



Quarterly Outlook Update 2026-27: The Fog of War

Allianz Research
End of Q1 2026 updated economic and capital
markets outlook
31 March 2026



Global Outlook 2026-27: The Fog of War (1/2)

- 1 The war in the Middle East sets the stage. For the US and Europe, we expect lower growth, higher inflation, stronger fiscal pressure, and a challenging situation for Central Banks .** Global GDP is expected at +2.6% in 2026 (revised down by -0.5pp), inflation at 3.2% in the US and 3.0% in the Eurozone this year (revised up by +0.7pp and +1.1pp respectively), and trade growth at +1.5% in 2026 (revised down -0.5pp). Growth is expected to stay at +2.1% in the US and +0.8% in the Eurozone and deficits will remain elevated: -7% of GDP in the US and -3.0% in Europe, while higher debt-servicing costs limiting room for support. Oil prices are expected to hover around 80 USD/bbl at end 2026 after reaching record high in Q1 2026 on the back of geopolitical volatility. The Fed is expected to look through the inflation spike and remain on hold, with only one cut in early 2027. The ECB is likely to deliver a +25bp hike to anchor expectations, then pause as growth weakens. Both central banks treat the shock as temporary in the baseline, but prolonged energy pressures would trigger a more hawkish response.
- 2 The Gulf countries (GCC) and Asia remain most directly exposed while China should still grow by +4.6% in 2026.** Watch for triple-deficit economies facing recession risks while some commodity exporters benefit from diversification. Triple-deficit economies, combining fiscal, current account and energy deficits, are particularly vulnerable to capital outflows, higher inflation and recession. GCC economies face trade, tourism and real estate risks despite high financial buffers and we revised growth by -2.1pp. For Asia, the growth tailwind end-2025 of +0.2pp has been erased. Latam is relatively more insulated from the shock, with countries such as Argentina, Brazil and Mexico benefiting from their position as commodity exporters.
- 3 For corporates and consumers: a broad-based cost shock, on top of pre-existing vulnerabilities.** Higher energy, metals and fertilizer prices are creating a cost-push shock amid weak demand and elevated US tariffs, expected to hover around 10%. Energy producers and defense benefit, while energy-intensive, transport and consumer sectors face margin pressure. Tighter financial conditions and weaker demand are expected to push global insolvencies higher in 2026. Weakened consumer sentiment, labor markets, purchasing power in the context of high fuel and food prices are the main challenges ahead.

Global Outlook 2026-27: The Fog of War (2/2)

4 Capital markets: pricing in a geopolitical stagflation scare. Since the outbreak of the Middle East conflict, investors have shifted decisively into a stagflationary risk-off mode. Yield curves have risen and bear-flattened (front end: +50–90bps; long end: +40–70bps) as markets factor in a short-term inflation spike and, as a consequence, hawkish reactions from central banks (expected end-of-year policy rates for the Fed and ECB rose 60bps and 90bps). At the same time, overseas demand appears to be softening as EM central banks draw down FX reserves to stabilize weakening currencies and finance elevated oil and gas imports. The growth scare is reflected in broad equity losses (US: –8%; Europe: –10%; EMs: –12%) and a pronounced flight to the ultimate safe asset: USD (trade-weighted +2.5%) cash. Even gold has retreated (–13%), unwinding its earlier exceptional rally and facing selling pressure from countries tapping savings to pay for energy. Credit spreads have widened only modestly (+13bps for Euro IG; +26bps for HY), but broadly in line with previous geopolitical shocks. Importantly, markets still do not expect a structural regime shift: longer-term inflation expectations remain well anchored (5y5y), and oil forwards for December are 30 USD below the current price. Our baseline scenario broadly aligns with this view: assuming the conflict and energy disruptions ease within three months, we expect a broad-based asset-market recovery as the year progresses (US 10y: 4.5%, DE: 2.8%, S&P500: +6%, Eurostoxx +5%). In the near term, however, further volatility and new market extremes remain likely.

5 It could get worse before it gets better: A worsening of the conflict would cause a stagflationary recession. Mind the chain reaction. In our downside scenario, a prolonged closure of the Strait of Hormuz (>3 months) would magnify the economic shock with oil rising temporarily to USD180/bbl and gas to 200€/MWh before easing back to USD85/bbl and gas to 65€/MWh towards the end of the year given the demand side destruction. The global economy would be pushed into a stagflationary regime, with Eurozone falling into a technical recession (annual growth at 0.2%) and the US economy significantly slowing down for two years on second round effects as a strong equity market correction would hit the consumer. Inflation would peak at 4.6% in the Eurozone and 4.9% in the US, forcing central banks into a more aggressive tightening response despite the economic slowdown (ECB: three hikes, Fed: two hikes). For capital markets, this implies a clear risk-off regime: higher yields (US 10y up to 5.7%, DE up to 3.7%), sharp equity corrections with a max drawdown of -30% in Europe and -25% in the US, and materially wider credit spreads (Europe IG up to 150bps, HY 440bps), alongside a stronger USD and rising liquidity stress. In this scenario, nonlinear dynamics dominate, with consumer confidence shocks, forced deleveraging and private market stress amplifying the macro downturn.

Global Macroeconomic Outlook

2026-2027

The system was already under strain...

Neoliberal Globalization

Drivers:

- Market efficiency & globalization

Core Features:

- Free trade / tariff reduction
- Comparative advantage & global specialization
- Multilateral rules (e.g., WTO)
- Supply chains optimized for cost ("just in time" stock management)
- Reduced role of the state in industrial policy

Modern Mercantilism

Drivers:

- Interventionism & fragmentation

Core Features:

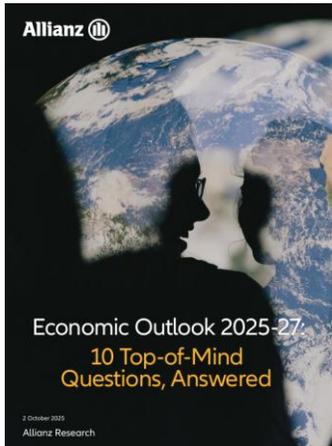
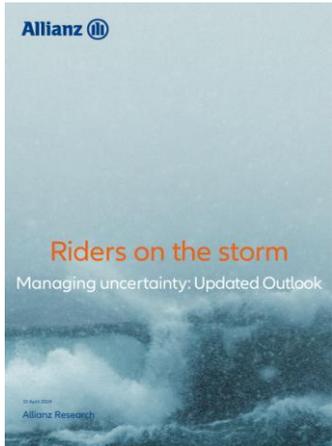
- Weaponization of trade: tariffs, export controls, sanctions, supply chains, energy dependencies and maritime corridors
- Fiscal expansion (defense, infrastructure, build up of self-sufficiency through national champions)
- Duplicated supply chains, bloc formation and regionalization
- Transactional/coercive geopolitics: return of proxy wars with states reasserting control to enhance national wealth and security

New growth model

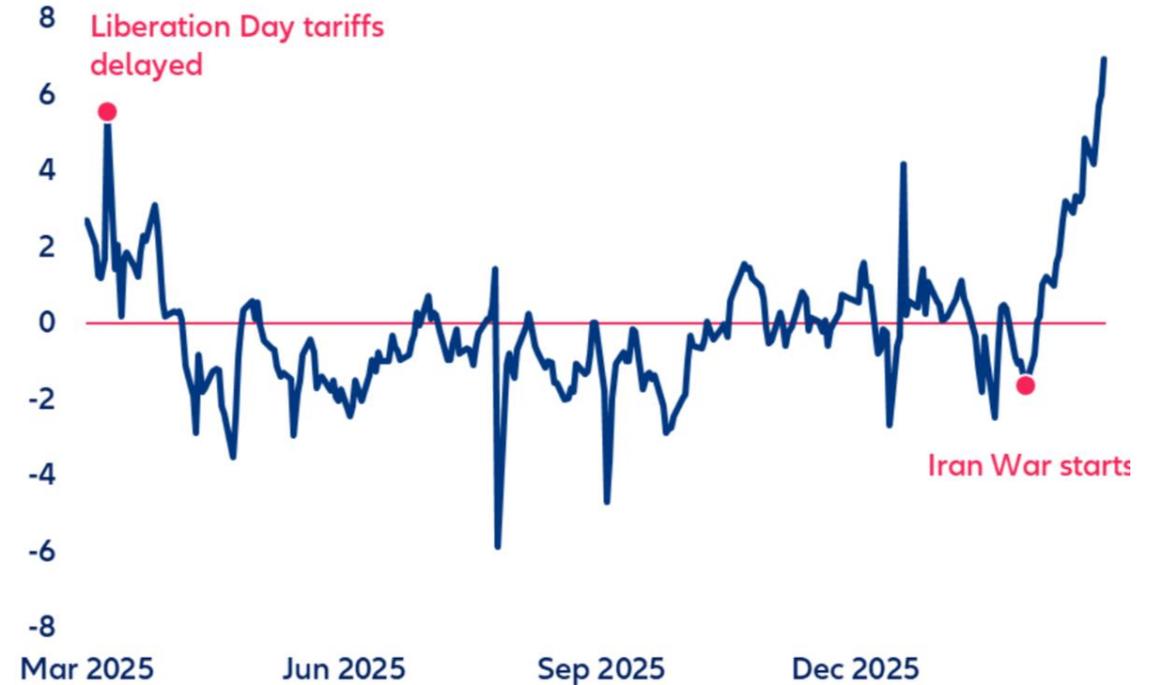
- Shift from efficiency-driven growth to state-led strategic investment
- Fiscally-driven growth (public spending in defense, infrastructure, industrial policies)
- Capital-heavy and labor-light growth driven by AI and automation
- Return of industrial policy and strategic sectors shaping investment cycles
- Productivity gains likely to be progressive

Modern mercantilism is the structural shift.

...and the limits got (over) stretched



Pressure Index* is at all-time high, indicating shock overlay

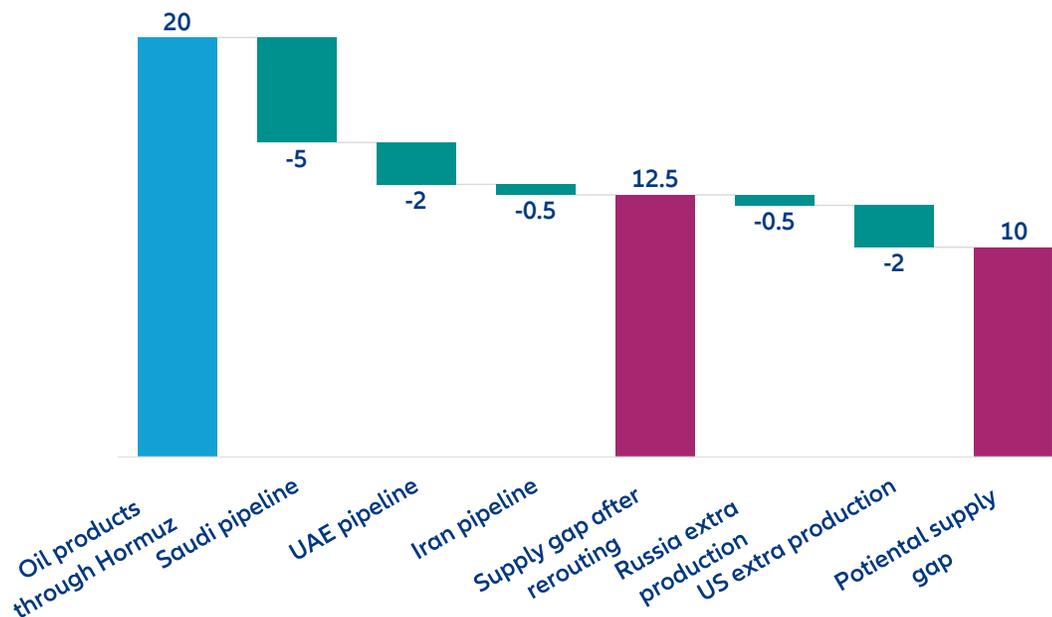


*Equally weighted 20d change of S&P 500, 10y US Treasury, President Trump Approval Rate, News Sentiment Index, and 1y1y forward inflation
Sources: LSEG Datastream, DB Research, Allianz Research

Shock #1a: Oil prices surge, but supply shock contained (for now)

Half of the oil supply can be compensated which means we estimate a potential 12-13% gap in oil production. Rerouting and strategic reserves buy 40 days until April 20th

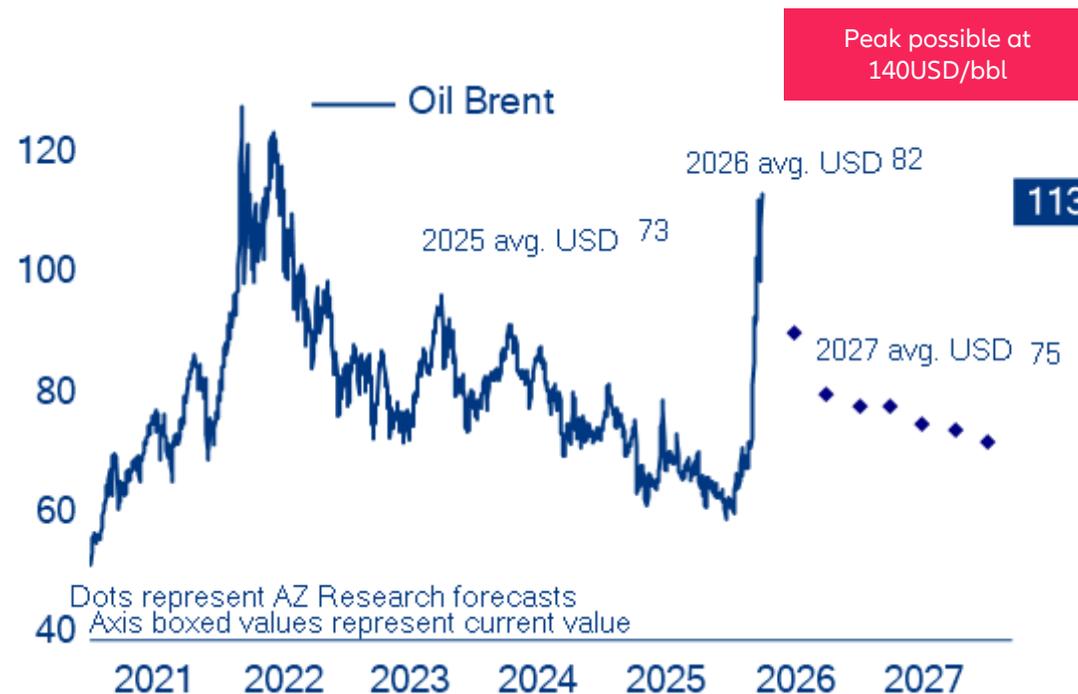
Million barrel per day



Sources: LSEG Refinitiv, Allianz Research

Brent forecast close to its 2022 highs

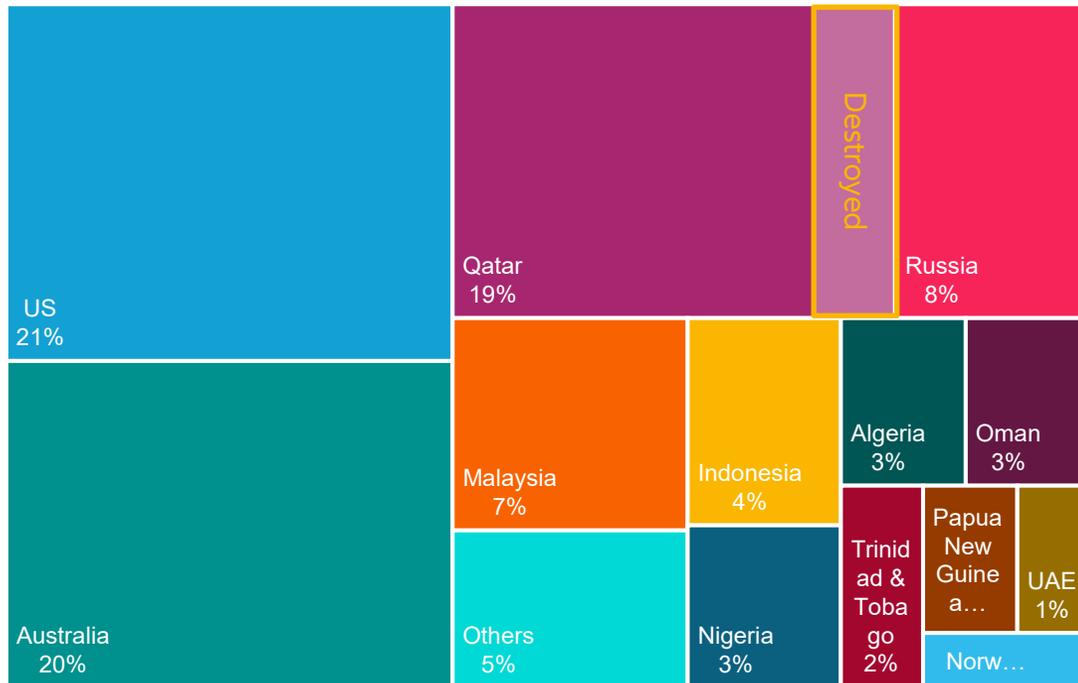
USD/BBL



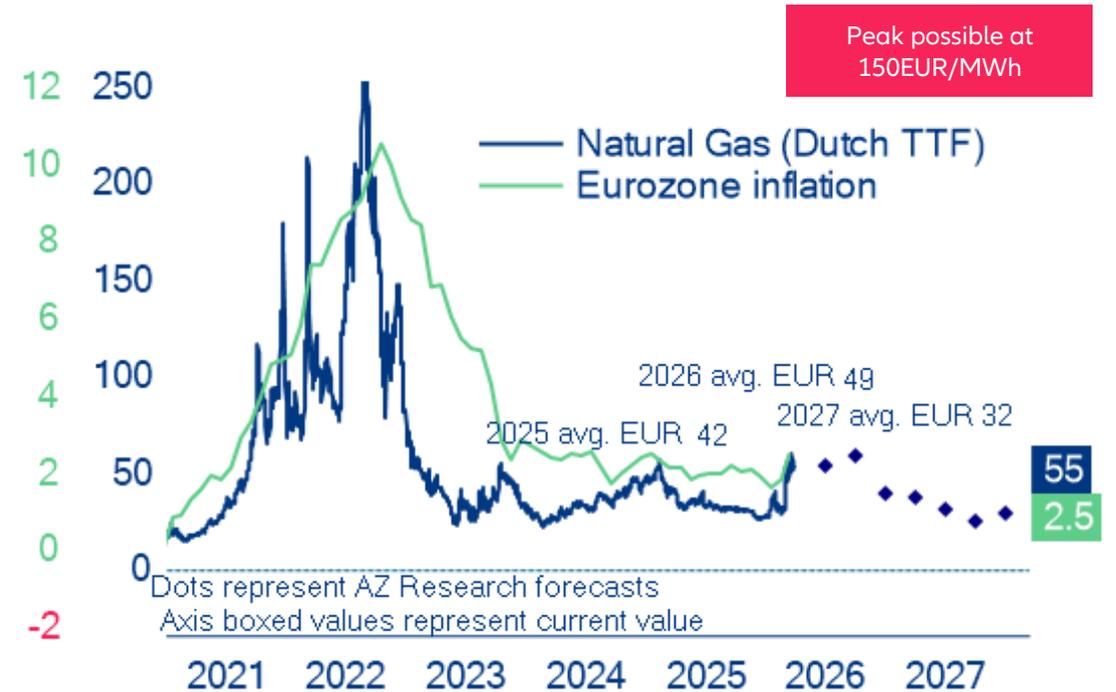
Sources: LSEG Datastream, Allianz Research

Shock #1b: Gas price still below 2022 peaks, 3% of global LNG supply lost for the next 3 years

The Middle East provides around 20% of total global LNG supply,
Share of LNG exports by country



Natural gas prices would peak below 2022 highs
EUR/MWh

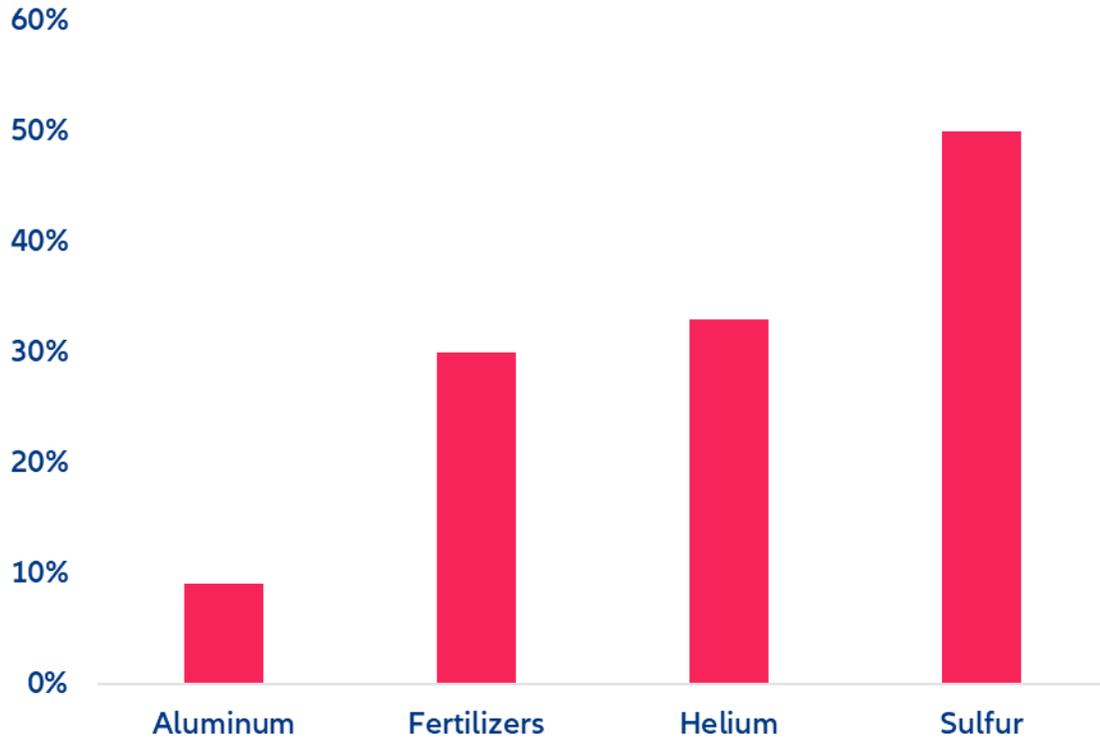


Sources: IGU, Allianz Research

Sources: LSEG Datastream, Allianz Research

Shock #2: Other commodities: fertilizers, helium, sulfur

Middle East is also key for other commodities
(% of global supply)



Sources: Allianz Research

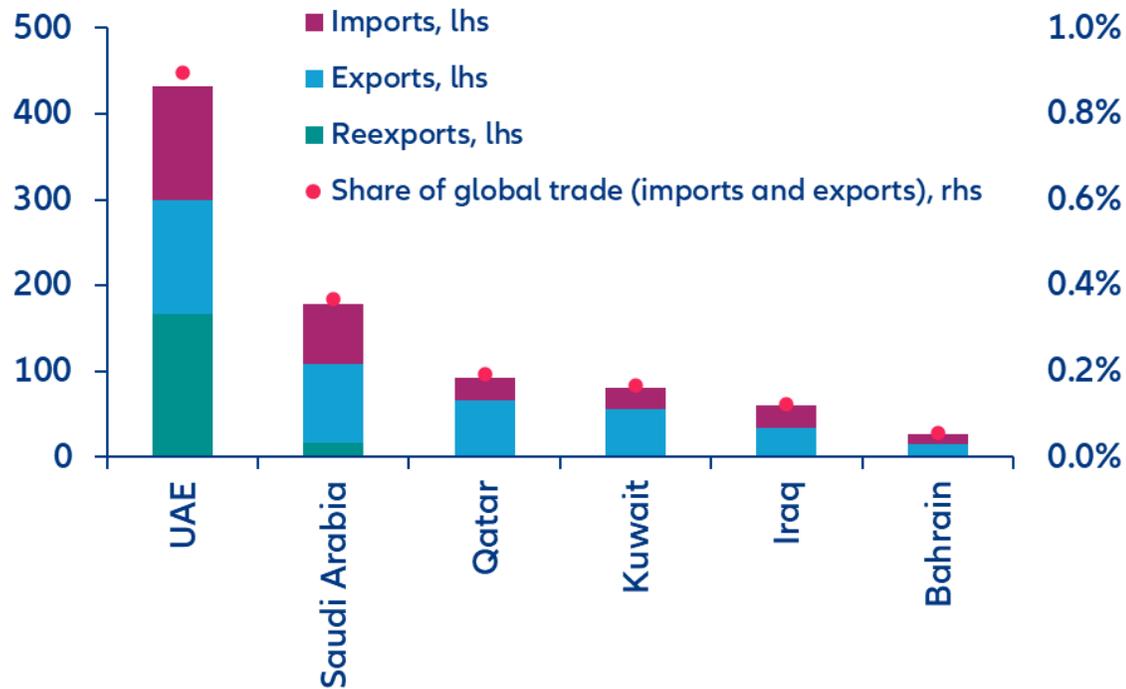
Shortage in helium is delayed by US storage equivalent to 2–3 months of Qatari output and the ability of US producers to ramp up production



Sources: GDELT, Allianz Research

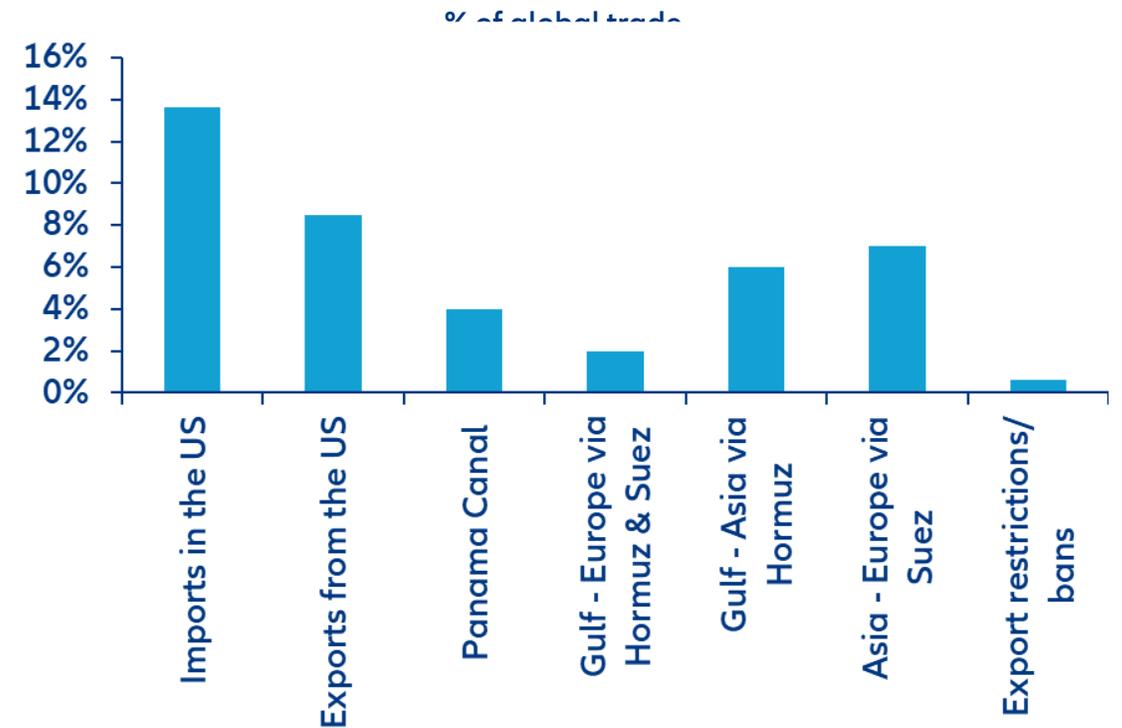
Shock #3: At least 2% of global trade is on hold and 40% is exposed to frictions

2% of global trade is blocked by the current closure of the strait of Hormuz ...



