

**AIECE 134th General Meeting  
Stockholm, Spring 2026**

**External Environment**

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**21 May 2026**

## World economy under extremely high and rising uncertainties

### 1) 2025: Trade war, more a reorientation of global trade among countries than a global trade shock

- ❑ High trade tensions since February 2025
- ❑ Reorientation rather than collapse of world trade
- ❑ A China 2.0 shock impact

### 2) 2026: The price energy shock has interrupted disinflation

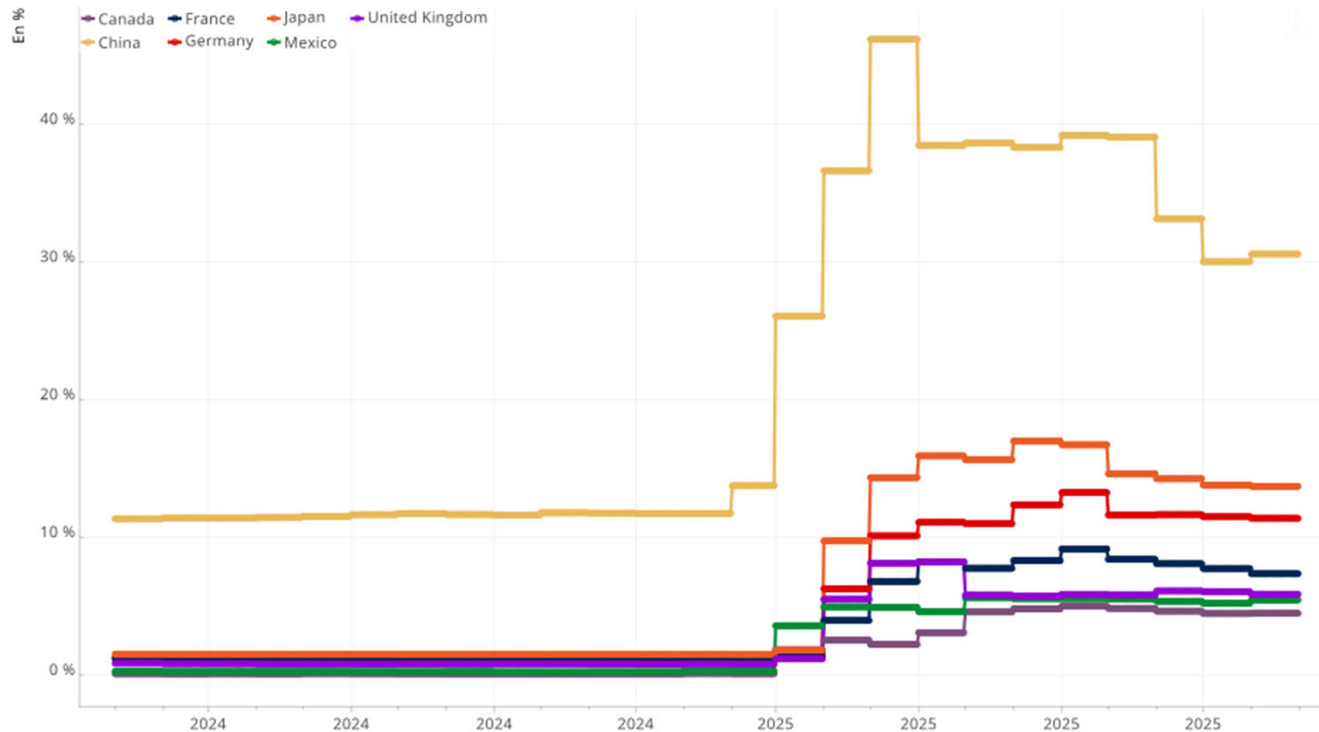
- ❑ The price energy shock interrupt disinflation in major industrial economies
- ❑ Inflation has already started to rebound, so far to a smaller extent than in 2022

### 3) China's export-led growth

### 3) *Policy mix*: how to respond to the current shock

- ❑ Monetary policy: tightening or not?
- ❑ Fiscal policy: implementing targeted measures?

# 2025: marked by the trade war



Note : Tarif moyen pondéré des droits douaniers américains appliqués aux importations en provenance de chaque pays.  
Sources : USITC, prévision OFCE avril 2026.

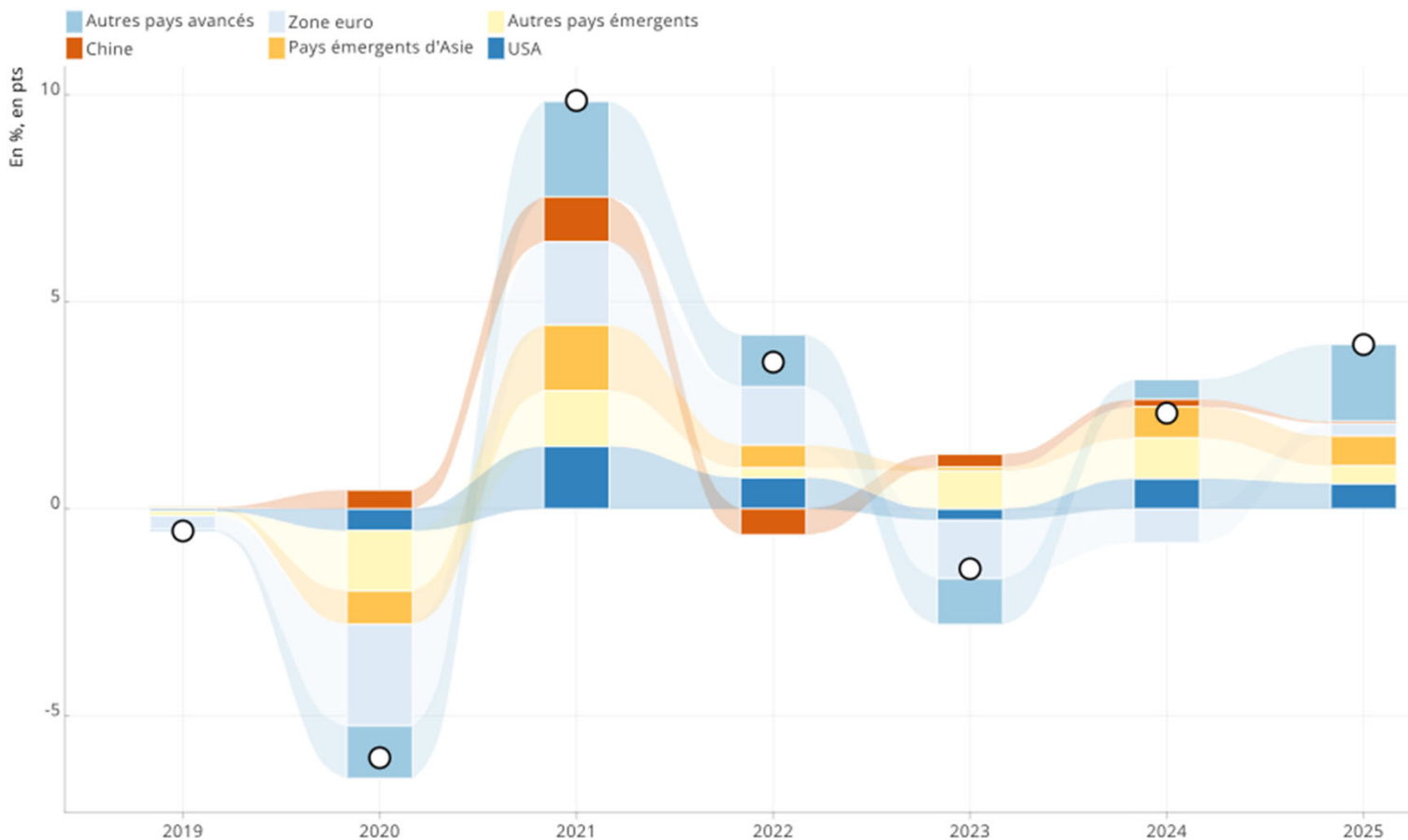
## Rise in tariffs...

- Until September (weighted average tariff: 14.2%)
- On average in 2025: + 8 pts
- Higher tariffs on US imports from China

## ...and in uncertainty

- Due to multiple announcements on tariffs,
- uncertainty on the outcomes of trade negotiations and legal validity of tariffs
- Negative impact on demand: impeding investment, consumption and job creation

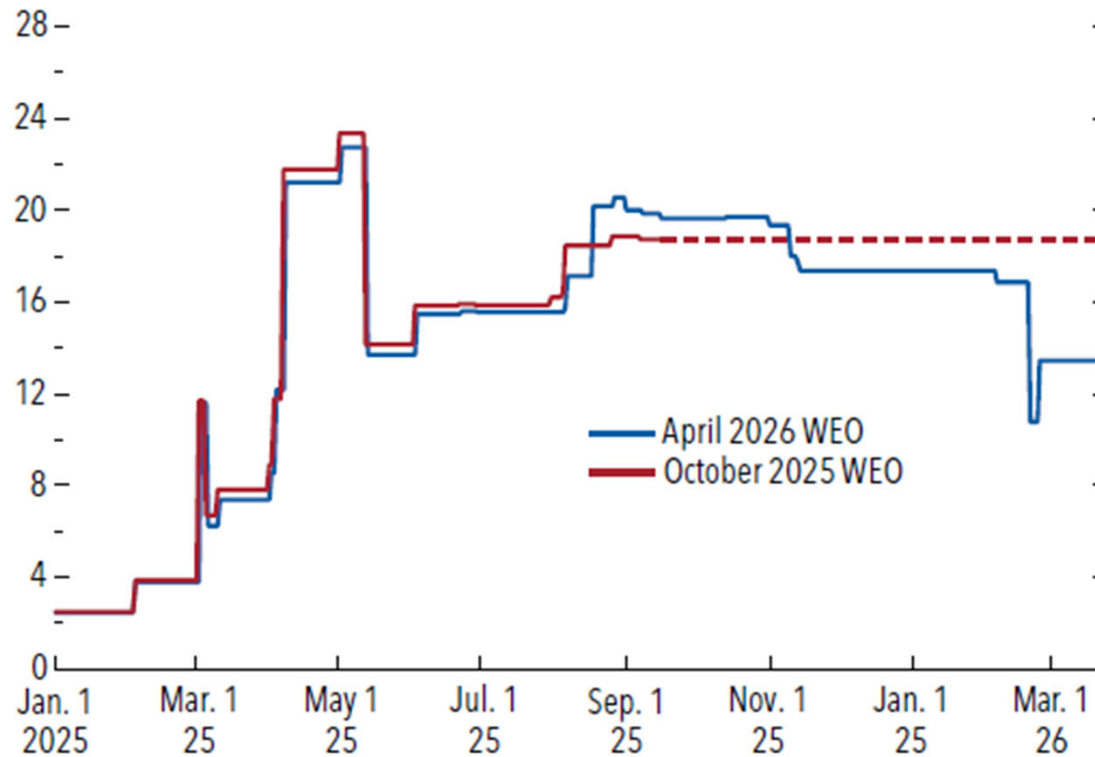
# 2025 Trade war: A first assessment



Source : CPB.

- **World trade growth remained robust**
- **World imports rose by 4% (2.3% in 2024)**
- **With a smaller contribution from US imports offset by imports from euro area and other advanced economies (mainly Asia)**

**Figure 1.2. US Effective Statutory Tariff Rate**  
(Percent)



Sources: WTO-IMF Tariff Tracker; and IMF staff calculations.

Note: "Effective statutory tariff rate" is a weighted average of announced statutory rates using pretariff (hence, presubstitution) import weights. Calculations include only tariffs that are in effect at the time noted on the x-axis; measures that are not specified and implemented are not included. WEO = *World Economic Outlook*.

