tailored package which includes for instance travel expense reimbursement for employees, an energy emergency fund for vulnerable households, extra funding for isolation of houses, and reducing the motor vehicle tax. Still, all in all it is a small package, to allow for further stepping up of support later on. The proposed package is fully funded, for instance by raising levies on alcohol. It does however mean that the price difference with neighbouring countries, which have reduced petrol prices, remains large. For instance, the price difference with Belgium can amount to 55 cents per liter. We studied the effects on fuel-tourism and concluded that households living in the border region now fill up an average of 4 to 5 liters extra per week in Belgium.

The rise in energy prices was already visible in the March HICP inflation figure, which edged up to 2.6%. Energy prices will reach households in various ways. Directly and quickly through petrol payments, and slower through energy bills, which show a gradual effect since the majority of households are in a fixed price and are therefore not yet affected. The indirect hit comes through energy being an input for numerous production processes, raising price pressures in energy-intensive goods and services. As such we expect a broadening of inflationary pressures in the coming months. For the Netherlands, the risk of second-round effects on wages and inflation expectations is higher due to: (1) the elevated starting point of inflation; before the conflict erupted, inflation was still above the targeted 2%, (2) higher wage growth; with CLA-wage growth at an elevated 4.6% in March the Dutch economy is still digesting second-round effects of the 2022 energy shock, (3) a still tight labour market; unemployment edged down again to 4% in March, and (4) relatively low gas storage supplies. Additionally, as the cabinet has opted for a more tailored package than a fuel tax cut, this does mean that the divergence with the eurozone aggregate inflation figure becomes larger (see eurozone).

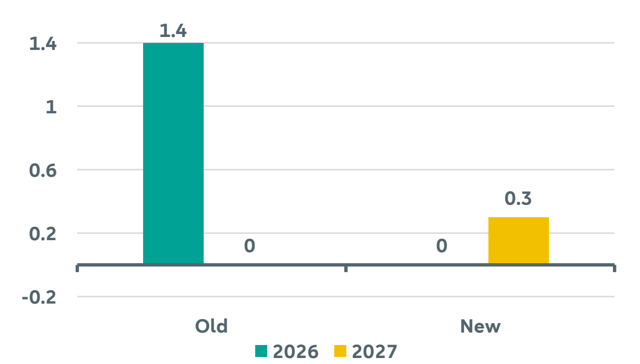
Higher risk for second round effects

Left: Indeed wage tracker. Right: HICP inflation y/y

Source: Indeed wage tracker, CBS, ABN AMRO Group Economics

CPB expects the real income rise to erode

Median purchasing power y/y, all households



Source: CPB, ABN AMRO Group Economics

Household consumption is expected to take a hit from inflation, with the CPB forecasting that previously expected real income rises for 2026 will now erode. Still, the household savings rate has been elevated, which serves as a strength.

US: Two supply shocks, one inflation problem

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- Demand remains solid in the aggregate, and the labour market stays in its odd equilibrium
- All eyes are on the inflation impact of the energy shock, but disinflation prospects were already limited

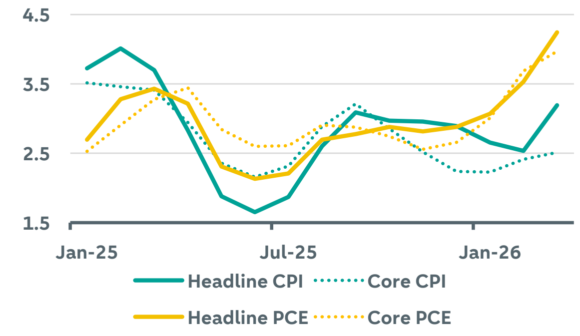
The month started with a blowout labour market report, with payrolls increasing by 178k, compared to February's revised -133k. We expect large monthly volatility to persist for some time, but the 3-month average has remained relatively stable at 68k. This is above our estimate of break-even jobs that would keep the unemployment rate steady, and indeed the unemployment rate dropped to 4.3%, although that was also partly caused by a decline in the participation rate to its lowest level since 2021. Meanwhile, Q4 GDP got a minor downward revision to a mere 0.5% saar, although this understates the activity in the economy. Private demand rose at 1.8%, and broader measures were even more solid, especially considering virtually no growth in the labour force. The weak headline figure is partly caused by what the BEA estimates as a 1pp downward impact of the extended government shutdown. While we expect part of that to be reversed in Q1, incoming data - particularly on trade, but also consumption - reduces our optimism for a big rebound in Q1. Activity and the labour market are mostly business as usual, but inflation is the main story this month.