Sources: UN ComTrade Allianz Research

...while around 40% of global trade is exposed to frictions



Sources: ITC, Allianz Research

Shock #4: Capital Markets price in hawkish CBs

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	Today T / T-1	1d before T-1 / T-2	2d before T-2/T-3	1w before T/T-5	since 27.Feb pre-Iran War	YTD YTD	last
Central Banks							
FED mid		0	0	0	0	0	3.63
Sofr Future Z6	-9	-9	-9	10	-2	62	3.68
Sofr Future Z7	-9	-9	-6	12	3	46	3.42
ECB	0	0	0	0	0	0	2.00
Euribor 3m Future Z6	-8	1	1	11	6	86	2.84
Euribor 3m Future Z7	-9	4	4	12	7	65	2.74
Rates (bp)							
US 2Y	-8	-7	-7	10	closed	46	3.84
US 10Y	-8	1	1	8	1	41	4.35
US 30Y	-5	3	3	3	0	30	4.91
DE 2Y	-4	-4	-4	11	6	63	2.63
DE 10Y	-5	2	2	12	4	40	3.04
DE 30Y	-5	4	4	8	0	19	3.50
Inflation Linkers/Swaps							
USD 10Y IS	2	-2	-2	2	1	5	2.43
EUR 10Y IS	2	0	0	7	3	30	2.26
USD 1Y IS	-2	6	6	11	11	72	3.22
EUR 1Y IS	10	2	2	17	2	156	3.36
EM & Credit							
EM Global	closed	10	-2	-2	3	17	253
CDX IG 5Y (US)	0	2	2	2	4	11	67
CDX HY 5Y (US)	-2	31	13	13	42	70	402
iTraxx Main 5y (EU)	0	3	4	4	5	18	74
iTraxx Xover 5y (EU)	3	11	20	20	23	105	365

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	Today T / T-1	1d before T-1 / T-2	2d before T-2/T-3	1w before T/T-5	since 27.Feb pre-Iran War	YTD YTD	last
Equity							
S&P500 mini fut.	0.1%	-1.7%	-1.7%	-3.3%	-7.6%	-7.6%	6416
Mag7	0.4%	-2.8%	-3.2%	-6.0%	-9.2%	-15.4%	27466
STOXX600	0.5%	-1.0%	-1.1%	0.2%	-8.8%	-2.4%	578
EURSTX50	0.1%	-1.1%	-1.5%	-1.1%	-10.2%	-4.8%	5511
MSCI EM	closed	-0.8%	-1.6%	1.2%	-10.8%	2.3%	1437
CSI300	-0.2%	0.6%	-1.3%	1.7%	-4.6%	-3.0%	4492
VIX	-1	4	2	4	11	16	30.5
Currency							
EURUSD	-0.4%	-0.2%	-0.3%	-1.3%	-3.0%	-2.4%	1.1460
USDCNY	0.0%	0.0%	0.2%	0.4%	0.7%	1.1%	6.9124
MSCI EM CUR	closed	-0.2%	-0.1%	0.1%	-2.5%	-0.8%	1837
Commodities							
Oil WTI	2.8%	5.5%	4.6%	16.2%	52.8%	78.4%	102.41
Oil Brent	2.1%	4.2%	5.7%	15.0%	58.5%	88.8%	114.89
Gold	0.7%	2.7%	-2.9%	2.6%	-14.3%	4.7%	4523.78
Dutch Gas Eur/Mwh	-0.6%	-1.9%	4.5%	-5.0%	68.4%	91.2%	53.83
DE Electricity Eur/Mwh	-2.0%	0.0%	3.8%	-1.3%	12.8%	24.0%	90.55
Wheat Chicago	0.4%	0.0%	1.2%	3.4%	2.7%	19.8%	607.50
EZ spreads vs DE							
EU 10Y	0	1	2	2	0	9	0.40
FR 10Y	-1	1	3	3	2	15	0.73
IT 10Y	0	1	7	7	8	32	0.95
ES 10Y	0	0	2	2	2	11	0.53
PT 10Y	-1	1	2	2	2	12	0.48

- Short term inflation expectations have risen more in Europe than in the US (higher gas prices)
- Markets expect a hawkish central bank reaction
- The dollar is again the clear safe-haven currency
- Government bond yields increased on higher inflation expectations but mostly on the front-end (bear-flattening)
- Equity markets were hit strongly with the biggest losses in Europe and Emerging markets ex China
- Credit spreads widened in particular in the high yield space

Market History: Most conflicts fade quickly, but this one echoes the First Gulf War's escalation

Oil

Event	Date	Days to recover	Max up	4w before	1w before	1w	2w	4w	8w	6m	12m
First Gulf War	02/08/1990										
Brent		169	108%	-19%	-6%	24%	31%	31%	102%	1%	-2%
9/11 Attacks	11/09/2001										
Brent		8	7%	-6%	-4%	2%	-22%	-26%	-31%	-17%	0%
Second Iraq War	20/03/2003										
Brent		none	-	20%	23%	-5%	-5%	-8%	-3%	-3%	18%
Russian invasion of Ukraine 2022	24/02/2022										
Brent		161	32%	-7%	-2%	17%	15%	26%	10%	0%	-14%
Israel-Hamas War	07/10/2023										
Brent		32	9%	7%	13%	7%	9%	1%	-7%	6%	-15%
Israel-Iran War	13/06/2025										
Brent		12	14%	-7%	-6%	14%	-2%	-1%	-4%	-11%	---
US-Israel-Iran War	28/02/2026										
Brent		?	?	-3%	-1%	28%	42%	56%	---	---	---

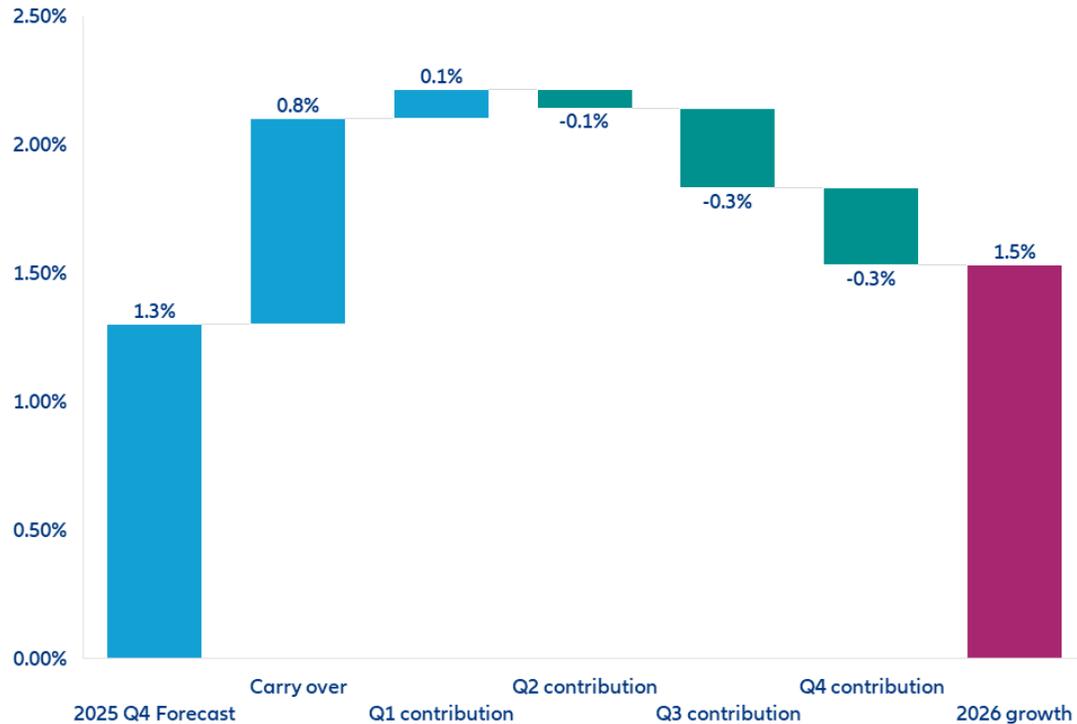
Stock index changes in %

Event	Date	Days to recover	Max down	4w before	1w before	1w	2w	4w	8w	6m	12m
First Gulf War	02/08/1990										
S&P 500		190	-17%	1%	0%	-5%	-4%	-9%	-14%	-5%	7%
Eurostoxx (297)		1094	-28%	1%	1%	-9%	-10%	-14%	-24%	-25%	-13%
9/11 Attacks	11/09/2001										
S&P 500		32	-12%	9%	4%	-5%	-8%	-3%	1%	7%	-20%
Eurostoxx (297)		37	-17%	12%	7%	-8%	-12%	-5%	2%	10%	-25%
Second Iraq War	20/03/2003										
S&P 500		none	-	-3%	-8%	0%	1%	1%	7%	16%	28%
Eurostoxx (297)		none	-	1%	-13%	-1%	-1%	4%	6%	19%	31%
Russian invasion of Ukraine 2022	24/02/2022										
S&P 500		none	-	3%	6%	4%	1%	5%	6%	-2%	-3%
Eurostoxx (297)		34	-12%	4%	4%	-4%	-6%	-2%	-1%	-8%	4%
Israel-Hamas War	07/10/2023										
S&P 500		4	0%	3%	0%	0%	-2%	1%	7%	21%	34%
Eurostoxx (297)		4	-1%	3%	1%	0%	-3%	1%	6%	19%	19%
Israel-Iran War	13/06/2025										
S&P 500		13	-1%	-2%	-2%	-1%	2%	4%	5%	13%	---
Eurostoxx (297)		26	-3%	0%	1%	-3%	-2%	1%	1%	7%	---
US-Israel-Iran War	28/02/2026										
S&P 500		?	?	1%	0%	-2%	-4%	-7%	---	---	---
Eurostoxx (297)		?	?	-3%	0%	-6%	-7%	-10%	---	---	---



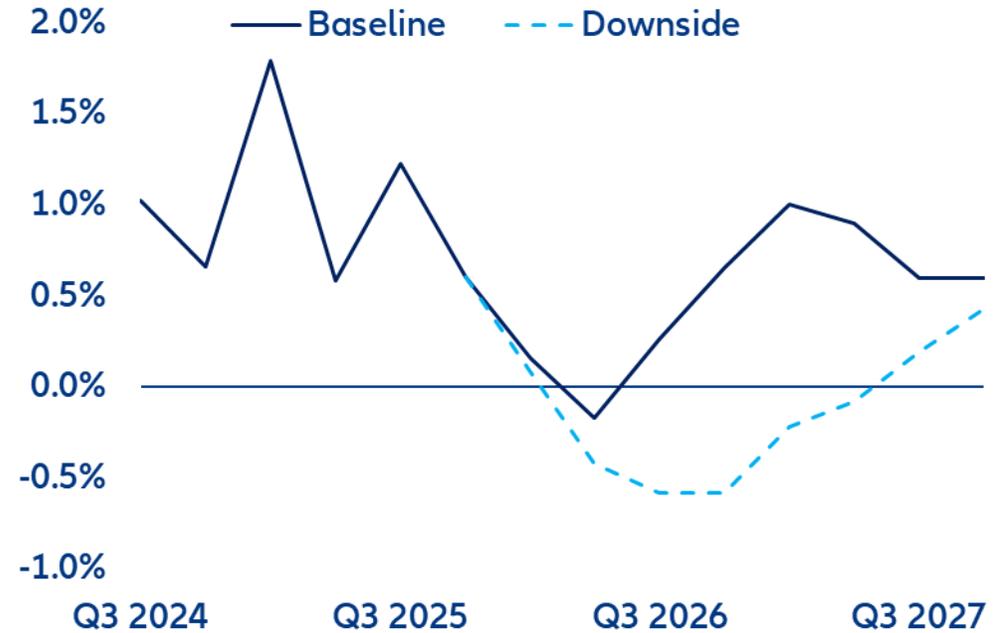
The (immediate) cost of war for global trade

Global trade in volume is likely to grow by 1.5% in 2026



Sources: LSEG Datastream, Allianz Research

A prolonged Hormuz closure until year-end would cut global trade growth to 0.5% in 2026 and recession in 2027



Sources: LSEG Datastream, Allianz Research

Shockwaves from the Middle East

		Feb 28th	Upside (15% probability): Short lived escalation with military exchange ***	Baseline (45% probability): Prolonged conflict with less than three months of global oil and gas disruption***	Downside (35% probability): Long sustained escalation with prolonged disruption of global oil and gas supply***
			2026	2026	2026
Description			Deescalation, Hormuz opens in April, no destruction of oil industry	A deal allowing for a progressive normalization of oil and gas trade in May. In between partial re-routing, additional production (US, Russia) and strategic reserves being tapped covers >50% of Hormuz gap in oil and gas; no material destruction of oil /gas industry.	Hormuz closed for more than three months. Oil, gas and other commodity supply shortages (fertilizers, helium) transmits to confidence & equity shock exacerbating downturn.
Oil Brent (USD/bbl), Q2 average / eoy 2026		73\$	70\$ / 70\$ (125\$)*	90\$ / 78\$ (\$140)*	130\$ / 85\$ (\$180)*
Gas prices, annual avg.		32€	35€ (80€)*	49€ (150€)*	65€ (200€)*
GDP	EZ	1.3%**	1.2%	0.8%	0.2%
	US	2.6%**	2.5%	2.1%	1.5%
Inflation	EZ	1.9%**	2.1%	3.0% (3.4%)*	3.9% (4.9%)*
	US	2.5%**	2.6%	3.2% (3.7%)*	4.0% (4.6%)*
EURUSD		1.18	1.19 (1.14)*	1.15 (1.11)*	1.12 (1.05)*
Monetary Policy	ECB	2.0	2.0	2.25	2.75
	Fed	3.75	3.5	3.75	4.25
10y	DE	2.6	2.6 (3.1)*	2.8 (3.3)*	3.1 (3.7)*
	US	4.0	4.3 (4.5)*	4.5 (4.8)*	5.0 (5.7)*
Equity market	EZ	6	9 (-10)*	5 (-10)*	-25 (-30) *
	US	1	10 (-10)*	6 (-10) *	-20 (-25) *
Credit spread	EZ IG	83	83 (100) *	95 (115) *	120 (150) *
	EZ HY	283	283 (320) *	320 (400) *	400 (440) *
	US IG	84	84 (100) *	95 (115) *	120 (140) *
EM HC spread		178	185 (200) *	200 (230) *	235 (280) *
Private Markets (Global)	Private EQ	6.7%	12.5%	10%	-10%
	Direct Lending	530	500	550	650-700
	Infra EQ	8.7%	9.8%	8.5%	5.5%
Insolvencies	EZ	+1.4%	+1.5%	+2.5%	+5.0%
	US	+5.7%	+6.4%	+9.3%	+13.5%

* max daily draw-down in brackets.

** macro forecast for 2026 before the start of the Iran war

*** probabilities add up to 95% with remaining upside and downside tail-risks (<5%) omitted

Spillover #1: Energy shock reignites inflation

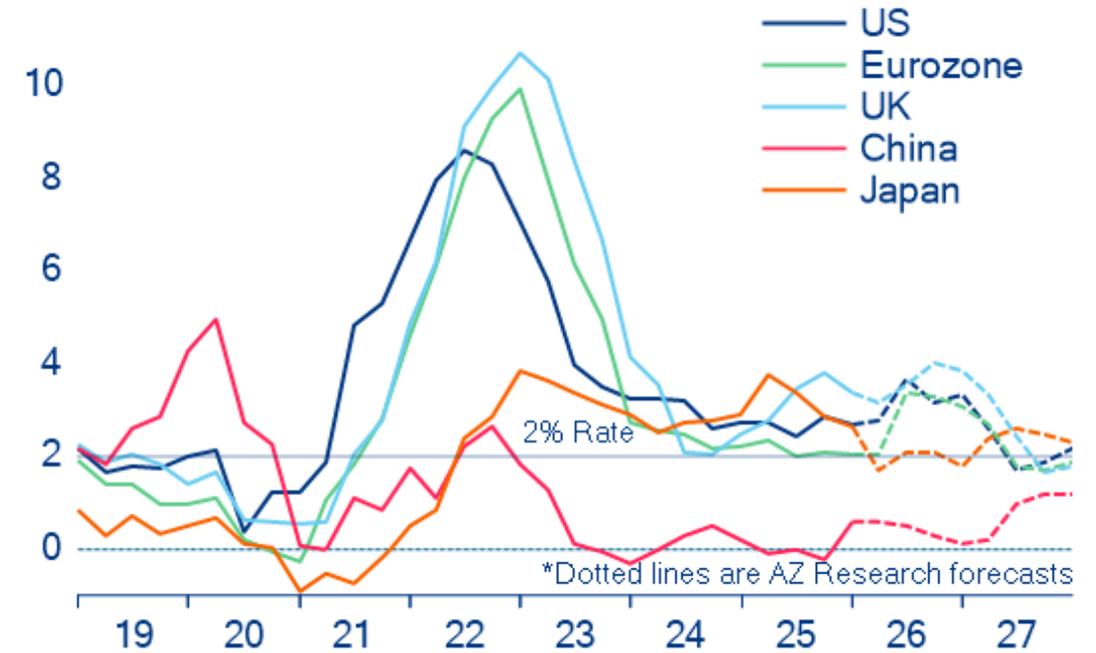
Inflation rate forecasts

%

Inflation (yearly %)	2023	2024	2025	2026f	2027f
Global	6.1	4.5	3.4	4.3	2.9
USA	4.1	3.0	2.7	3.2	2.1
Latin America	14.8	16.6	7.6	3.6	2.9
Brazil	4.6	4.4	5.0	4.5	3.3
UK	7.4	2.5	3.4	3.7	2.3
Eurozone	5.5	2.4	2.1	3.0	2.0
Germany	6.0	2.3	2.2	3.1	2.2
France	4.9	2.0	0.9	1.9	1.4
Italy	5.7	1.0	1.5	3.1	1.5
Spain	3.6	2.8	2.7	3.3	1.7
Central and Eastern Europe	11.2	3.9	5.0	4.2	3.1
Poland	11.6	3.8	3.8	3.3	2.5
Russia	5.9	8.4	8.7	7.8	7.0
Türkiye	53.4	60.0	35.2	28.0	19.5
Asia-Pacific	3.1	2.2	1.3	2.3	1.9
China	0.2	0.2	0.1	1.0	1.2
Japan	3.3	2.7	3.2	2.4	2.1
India	5.7	5.0	2.2	4.7	3.7
Middle East	16.5	10.7	12.7	18.7	10.0
Saudi Arabia	2.5	1.5	2.0	3.1	2.4
Africa	17.0	15.1	8.7	8.4	7.2
South Africa	5.9	4.5	3.2	4.5	3.5

Inflation to peak in Q2 2026

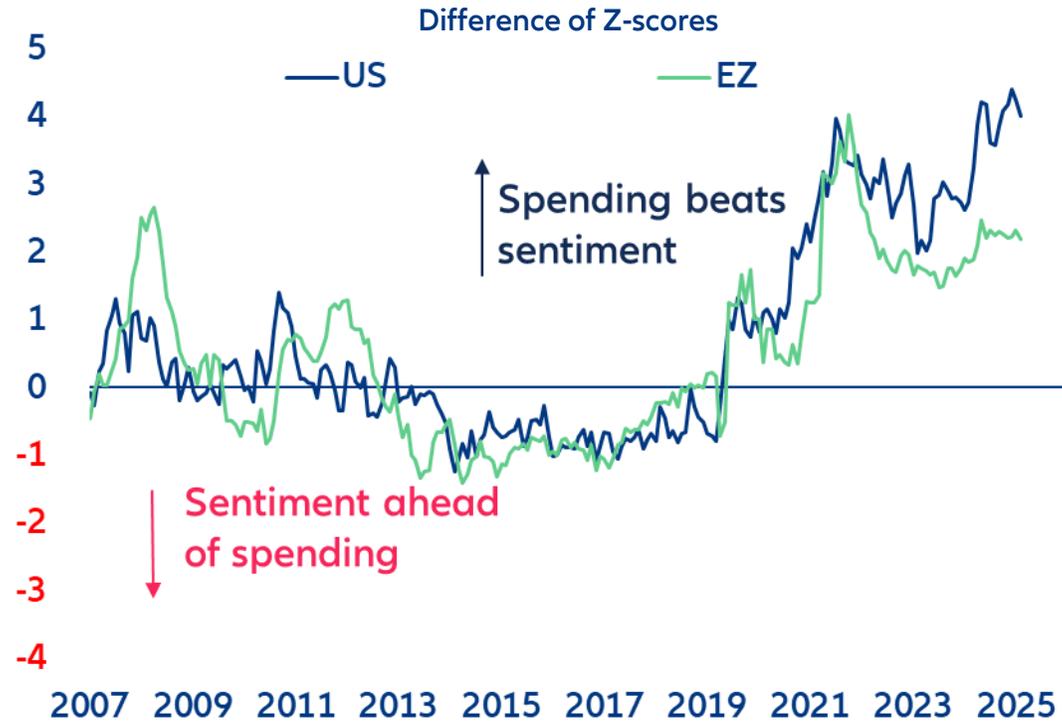
Quarterly inflation y/y in %



Sources: LSEG Datastream, Allianz Research

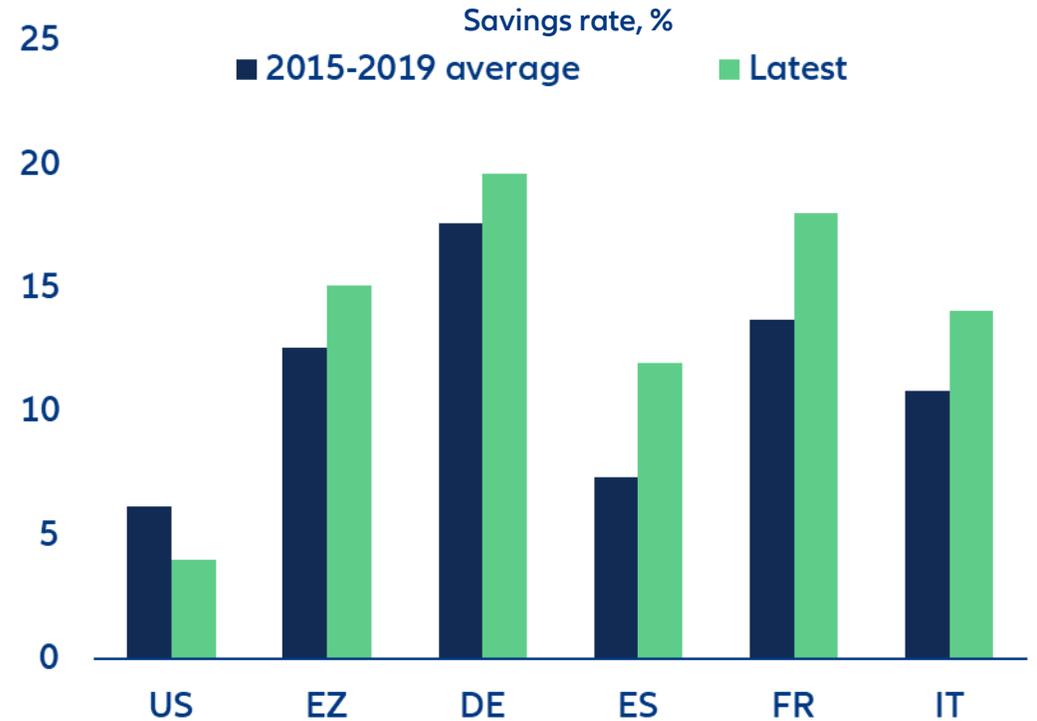
Spillover #2: 15-year low consumer confidence, but savings could offset

The confidence-spending disconnect: retail resilience despite weak sentiment



Sources: LSEG Datastream, Allianz Research

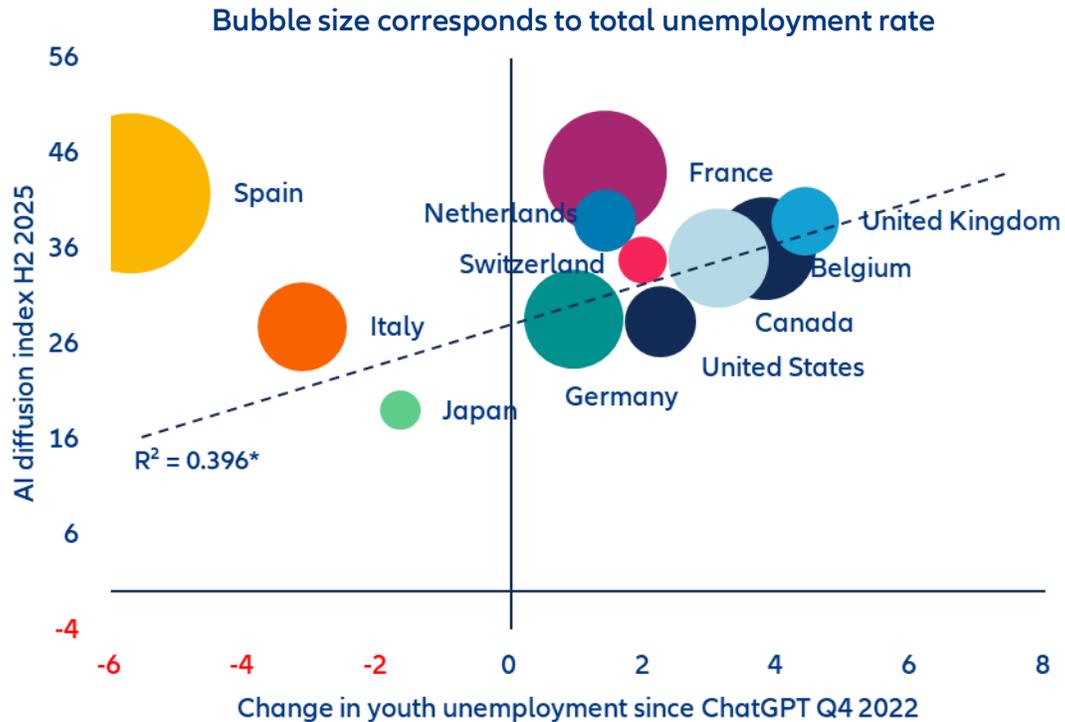
Americans are spending their saving buffer, while Europeans are still building one