## 2025 Trade war: A first assessment

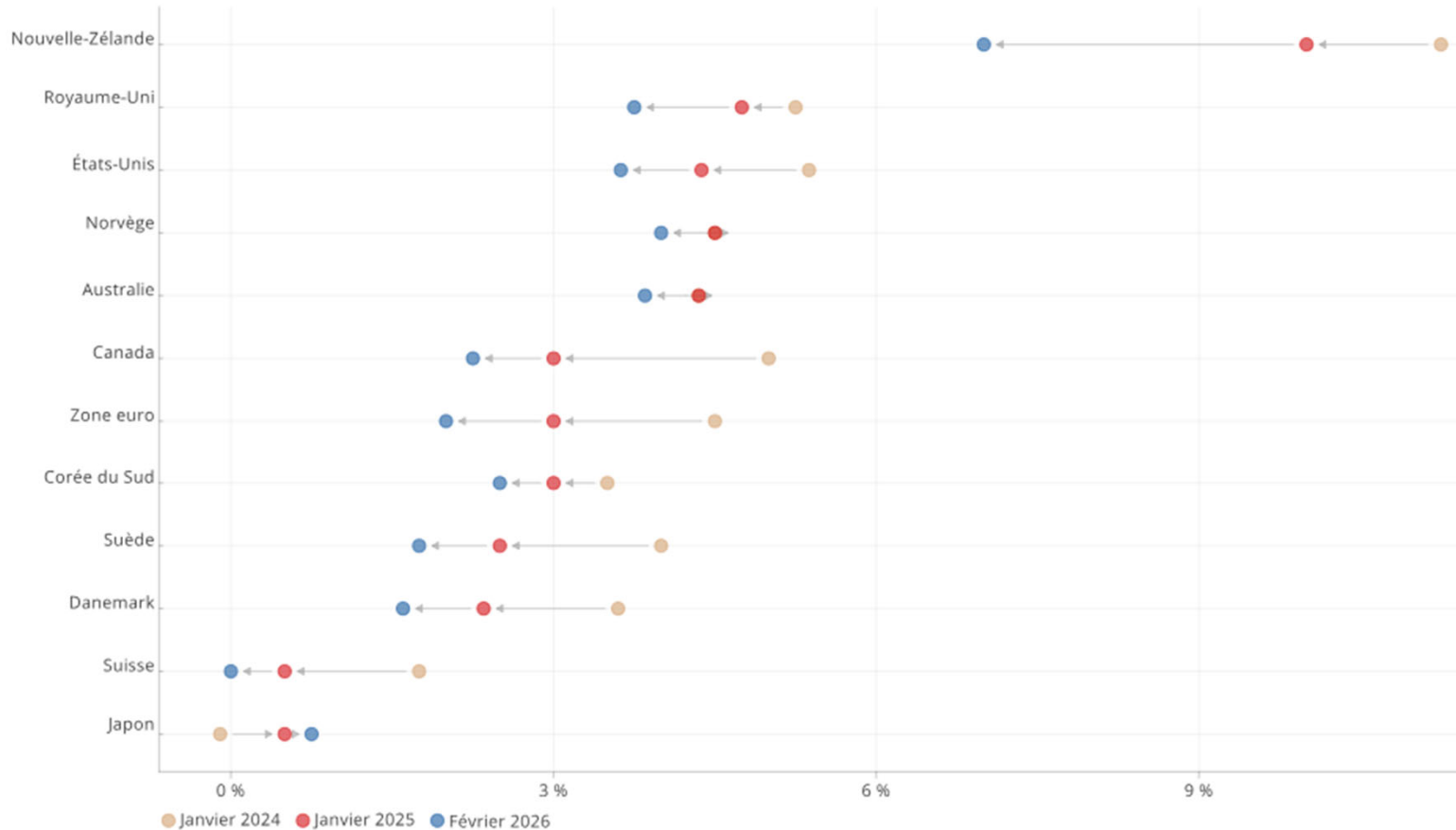
	Share in World GDP	2024	2025	2026	2027
Germany	3,4	-0,5	0,4	1,0	1,5
France	2,4	1,1	0,9	0,8	1,0
Italy	1,9	0,6	0,7	0,5	0,4
Spain	1,4	3,5	2,8	2,1	1,9
Euro area	12,4	0,9	1,5	1,1	1,3
EU-27	15,1	1,1	1,6	1,3	1,5
UK	2,3	1,1	1,3	0,7	1,2
US	15,5	2,8	2,1	2,2	2,3
Japan	3,7	-0,2	1,2	0,8	1,0
<b>Advanced economies</b>	<b>38,8</b>	<b>1,7</b>	<b>1,7</b>	<b>1,5</b>	<b>1,7</b>
China	18,9	5,2	5,0	4,2	4,3
Other Asia	18,8	5,1	5,6	5,0	4,9
Latin America	8,0	2,4	2,4	2,3	2,6
<b>Emerging and developing econom</b>	<b>61,2</b>	<b>4,4</b>	<b>4,4</b>	<b>3,9</b>	<b>3,9</b>
<b>World</b>	<b>100,0</b>	<b>3,3</b>	<b>3,3</b>	<b>3,0</b>	<b>3,1</b>

**2025: World GDP growth at same pace than in 2024**

- **Deceleration in the US but acceleration in other advanced economies**
- **Slight deceleration in China but acceleration in other Asian economies**

Sources: National accounts, OFCE's forecasts, April 2026.

# Central banks' interest rate cuts despite vigilance on inflation



Source : BRI.

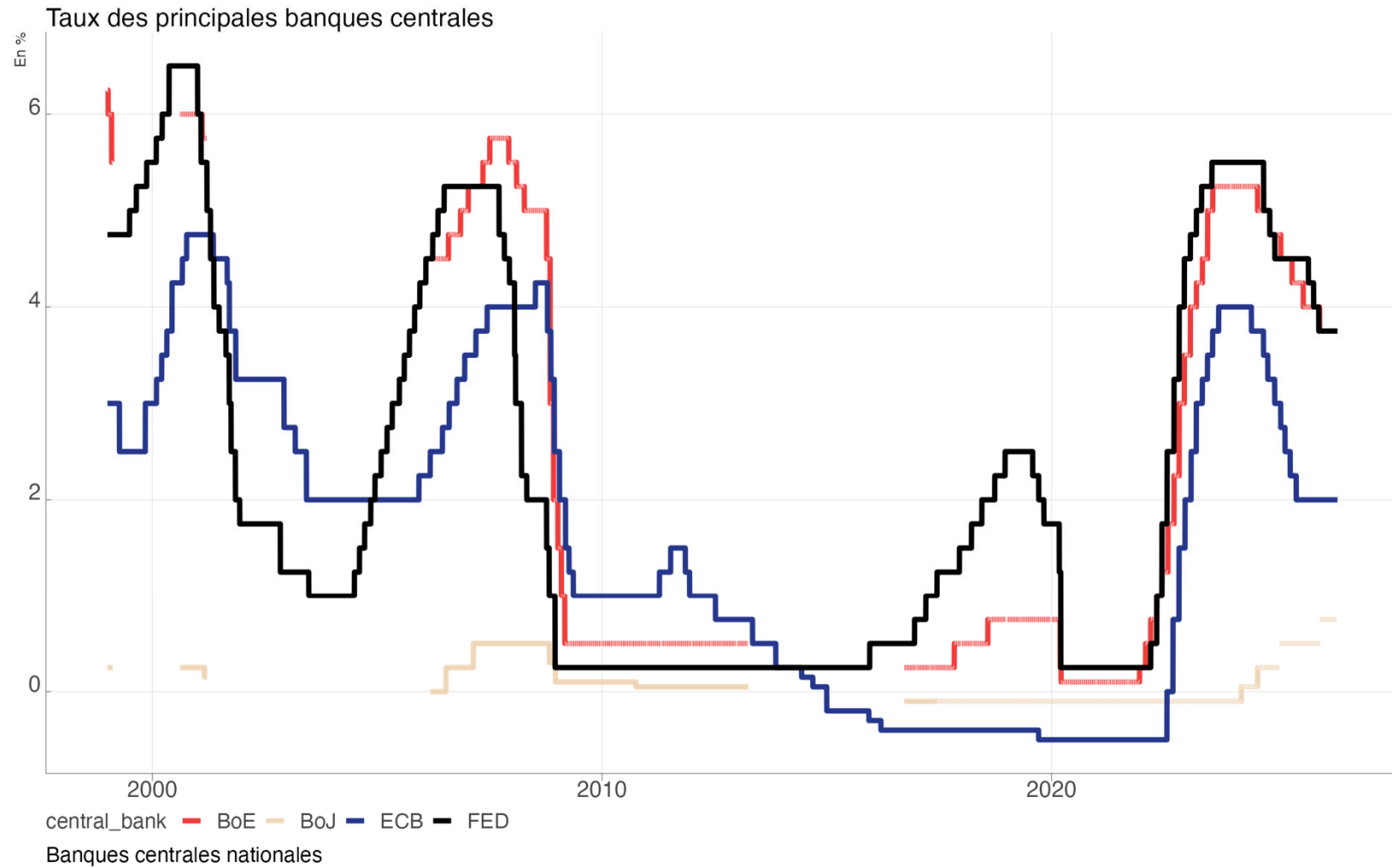
## CPI in advanced economies

- Euro area annual inflation fluctuating at around 2%
- Inflation rebound in the US from April
- Inflation peaked in Japan in early 2025 (4%) and in the UK in July (3.9%).

## But central banks cut their rates

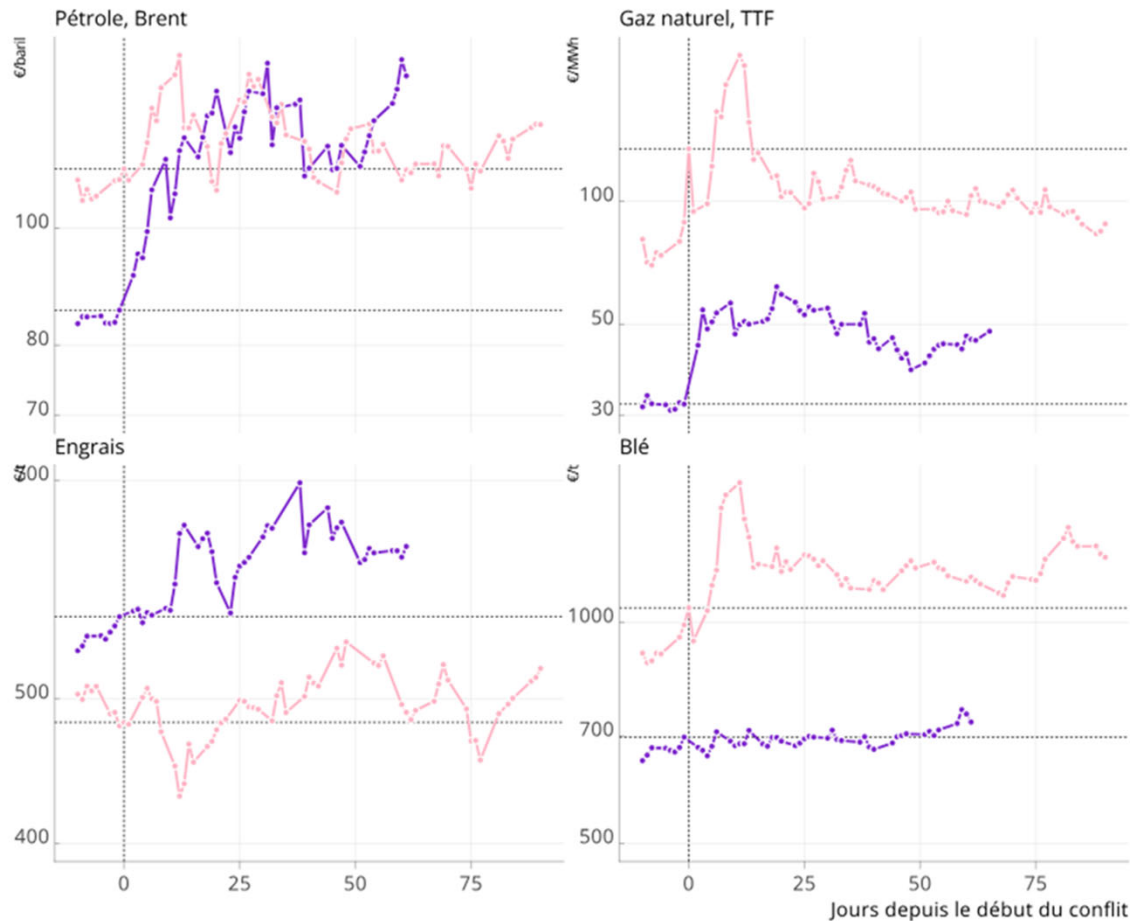
- Depending on how inflation was converging towards target
- Due to fears of labour market deterioration (US Fed)
- Excepting for the BoJ

# Central banks' interest rates



# 2026: A new energy price shock

Graphique 4. Matières premières, 2026 versus 2022



Sources : Yahoo finance, téléchargé le 05 mai 2026 à 20h00, prévision OFCE avril 2026.