Headline CPI rose by 0.9% m/m, with a 0.7pp contribution from energy prices, which rose 10.9% m/m. Core came in at a mellow 0.2%, but the y/y rate still rose because of base effects. Surprisingly mild PPI data means our nowcast for PCE inflation for March is at 0.6% m/m, while core rises at 0.2% m/m. More generally, we expect the energy shock to transmit less strongly in PCE than in CPI inflation, but at the same time, PCE inflation was already standing at decidedly higher levels than CPI, which is unusual in a historical sense. A large part of the relatively strong disinflation of CPI compared to PCE is the shelter component, which has been a tailwind in the disinflationary process of CPI, and carries much less weight in PCE. Indeed, as of last month, shelter's disinflation contributed 92% of the decline in headline CPI since the start of 2025. That tailwind is gone, the y/y rates have large equalized, and core CPI is now also set to rise.

But it's not just the energy shock: (core) PCE has been rising for a longer time. In February we saw the long tail of tariffs with high goods inflation. Evidence on tariff pass-through is mixed. A recent FEDS note estimates the worst is behind us, even before the tariff reversal in the Supreme Court decision. We don't expect disinflationary pressure from the reversal. We redid our input-output table based micro-analysis of tariffs, and it shows that the relationship between tariff implied impact and excess goods inflation is near flat. While the *macro* impact suggests cumulative excess PCE inflation is consistent with overall tariff levels, the *micro* evidence shows a significant amount of goods still have a long way to go, but also that not all excess inflation that we see is tariff related. For instance, prices of products that contain chips have risen much more than just tariffs would suggest, highlighting a demand channel. The instigation of comprehensive Section 301 investigations, and Treasury Secretary Bessent's suggestion that these may be implemented as soon as the summer, shows the tariffs are still in the picture. Inflation will continue to run well above target, even if oil prices ease.

Core inflation increasing

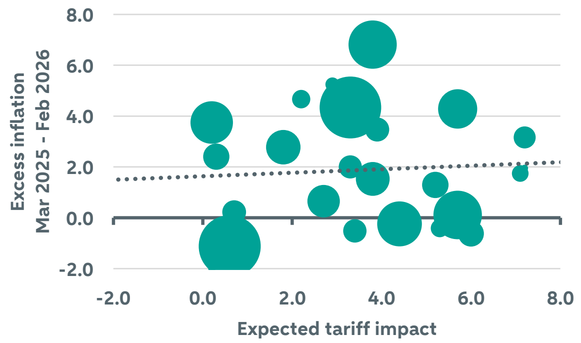
Annualized 3m/3m inflation, %. March point for PCE is our forecast.



Source: LSEG, ABN AMRO Group Economics

Tariff and other pressures remain

Excess PCE inflation versus expected tariff impact, %



Source: LSEG, Federal Reserve, ABN AMRO Group Economics

As we've outlined in detail before, we see an economy with bifurcated demand for goods, services and labour, which is likely to limit second round effects beyond the near-mechanical pass-through of the supply shocks. We still expect the Fed to look through the energy shock and keep rates on hold. By the end of the year, arguments comparable to those at the end of the last two years - downside risks to the labour market and projections of inflation returning to target - will allow the dovish Fed to resume easing. We foresee a quarterly 25bps pace to end up at 3.00% by June of next year.

China: A tale of resilience, Iran risks and chokepoints

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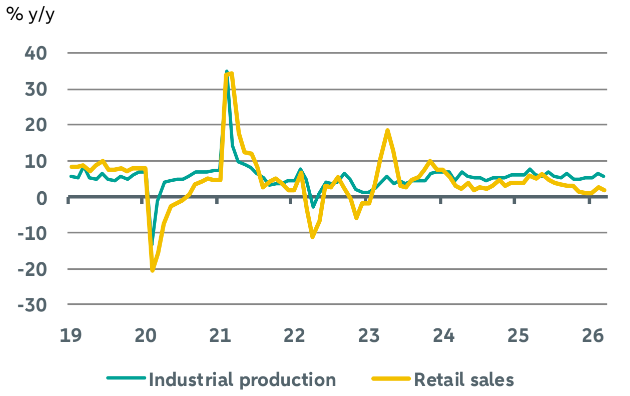
- Real GDP accelerated a bit in Q1, as expected, but risks from the Middle East still loom
- March macro data already show some impact of the Iran conflict
- Blockage of energy chokepoint Strait of Hormuz is a test for US-China relations