Sources: LSEG Datastream, Allianz Research
 Notes: Latest is Q4 2025 for US and Q3 2025 for Eurozone countries

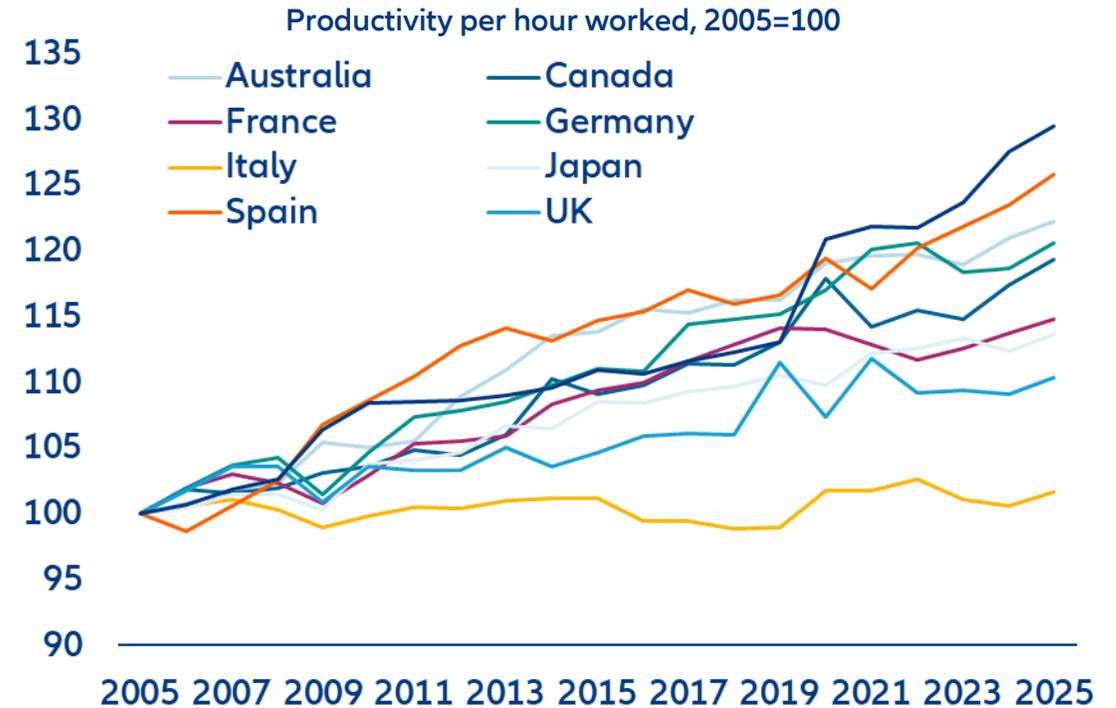
Labor markets hold for now despite AI shift

Similar levels of AI adoption deliver wildly different employment outcomes across countries



Sources: Microsoft Global AI Adoption Index, OECD, Allianz Research. *The regression line and R^2 exclude Spain and Italy. Both economies have structurally high youth-unemployment levels since the GFC and the sovereign-debt crisis

Only a few economies convert the 2022 AI broader diffusion into higher productivity

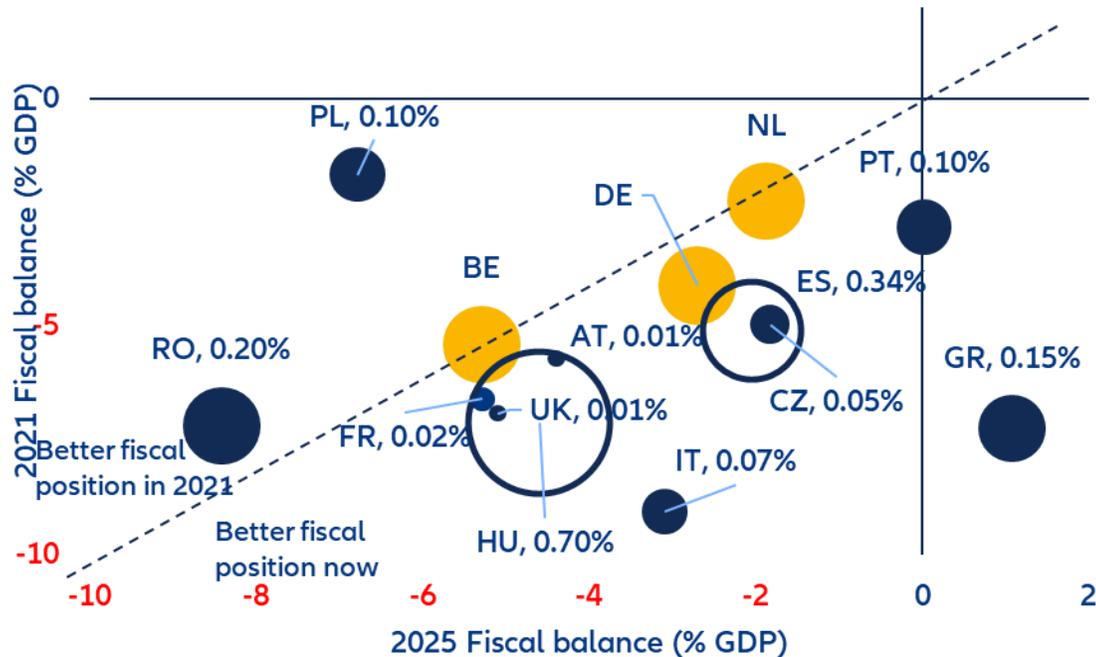


Sources: ILO (output per hour worked), Allianz Research

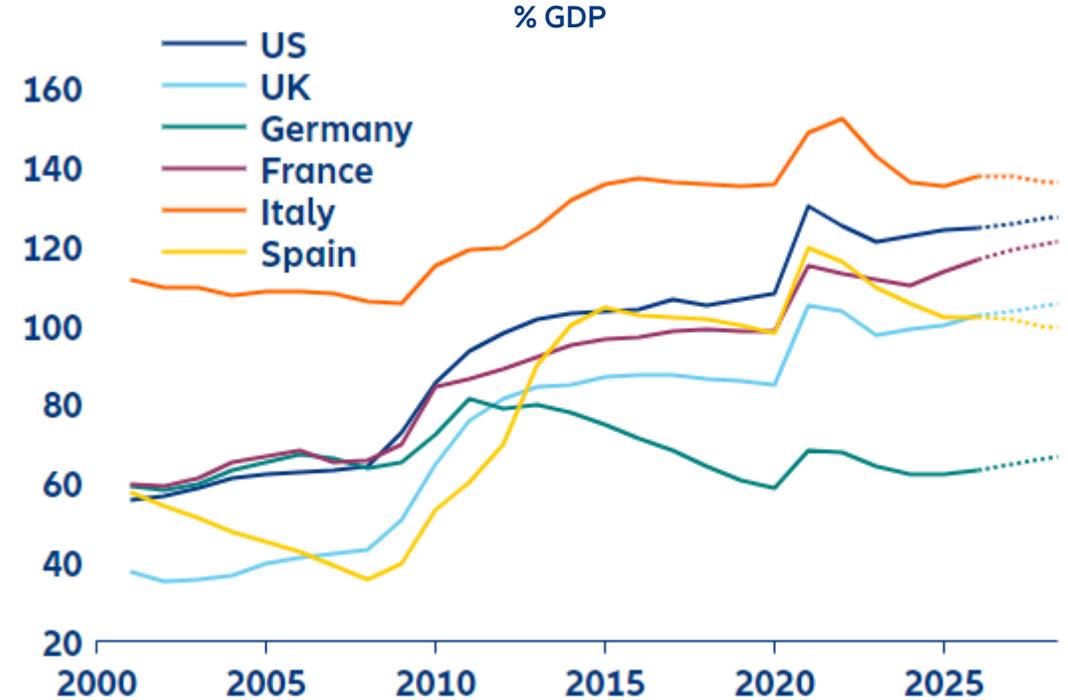
Spillover #3a: Energy related fiscal measures add pressures to public finances

Announced measures much more modest than 2022, governments better placed to step in but less likely to

Estimated impact of announced fiscal measures in Europe



Increasing debt ratios show no sign of reverting soon

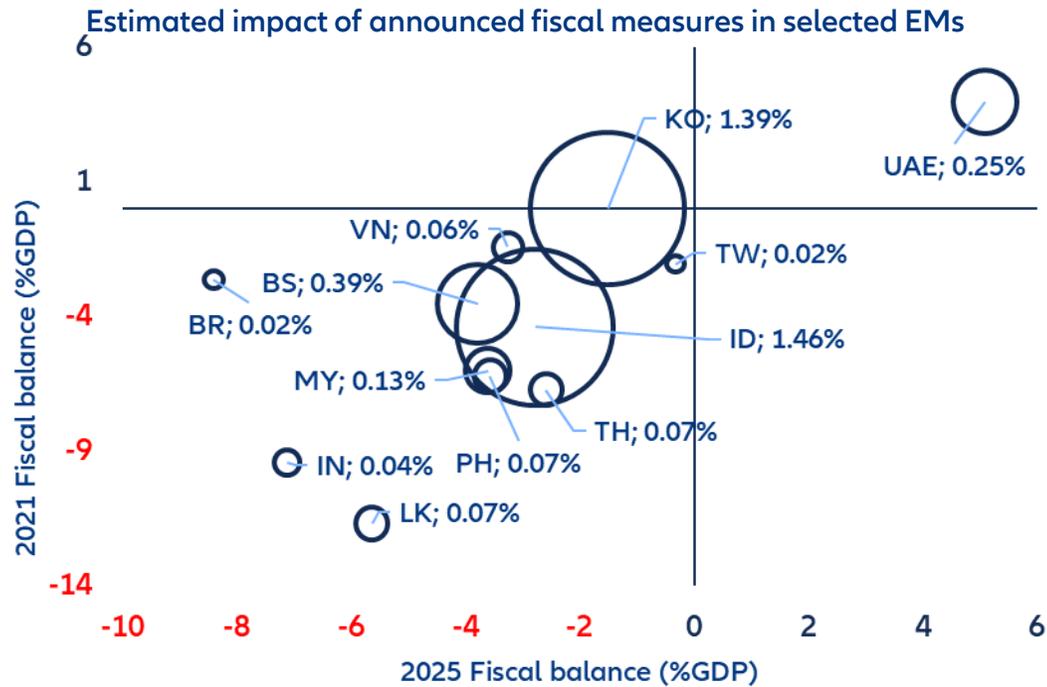


Sources: LSEG Datastream, Allianz Research. Note: Blue bubbles: announced measures (size = estimated fiscal cost, % of GDP). Yellow bubbles: no fiscal support announced as of 30/03/2026.

Sources: LSEG Datastream, Allianz Research

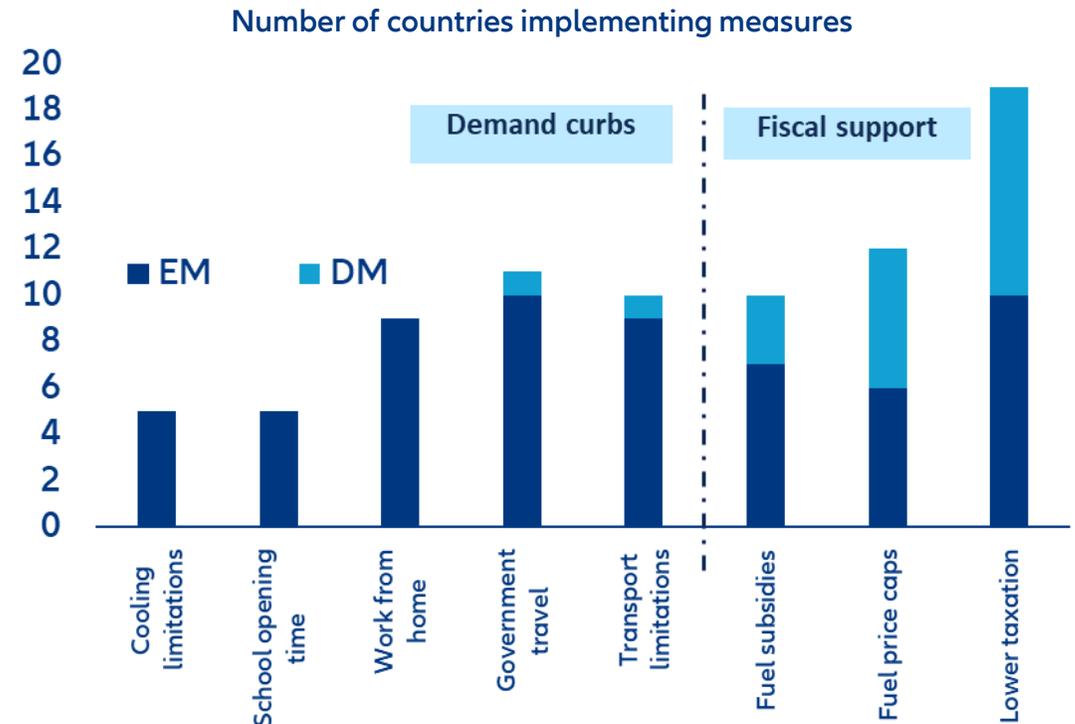
Spillover #3a: Some signs of demand destruction in the emerging markets

EMs face new energy shock at a better footing than 2021 Ukraine war



Sources: LSEG Datastream, Allianz Research. Note: Blue bubbles: announced measures (size = estimated fiscal cost, % of GDP). Yellow bubbles: no fiscal support announced as of 30/03/2026.

In EMs most policy announcements are demand curbs rather than fiscal support

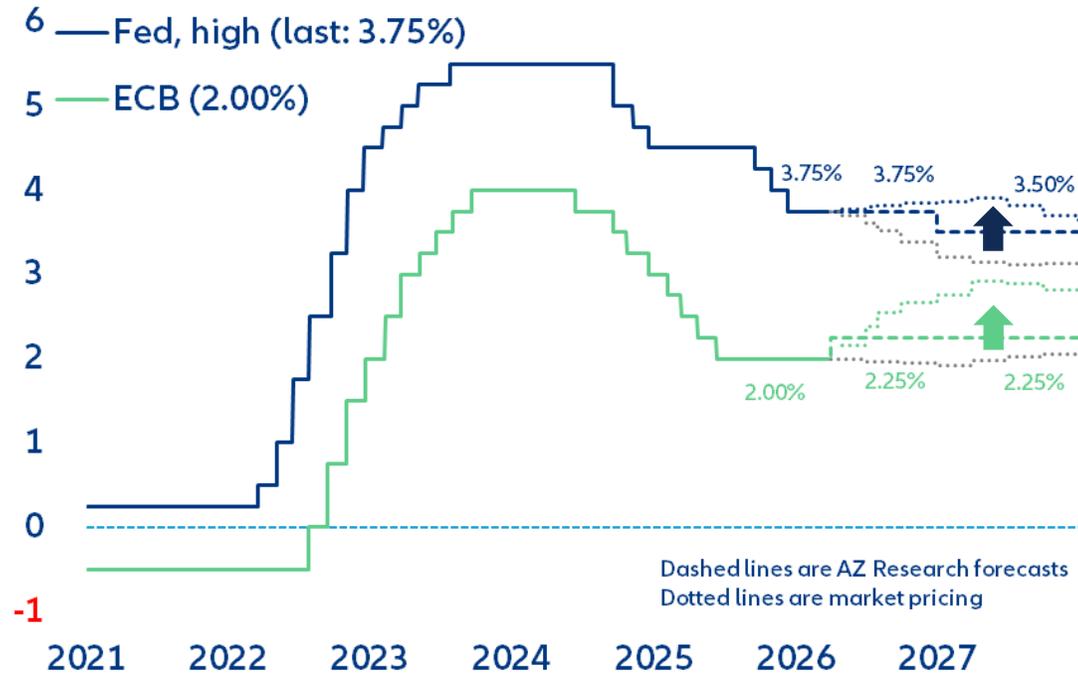


Sources: LSEG Datastream, IEA, Allianz Research

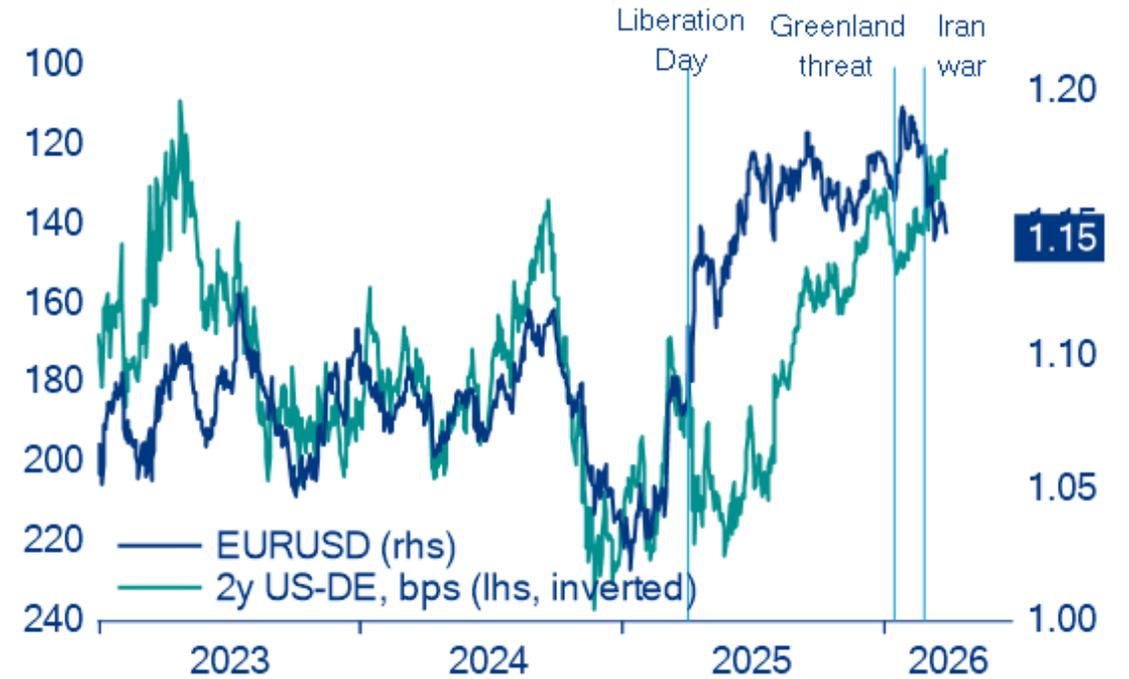
Note: for instance, for lower taxation, there are 10 EMs (Barbados, Albania, Brazil, Cambodia, Chile, Lao, Philippines, Turkey, Vietnam, Serbia) and 9 DMs (Croatia, Ireland, Italy, Latvia, Portugal, Slovenia, Spain, Sweden, Austria) implementing this measure.

Spillover #3b: Central bank expectations turned hawkish and USD is once again in high demand

Markets switched from cuts to hikes for the ECB. We expect adjustments only until the end of the war.



USD again save haven despite less favorable (nominal) interest rate differential



Sources: Bloomberg, Allianz Research
 Grey dotted lines show market expectations from 27.02.2026 (pre-US-Iran-war)

Sources: LSEG Datastream, Allianz Research

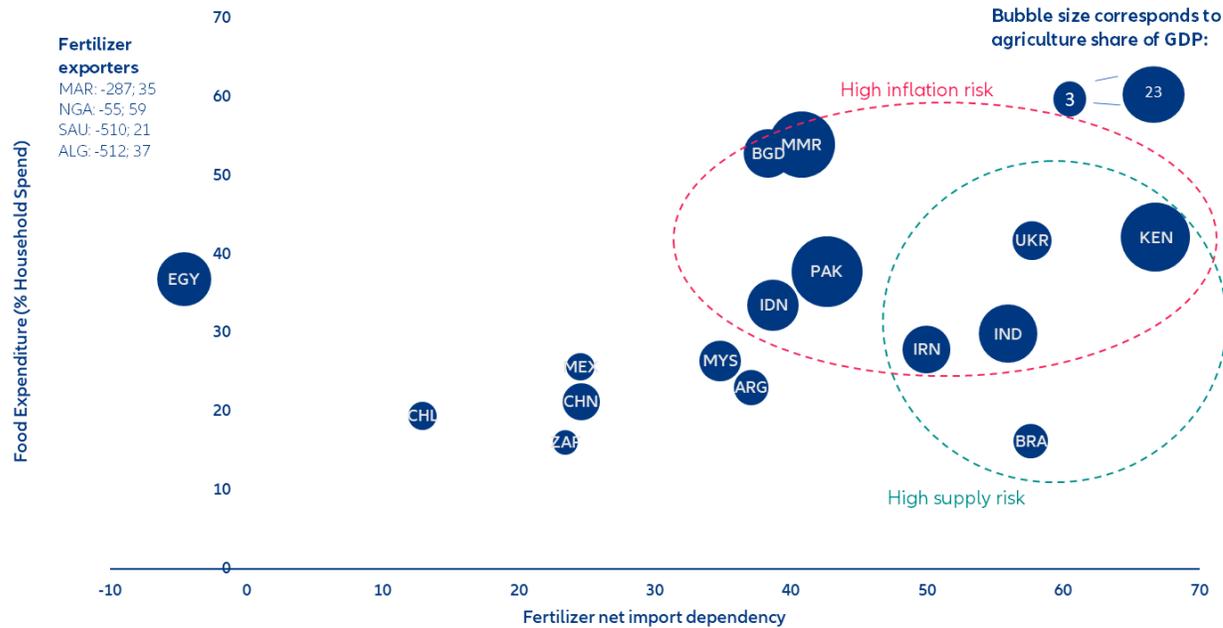
Spillover #4: Demand shock hits emerging markets harder

Country	Exposure to the Middle East crisis						Market reaction since Feb 27		Coping mechanisms					
	Energy balance (% of GDP)	Strategic oil reserves (days of consumption)	Oil dependency (% primary energy)	Gas dependency (% primary energy)	Vulnerability to energy price shock	Vulnerability to ME supply shock	FX (% change vs USD)	Bond yields (bps)	Fiscal balance (% of GDP)	Current Account (% of GDP)	FX reserves (months of imports)	FX outlook	Central Bank stance (by mid-2026)	Risk of fiscal slippage throughout 2026
Argentina	0.6	NA	-8%	0%	Medium	Low	1.3	N/A	-1.5	-0.4	3.8	Neutral	On hold	Low
Bangladesh	-3.5	49	19%	8%	High	High	-0.5	36.0	-3.9	-0.9	4.9	Negative	On hold	High
Brazil	0.9	NA	-16%	2%	Low	Low	-2.3	60.0	-7.5	-2.3	12.1	Positive	Cautious easing	Medium
Chile	-4.4	25	46%	9%	High	Medium	-4.6	42.0	-0.6	-2.2	6.7	Negative	On hold	Low
China	-2.4	100	12%	3%	Medium	Medium	-0.7	42.0	-5.0	2.8	12.3	Neutral	On hold	Medium
Colombia	3.9	NA	-34%	4%	Low	Low	1.0	-38.0	-5.7	-2.6	9.6	Negative	Hike	Medium
Czechia	-2.4	117	28%	12%	High	Medium	-2.9	46.0	-2.1	0.4	9.3	Negative	On hold	Medium
Egypt	0.0	NA	8%	9%	Medium	High	-9.0	51.0	-10.7	-4.3	4.3	Negative	On hold	High
Hungary	-3.6	215	15%	20%	High	Medium	-5.1	106.0	-5.1	0.9	3.7	Negative	On hold	High
India	-3.7	30	13%	4%	High	Medium	-3.3	18.0	-1.8	-1.4	9.1	Neutral	On hold	Medium
Indonesia	1.1	20	15%	-3%	Low	Medium	-1.3	44.0	-2.7	-1.2	7.1	Negative	On hold	High
Kenya	-4.5	NA	16%	2%	High	High	-0.5	10.0	-5.6	-3.4	5.7	Negative	On hold	High
Malaysia	-0.4	NA	13%	-19%	Medium	Medium	-1.3	7.0	-3.6	1.8	5.3	Negative	On hold	High
Mexico	0.7	NA	2%	6%	Low	Low	-3.6	72.0	-4.1	-0.3	4.3	Neutral	Cautious easing	Medium
Morocco	-5.0	30	50%	15%	High	Medium	-2.1	29.0	-4.5	-1.5	7.4	Neutral	On hold	Medium
Nigeria	12.2	NA	-48%	-17%	Low	Low	-1.2	62.0	-3.7	3.6	12.0	Neutral	On hold	Medium
Pakistan	0.0	28	20%	7%	High	High	0.1	84.0	-4.1	-0.4	11.6	Negative	On hold	High
Peru	-0.5	NA	34%	-6%	High	Low	-3.1	44.0	-2.2	1.2	14.8	Negative	On hold	Low
Philippines	-4.2	60	36%	5%	High	Medium	-4.6	106.0	-0.3	-3.5	8.2	Negative	On hold	Medium
Poland	-2.1	121	35%	2%	High	Medium	-3.0	76.0	-6.3	-0.8	5.7	Negative	On hold	High
Romania	-1.7	92	28%	0%	High	Medium	-1.9	105.0	-6.2	-6.6	6.0	Neutral	On hold	High
South Africa	-2.3	NA	19%	1%	Medium	Low	-5.8	92.0	-5.6	-1.2	5.6	Negative	On hold	Low
Sri Lanka	-4.5	35	47%	4%	Medium	High	-1.2	14.0	-6.5	0.5	4.5	Negative	On hold	High
Taiwan	-5.1	80	28%	19%	Medium	High	-3.1	4.0	-0.2	13.1	15.9	Negative	On hold	Medium
Thailand	-7.8	60	35%	11%	High	High	-6.2	55.0	-2.5	1.3	8.9	Negative	On hold	Medium
Tunisia	-4.0	60	21%	22%	High	High	-1.6	N/A	-6.0	-2.0	4.9	Negative	On hold	High
Türkiye	-3.6	94	7%	2%	High	Medium	-0.8	375	-0.7	-1.3	2.7	Neutral	Hike	Medium
Vietnam	-2.5	15	20%	2%	Medium	High	-1.1	8	-2.3	2.4	2.3	Negative	On hold	Medium

Sources: various sources, Allianz Research; NB: in green central banks that were cutting before the conflict in the Middle East escalated