Update of chart released in OFCE's Spring 2026 forecast  
Number of days since the Iran war started (28 Feb. 2026): purple  
Number of days since the Ukraine war started (24 Feb 2022): pink

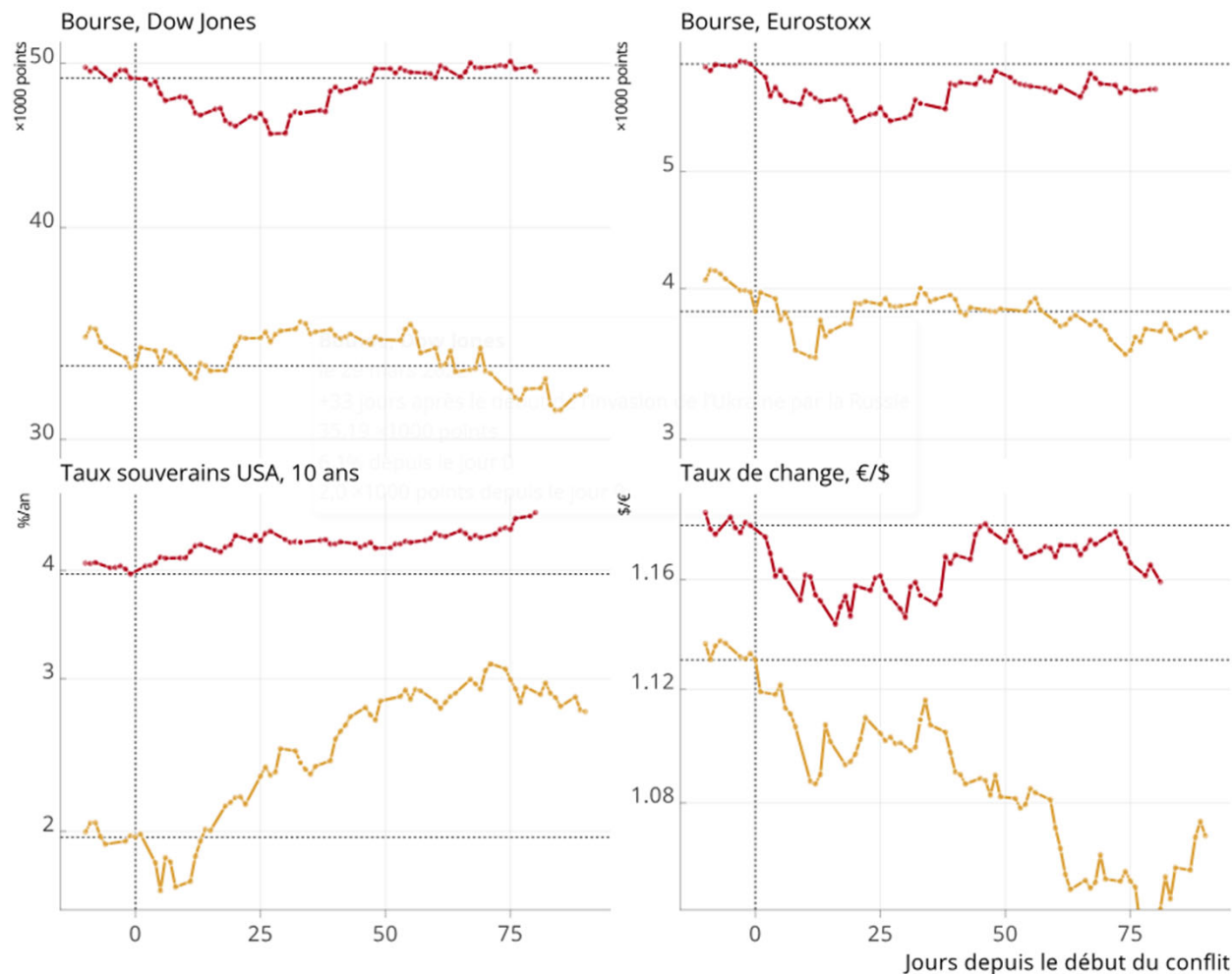
## Is this shock similar with 2022?

- Tensions on prices and risk of supply disruptions
- In 2022, energy prices had started to rise before the Russian invasion of Ukraine (post-COVID recovery and supply constraints)
- The peak in oil prices is similar but is smaller for gaz prices
- No impact so far on wheat prices but rise in fertilizers prices



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DAP, 2026

# Impacts on financial markets: 2026 versus 2022



Sources : Yahoo finance, téléchargé le 20 mai 2026, 10h24.

Update of chart released in OFCE's Spring 2026 forecast

Number of days since the Iran war started (28 Feb. 2026) in red

Number of days since the Ukraine war started (24 Feb 2022) in yellow

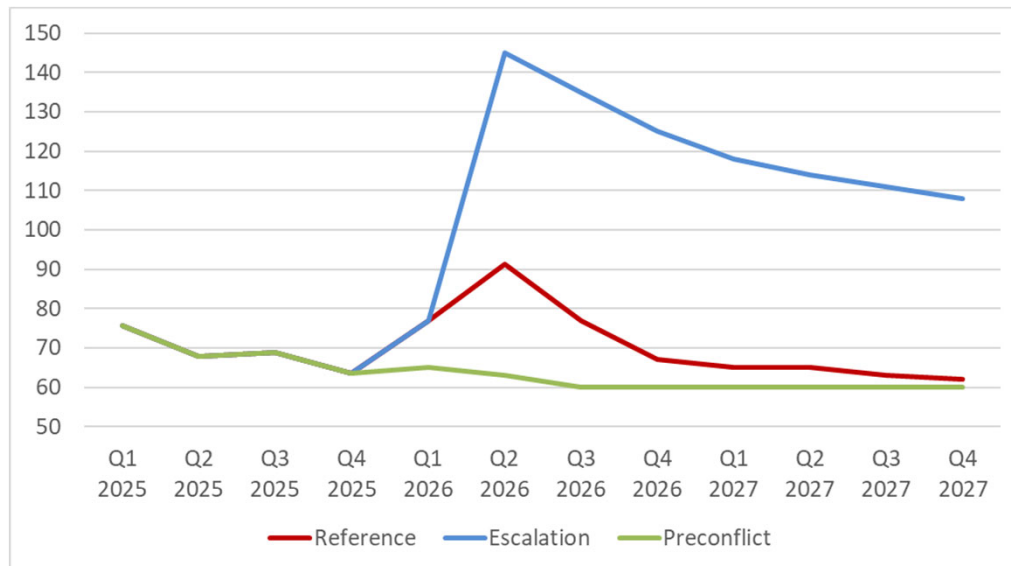
*Equity prices hardly affected, but levels well above 2022 (risque of bubble burst)*

*Rise in US 10 year government bonds remains limited, but rates are higher than in 2022 (could restrict fiscal room for manoeuvre)*

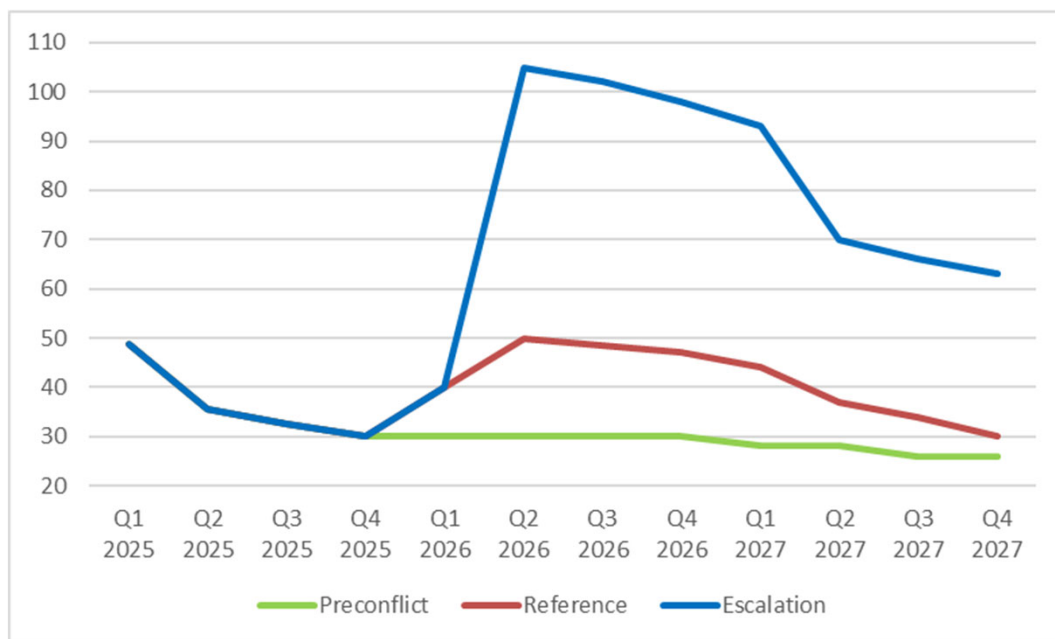
*Euro-dollar exchange rate limited depreciation*

# 2026-2027 : What scenarios for energy prices?

## Oil prices (Brent, USD/bbl)



## Gaz prices (TTF, euros/MWh)



OFCE's April forecasts

Two scenarios:

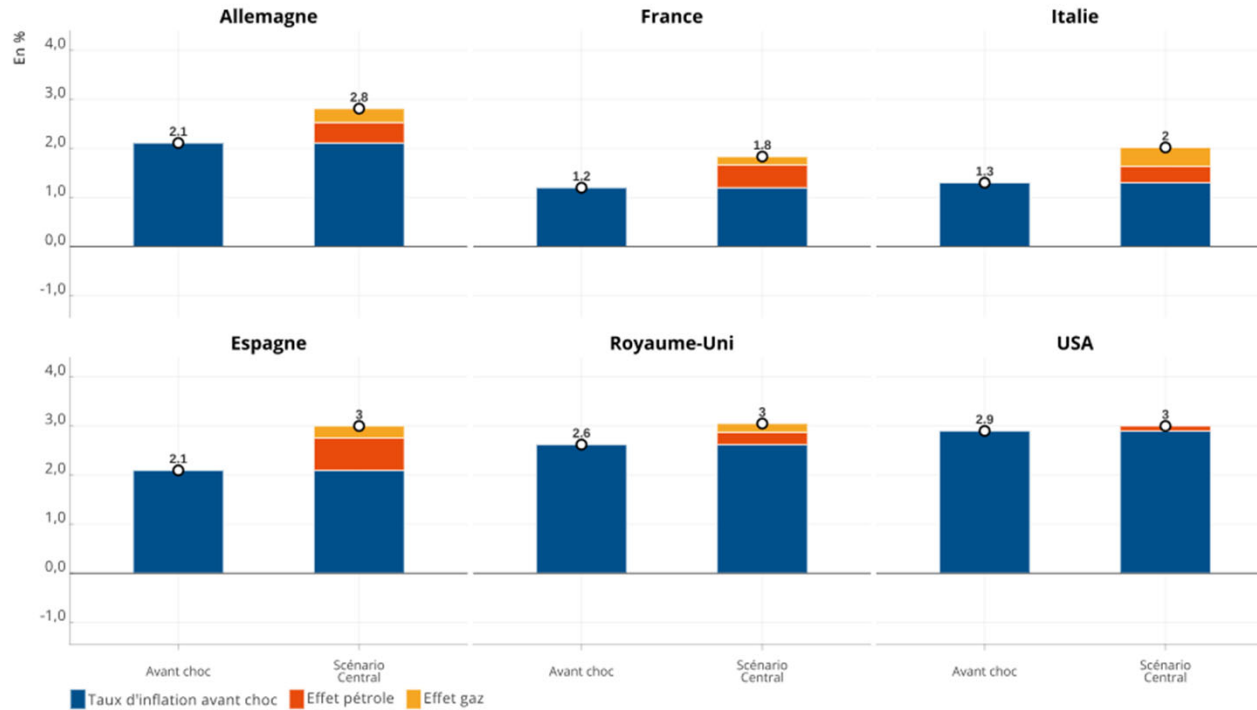
Reference scenario:

The Iran conflict will be a short-term one

- Decline in tensions and « rapid » reopening of the strait of Ormuz.
- Temporary rise in energy prices

- Alternative scenario: escalating conflict

# 2026-2027: Impact on CPI – reference scenario



Sources : AIE, modèles Emeraude et ThreeMe, prévision OFCE avril 2026.