Real GDP accelerates a bit in Q1, as expected, but risks from the Middle East still loom

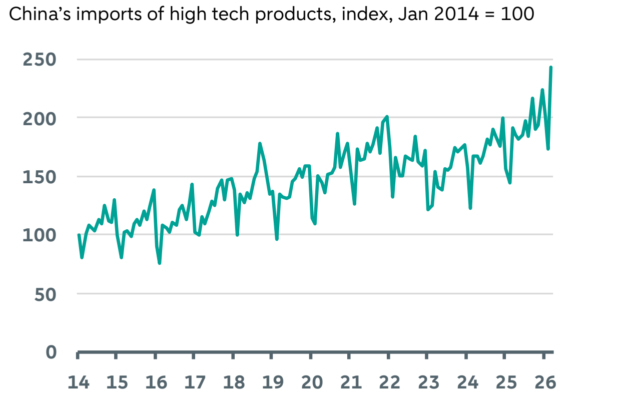
In line with our and consensus expectations, China's real GDP growth accelerated somewhat in Q1-2026, both in quarterly term (from 1.2% q/q in Q4-25 to 1.3% in Q1-26) and in annual terms (from 4.5% y/y to 5.0%). Our expectation for an acceleration was based on strong activity data for the first two months of the year, such as an export surge in February on the back of the global tech/AI cycle, solid industrial production, and with overall investment reported to grow again (see here). That said, domestic supply-demand imbalances remain, while downside risks have risen due to the ongoing Iran conflict. These higher risks include direct effects from higher energy prices and energy supply disruptions, and – perhaps even more important – effects from the conflict on global demand, as China's imbalanced growth is still to a large extent externally-driven. We already lowered our 2026 growth forecast marginally last month (from 4.7% to 4.6%,), still within Beijing's target zone of 4.5%-5.0%, and keep our growth forecasts unchanged for now.

Demand-supply imbalances remain



Source: ABN AMRO Group Economics, LSEG

China high tech imports on the rise



Source: Bloomberg

March macro data already show some impact of the Iran conflict

Earlier this month, the impact from the Iran conflict was already visible in the deterioration of the export-oriented PMIs from RatingDog, and in the sharp slowdown of annual export growth in March – although this slowdown was 'overstated' by base/seasonal effects. Meanwhile, imports rose sharply in March, with imports of high-tech products including semiconductors in particular surging, reducing the monthly trade surplus to a 13-month low. Despite this, other activity data for March point to ongoing supply-demand imbalances. Industrial production slowed (5.7% y/y, down from 6.3% in Jan/Feb), but continues to grow much faster than retail sales (1.7% y/y, down from 2.8% in Jan/Feb). Fixed asset investment stayed in positive growth territory (unlike 2025), but that is led by public investment, with private investment still declining. Annual growth of property investment and residential home sales remains deeply negative, although home sales picked up in March. The various weaknesses in the economy were also illustrated by a rise of the jobless rate, equaling a one-year high of 5.4% (February 5.3%). On the inflation side, the impact from the Middle East was mainly visible in producer price inflation, which turned positive again (0.5% y/y) for the first time since September 2022.

Blockage energy chokepoint Strait of Hormuz is a test for US-China relations

Although Beijing has been relatively quiet on the Middle East conflict so far, US actions versus China's oil suppliers Iran - and earlier Venezuela - will not be welcomed. China is cushioned in terms of the energy crisis, but not immune (see here). Last year, Iran's share in Chinese oil imports was around 10%, and a prolonged blockade would particularly hit its *teapot refineries* in Shandong Province. What is more, total oil imports from the Middle East were around 50% in 2025. The biggest risks still come from the hit to global demand, which will increase the longer the conflict takes to unwind. All of this impacts US-China relations, with a delayed Trump-Xi meeting still scheduled for May. China has the opportunity to retaliate, e.g. by tightening chokepoint restrictions (rare earths) again. We still think both countries have incentives to extend their trade/chokepoint truce in an ever more complex geopolitical landscape, but risks are rising.