Rising food inflation: Higher risk for emerging markets

Exposure to fertilizers is highest for EMs: Kenya, India and Ukraine

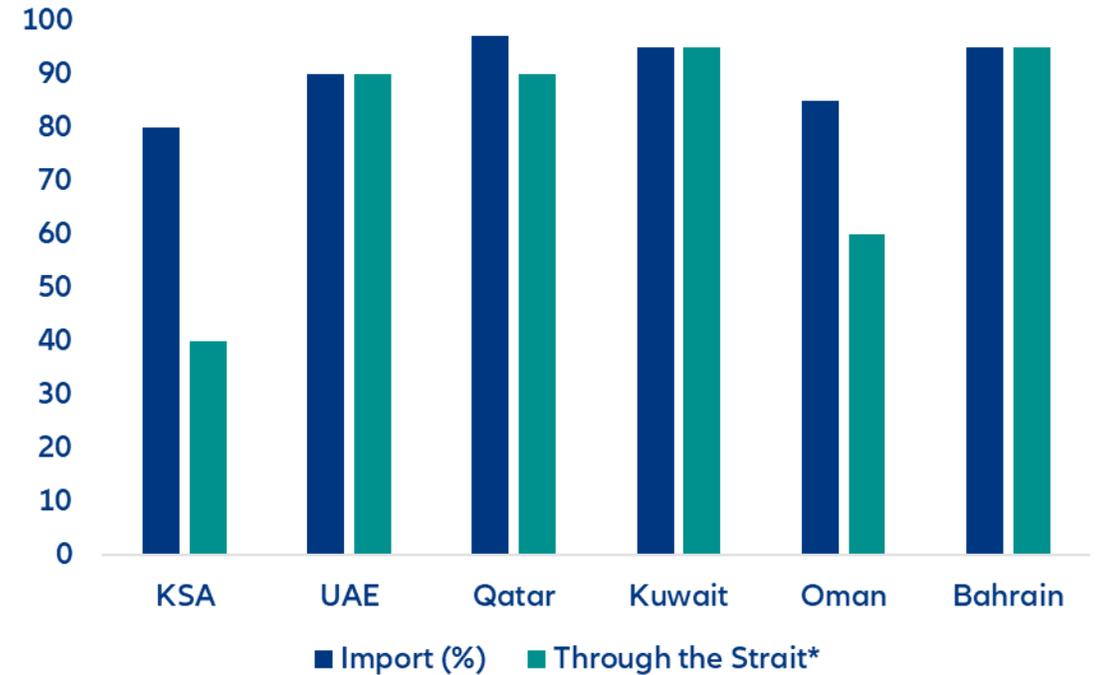


Note: Fertilizer net import dependency is calculated as production + imports - exports over consumption

Sources: various sources, Allianz Research

Food import dependency in GCC is strong

% of food consumption imported and % of imports exposed to Hormuz

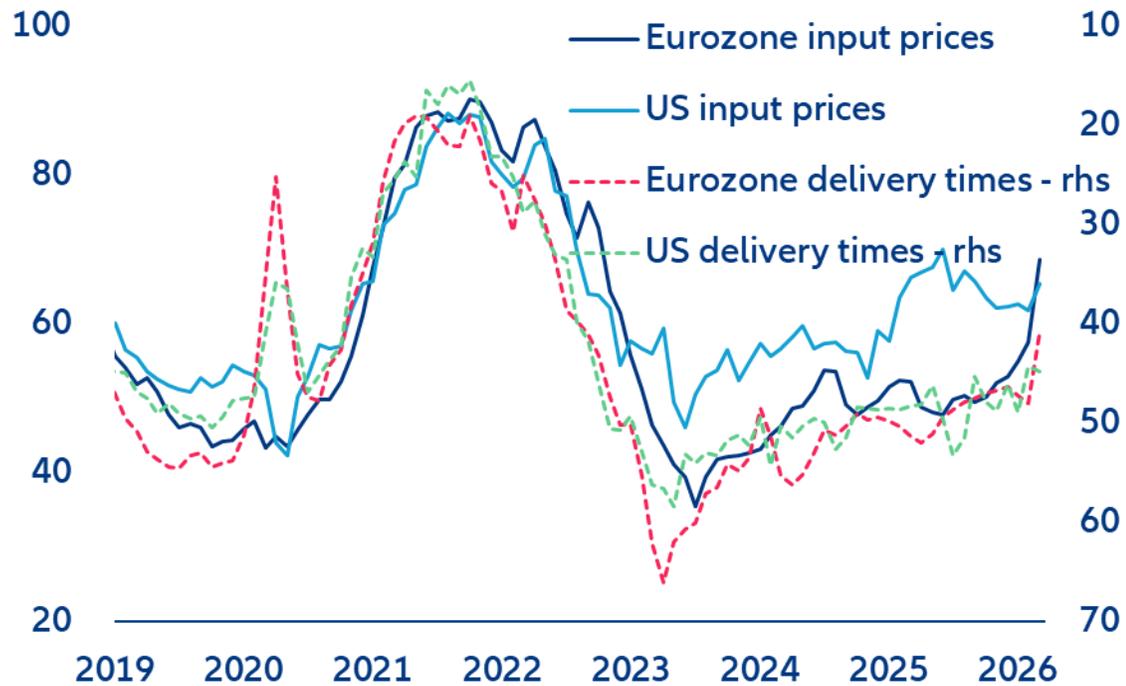


Sources: various sources, Allianz Research

Spillover #5: Firms' margins squeeze to come

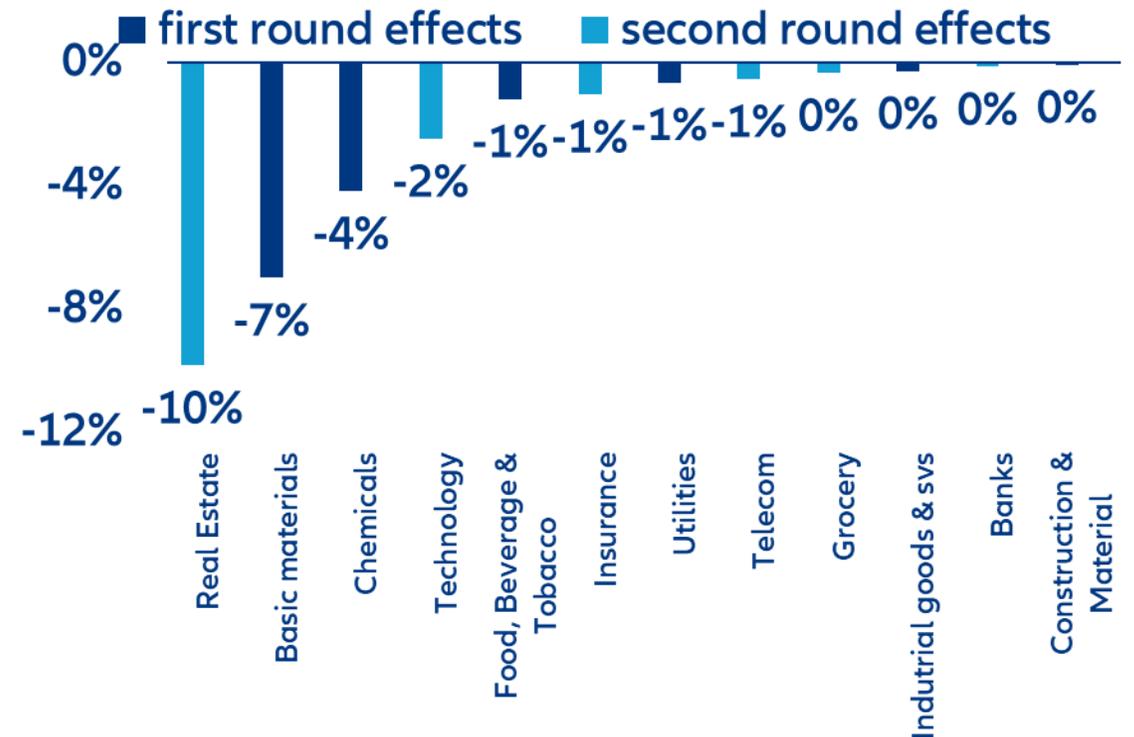
Impact of Middle-East crisis already visible in corporates' input costs

Manufacturing PMI input prices & suppliers' delivery times balances



Sources: LSEG Datastream, Allianz Research

Maximum profit margin deterioration in European industries over the period 2022-2023
Stoxx 600 benchmark



Sources: LSEG Datastream, Allianz Research

Sector impacts: Further collateral damage to expect

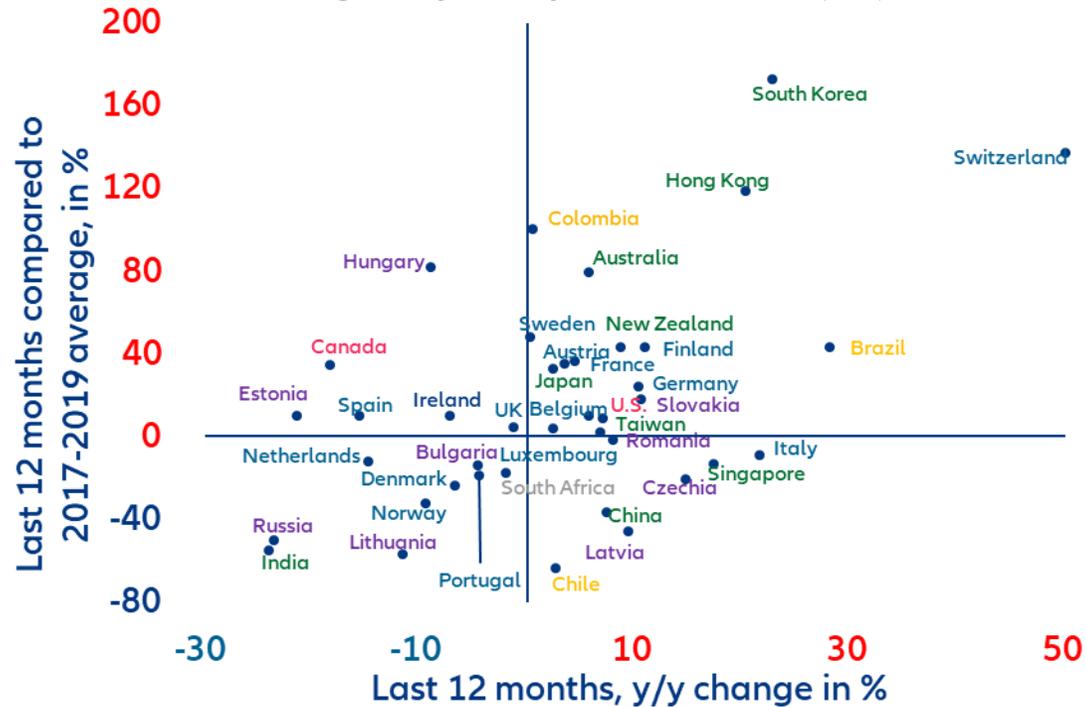
Sectors	Europe	Asia	Upside/Downside catalysts
First round effect			
Base metals	↓↓↓	↓↓↓	Large margin compression (rising energy costs)
Basic chemical - Fertilizer	↓↓↓	↓↓↓	/
Airlines	↓	↓↓↓	Large margin compression if unhedged (rising jet fuel costs)
Building materials – Cement	↓↓↓	↓↓↓	
Food	↓	↓	Moderate margin compression (rising energy costs)
Glass	↓	↓	/
Paper	↓	↓	/
Plastic	↓	↓	/
Textile	↓	↓	/
Shipping	↓	↓	Moderate margin compression (rising energy costs and low pricing power)
Utilities – Electricity provider	↑	↑	Moderate margin improvement (pricing effects on electricity)
Oil & Gas - Refinery & Distrib.	↑↑	↑↑	Large margin improvement (pricing effects on oil)
Second round effect			
Real Estate	↓↓↓	↓↓↓	Higher interest rate (deteriorating demand)
Consumer electronics	↓	↓↓↓*	Rising costs (inputs pricing) + Higher interest rate (weaker business & household spending)
Technology - Components & Equipment	↓	↓↓↓*	Higher interest rate (weaker investment pipeline + corporate IT budget cut)
Automotive	↓	↓	Rising costs (inputs pricing) + Higher interest rate (weaker business & household spending)
Datacenter	↓	↓	Rising costs (electricity bill) + Higher interest rate (weaker investment pipeline)
Insurance	↓	↓	Large margin compression (higher repairing costs/higher insolvency risks)
Banks	→	→	Higher interest rates (sluggish household consumption & business investment)
Construction	→	→	Higher interest rates (weaker investment pipeline)
Retail	→	→	Higher interest rates (sluggish household consumption)
Telecom services	→	→	Higher interest rates (more expensive capex)
Utilities – Renewables	↑	→	/

*Strong economic weight in countries like South Korea and Taiwan. Sources: Allianz Research

Spillover #6: High(er) for longer business insolvencies

Business insolvencies continue to surge in most countries despite already high levels

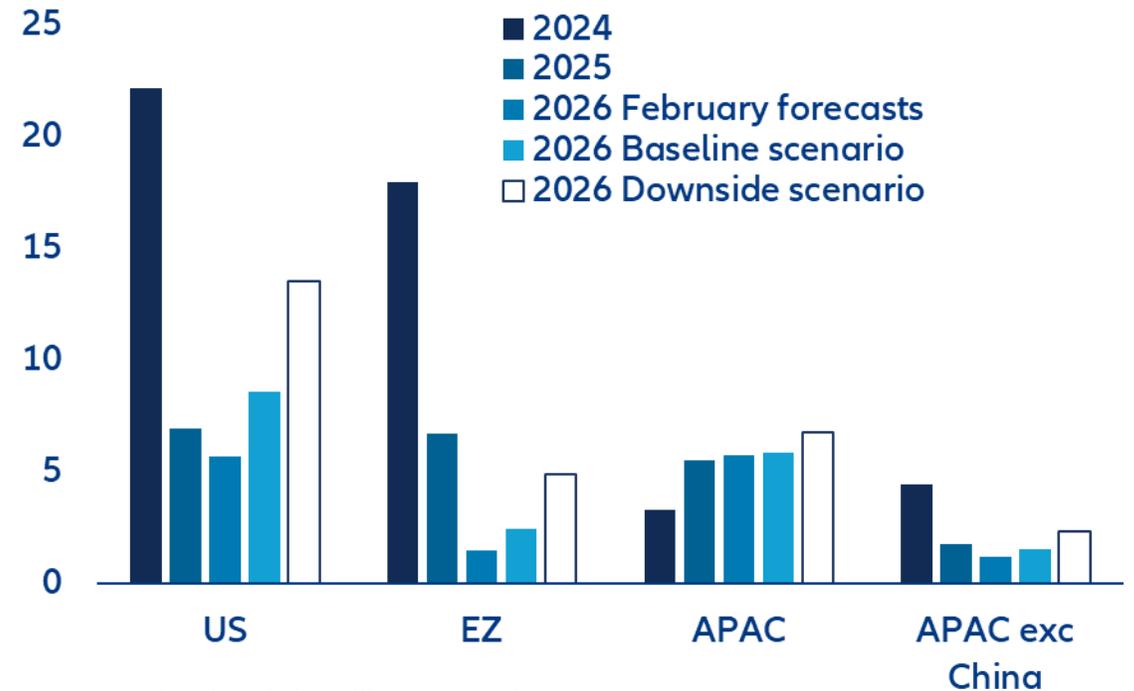
Latest figures by country as of March 2026 (W3)



Sources: national statistics, Allianz Research

The global rise in insolvencies to exceed +5% in 2026 (+2pps from December, after +6% in 2025) before a plateau in 2027

National (US) and regional (EZ, APAC) insolvencies, y/y change in %



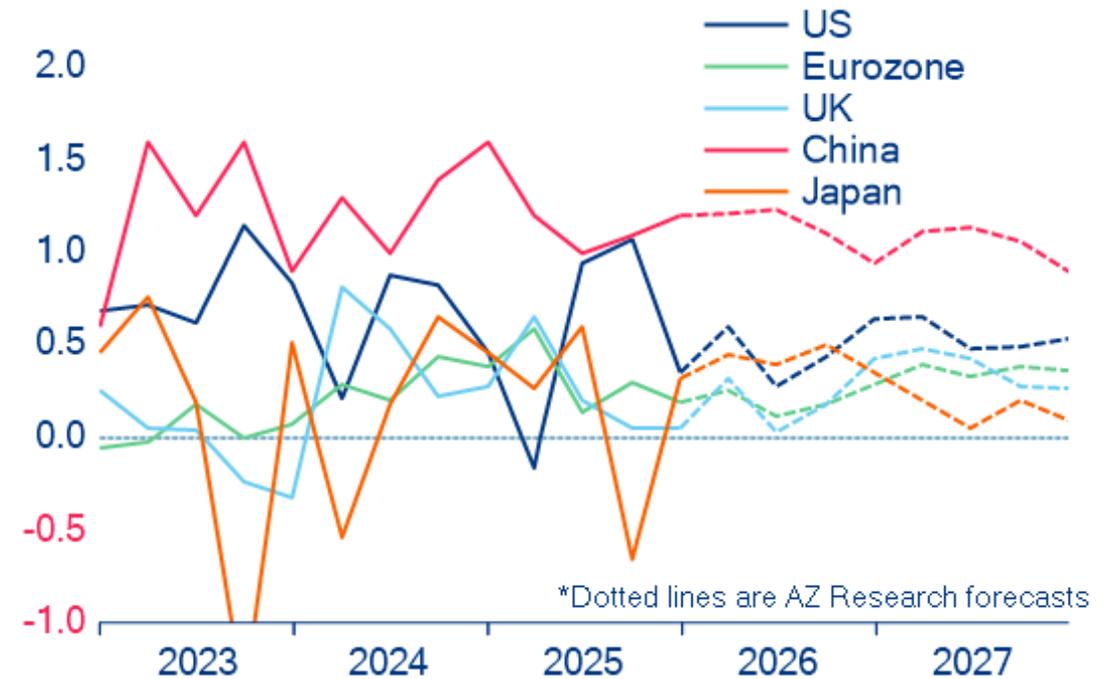
Sources: national statistics, Allianz Research

Spillover #7: Global growth revised down to 2.6%, lowest since 2020

The Iran escalation hits Europe and Middle East harder than other regions

Growth (yearly %)	2023	2024	2025	2026f	2027f
Global	2.8	2.9	3.0	2.6	2.9
USA	2.9	2.8	2.1	2.1	2.2
Latin America	2.0	1.7	2.6	2.4	2.9
Brazil	3.2	3.0	2.6	1.9	2.5
UK	0.3	1.1	1.3	0.7	1.4
Eurozone	0.5	0.9	1.5	0.8	1.3
Germany	-0.7	-0.5	0.4	0.7	1.2
France	1.6	1.1	0.9	0.8	1.3
Italy	1.0	0.6	0.7	0.5	0.8
Spain	2.5	3.5	2.8	2.2	1.8
Central and Eastern Europe	1.4	2.2	2.2	2.6	2.7
Poland	0.1	3.0	3.6	3.7	2.6
Russia	3.9	4.3	1.0	1.7	2.0
Türkiye	5.0	3.5	3.6	3.5	4.0
Asia-Pacific	4.2	4.0	4.6	4.2	4.0
China	5.5	5.0	5.0	4.7	4.4
Japan	0.7	-0.2	1.2	1.2	1.0
India	6.8	7.3	7.5	6.4	6.5
Middle East	2.1	2.1	2.3	-1.0	4.0
Saudi Arabia	0.5	2.6	4.6	2.3	8.1
Africa	2.7	3.4	4.1	3.8	3.9
South Africa	0.8	0.5	1.3	1.4	1.6

We expect normalization in growth from Q3 2026
GDP growth, q/q in %



Sources: LSEG Datastream, Allianz Research

Multi-order risks remain skewed to the downside

Main events that will shape 2026

	H1 2026	January -	February	May	June	July	October	November	November
	Supreme Court Ruling on IEEPA Tariffs ✓	Geopolitical tensions (Latam, Iran, Greenland) ✗	4 years of war in Ukraine !	End of Fed Chair Jerome Powell's term ✓	Supreme court on Fed's Lisa Cook's ousting →	USMCA review →	US government shutdown ✓	US Mid-Term Elections !	China-US trade truce expires →
Baseline scenario	Ruling against, but White House finds alternatives (average tariff at 15%)	Limited escalation	Truce or negotiated peace reached by end-2026	Kevin Warsh succeeds but credibility is not impaired	Rejected	Higher regional & US content thresholds	Limited shutdown in March-April or October	Democrats take House, Republicans keep Senate	Trade truce extended or it becomes permanent
Most likely alternative scenario	Ruling against with effective tariffs from 5% if no further action or 9% if usage of section 122 with sectorial exemptions	US sanctions against some Latam countries and selective military intervention if no successful negotiations	Escalation, NATO gets involved	Majority of FOMC pushes rates below 3%, with inflationary and financial risk to build	Case admitted – Fed independence damaged	Negotiations break down – tariff and non-tariff barriers increase	Extended shutdown (new record)	Democrats win both House and Senate	Renewed tariff hikes potentially back to 100%

Risks throughout 2026 and 2027

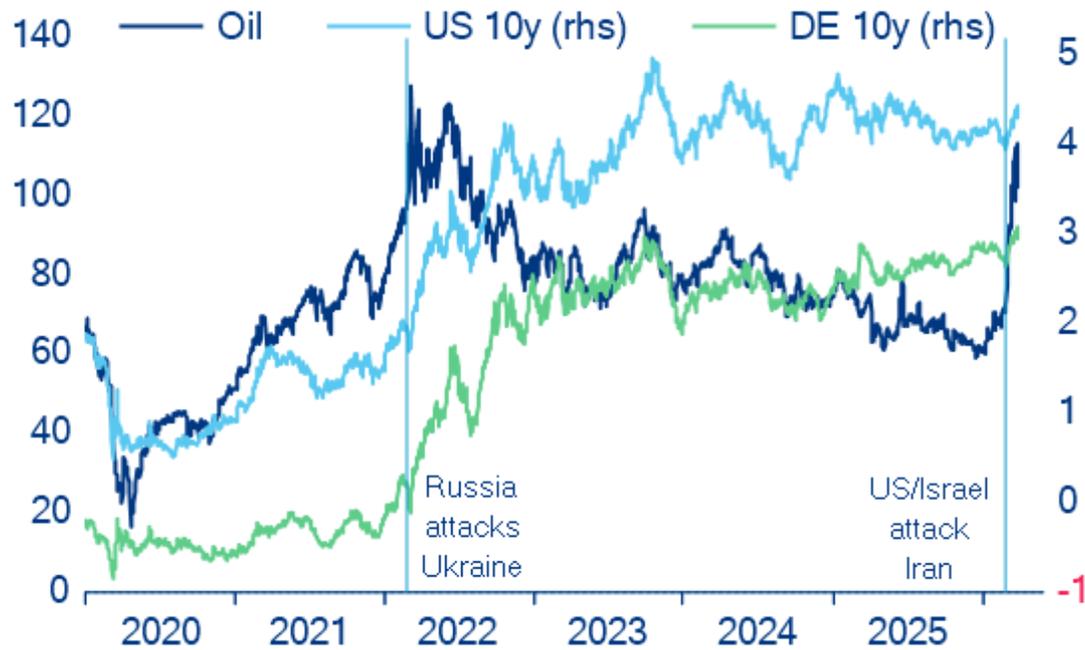
	De-dollarization shock reloaded	AI bubble burst	Private markets !	Truss moments	German stimulus	Banking deregulation	US immigration policy	ECB governing council rotation
Baseline scenario	No Revenue Tax or similar policy that triggers de-dollarization	Soft landing of the stock market	Slow but recovering distributions in PE and resilient MML with slightly higher loss rates	High deficit countries (FR, US, UK, Japan) continue to issue debt without market turmoil	Stimulus hitting bureaucracy wall delivering only underwhelming GDP growth in 2026	USD2.6tn in capital relief from a decline of 2pp in the CET 1 ratio to 14% against 16% in Europe	Continued tight immigration policy leading to population growth at 0.2%	End of Lagarde term by Oct 2027, replaced by a balanced Governor
Most likely alternative scenario	Revenue tax scares off international investors, weaker dollar, higher rates	AI bubble burst triggering corrections in the S&P 500 of up to 25-30% late 2026	Halt in PE distributions and doubling of private debt default rates	In one or more high-deficit country, markets loose trust causing FX and rates volatility	Full blown stimulus triggers with high multiplier lifts growth to 2-3% in 2026	Europe is joining the deregulation efforts and eases Basel III rules in 2027-28	Loosening of deportation policy to limit high labor shortages in some sectors	A hawkish Governing member takes over

Capital Markets outlook

2026-2027

Markets reacted to the Middle-East energy shock, but 2026 is not a repetition of 2022

The energy spike in 2022 was not the only reason for the steep rise in rates



Sources: LSEG Datastream, Allianz Investment Management

Covid hang-over and fiscal stimulus lifted the world from the low-yield environment in 2022



Sources: LSEG Datastream, Allianz Investment Management

Capital market baseline outlook

Capital Markets: Eurozone and US year-end figures

EMU	Last*	Unit	2023	2024	2025	2026f	2027f
Government Debt							
ECB deposit rate	2.00	%	4.00	3.00	2.00	2.25	2.25
10y yield (Bunds)	3.04	%	2.03	2.36	2.85	2.80	2.70
10y EUR swap rate	3.18	%	2.48	2.39	2.93	2.80	2.70
20y EUR swap rate	3.30	%	2.51	2.39	3.23	3.00	2.90
<i>Italy 10y sovereign spread</i>	95	bps	168	117	66	80	80
<i>France 10y sovereign spread</i>	73	bps	53	83	71	90	70
<i>Spain 10y sovereign spread</i>	53	bps	97	70	44	40	40
Corporate Debt							
Investment grade credit spreads	96	bps	135	101	78	95	90
High-yield credit spreads	333	bps	395	311	270	320	300
Equity							
Eurostoxx (total return p.a.)	-3 ytd	%	19	10	25	5	9
US							
Government Debt							
Fed Funds rate (high)	3.75	%	5.50	4.50	3.75	3.75	3.50
10y yield (Treasury)	4.34	%	3.87	4.57	4.16	4.50	4.10
Corporate Debt							
Investment grade credit spreads	93	bps	104	82	79	95	90
High-yield credit spreads	346	bps	334	292	281	330	320
Equity							
S&P 500 (total return p.a.)	-7 ytd	%	26	25	18	6	11

Capital Markets: UK, Emerging Markets, FX year-end figures

UK	Last*	Unit	2023	2024	2025	2026f	2027f
Government Debt							
BoE rate	3.75	%	5.25	4.75	3.75	4.00	3.25
10y yield sovereign (Gilt)	4.93	%	3.54	4.57	4.47	4.60	4.20
Corporate Debt							
Investment grade credit spreads	93	bps	134	91	80	115	105
High-yield credit spreads	480	bps	515	364	420	518	480
Equity							
FTSE 100 (total return p.a.)	3 ytd	%	8	10	26	7	8
Emerging Markets							
Government Debt							
Hard currency spread (vs USD)	185	bps	215	202	163	200	195
Local currency yield	6.29	%	6.19	6.39	5.87	6.30	6.00
Equity							
MSCI EM (total return p.a. in USD)	1 ytd	%	10	8	34	8	9
FX & Commodities							
EUR USD	1.15	\$ per €	1.10	1.04	1.17	1.15	1.17
Oil (Brent)	113	\$ per bl	78	75	61	78	72
Natural gas (Dutch TTF)	56	€ per MWh	32	49	28	40	30