- ❑ 2026: Increase in inflation
- ❑ Up to 2026Q2 before gradually falling
- ❑ But inflation would increase much more substantially in the escalation scenario
- ❑ 2027, impact will depend on the length of the crisis
- ❑ Reference scenario: inflation would return towards 2%
- ❑ Remain higher in the escalation scenario

## 2026-2027: Reference scenario – Impact on GDP growth

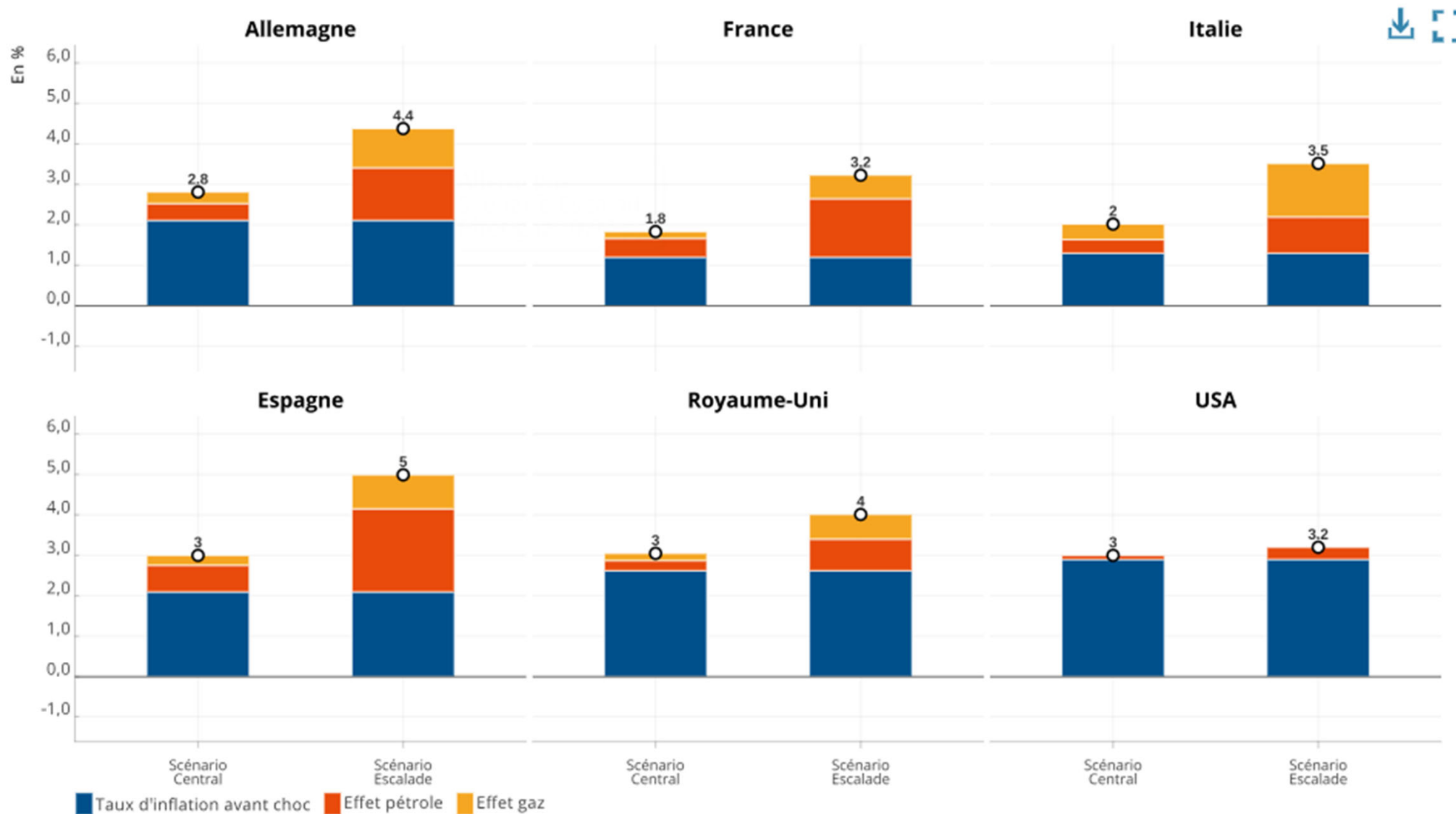
	2026				2027			
	Avant choc	Pétrole	Gaz	Scénario central	Avant choc	Pétrole	Gaz	Scénario central
Allemagne	1,2	-0,1	-0,1	<b>1,0</b>	1,6	-0,1	-0,1	<b>1,5</b>
France	1,0	-0,1	-0,0	<b>0,8</b>	1,1	-0,1	-0,0	<b>1,0</b>
Italie	0,7	-0,1	-0,1	<b>0,5</b>	0,6	-0,1	-0,1	<b>0,4</b>
Espagne	2,3	-0,2	-0,1	<b>2,1</b>	2,1	-0,1	-0,1	<b>1,9</b>
Royaume-Uni	0,8	-0,1	-0,1	<b>0,7</b>	1,3	-0,0	-0,0	<b>1,2</b>
USA	2,3	-0,1	0,0	<b>2,2</b>	2,3	0,0	0,0	<b>2,3</b>

*Note* : Impact direct en points de PIB. Scénario central = avant choc + effets pétrole et gaz.

*Sources* : OFCE, prévision OFCE avril 2026.

- ❑ **Limited impact on growth**
- ❑ Inflation reducing purchasing power and households' consumption
- ❑ Expected Impact: 0.1 à 0.2 percent of GDP in 2026.
- ❑ Hardly any significant impact in 2027

# And if the crisis lasts longer



Sources : AIE, modèles Emeraude et ThreeMe, prévision OFCE avril 2026.

## And if the crisis lasts longer: higher energy prices and monetary tightening

	2026			2027				
	Scénario central	Effet énergie	Effet PM	Scénario escalade	Scénario central	Effet énergie	Effet PM	Scénario escalade
Allemagne	1,0	-0,4	-0,1	0,5	1,5	-0,7	-0,3	0,5
France	0,8	-0,3	-0,1	0,4	1,0	-0,7	-0,3	-0,0
Italie	0,5	-0,4	-0,1	-0,1	0,4	-0,8	-0,3	-0,7
Espagne	2,1	-0,5	-0,1	1,5	1,9	-1,0	-0,3	0,6
Royaume-Uni	0,7	-0,2	-0,1	0,4	1,2	-0,5	-0,3	0,4
USA	2,2	-0,1	-0,1	2,0	2,3	-0,1	-0,3	1,9

*Note* : En points de PIB. Le scénario escalade intègre un surcroît de choc énergétique et un resserrement monétaire supplémentaire.

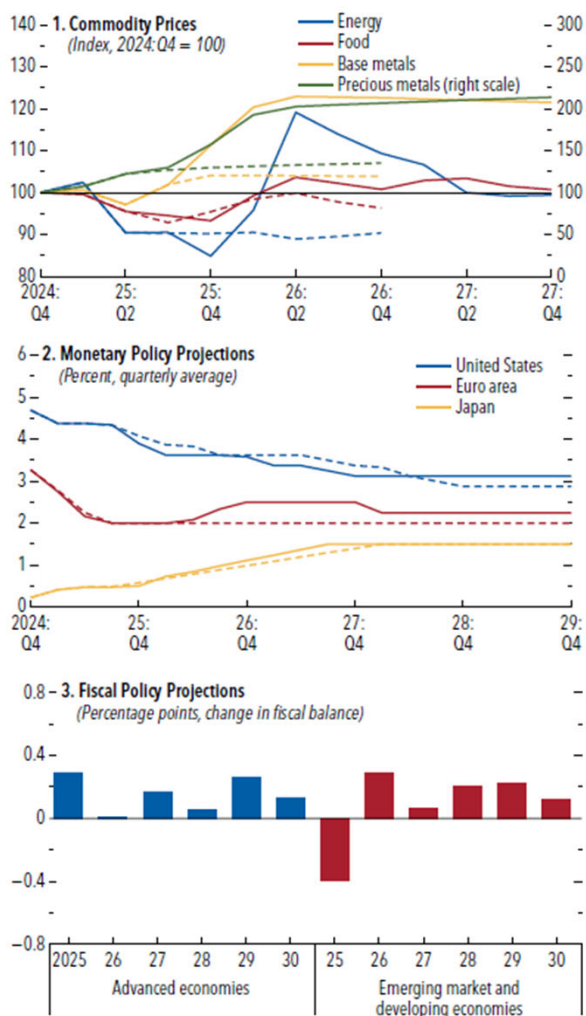
*Sources* : OFCE. prévision OFCE avril 2026.

### Risk of recession

High for France and Italy, strong slowdown in other countries under review

Monetary policy tightening amplifies the slowdown with an uncertain impact on inflation.

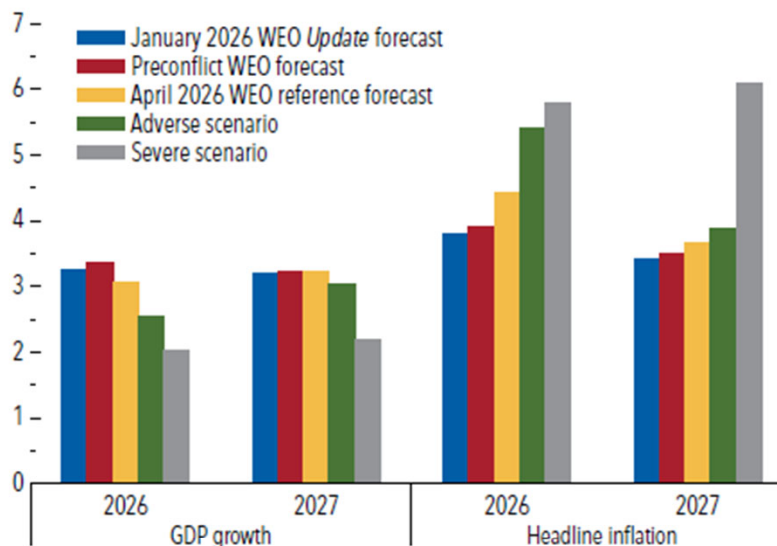
**Figure 1.7. Global Assumptions**



Source: IMF staff calculations.

Note: In panels 1 and 2, solid lines denote projections from the April 2026 *World Economic Outlook* (WEO) and dashed lines those from the October 2025 WEO. In panel 3, the fiscal balance used is the general government structural primary balance in percent of potential GDP. The structural primary balance is the cyclically adjusted primary balance excluding net interest payments and corrected for a broader range of noncyclical factors such as changes in asset and commodity prices.

**Figure 1.8. Global Growth and Inflation Forecasts (Percent)**

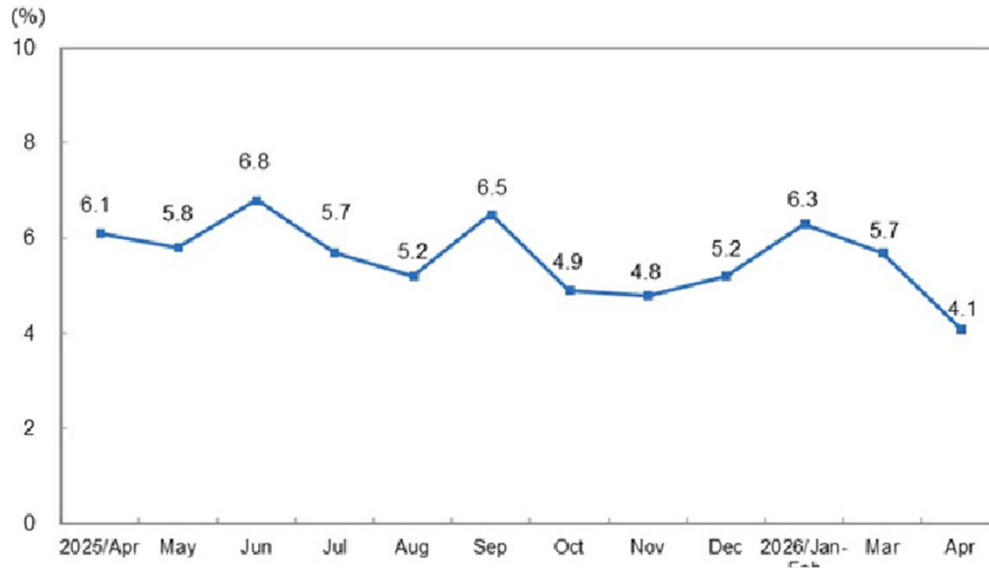


Source: IMF staff estimates.

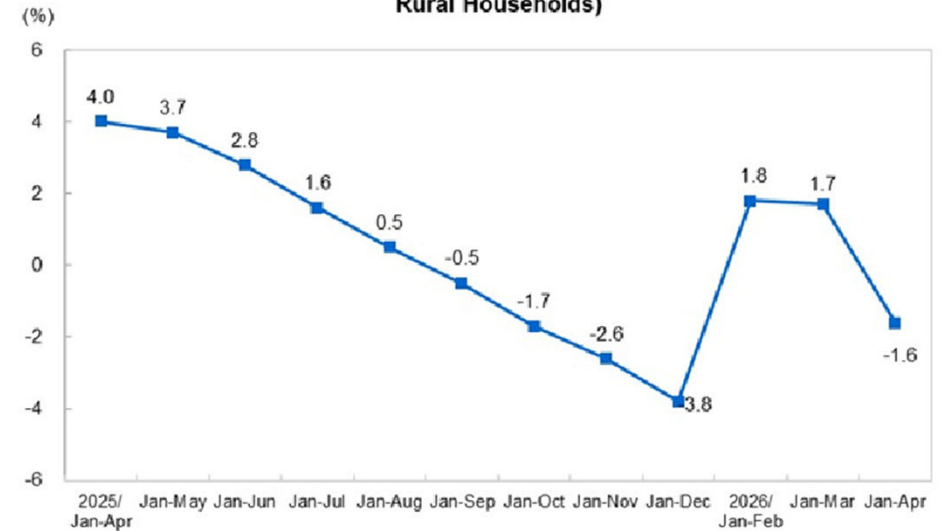
Note: The three WEO forecasts are constructed bottom-up from individual country projections before and after the outbreak of the Middle East conflict. The two scenarios are model-based top-down estimates. The adverse scenario assumes that oil (gas) prices increase by 80 (160) percent starting in 2026:Q2, relative to the January 2026 WEO Update, with the increase mostly unwinding in 2027, one-year-ahead inflation expectations increase by 50 (90) basis points in advanced economies (emerging markets excluding China), and corporate premiums rise by 50 (100) basis points in advanced economies plus China (emerging markets excluding China), while sovereign spreads in emerging markets excluding China increase by 50 basis points, with the tightening in financial conditions fading in 2027. The severe scenario is calibrated to larger and more persistent shocks. First, oil (gas) prices are assumed to be 100 (200) percent higher than the January 2026 WEO Update, starting in 2026:Q2 and staying at that level in 2027, while food commodity prices increase by 5 (10) percent in 2026 (2027). Second, one-year-ahead inflation expectations increase by 100 (130) basis points in advanced economies (emerging markets excluding China) by 2027. Third, corporate risk premiums rise by 100 (200) basis points in advanced economies plus China (emerging markets excluding China) in 2026–27, while sovereign spreads increase by 100 basis points in emerging markets excluding China over the same period. WEO = *World Economic Outlook*.