Key views on a page

The Iran conflict is triggering a new global energy shock. It remains uncertain how long the disruptions to energy supplies will go on for, but our new base case assumes severe disruptions last until the end of May. The inflation shock will outweigh the growth shock, and this is leading to a hawkish pivot by central banks. The ECB is expected to hike rates while the Fed is expected to delay further rate cuts. Still, advanced economies are expected to stay resilient and to avoid recessions, and ultimately we expect central banks to lower rates again once the inflation shock has dissipated. Against this backdrop, US tariffs will remain a dampener on global trade, but the AI boom is continuing, German fiscal spending is driving a cyclical eurozone recovery, and China continues to take modest to lift demand while keeping its manufacturing growth model intact.

Macro	Central Banks & Markets
Eurozone – The inflation jump from the new energy shock will outweigh the hit to growth. However, we expect a much narrower and manageable rise in inflation compared to the 2022-23 shock. This is because the magnitude of gas price rises is much lower, but also because electricity markets have largely decoupled from gas. Still, because the ECB will need to get ahead of any second round inflation effects, growth will be dampened by a tightening of financial conditions. At the same time, the cyclical recovery is expected to broadly continue, helped by higher German fiscal spending.	**ECB** – The Governing Council has shifted to a tightening bias, and we now expect rate rises at the June and July meetings, taking the deposit rate to 2.50%. For the second rate hike we have a lower conviction, given the uncertainty over how prolonged energy supply disruptions – and therefore the inflation rise – will be. Ultimately, we expect second round effects to be contained, and by early 2027 we expect the ECB to be confident enough in the inflation outlook to gradually bring rates back to its estimate of a neutral policy setting. We expect one rate cut each in Q1 and Q2 2027, bringing the deposit rate back to 2%.
The Netherlands – Similar to the eurozone aggregate, we expect the inflation jump to outweigh the hit to growth. The Dutch economy is, however, more prone to second-round effects on wages due to the starting point of inflation and the tight labour market. Still, the Dutch economy is resilient, in part because of recent economic momentum and because the private sector deleveraged and built considerable buffers over the past quarters. The Dutch cabinet proposed a tailored package to support households and companies.	**Fed** – The Fed held rates at the 3.50-3.75% target range in the March meeting. They signalled that the FOMC saw no consensus to ease before goods (i.e. tariff) inflation starts to abate. With the added impact of the oil shock on energy and headline inflation, we expect the Fed to remain on hold for longer than previously anticipated, waiting until December to convince themselves of limited second round effects. We then see a dovish Fed gradually easing, despite elevated headline, and elevated core inflation, with quarterly 25bps cuts to end up at 2.75-3.00% by the June of next year, the lower end of neutral estimates.
UK – The energy shock will lead to a new inflation surge at a time when inflation expectations are already unanchored. Still, the labour market is much looser than it was when the last energy shock hit, and this should help to contain the second round effects. While we have downgraded our growth forecasts, the impact is expected to be manageable, and our base case sees the economy continuing to gradually recover over the coming year. This will be helped by reduced fiscal uncertainty, with government finances in a less precarious state.	**Bank of England** – The MPC has struck a more dovish tone following its hawkish communication at the March meeting. We still expect the BoE to do an insurance rate hike at the June meeting, but with a lower conviction. Ultimately we expect the MPC to pivot back to a wait-and-see approach, assuming energy supplies gradually normalise from June. This reflects that rates are already in restrictive territory, and the MPC's historically volatile but ultimately dovish bias. We expect rate cuts to resume from late 2026 onwards.
US – The final quarter of 2025 saw some stalling momentum, partly due to the government shutdown. The recent oil shock increases (headline) inflation, but has a marginal impact on growth. We still expect decent headline growth figures due to the positive impulse of AI investments and monetary and fiscal easing. Core inflation remains elevated, due to the final pass-through of tariffs, and demand effects from stimulus. Unemployment continues a gradual, but not dramatic increase, as limited demand matches the strong decline in supply due to immigration measures.	**Bond yields** – Yield curves drastically bear flattened following the onset of the war in Iran, driven by the pricing in of interest rate hikes (ECB) and the pricing out of rate cuts (Fed). However, rising expectations that the conflict might be resolved sooner rather than later provided some relief to markets. Markets now only fully price in one hike by the ECB, with 80% probability of an additional hike (vs. three rate hikes previously) and no rate cuts by the Fed, which is broadly aligned with our base case. However, the deteriorating fiscal situation in both Europe and the US underpins our view that curves will steepen – a correction that will mostly take place in early 2027.
China – Growth picked up a bit in Q1, with exports solid on the global tech cycle and investment returning to growth. Supply-demand imbalances remain and the property sector is not out of the woods yet. March data show some impact of the Iran conflict, with producer price inflation turning positive again. We adjusted our growth and inflation forecasts last month, and keep them unchanged for now. The Iran conflict is also putting US-China relations to the test, with a delayed Trump-Xi meeting scheduled for May. We still think both countries have incentives to extend their tariff/chokepoint truce, but risks are rising.	**FX –** There have been hopes for a deal between the US and Iran. As a result, the euro has recovered and the US dollar has weakened. In fact, the EUR/USD exchange rate has rallied to around 1.18, which was its level when the conflict started. If investors keep hoping for a deal and oil and gas prices decline, the EUR/USD could perform relatively well. If the conflict gets worse again, the exchange rate could drop to 1.15. However, because speculators have already closed their net-long euro positions, it is less likely for EUR/USD to fall quickly. Since things can change fast, we are not changing our forecasts. We still expect the EUR/USD rate to be 1.20 by the end of 2026.