Sources: LSEG Datastream, Bloomberg, Allianz Investment Management

Notes: Year end figures

* As of 30.Mar 2026

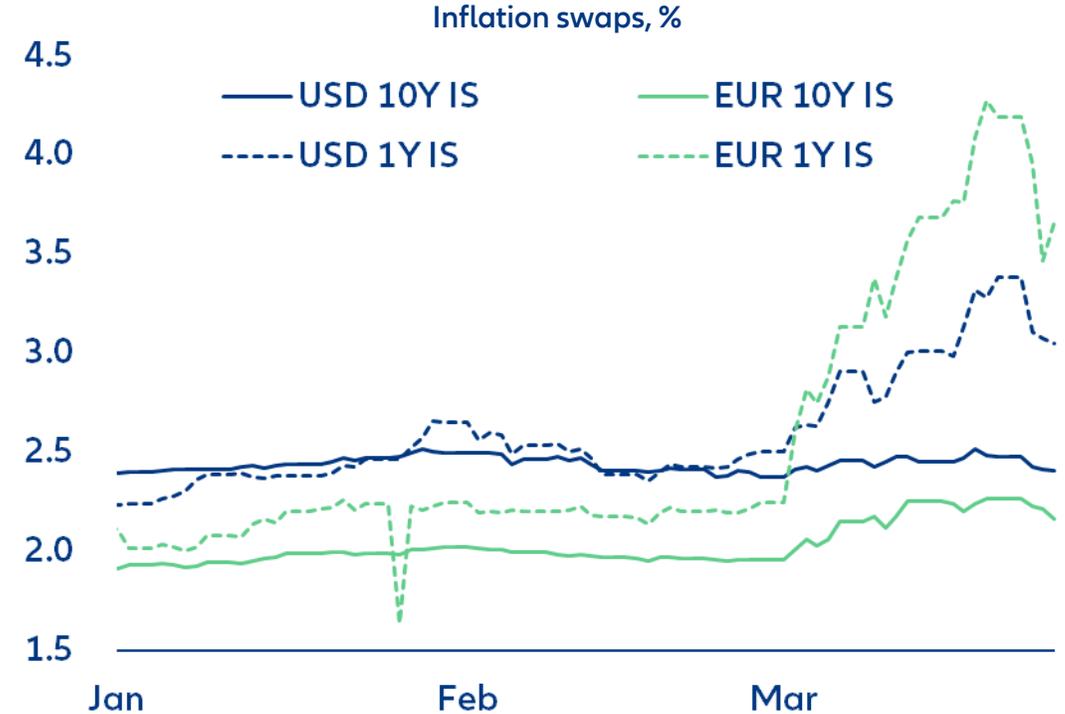
Global rates : Inching higher on real rates and inflation expectations

Global long rates have reached a new “higher for longer” equilibrium



Sources: LSEG Datastream, Allianz Investment Management

Market based inflation expectations mostly increased in the short run

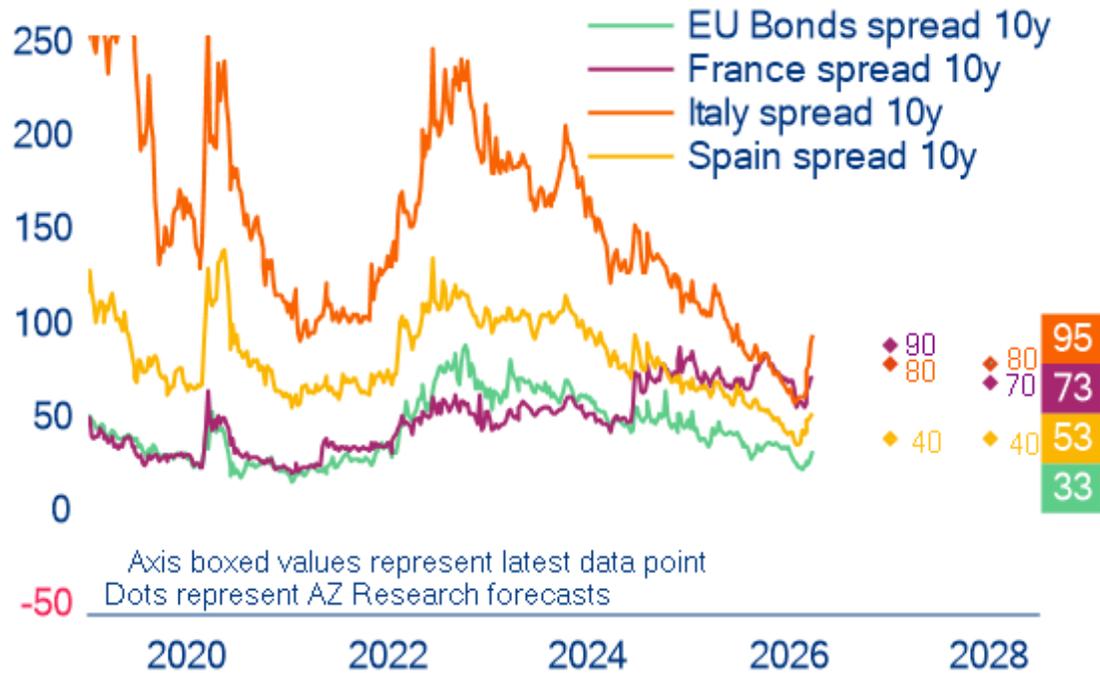


Sources: Bloomberg, Allianz Investment Management

Convergence trade: Still tight Eurozone spreads, despite geopolitical and political uncertainty

Sovereign yield spreads vs Germany have widened due to the war, but still very tight compared to historical basis

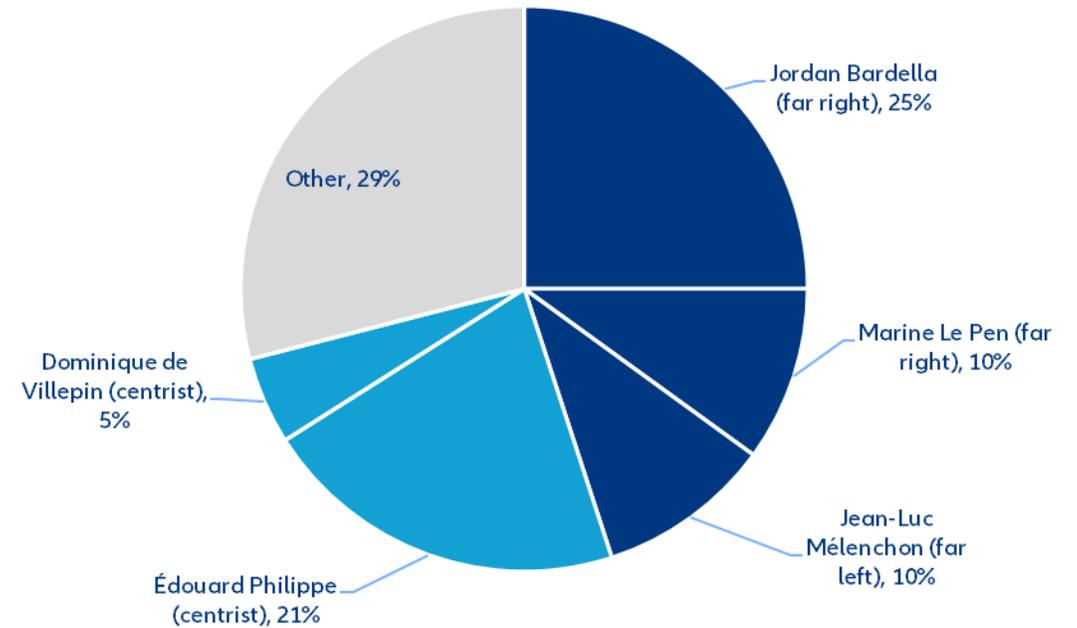
Yield spreads vs. 10y German bund yields in bps



Sources: Bloomberg, LSEG Datastream, Allianz Investment Management

Uncertainty about the French presidential election in 2027 should weigh on spreads beforehand

Betting market probabilities on next French president



Sources: Polymarket 25.03.2026, Allianz Investment Management

Demand for US-Dollar remains robust amid geopolitical woes

Fundamentals see EUR/USD outlook steady, but gains expected after safe-haven buying unwinds

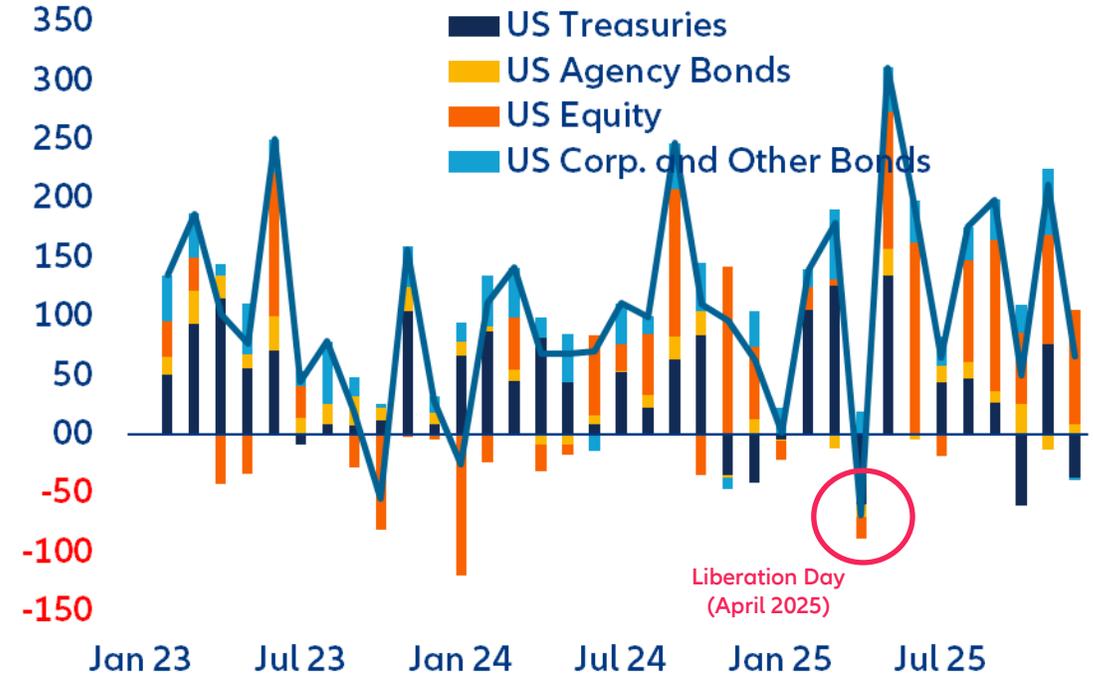
Interest rate differential in pp (LHS), EUR/USD (RHS)



Sources: LSEG Datastream, Allianz Investment Management

Demand for US assets from foreigners still robust, especially for equities

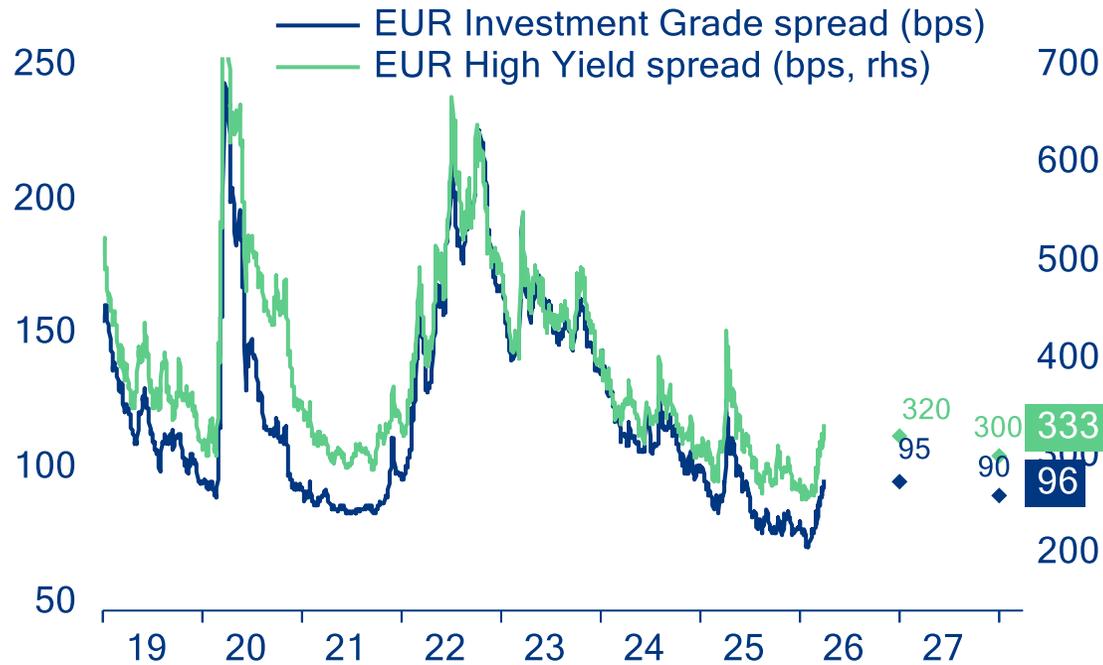
Net foreign purchases of US assets, USD billion



Sources: LSEG Datastream, Allianz Investment Management
 Latest data point: Dec 2025

Credit metrics under pressure in stagflationary headwinds, expect wider spread in 2026

Spreads are expected to drift wider in 2026, driven by normalized fundamentals and valuation correction



Source: LSEG, AIM-IS

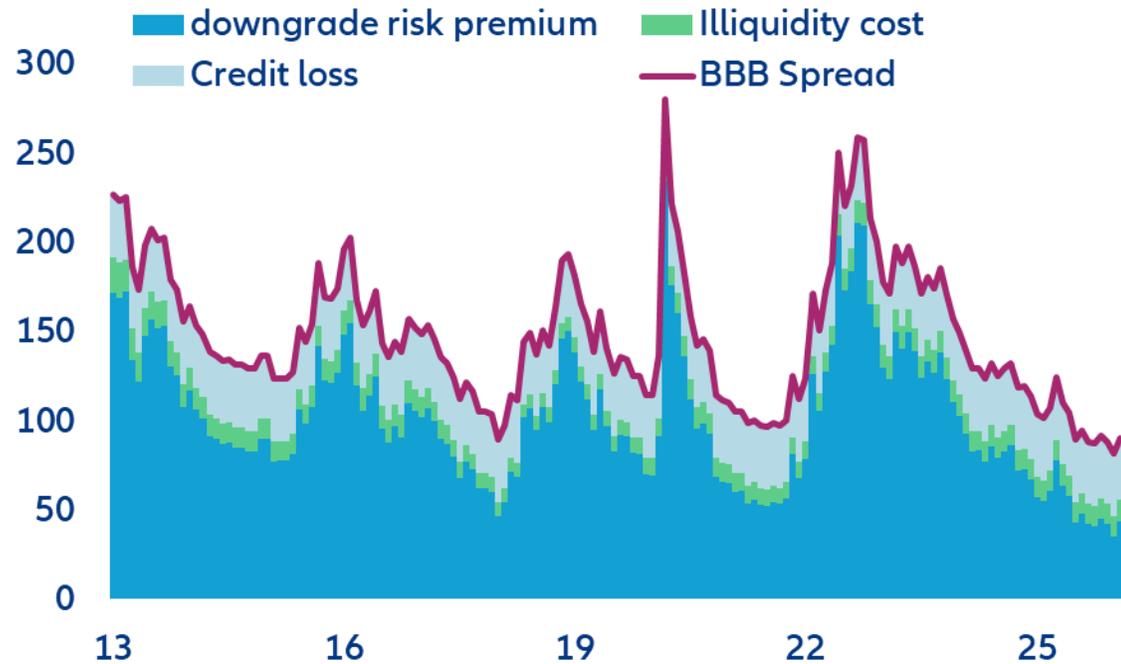
Interest coverage rate under pressure: scenarios of higher rates (green) and lower profit (yellow) (EBITDA/ Interest Expense)



Source: Bloomberg, Moody's, AIM-IS; Note: scenario of higher rates assumes 1% increase and scenario of lower profit assume 10% drop in EBITDA

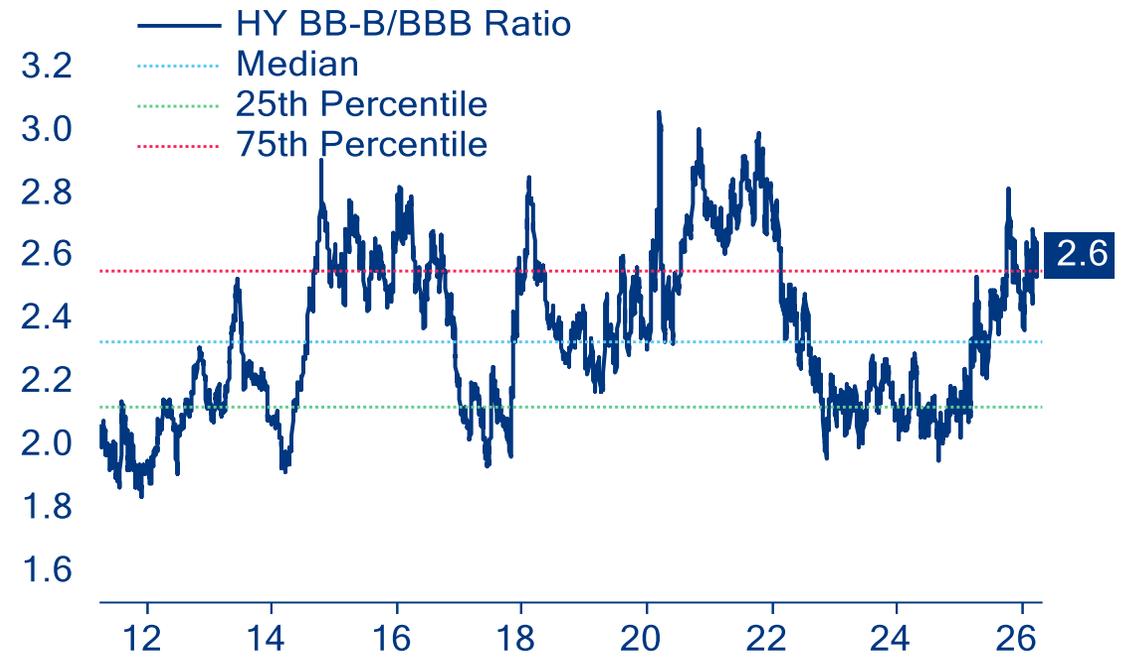
Investment Grade fundamental risk better priced, HY relative value recovered but still highly exposed

Investment Grade (IG) default and downgrade risk compensated - spread volatility risk remains



Source: Bloomberg, Moody's, AIM-IS

High Yield recovered relative value to IG but such differentiation often preceded further stress



Source: LSEG, AIM-IS

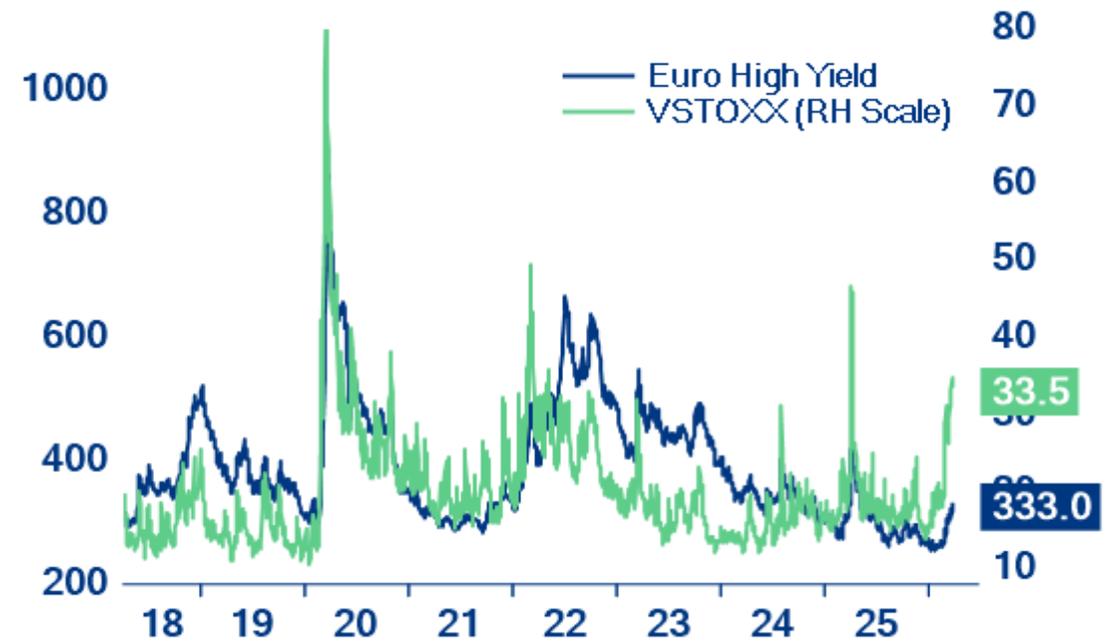
Equities: cautious on highly asymmetric outlook – short-term downside exceeds long-term value

Equities offer solid mid-term returns but extended Iran-war brings higher downside



Sources: LSEG Datastream; AIM GIS

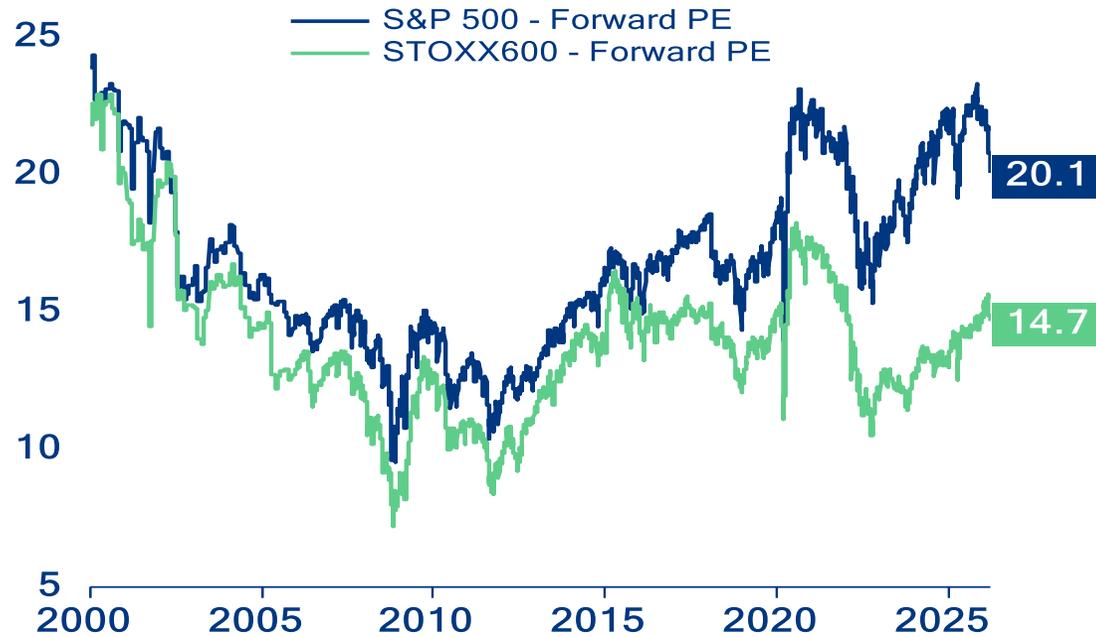
Higher risk aversion but no sell-off. Implied volatility and credit signal generally higher risk awareness



Sources: LSEG Datastream; AIM GIS

Equity valuations and expectations: capping upside to earnings growth and opening mean-reversion

Valuations remain at upper end and rely ...