# China: GDP growth: 1.3 % in 2026Q1, but indicators signal decelerating (domestic) demand

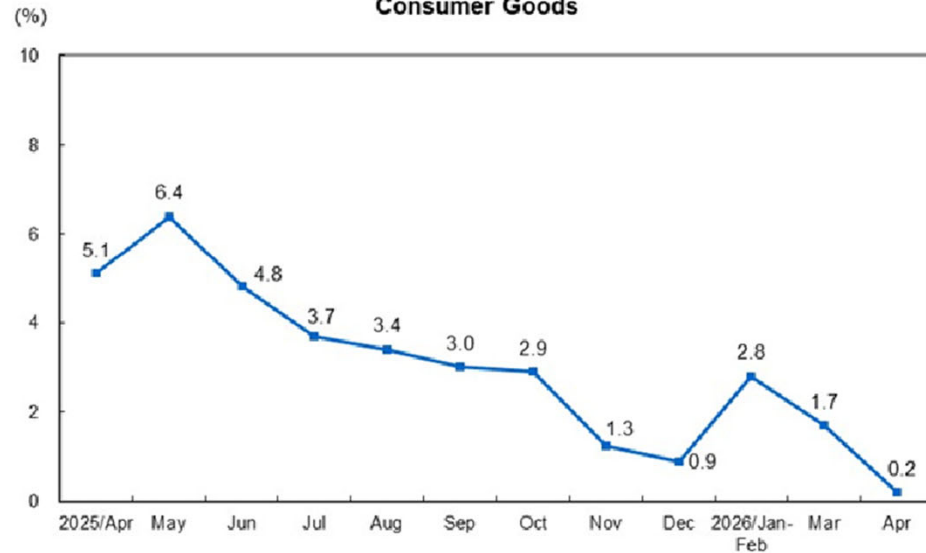
**Year-on-Year Growth Rate of Total Value Added of Industrial Enterprises above the Designated Size**



**Year-on-Year Growth Rate of Investment in Fixed Assets (Excluding Rural Households)**



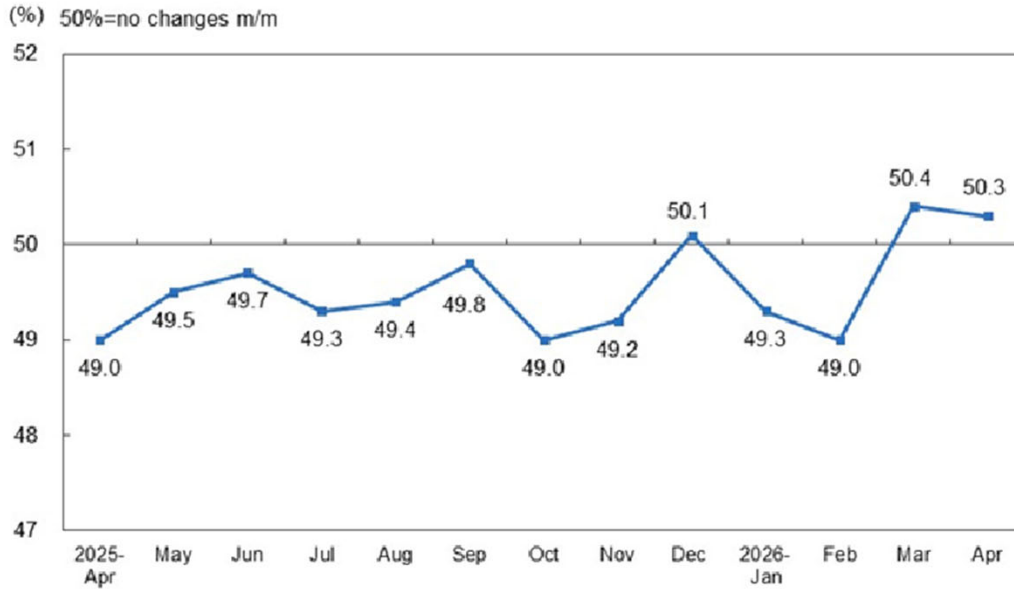
**Figure 1 Year-on-Year Growth Rate of Total Retail Sales of Consumer Goods**



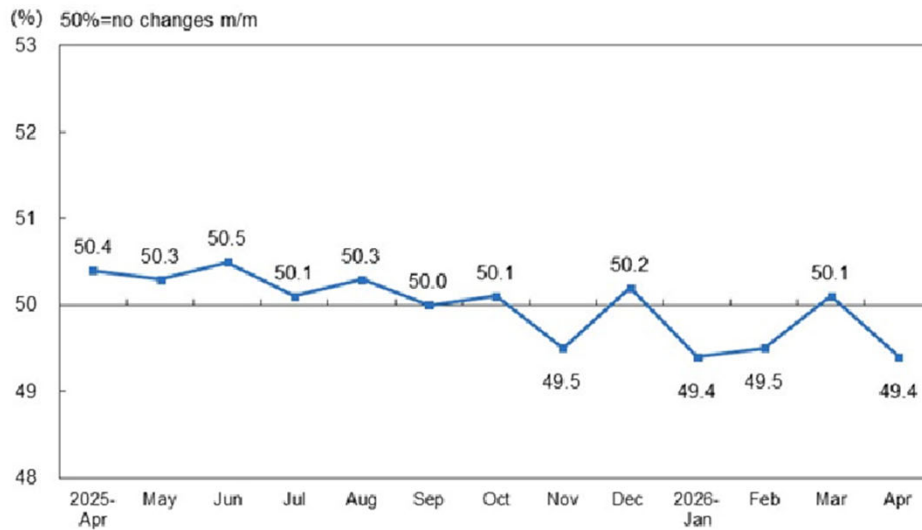
**Growth Rate of Investment in Real Estate Development**



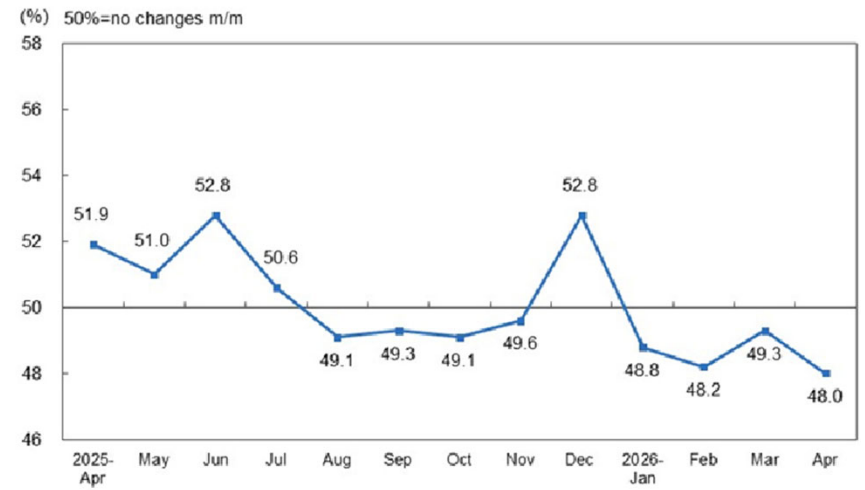
**Figure 1 Manufacturing PMI (Seasonally Adjusted)**