Main economic & financial market forecasts

	GDP				Inflation				Policy rate			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Eurozone	0.9	1.5	0.8	1.2	2.4	2.1	2.8	2.0	3.00	2.00	2.50	2.00
Netherlands	1.1	1.9	1.5	1.2	3.2	3.0	2.8	2.1				
Germany	-0.5	0.4	0.7	1.2								
UK	1.1	1.4	0.8	1.3	2.5	3.4	3.7	2.1	4.75	3.75	3.75	3.25
US	2.8	2.1	2.3	2.1	2.6	2.6	3.4	2.6	4.50	3.75	3.50	3.00
China	5.0	5.0	4.6	4.5	0.2	0.1	1.2	1.4	3.10	3.00	2.90	2.70

Note: Annual average for GDP and inflation, end of period for the policy rate

	2025	20/04/26	26Q2	2026	2027	Energy	2025	20/04/26	26Q2	2026	2027
US Treasury	4.17	4.25	4.25	4.20	4.15						
German Bund	2.85	2.98	2.75	3.00	2.95	Brent - USD/bbl*	60.85	95.48	100	86	75
EUR/USD	1.17	1.18	1.14	1.20	1.25	WTI - USD/bbl*	57.42	89.61	95	81	70
USD/CNY	6.99	6.82	6.85	6.80	6.70	TTF Gas - EUR/MWh*	27.28	33.92	50	51	45
GBP/USD	1.35	1.35	1.34	1.40	1.45						

* Brent, WTI: active month contract; TTF: next calender year

	2025				2026				2027			
GDP (q/q)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0.6	0.1	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Netherlands	0.3	0.3	0.5	0.5	0.4	0.2	0.3	0.2	0.4	0.2	0.4	0.3
US (saar)	-0.6	3.8	4.4	0.5	2.4	2.3	2.1	2.0	2.1	2.1	2.0	2.1
China (y/y)	5.4	5.2	4.8	4.5	5.0	4.6	4.5	4.5	4.4	4.6	4.6	4.6
Inflation	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	2.3	2.0	2.1	2.1	2.0	3.0	2.7	2.6	2.5	1.8	1.9	1.9
Netherlands	3.3	3.2	2.7	2.8	2.4	3.2	2.8	2.7	2.5	1.9	2.1	1.9
US (PCE)	2.6	2.4	2.7	2.8	3.0	3.6	3.5	3.3	2.8	2.3	2.6	2.5
China	-0.1	0.0	-0.2	0.6	0.8	1.6	1.2	1.0	1.2	1.3	1.5	1.7
Unemployment	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	6.3	6.3	6.3	6.3	6.4	6.4	6.4	6.3	6.3	6.2	6.2	6.2
Netherlands	3.8	3.8	3.9	4.0	4.0	4.2	4.2	4.3	4.3	4.3	4.3	4.3
US	4.1	4.2	4.3	4.5	4.3	4.5	4.6	4.7	4.6	4.6	4.6	4.6
Policy rate	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.25	2.00	2.00	2.00
US	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.50	3.25	3.00	3.00	3.00
UK	4.50	4.25	4.00	3.75	3.75	4.00	4.00	3.75	3.50	3.25	3.25	3.25
China	3.10	3.00	3.00	3.00	3.00	3.00	2.90	2.90	2.80	2.80	2.70	2.70

Source: LSEG, Bloomberg, ABN AMRO Group Economics

(saar = season adjusted annual rate)

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