Sources: LSEG Datastream; AIM GIS

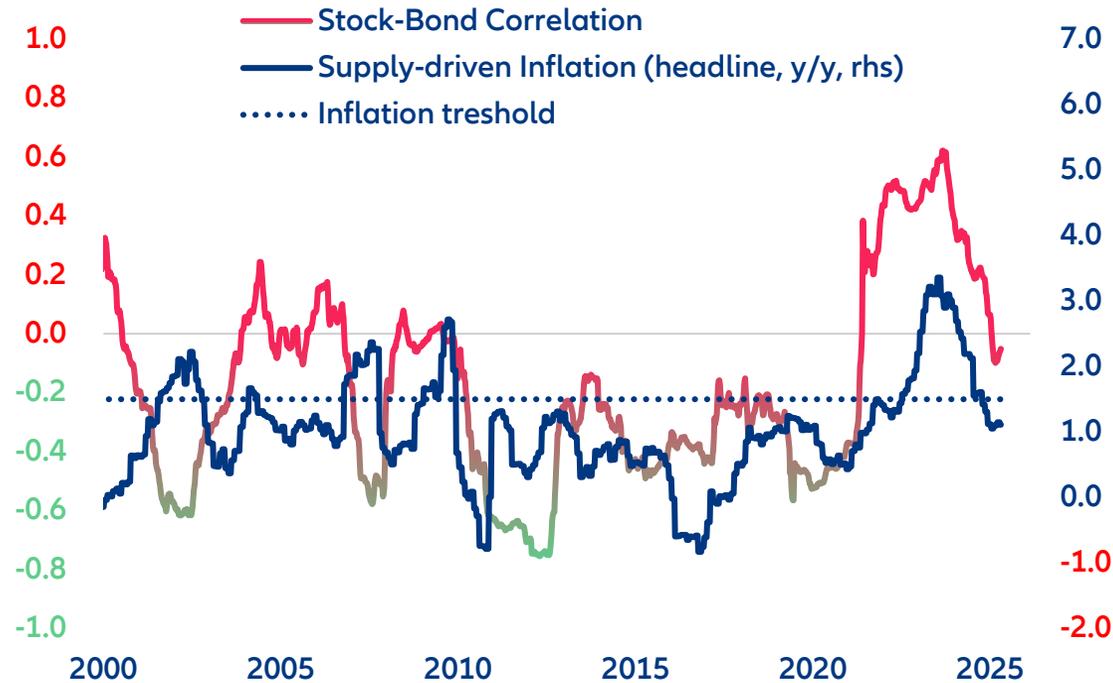
... on above average earnings growth in 2026



Sources: LSEG Datastream; AIM GIS

Investment implications: Inflation shock alters portfolio diversification potential

Supply-driven inflation affects diversification
Stock-Equity correlation



Notes: Supply-driven Inflation based on Shapiro (2022), 12-months rolling correlations at weekly frequency for S&P 500 and 7-10-year US Treasury returns.
Sources: San Francisco Fed, LSEG Workspace, Allianz Research

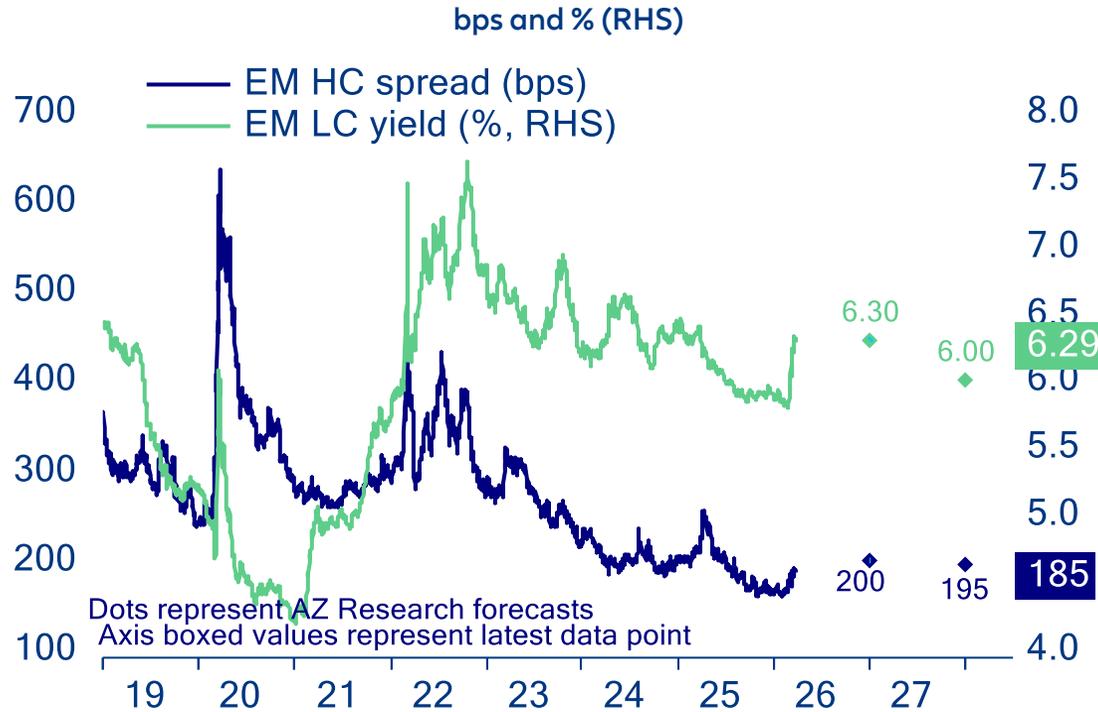
Every asset class return is short rates volatility
Beta vs return of a short rates volatility strategy (swaption straddle)



Notes: over last 3 years
Sources: LSEG Workspace, Allianz Research

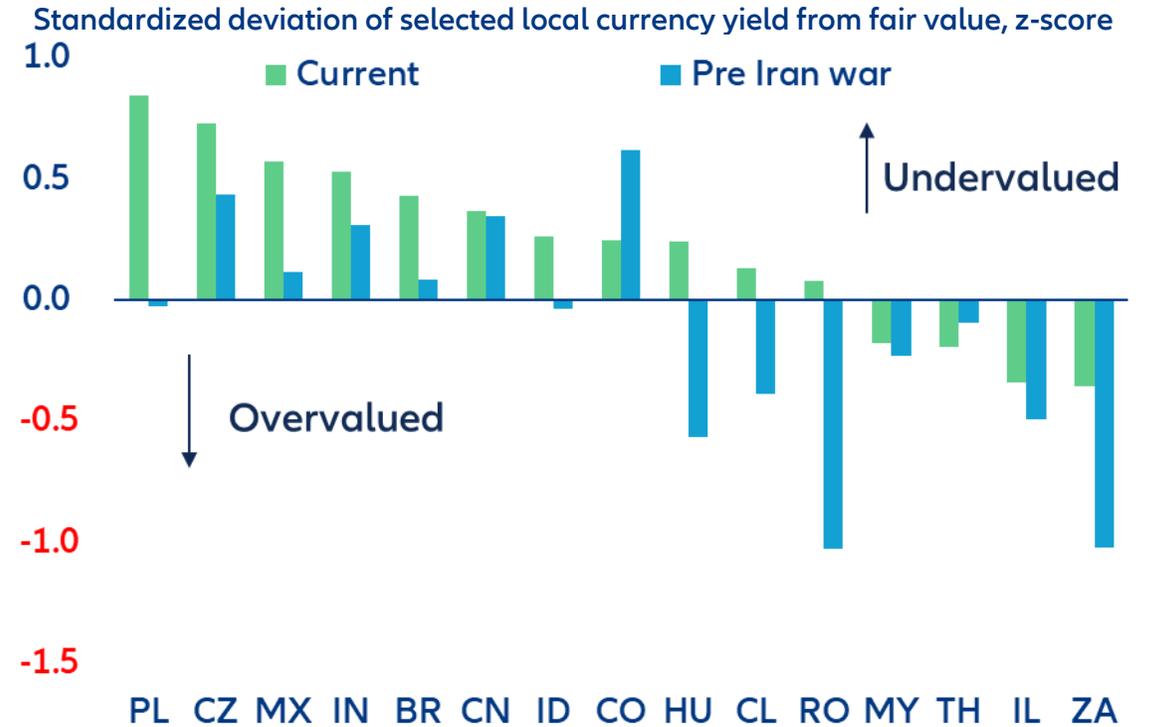
EM sovereign credit remains vulnerable to geopolitical repricing

EM local markets have repriced more sharply than hard-currency credit



Sources: LSEG Datastream, Allianz Research

Several EM local markets now trade away from what fundamentals would suggest

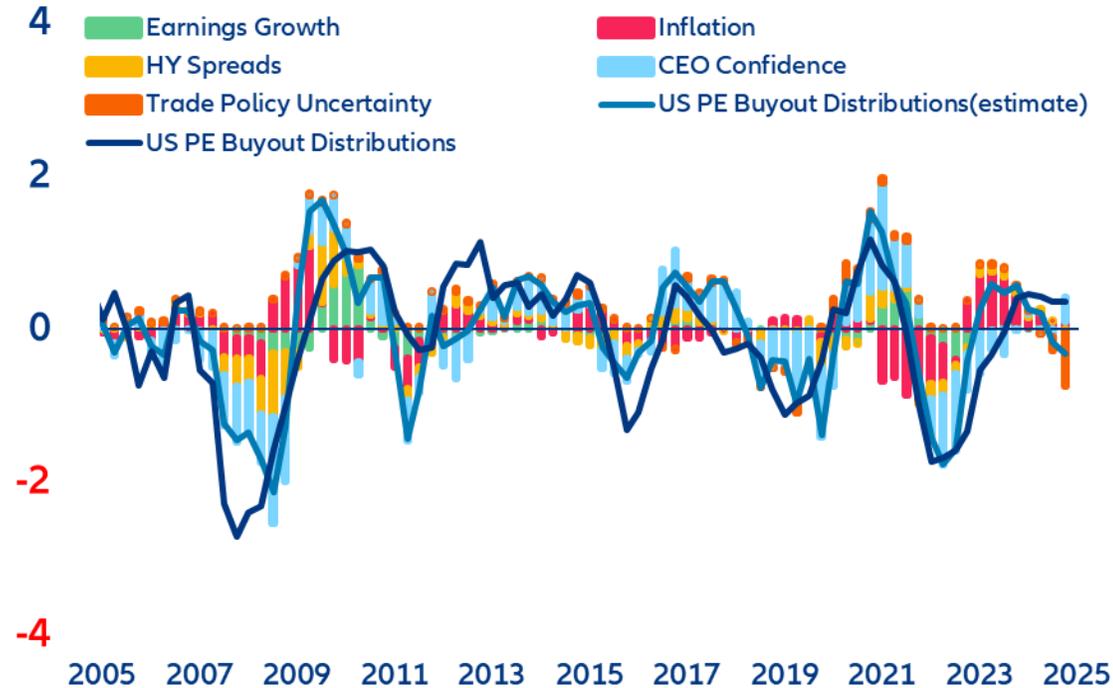


Sources: Bloomberg, LSEG Datastream, Allianz Research

Stagflationary fears are currently trumping what had been a promising start to 2026 for PE

Geopolitics and trade policy will continue to weigh on Private Equity distributions

US Distributions (y/y) Z-score decomposition



Sources: Pitchbook, AIM-GIS-PM

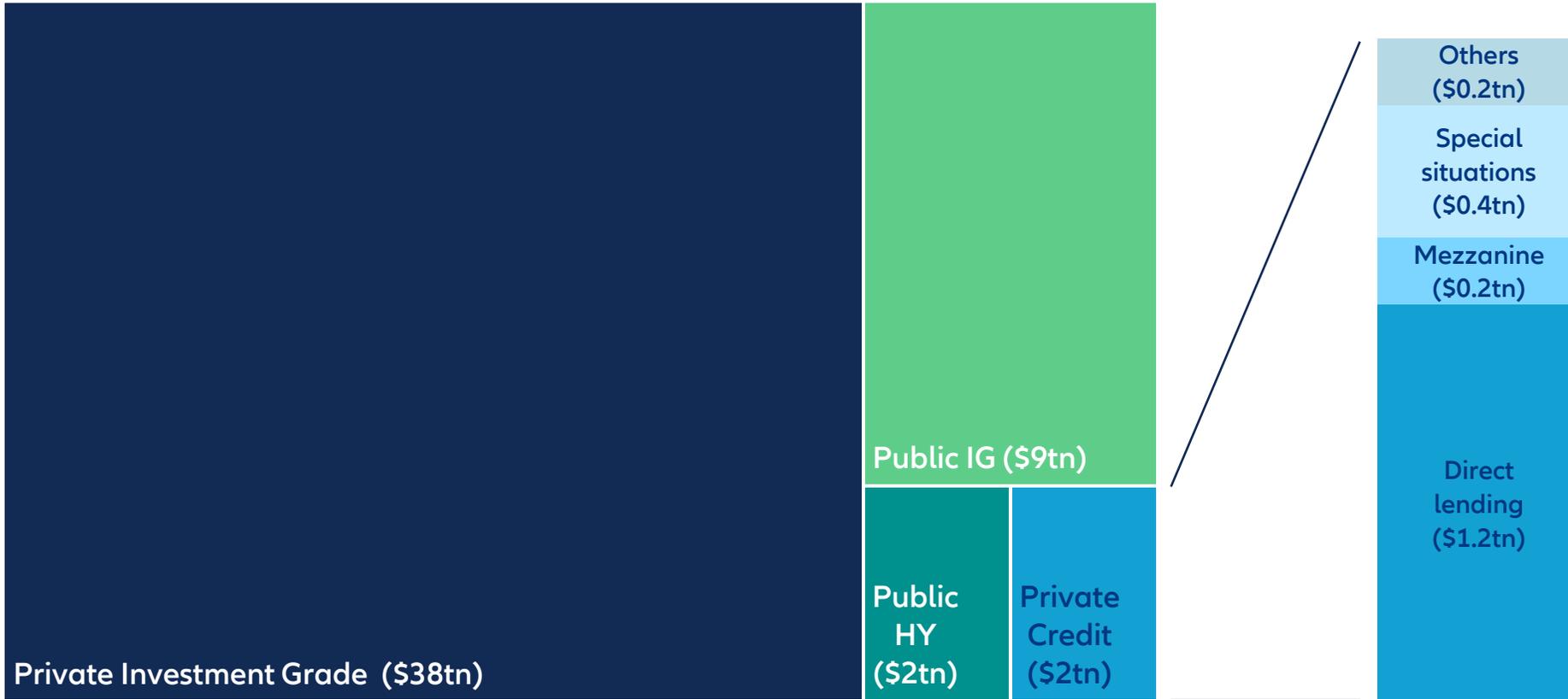
PE returns should prove positive in 2026 but heavily rely on a M&A recovery which is not a given

US PE Macro Model's Factor Contributions (y/y% return)



Sources: Pitchbook, AIM-GIS-PM

The US credit market, a \$51tn universe with lots of pockets and nuances



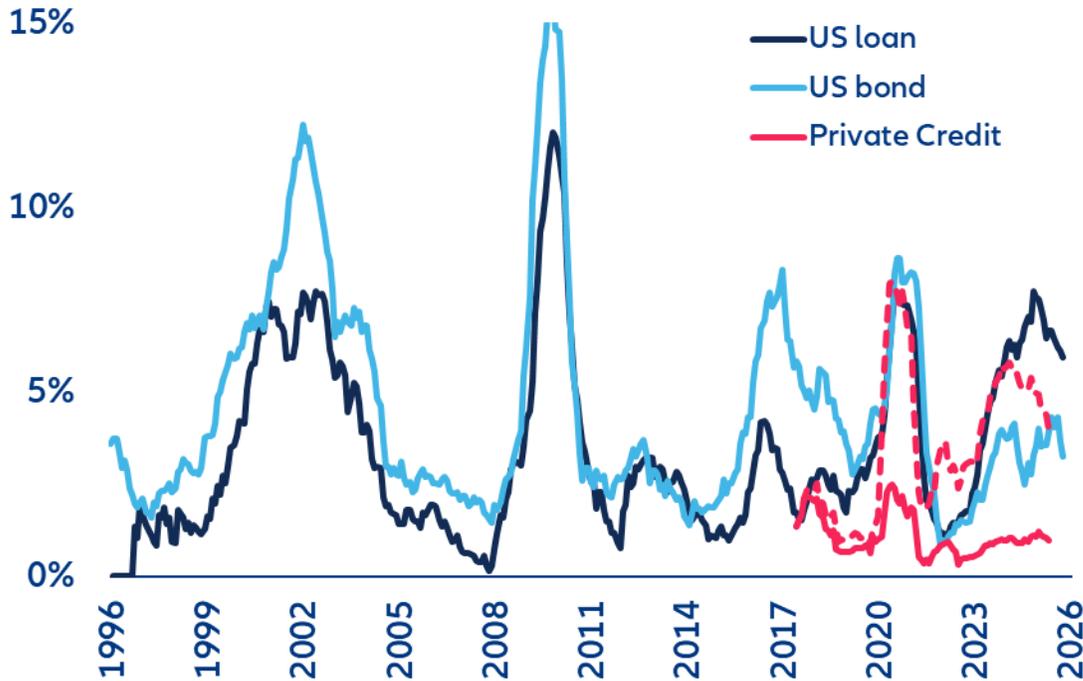
Headlines are loud but numbers remain relatively small (as of 20th of Mar.)

- NAV of the 7 “big” funds that have received elevated withdrawal requests: **\$0.12tn**
- Combined withdrawal request: **\$0.013tn**
- Combined paid out: **\$0.009tn**

Stagflation risk & software distress demand selectivity as the yield cushion continues to compress

Slowing growth, sticky inflation and software sector distress keep default risk elevated

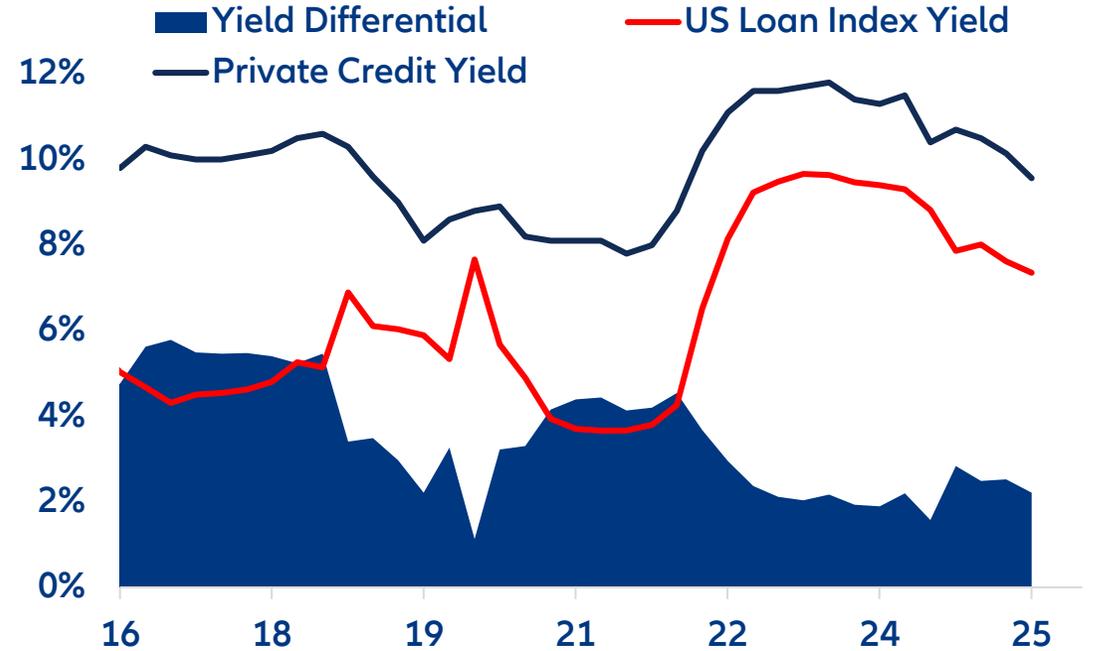
US default rates (in %)



Source: Moodys, S&P Global Ratings. Private Credit: S&P Global Ratings.
 Note: Dotted line includes distressed debt exchanges as default events.

High yields still provide loss absorption capacity, though declining spreads signal a narrowing buffer

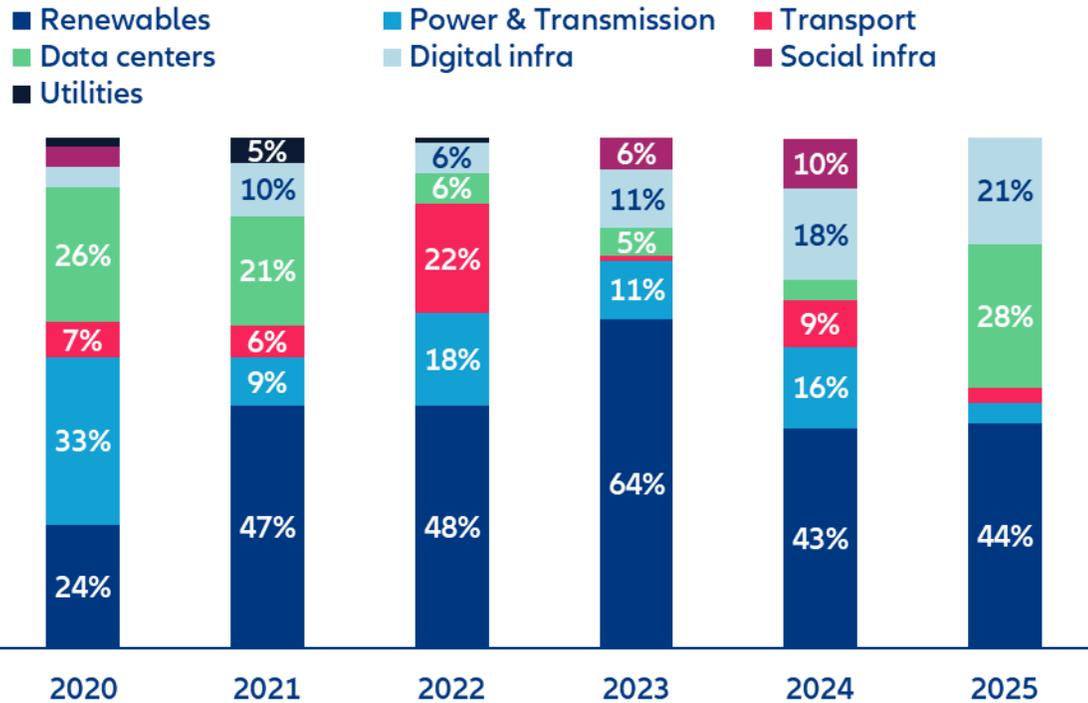
US yields (in %)



Source: Private Credit Senior Direct Lending Index, Morningstar LSTA US Loan Index.

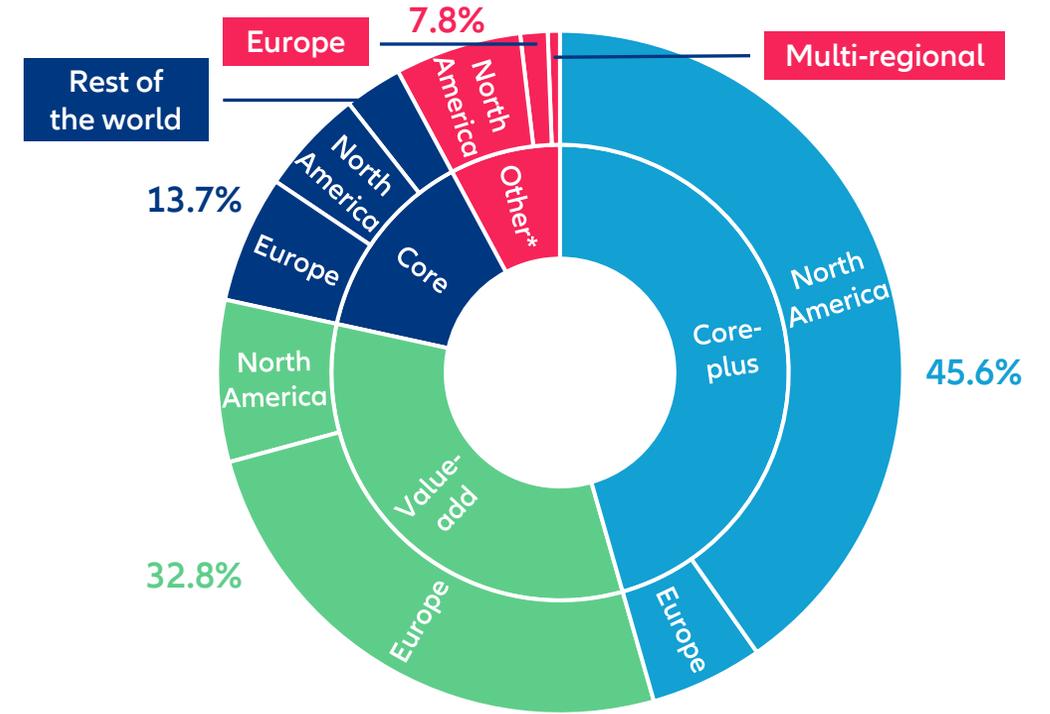
Digital infra, esp. data centers, has fueled the boom, with riskier strategies dominating

Fueled by AI frenzy, data centers capture 28% of 2025 fundraising



Sources: Infrastructure Investor, AIM-GIS-PM

Core-plus and value-add strategies dominated digital infra fundraising in 2025

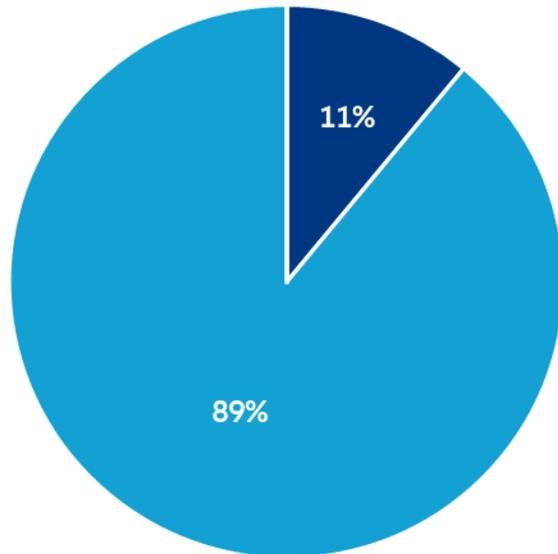


Sources: Preqin, AIM-GIS-PM

AI as a new structural headwind to office: limited impact today, more to come

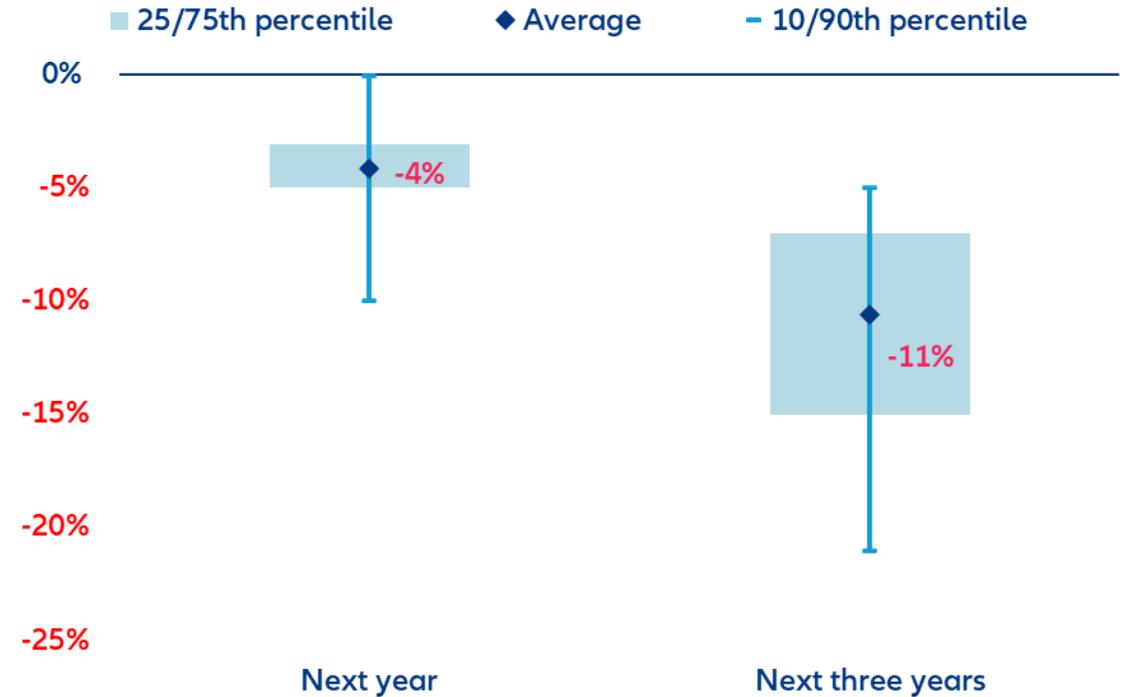
Only 11% of US companies are actively cutting jobs today ...