**Figure 2 Non-manufacturing Business Activity Index (Seasonally Adjusted)**

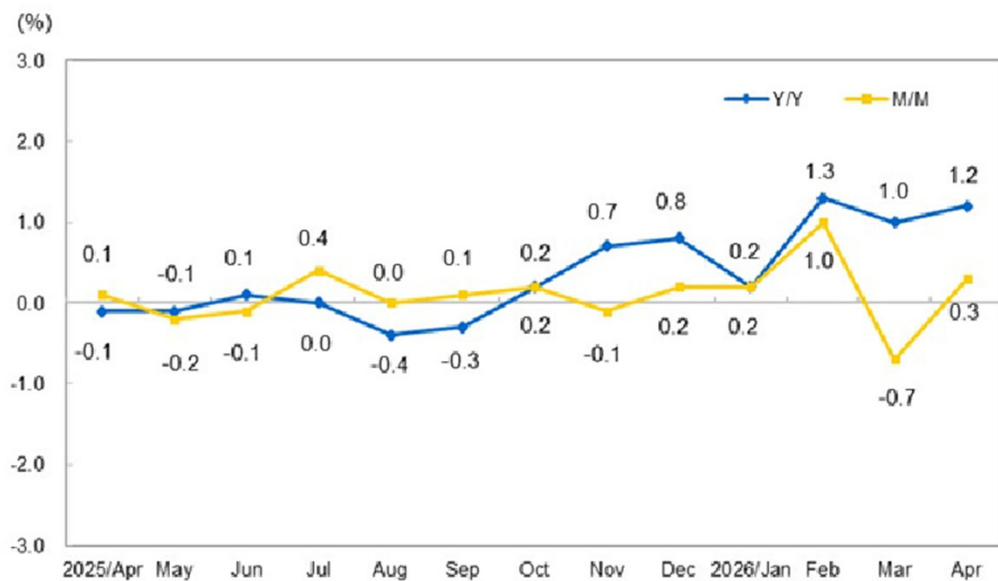


**Figure 3 Construction Business Activity Index (Seasonally Adjusted)**

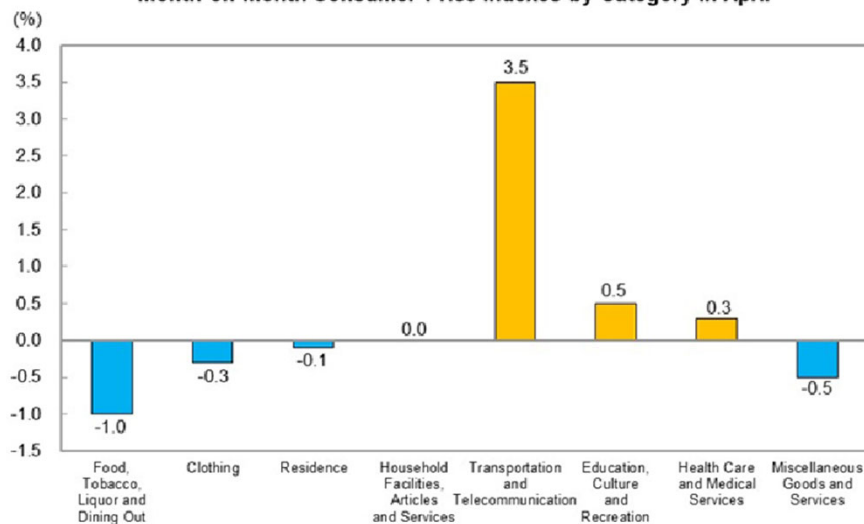


# China – Consumer Price inflation

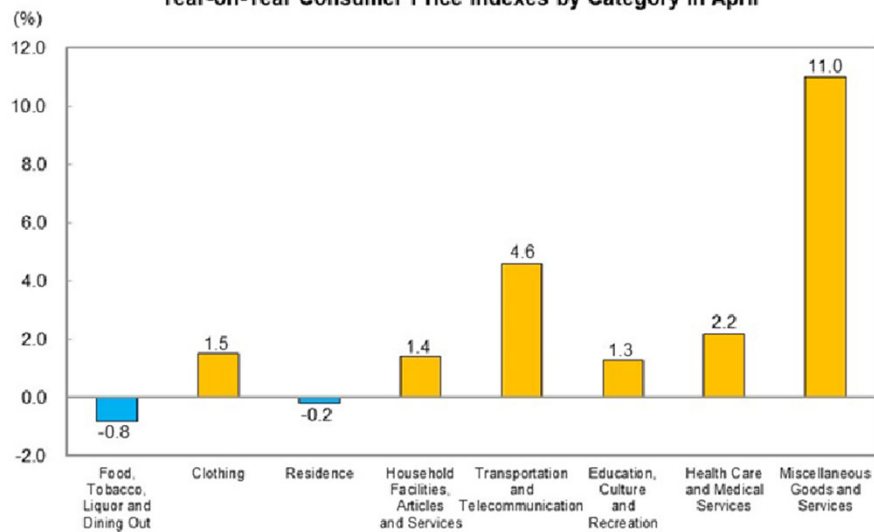
### Consumer Price Index in April



### Month-on-Month Consumer Price Indexes by Category in April

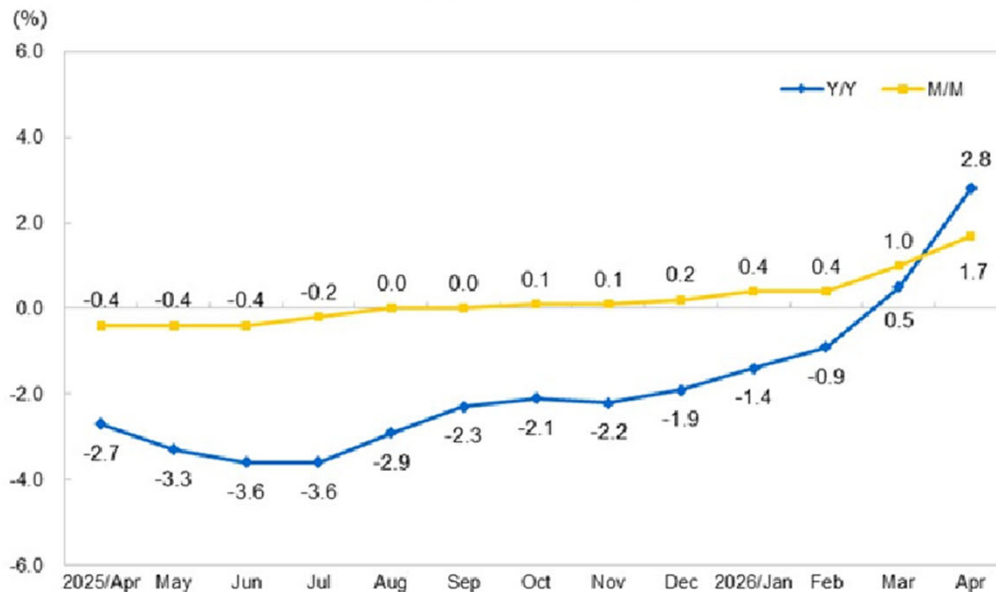


### Year-on-Year Consumer Price Indexes by Category in April

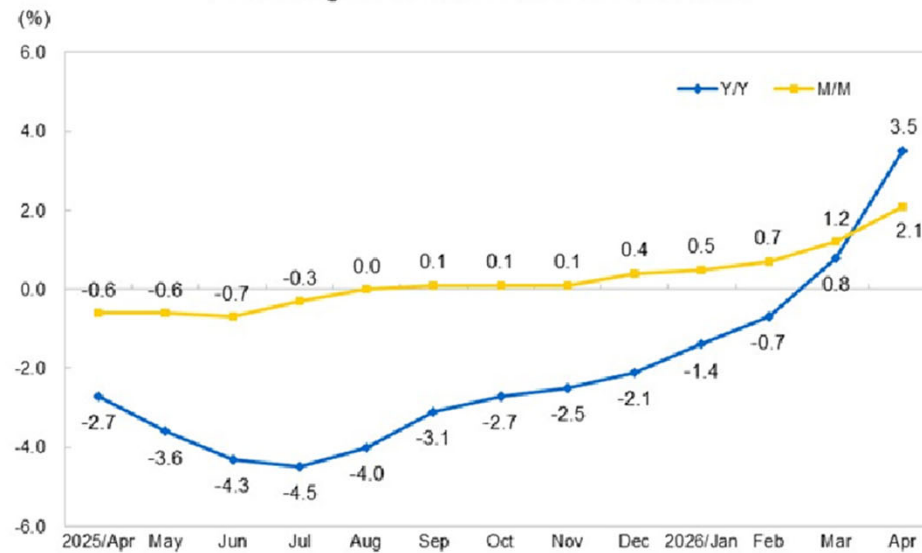


# China – Producer price inflation

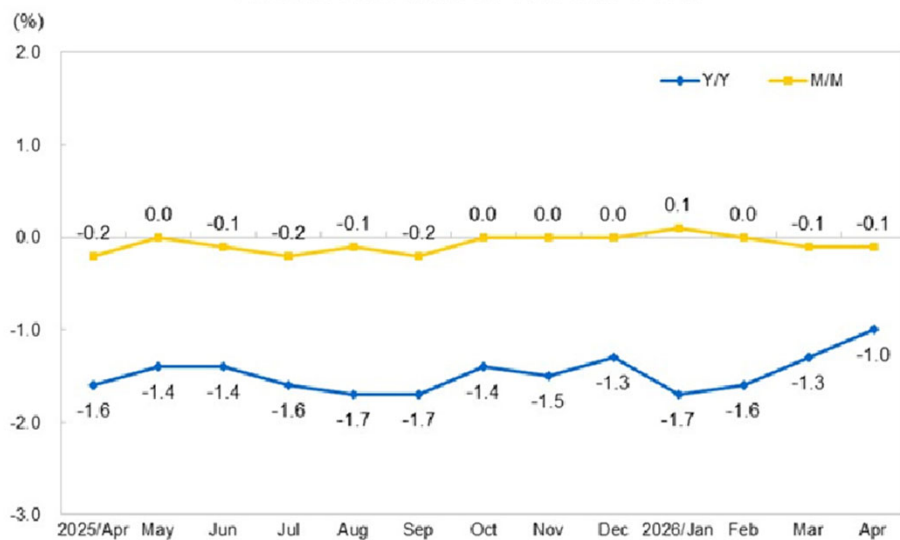
## Producer Price Index for Industrial Products



## Purchasing Price Index for Industrial Producers



## Producer Price Index for Consumer Goods



Y/Y

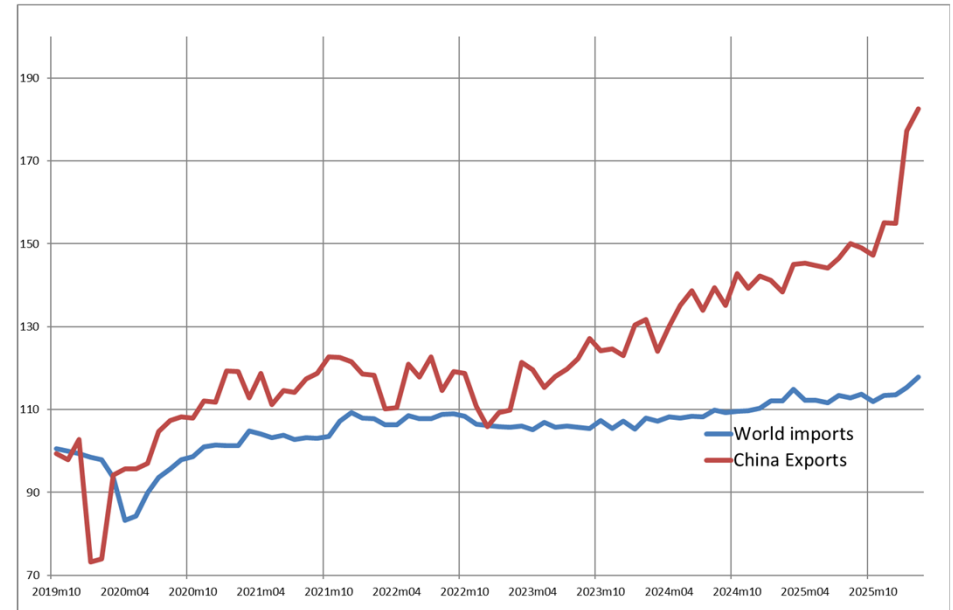
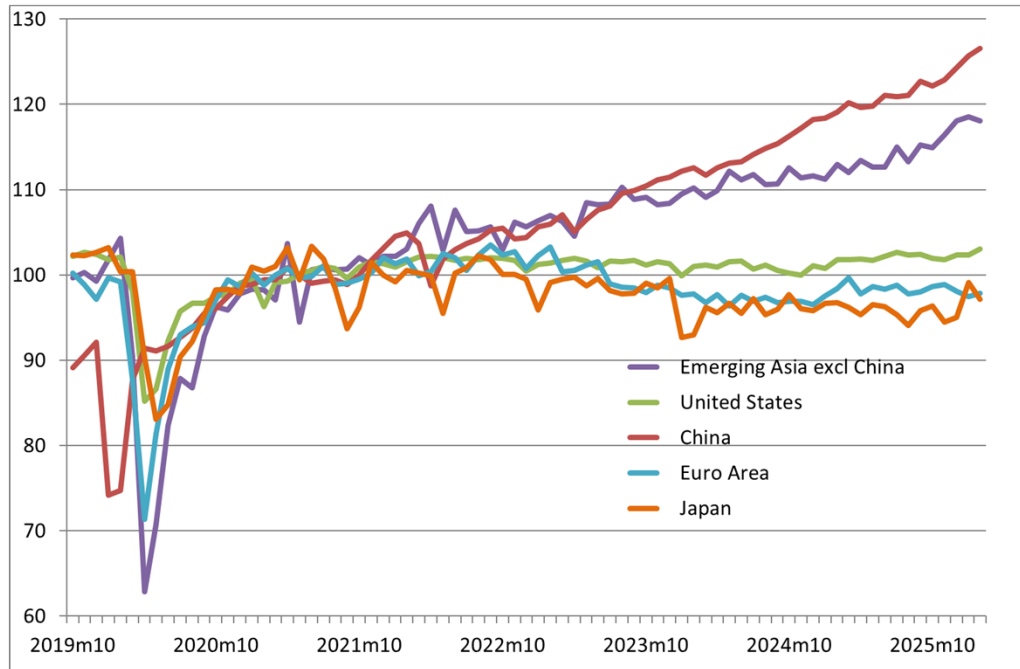
Fuel and power: +4.4%

Non-ferrous metals: + 21.3%

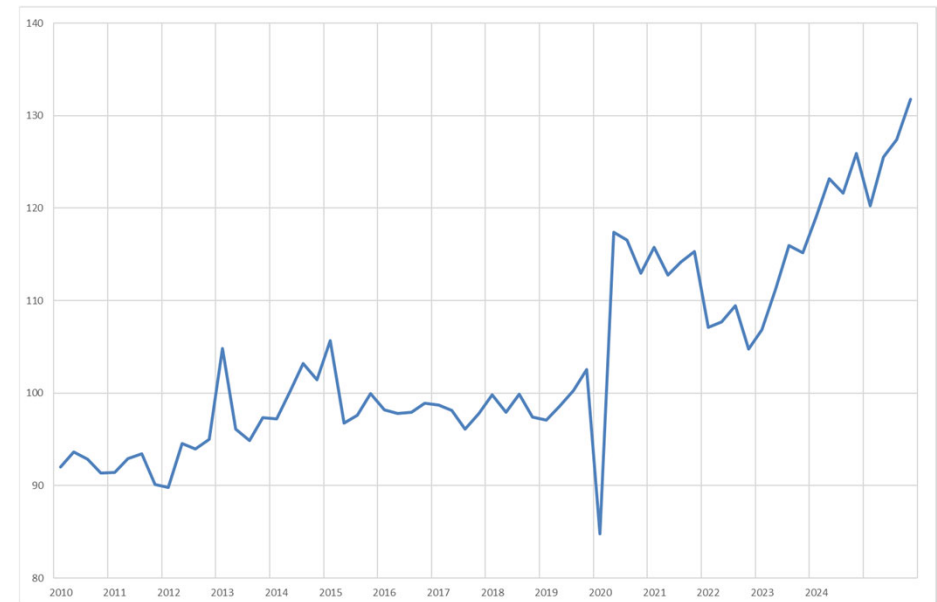
Raw chemicals: + 5.9

# China: Industrial production and export market shares (CPB WTM)

## Industrial production (2021 = 100)



## Export market shares

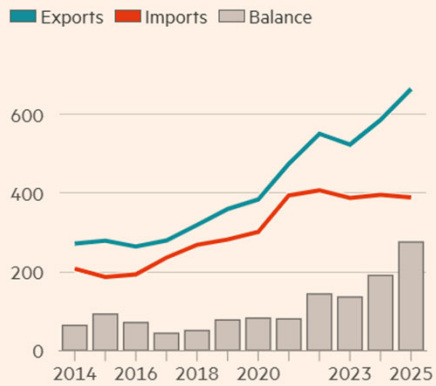


# China shock 2.0

## China's trade surplus with south-east Asia has surged

China's goods trade flows (\$bn), by partner

Asean



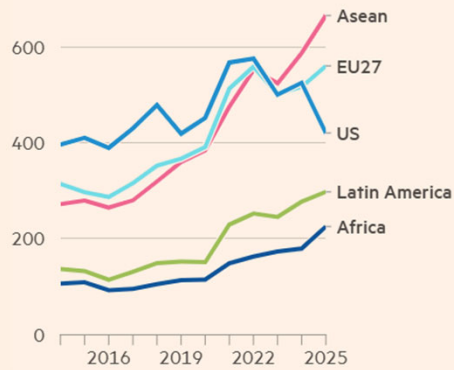
FINANCIAL TIMES

Source: Trade Data Monitor, General Administration of Customs, National Bureau of Statistics, FT calculations