- Decreased headcount
- No notable impact on headcount
- Increased headcount



Sources: Goldman Sachs, AIM-GIS-PM

... but headcount expected to decline by -4% next year & -11% next three years due to AI



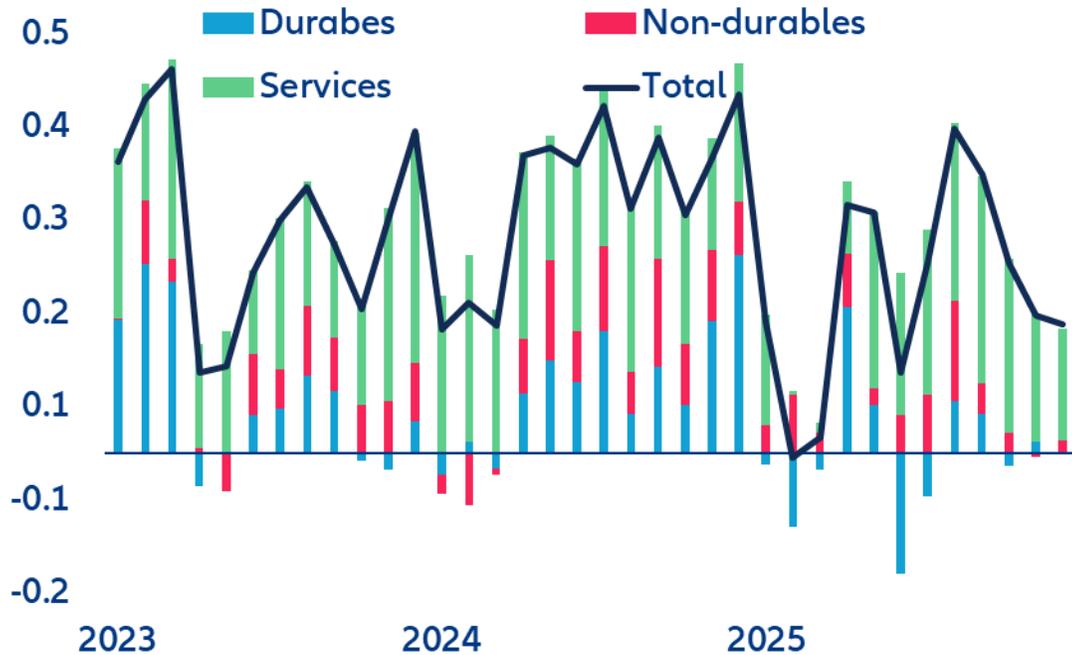
Sources: Goldman Sachs, AIM-GIS-PM

Regional outlooks 2026-2027

US: moderate, but resilient growth to drag on in the face of external headwinds

Weak job creations and high inflation should start to weigh on consumer spending

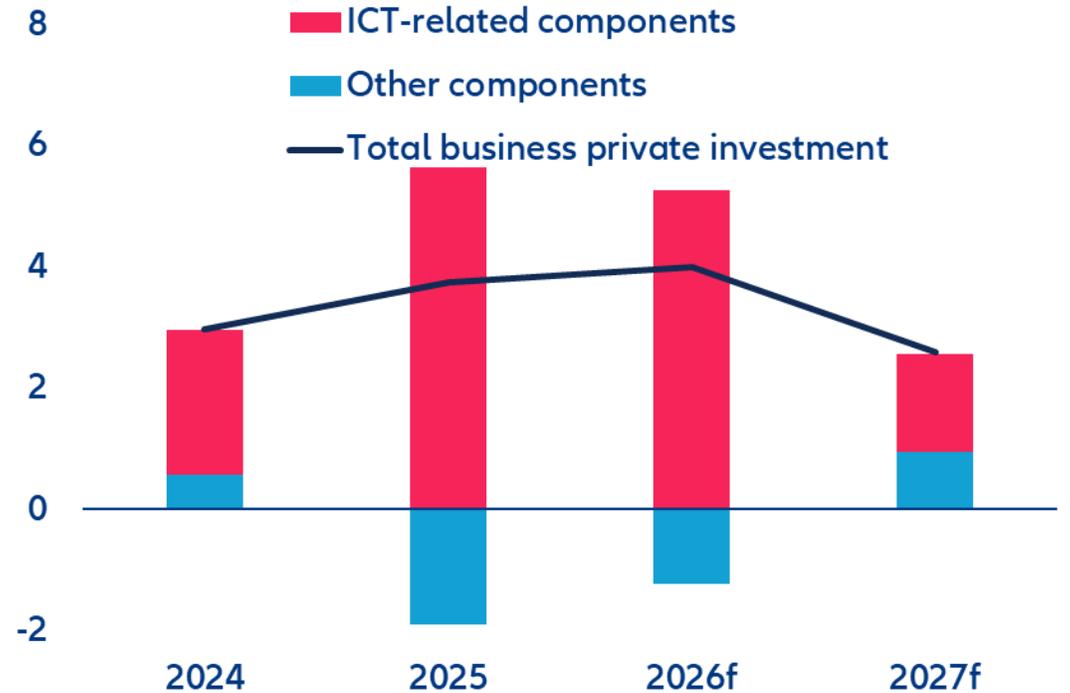
% 3m/3m



Sources: LSGE Datastream, Allianz Research

AI capex strength is expected to support growth in 2026 but to fade heading into 2027

% year-on-year



Sources: LSGE Datastream, Allianz Research

US Supreme Court decision a tailwind for China with regional impacts

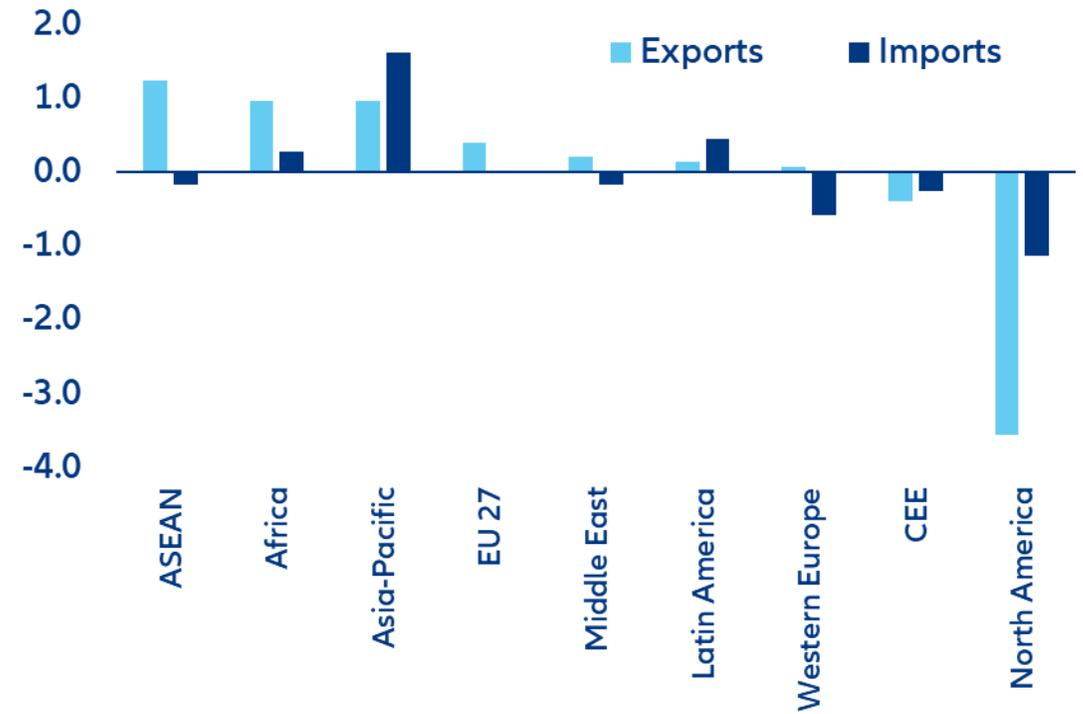
US tariffs on China aligned with regional peers after the decision

	Pre-Trump II	Pre-Supreme Court IEEPA decision	The Supreme Court strikes down IEEPA tariffs. No immediate reaction from Trump Administration	Trump Administration applies Section 122, with sectoral exemptions (same as for IEEPA reciprocal tariffs)	Trump Administration applies Section 122, without sectoral exemptions
China	13%	29%	15%	20%	24%
Hong Kong	1%	9%	2%	9%	2%
India	2%	17%	5%	11%	15%
Indonesia	5%	24%	6%	14%	16%
Malaysia	1%	9%	2%	6%	11%
Philippines	2%	10%	3%	8%	13%
Singapore	0%	9%	1%	5%	1%
South Korea	0%	13%	9%	11%	16%
Taiwan	1%	8%	3%	6%	13%
Thailand	1%	15%	4%	9%	13%
Vietnam	4%	20%	5%	11%	15%
Global	3%	10%	5%	9%	13%

Sources: various, Allianz Research

Asia-Pacific anchors China's trade amid fragmentation

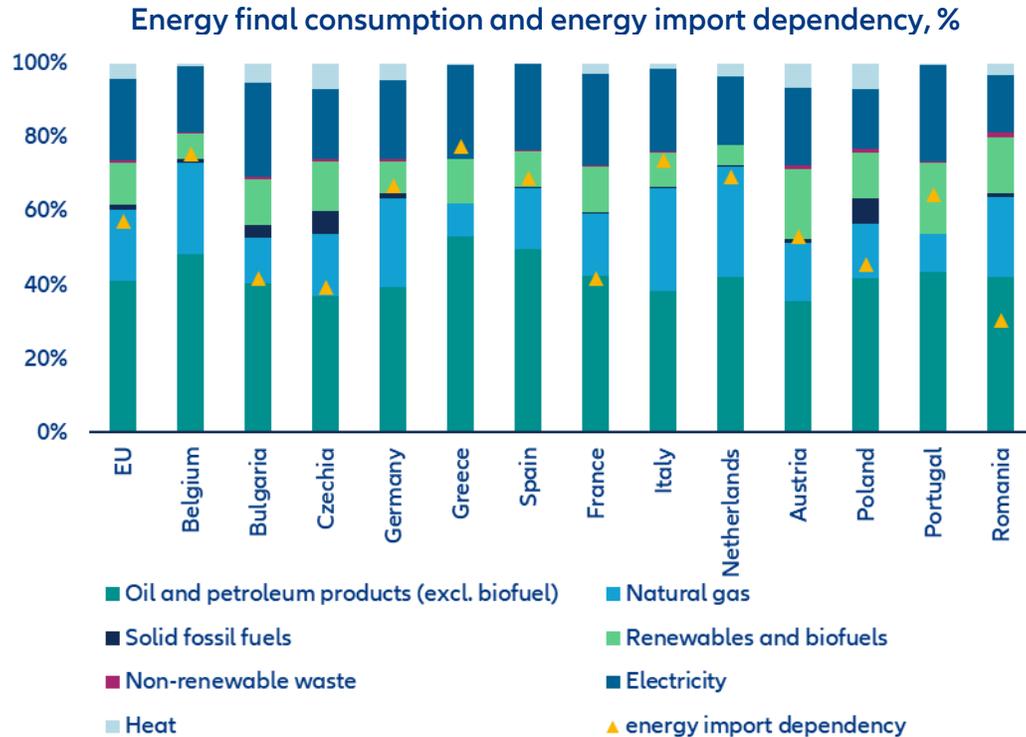
Chinese Import and Export share gains by region over 2024-2025, pp



Sources: Chinese Customs, Allianz Research

Eurozone: 2022 fears reloaded?

High energy dependency makes the bloc vulnerable, but supply is more diversified than in 2022...



Sources: Eurostat, Allianz Research. Note: Energy import dependency represents the share of total energy needs of a country met by imports from other countries

...but the energy shock hits a slowing yet resilient labor market, containing price-wage spiral risk

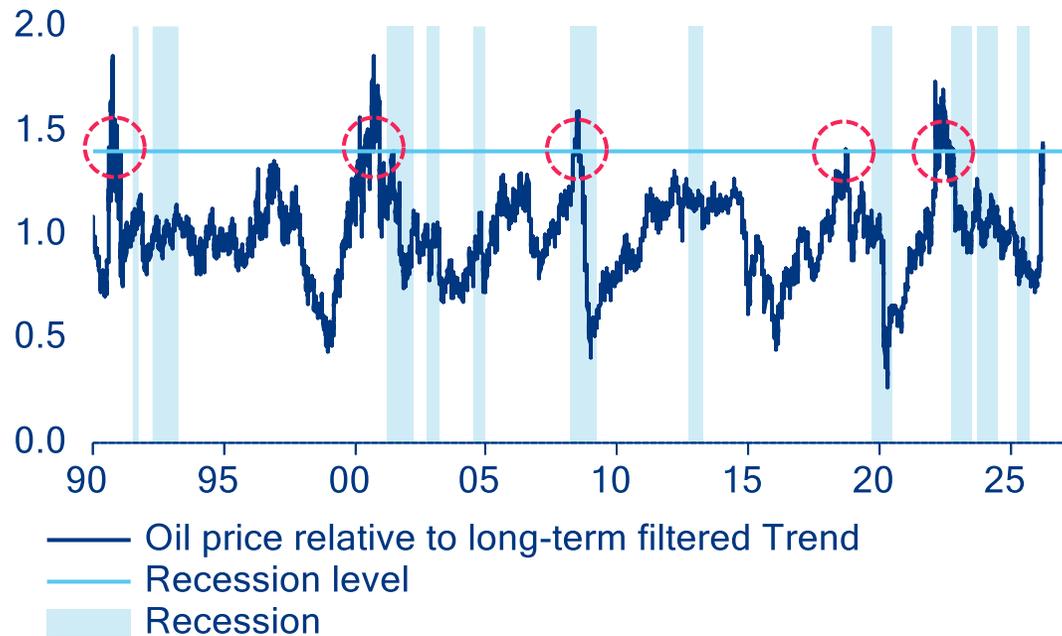


Sources: LSGE Datastream, Allianz Research

Germany: fiscal support cushions some of the external headwinds but recovery is fragile

Germany is nearing the danger zone where oil price shocks have always led to recessions

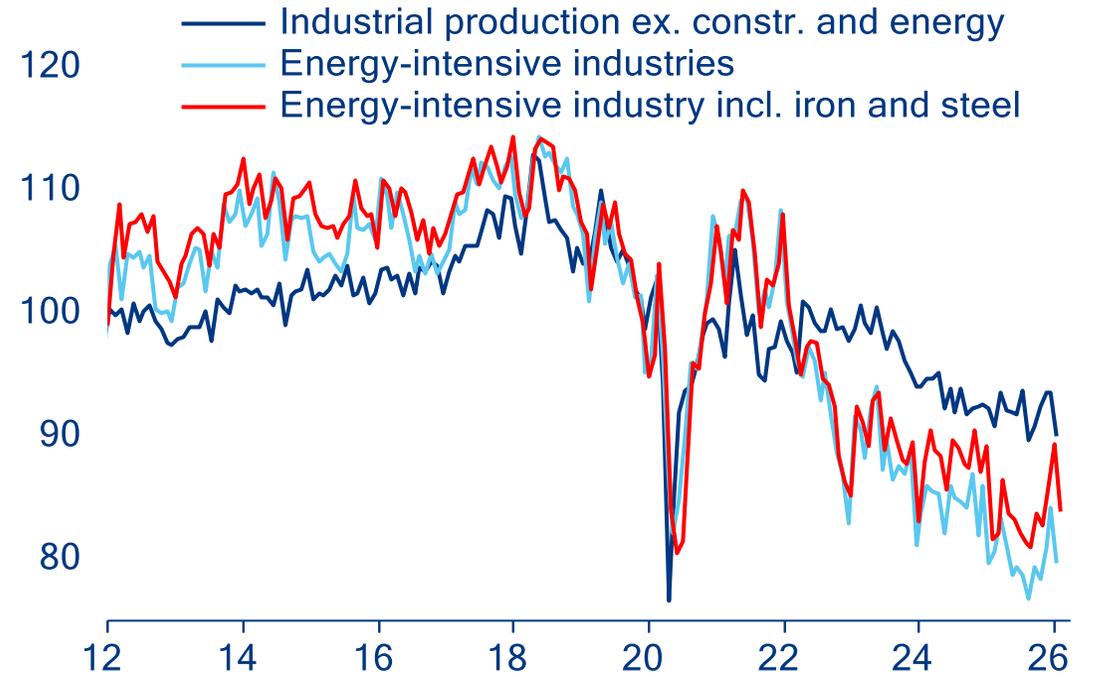
Oil price relative to long-term filtered trend and recession level



Sources: LSEG Datastream, Allianz Research

Energy dependence increases struggle of energy-intensive sectors despite policy support

Index 2021 = 100, seasonally adjusted

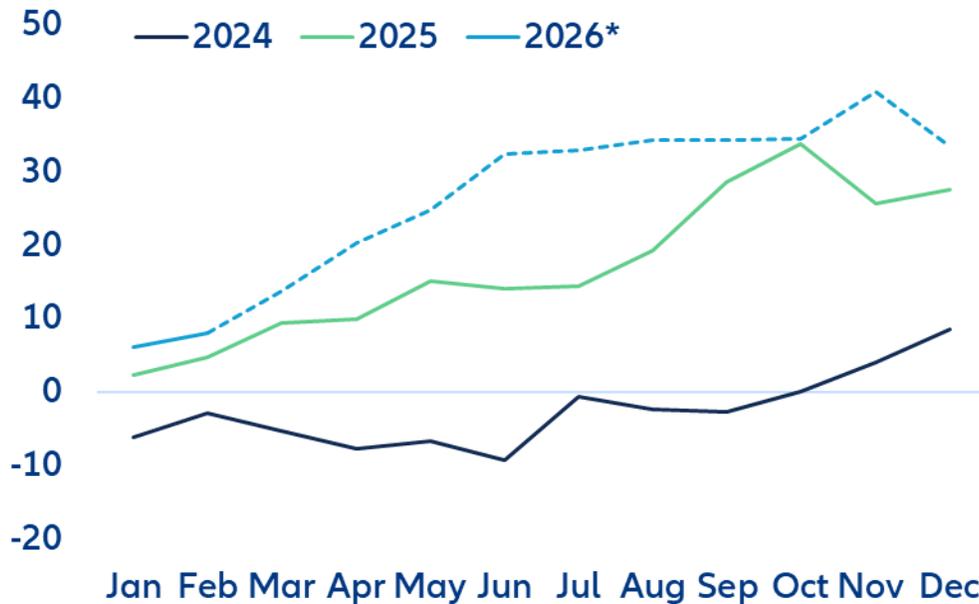


Sources: LSEG Datastream, Allianz Research

German fiscal bazooka: big on paper, gradual rollout, but building momentum in 2026

Fiscal ramp up in German government spending brings spending on track

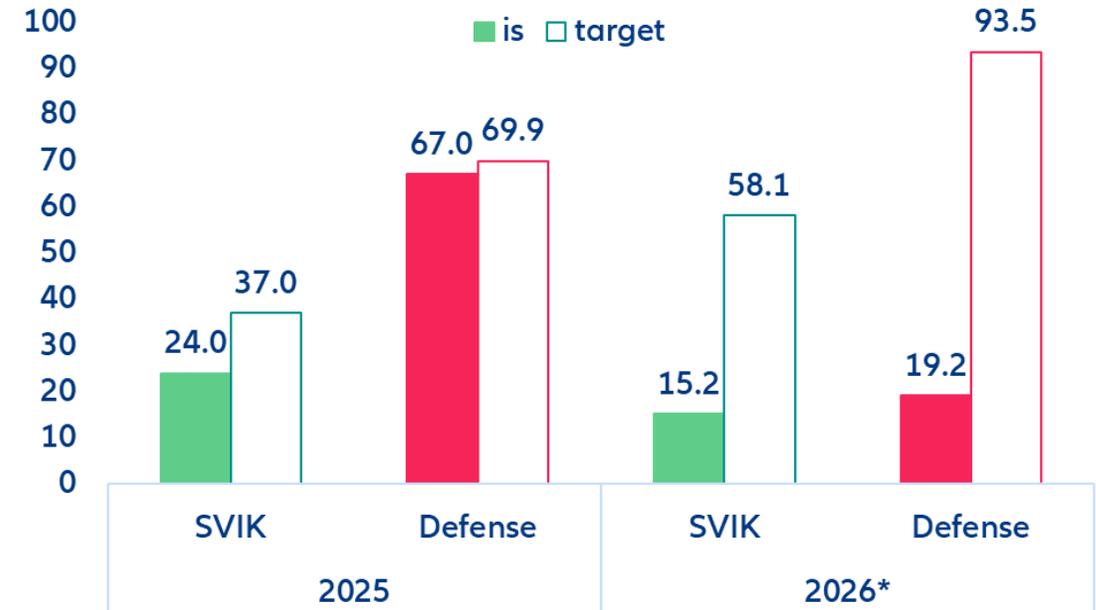
Core government budget, delta to 2023 in EURbn



Sources: Bundesministerium der Finanzen, Allianz Research. Notes: 2026* as of 28.02.2026

Implementation of special fund and defense spending gradual but ramping-up in 2026

Cumulative cash outflow SVIK (is and target) in EURbn

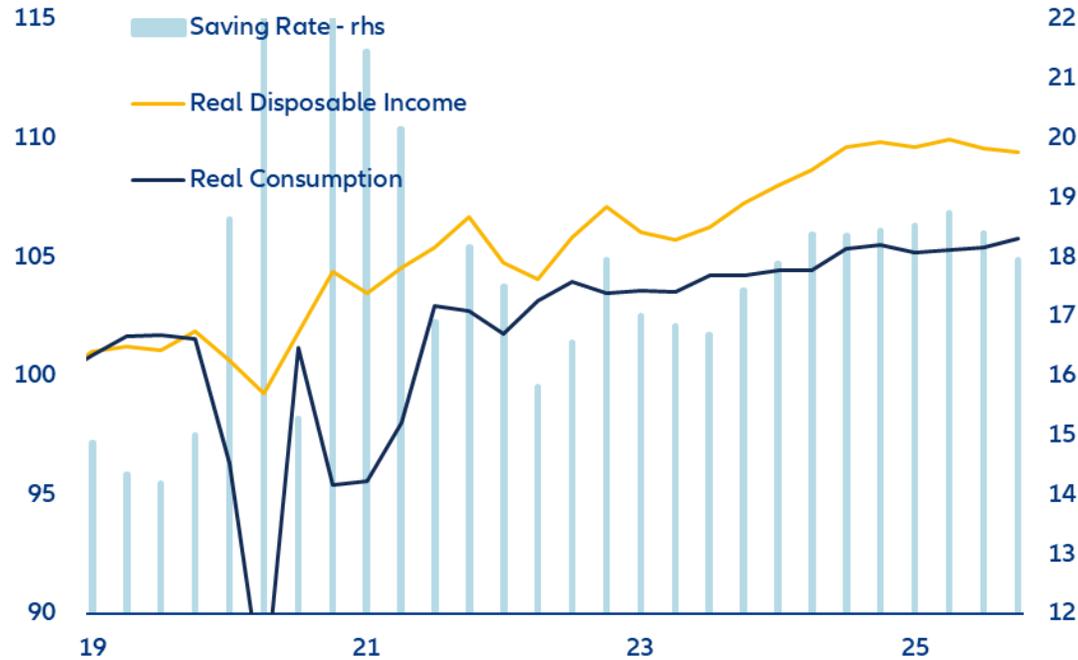


Sources: Bundesministerium der Finanzen, Allianz Research. Notes: 2026* as of 28.02.2026, Special Fund for Infrastructure and Climate (SVIK) subtracts the 2025 expenditures from the ytd expenditures in 2026.

France: rising inflation to hold back consumer recovery but industrial pick up should drag on

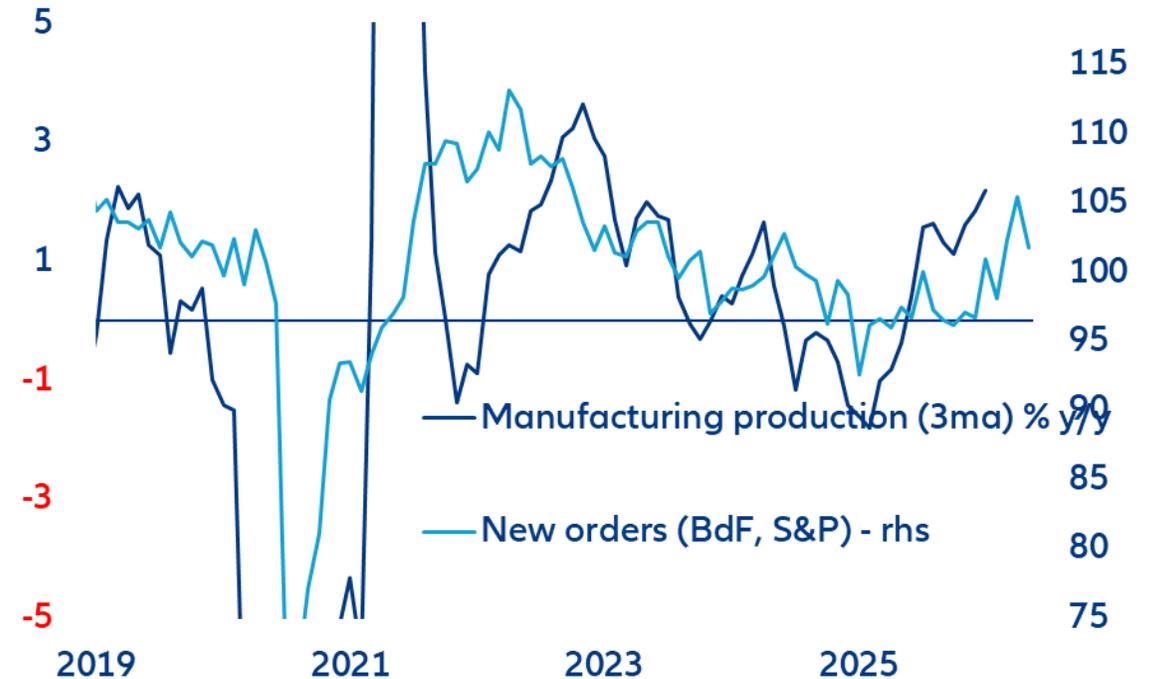
In a context of stagnating purchasing power, households are likely to hold off spending

Index, 2019-Q1 = 100



Sources: LSGE Datastream, Allianz Research

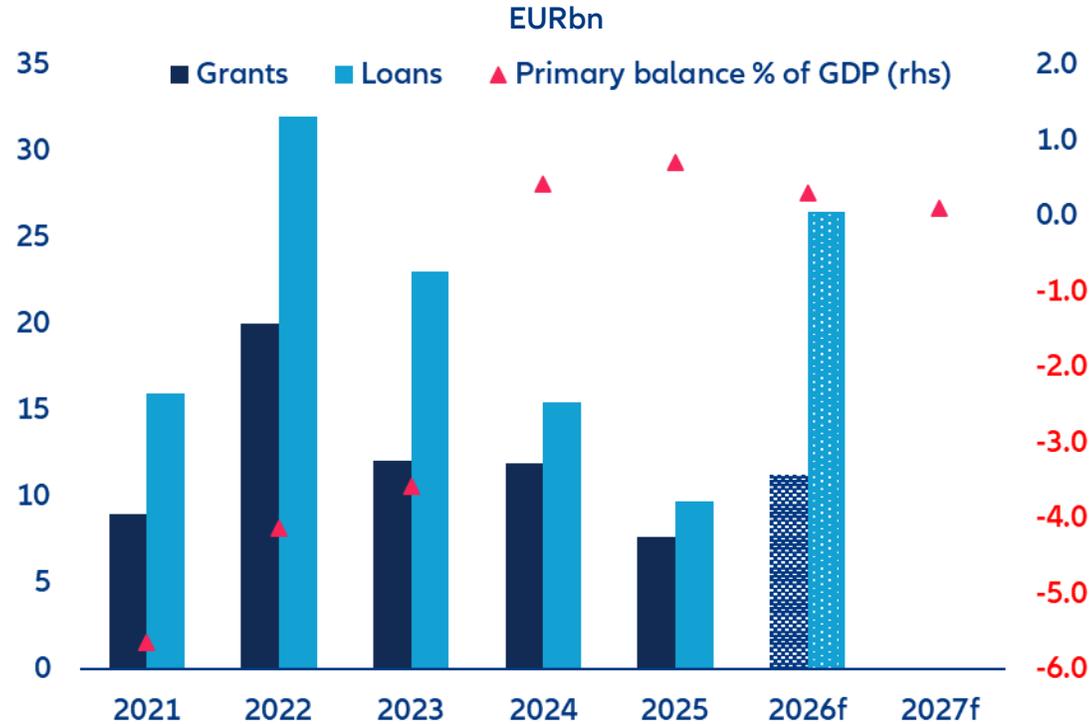
Industrial orders are decent, though concentrated in a few sectors