## 18% of China's exports went to south-east Asia last year

China's exports by partner

\$bn %

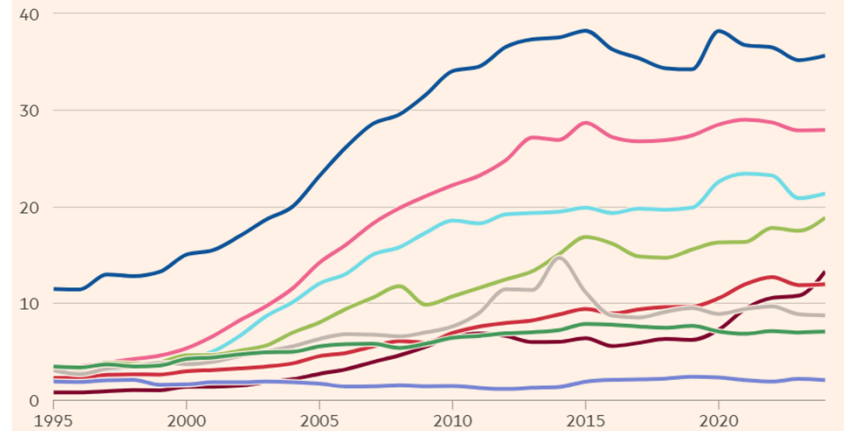


## China is competitive with global peers across the value chain

Global market share (%), by country and product, 1995-2024

China

Textiles Electronics Machinery Metals Vehicles Chemicals Stone Agriculture Minerals



FINANCIAL TIMES

Source: [The Growth Lab at Harvard University](#) FT calculations • Calculations based on export values

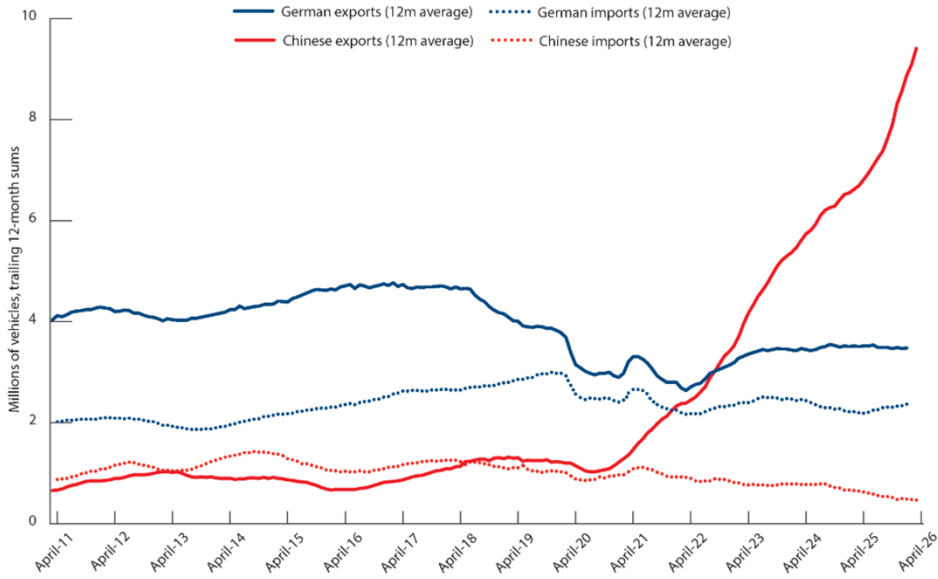
# CHINA SHOCK 2.0: THE COST OF GERMANY'S COMPLACENCY

Policy brief

[Sander Tordo](#) , Brad Setser

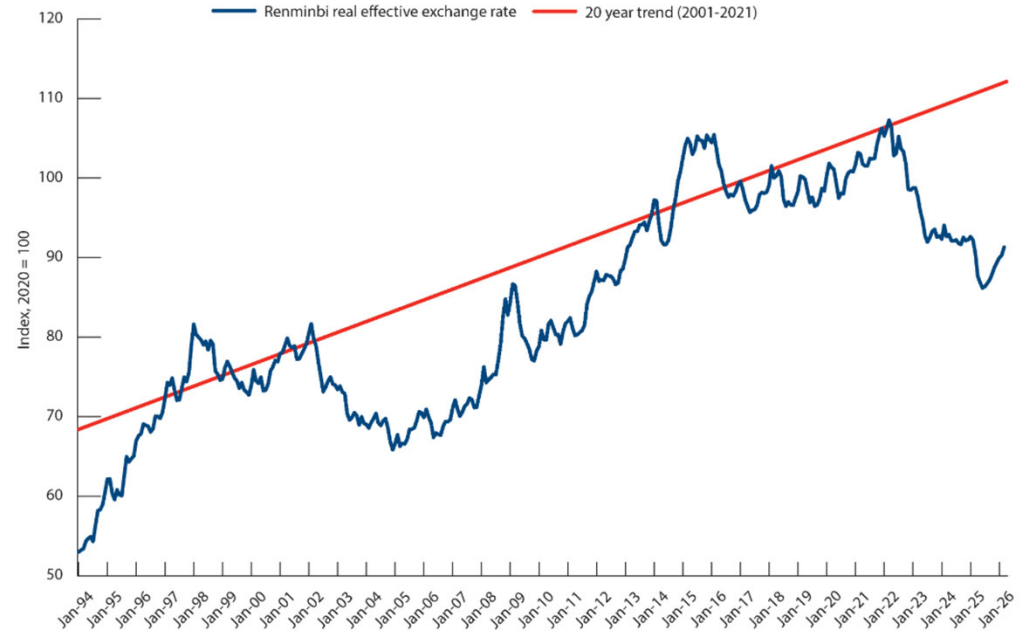
20 May 2026

Chart 8: China's car exports have skyrocketed

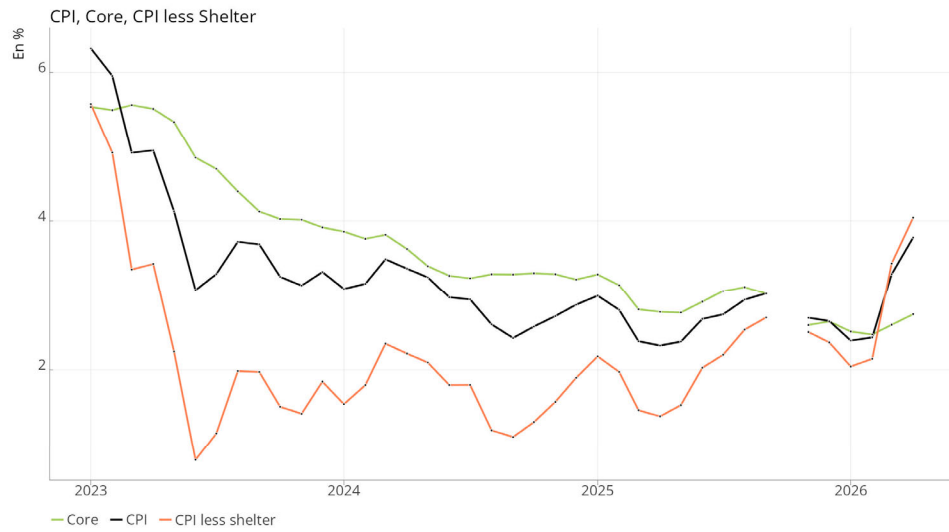


Sources: German data: German Federal Statistics Agency (Destatis), Chinese data: General Administration of Customs, China (GACC), Haver Analytics.  
Credit: Brad Setser and Sander Tordo.

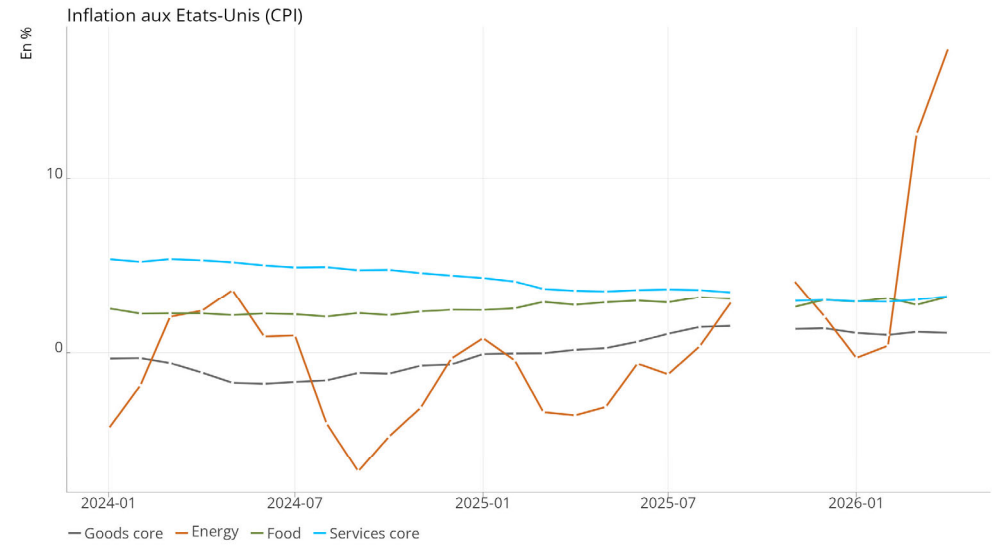
Chart 4a: The renminbi has experience a large depreciation versus the trend over the last five years



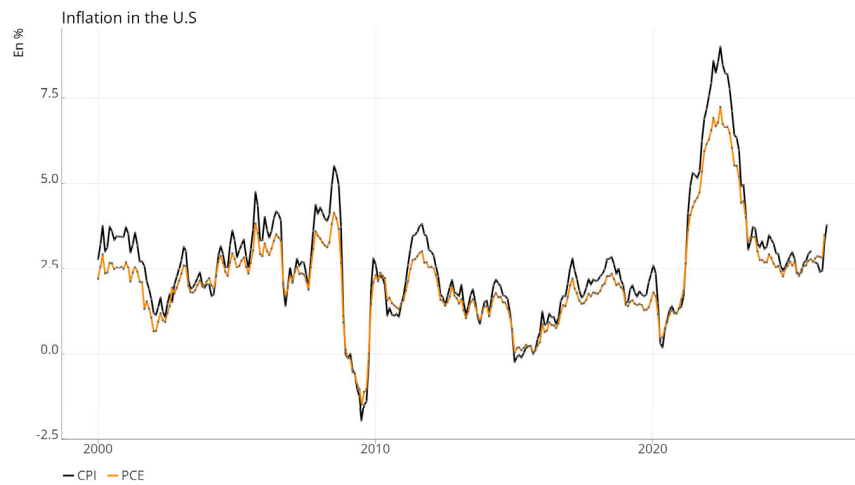
# US: GDP: + 0.5% in 2026Q1, CPI, on the rise



BLS

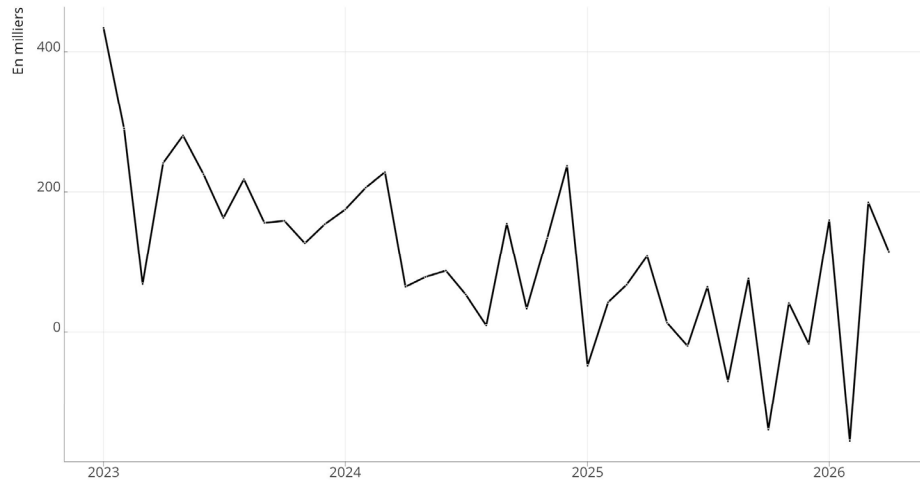


BLS



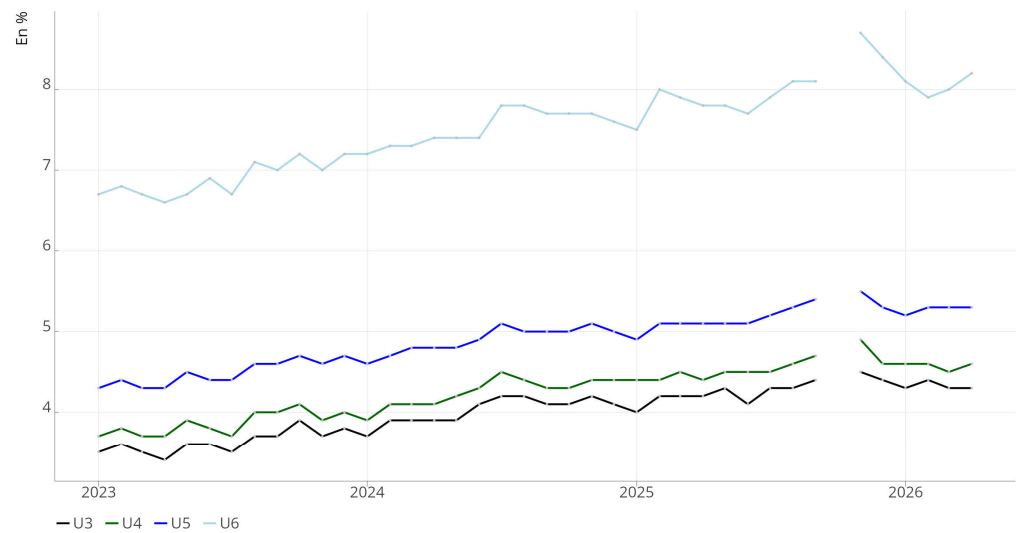
BLS, BEA

## Créations d'emploi



BLS (establishment survey)

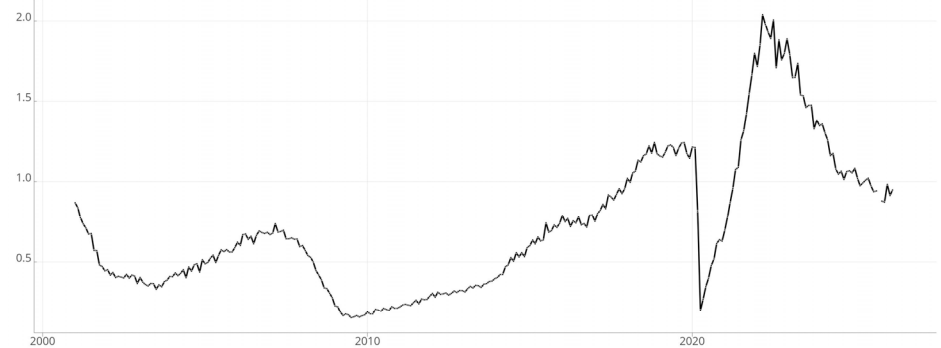
## Différentes mesures du taux de chômage



BLS (FRED).

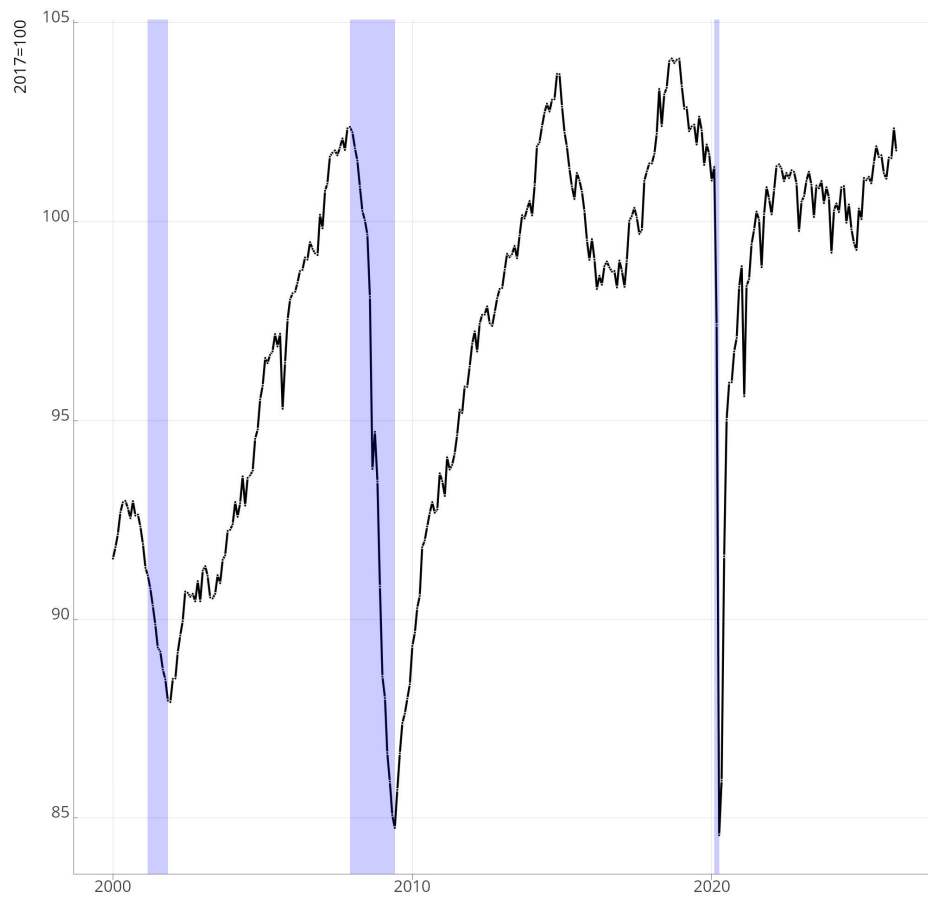
## Tensions sur le marché du travail

Ratio des offres d'emploi sur le nombre de chômeurs

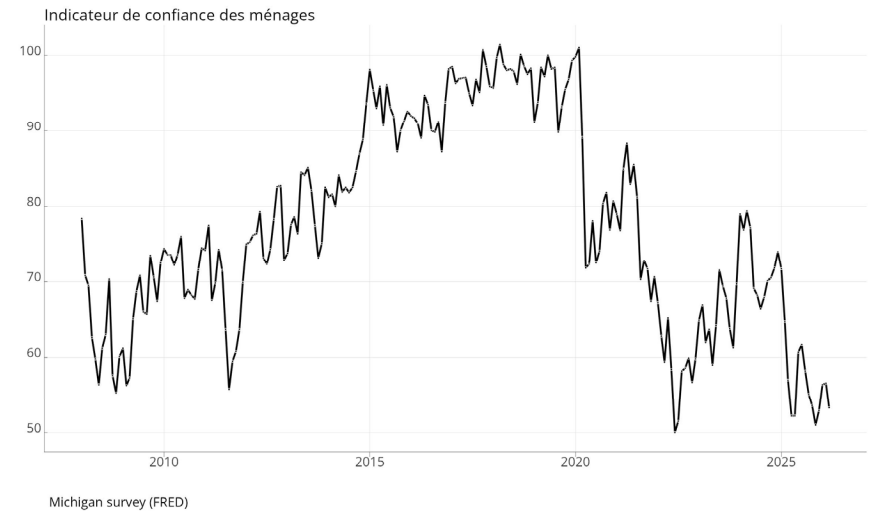


Source : BLS (JOLT).

# US: Industrial production

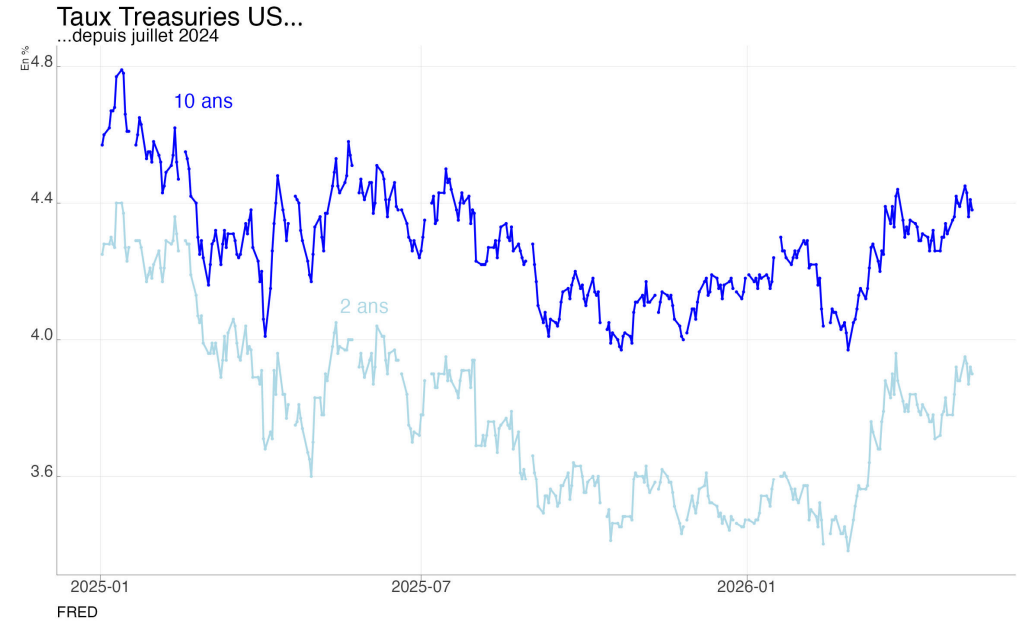
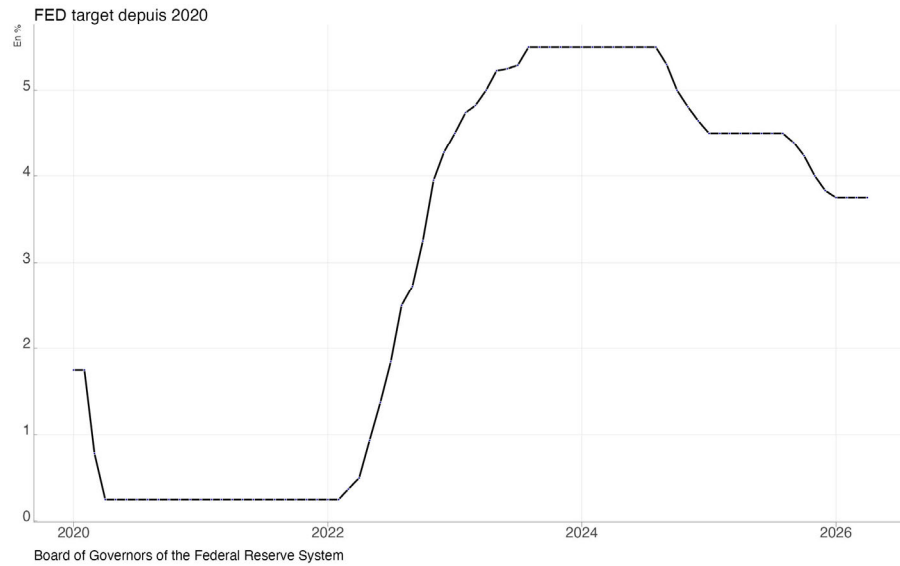


FRED, NBER recessions.



Michigan survey (FRED)

# US: Interest rates



**Tableau 1.** Prévisions d'inflation de la BCE et de la Réserve fédérale

Réunion	BCE		FED	
	2026	2027	2026	2027
Sept-25	1,7	1,9	2,6	2,1
Déc-25	1,9	1,8	2,4	2,1
Mars-26	2,6	2,0	2,7	2,2

Sources : BCE, Réserve fédérale, prévision OFCE avril 2026.

**Tableau 2.** Taux directeurs des banques centrales

Dates	FED		BCE		BoE	
	Central	Escalade	Central	Escalade	Central	Escalade
2026-03-01	3,8	3,8	2,0	2,0	3,8	3,8
2026-06-01	3,8	3,8	2,0	2,5	3,8	4,0
2026-09-01	3,8	4,2	2,0	3,0	3,8	4,5
2026-12-01	3,8	4,5	2,0	3,0	3,8	4,5
2027-03-01	3,8	4,5	2,0	3,0	3,8	4,5
2027-06-01	3,8	4,5	2,0	3,0	3,8	4,5
2027-09-01	3,5	4,5	2,0	3,0	3,5	4,5
2027-12-01	3,2	4,5	2,0	3,0	3,2	4,5

Sources : OFCE, prévision avril 2026, prévision OFCE avril 2026.

## Questions for discussion

- ❑ Risks of new rises in US tariffs?
- ❑ Impact the China 2.0 shock? (and countermeasures?)
- ❑ What is the most likely (if any) scenario for the Iran conflict? Impact on GDP growth and inflation?
- ❑ How should monetary policy respond in the US?
- ❑ Should governments implement targeted fiscal measures?