Sources: LSGE Datastream, Allianz Research

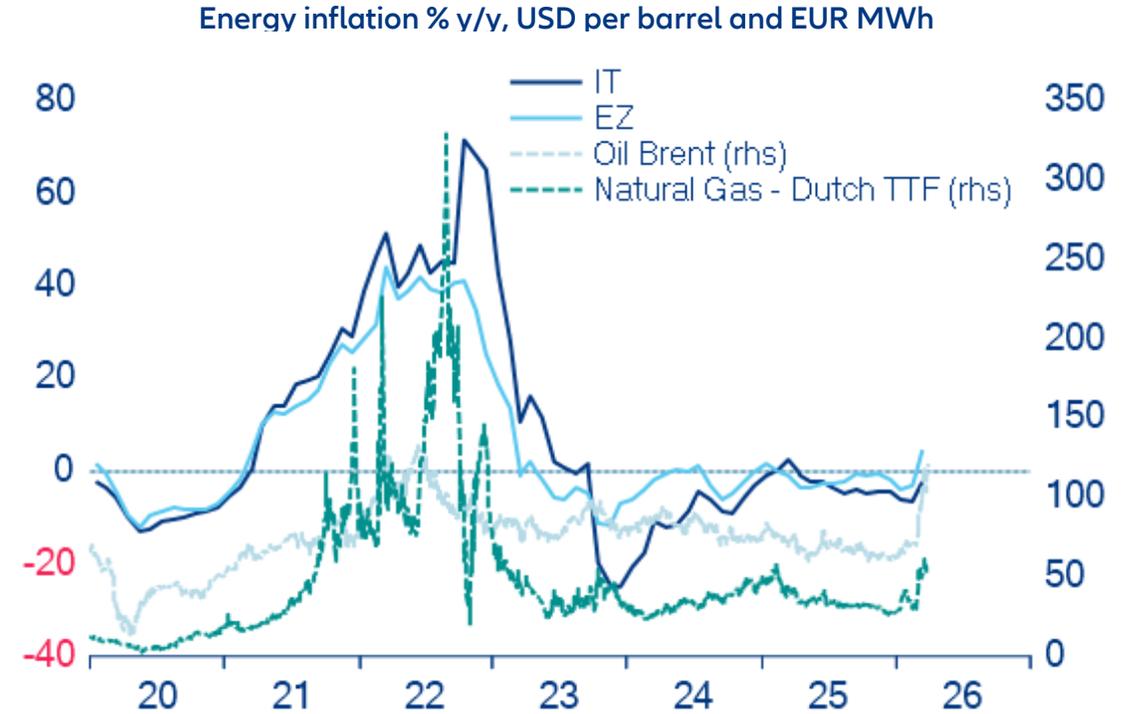
Italy: energy shock meets NGEU cliff

NGEU grant-related revenues improved fiscal position, but expiration looms as a new headwind



Sources: LSGE Datastream, Eurostat, Allianz Research

High exposure to volatile external energy prices comes at high cost for Italy

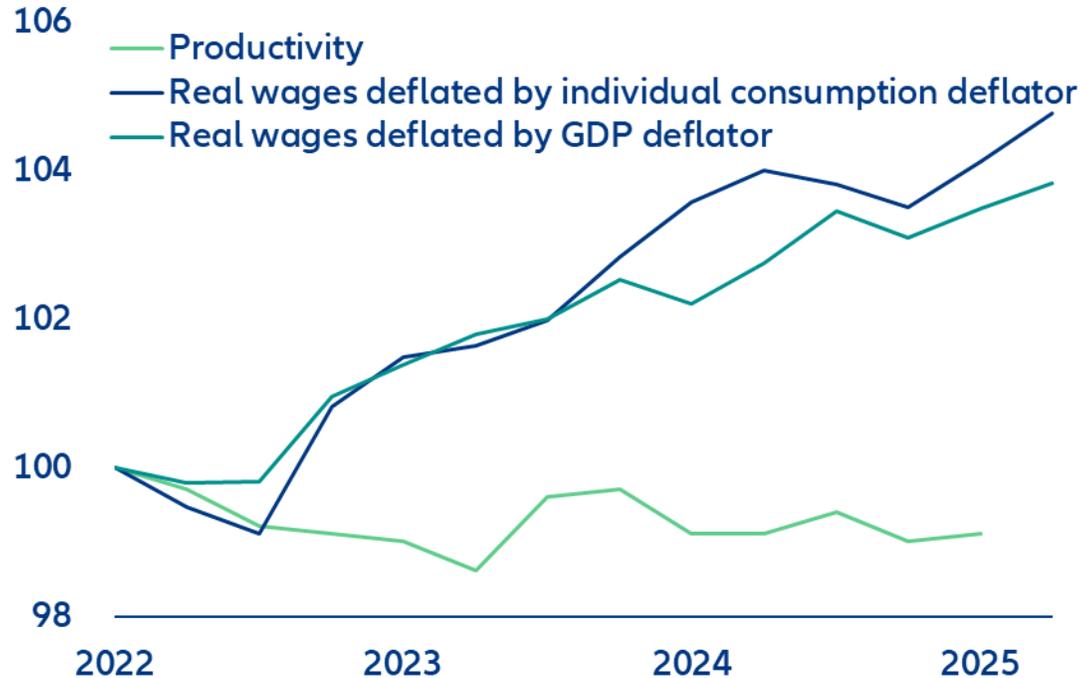


Sources: LSGE Datastream, Allianz Research

UK: weakening growth as inflation persistence bites and policy one-offs boosts fade

Real wage growth is likely to slow amid persistent weak productivity, high inflation

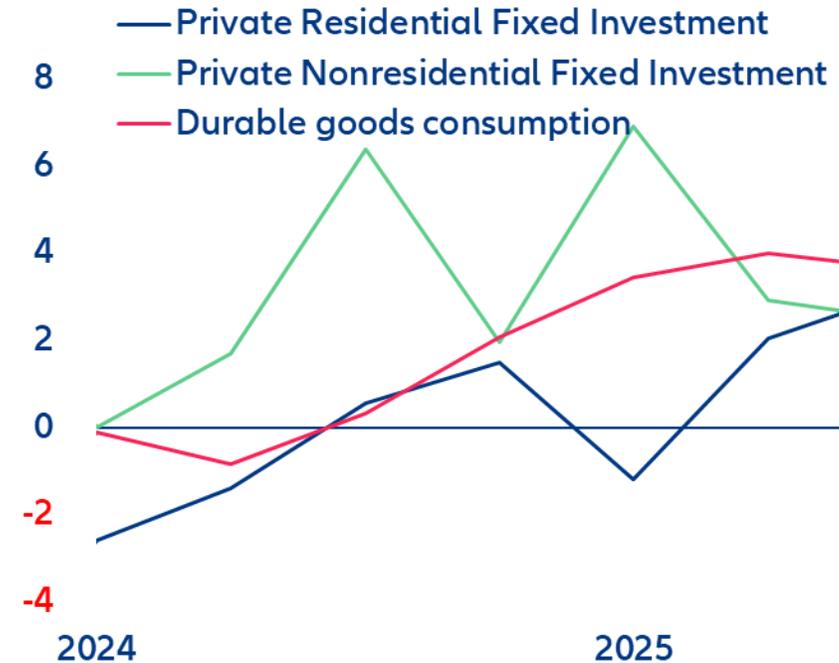
Indexed, 2022 Q1 = 100



Sources: LSGE Datastream, Allianz Research

Business investment is set to normalize after strong growth in 2024-25

% year-on-year

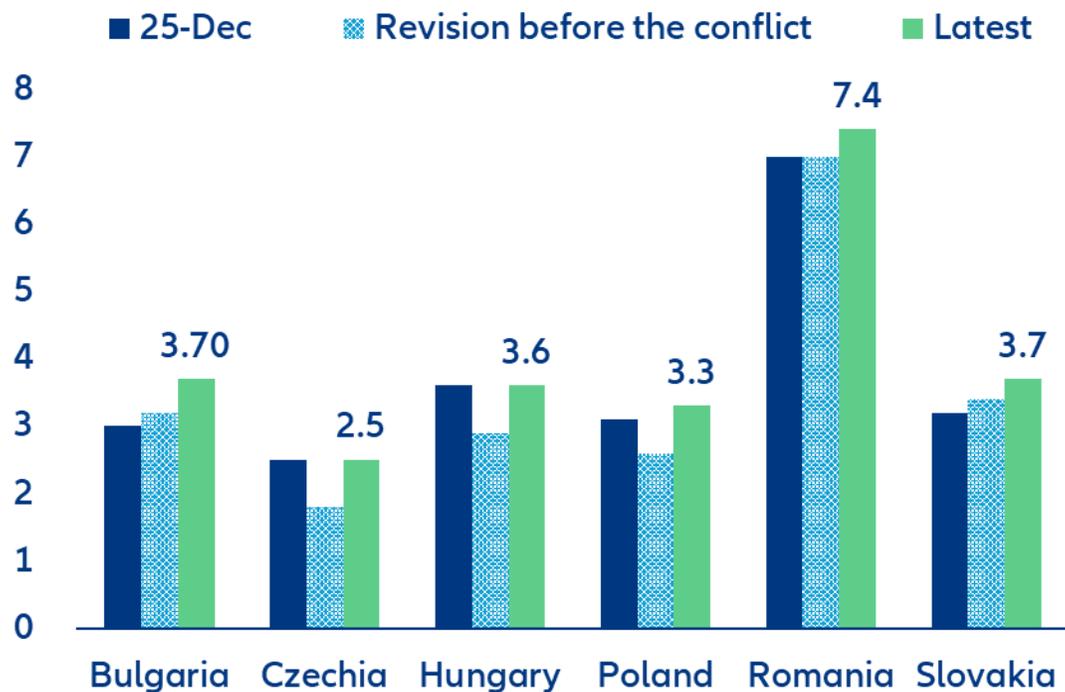


Sources: LSGE Datastream, Allianz Research

CEE: Particularly exposed to the energy shock, with FX depreciation reinforcing inflation risks

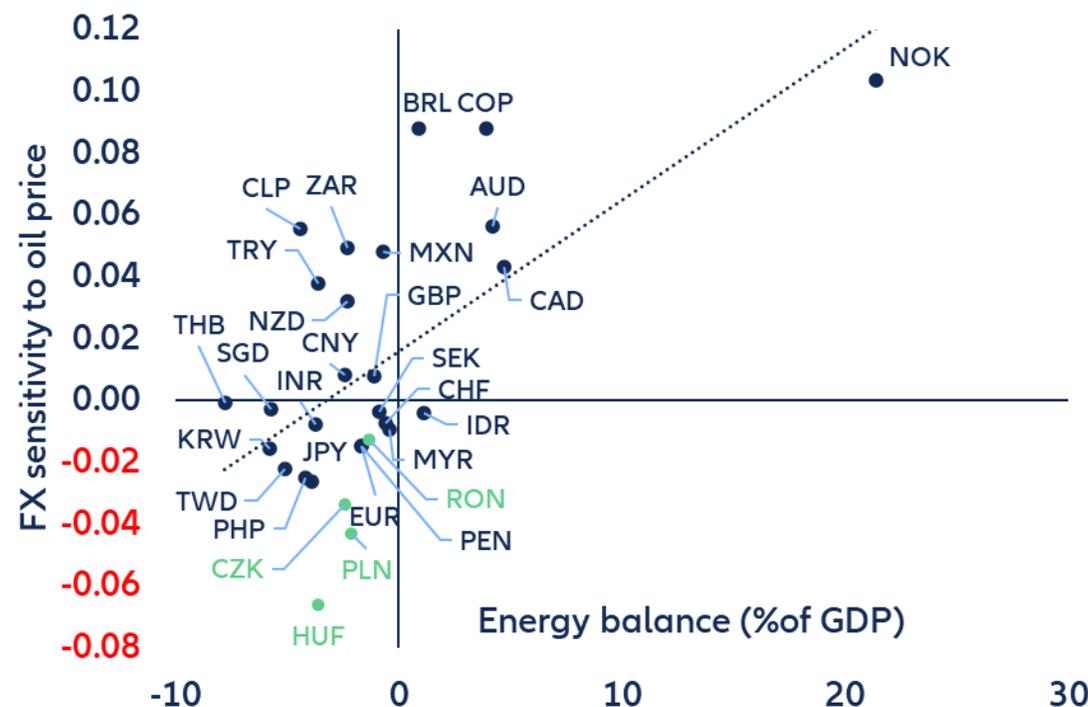
Disinflation had allowed downward revisions pre-conflict, but the energy shock reverses those gains

Inflation forecasts for 2026, %



Sources: LSEG Datastream, Allianz Research

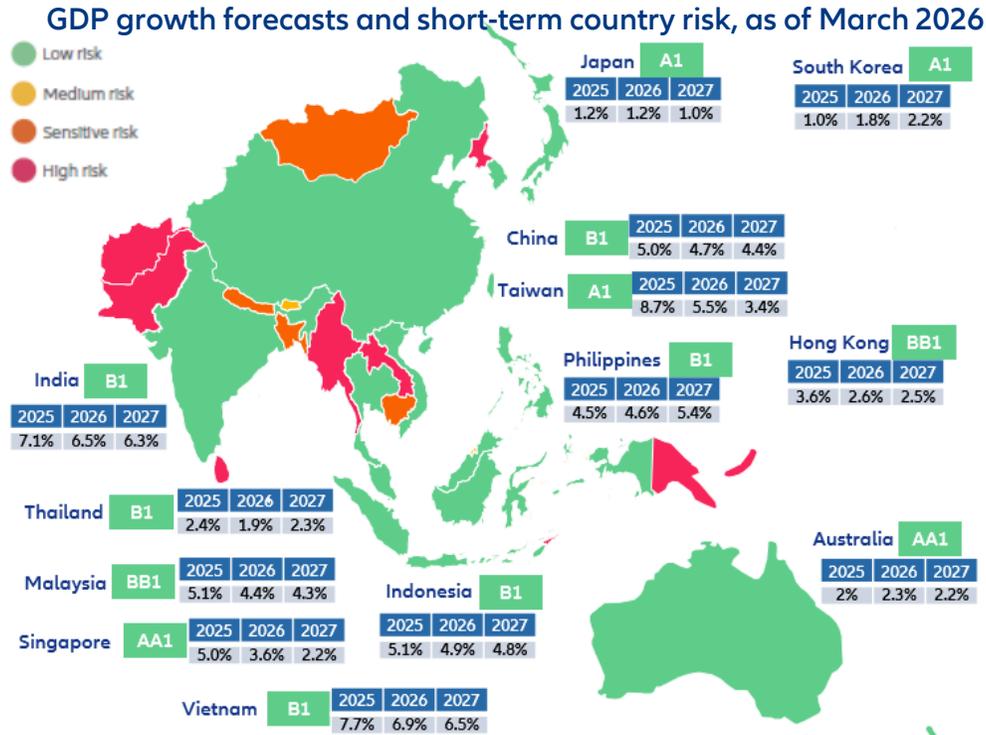
CEE currencies tend to depreciate more than others when oil prices rise



Sources: LSEG Datastream, Allianz Research

APAC: Middle East conflict offsets AI and rerouting gains

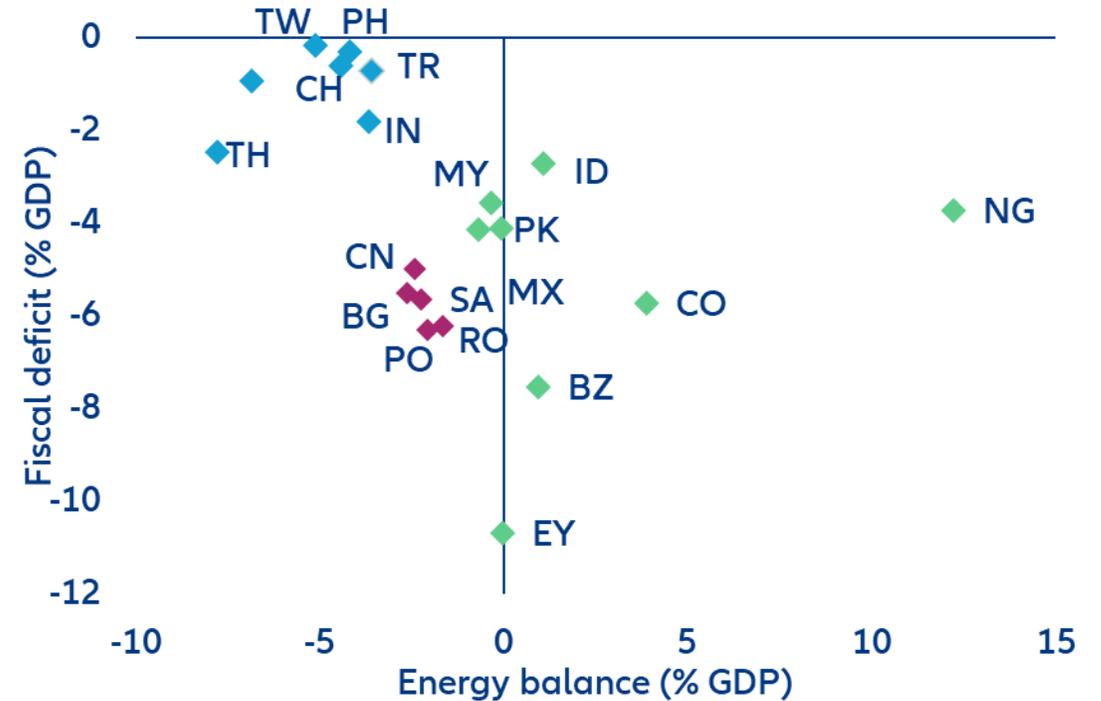
Asia-Pacific aggregate growth at +4.2% in 2026 and +4.0% in 2027



Source: national sources, Allianz Research

Notes: Country ratings composed of medium-term country grade AA-D and short-term risk level 1-4 going from low to high risk (see [Country Risk Atlas](#))

Most APAC countries are more exposed to the shock but benefit from stronger fiscal space



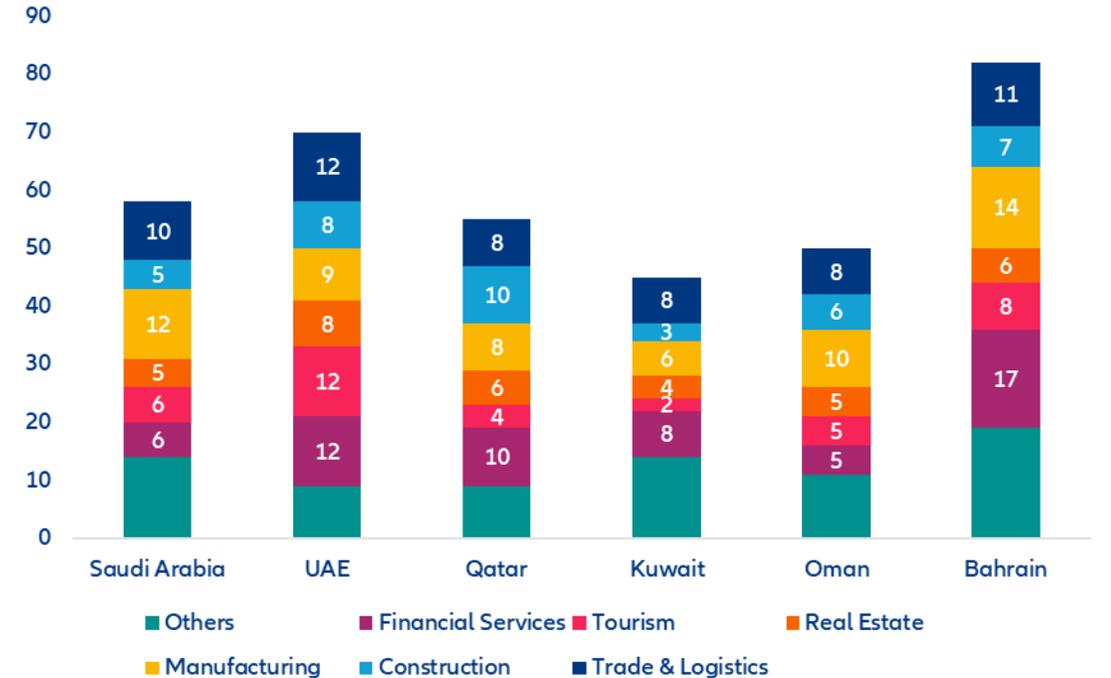
Sources: UN Comtrade, World Bank, Allianz Research

Middle East: cost of war being felt across the region

GCC economic growth more than halved while GDP losses spread through the region
(GDP growth y/y, inflation growth y/y)

	GDP growth					Inflation			
	2024	2025	2026	2027		2024	2025	2026	2027
Middle East	2.1	2.3	-1.0	4.0	Middle East	10.7	12.7	18.7	10.0
GCC	4.3	3.7	2.0	7.3	GCC	1.6	2.5	3.2	2.5
Kuwait	2.1	0.7	0.8	4.8	Kuwait	2.4	2.9	3.5	2.7
Bahrain	2.6	4.1	1.3	2.1	Bahrain	-0.1	2.1	3.5	3.0
UAE	5.5	5.8	1.9	7.2	UAE	1.2	2.1	3.3	2.6
Saudi Arabia	2.6	4.6	2.3	8.1	Saudi Arabia	1.5	2.0	3.1	2.4
Qatar	3.0	4.4	1.3	7.1	Qatar	0.5	3.5	3.5	2.9
Oman	2.1	2.9	1.7	3.5	Oman	1.0	1.9	2.5	2.0
Non-GCC	0.5	1.1	-2.6	1.7	Non-GCC	26.5	38.0	23.3	8.6
Iran	0.2	0.7	-5.0	1.0	Iran	46.0	66.8	40.0	13.6
Iraq	-1.1	0.7	-0.6	2.2	Iraq	0.3	1.9	3.0	2.4
Jordan	2.7	2.7	2.0	3.0	Jordan	1.8	1.6	2.1	1.8
Syria	4.9	4.9	7.0	9.9	Syria	15.6	8.5	3.8	3.2
Egypt	5.1	4.6	4.0	5.0	Egypt	14.1	11.9	11.0	8.0
Israel	3.2	2.5	1.1	3.5	Israel	3.0	2.2	2.7	2.3

UAE is most at risk through tourism
(share of sector in GDP, %)



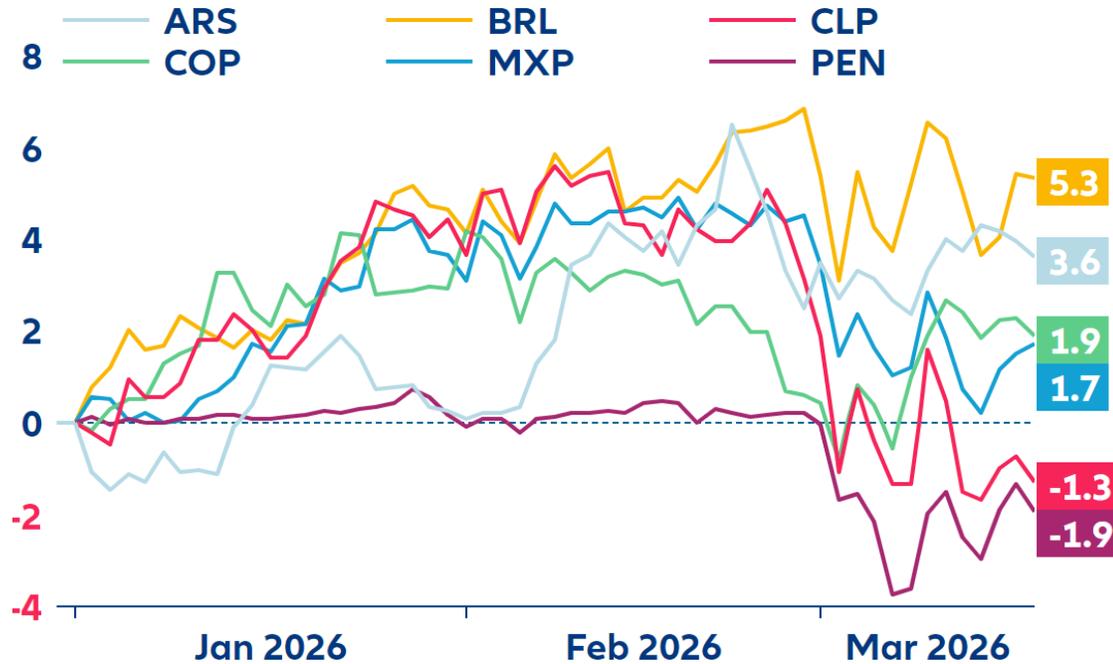
Source: Oxford Economics, Allianz Research

Sources: LSEG Datastream, Allianz Research

LatAm: FX improving, cost of capital still high

Energy exporters' currencies are benefiting from higher prices, cautious monetary policy and conflict distance

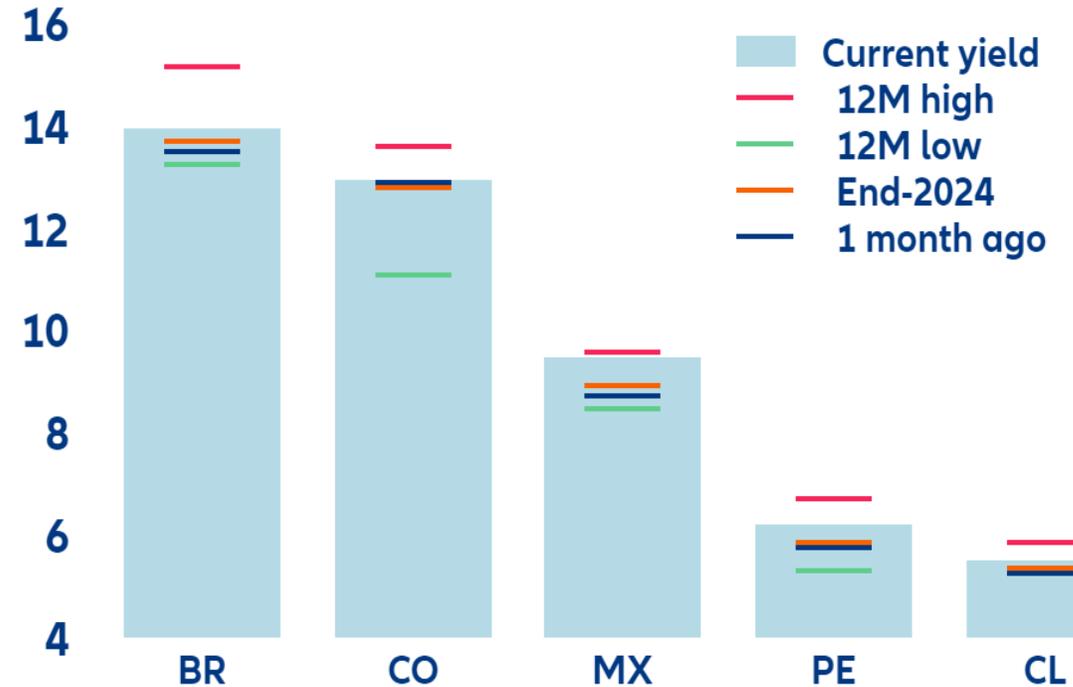
LC for USD1, % change since the start of 2026



Source: Central banks, LSEG Datastream, Allianz Research

Elections and trade deals exert pressure on Colombia, Mexico and Peru, less so on Brazil

10y sovereign bond yields, pp



Sources: LSEG Datastream, Allianz Research

