General Report
Spring 2026

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Summary

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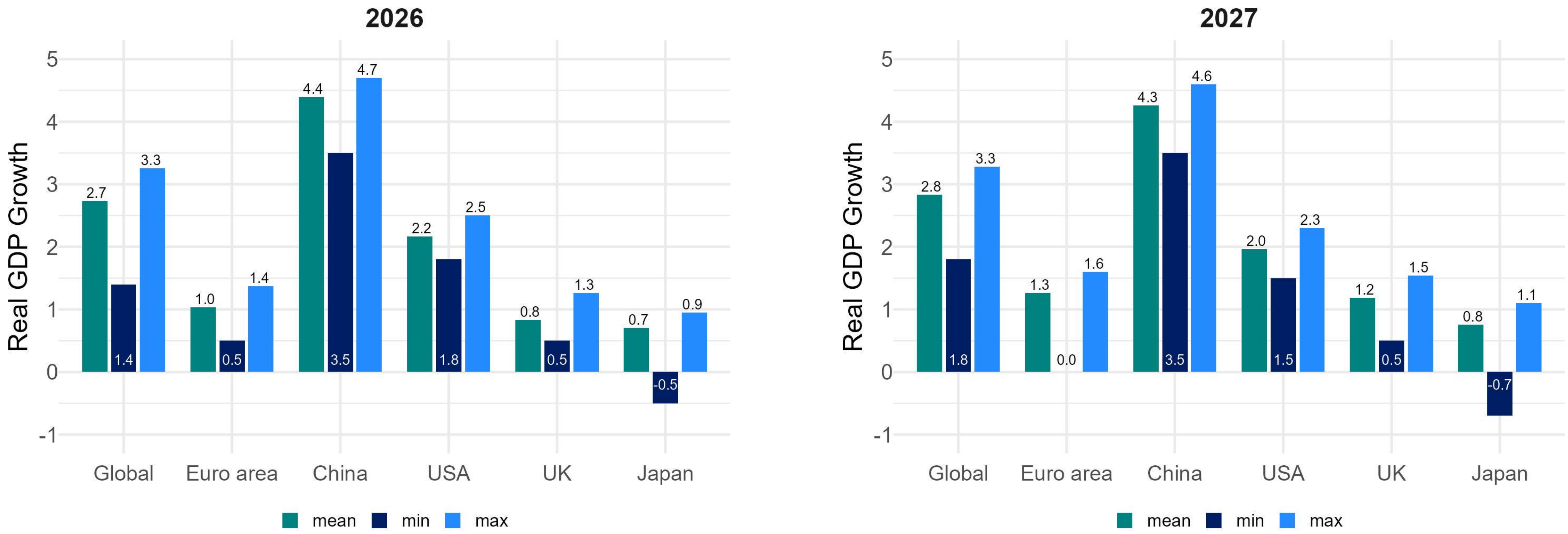
01

Overview and assumptions

AIECE members below the IMF on world growth, but aligned on a sluggish Euro Area

Global forecast by AIECE institutes for 2026-2027 (percentage annual growth)



- AIECE central forecasts: world GDP at 2.7% in 2026 and 2.8% in 2027, below the IMF's 3.1%/3.2%, maybe reflecting a more cautious read on the spillovers from the energy shock and tariff frictions.
- Euro Area forecasts converge with the IMF at 1.0% in 2026 and 1.3% in 2027 (1.1% in 2026, and 1.2% in 2027 for the IMF)
- Dispersion is striking: the Euro Area mean of 1.0% in 2026 hides a min of 0.5% and a max of 1.4%, compared to a gap wide of 0.5 points in last session. Current uncertainty is strickingly taking a toll on forecasts.

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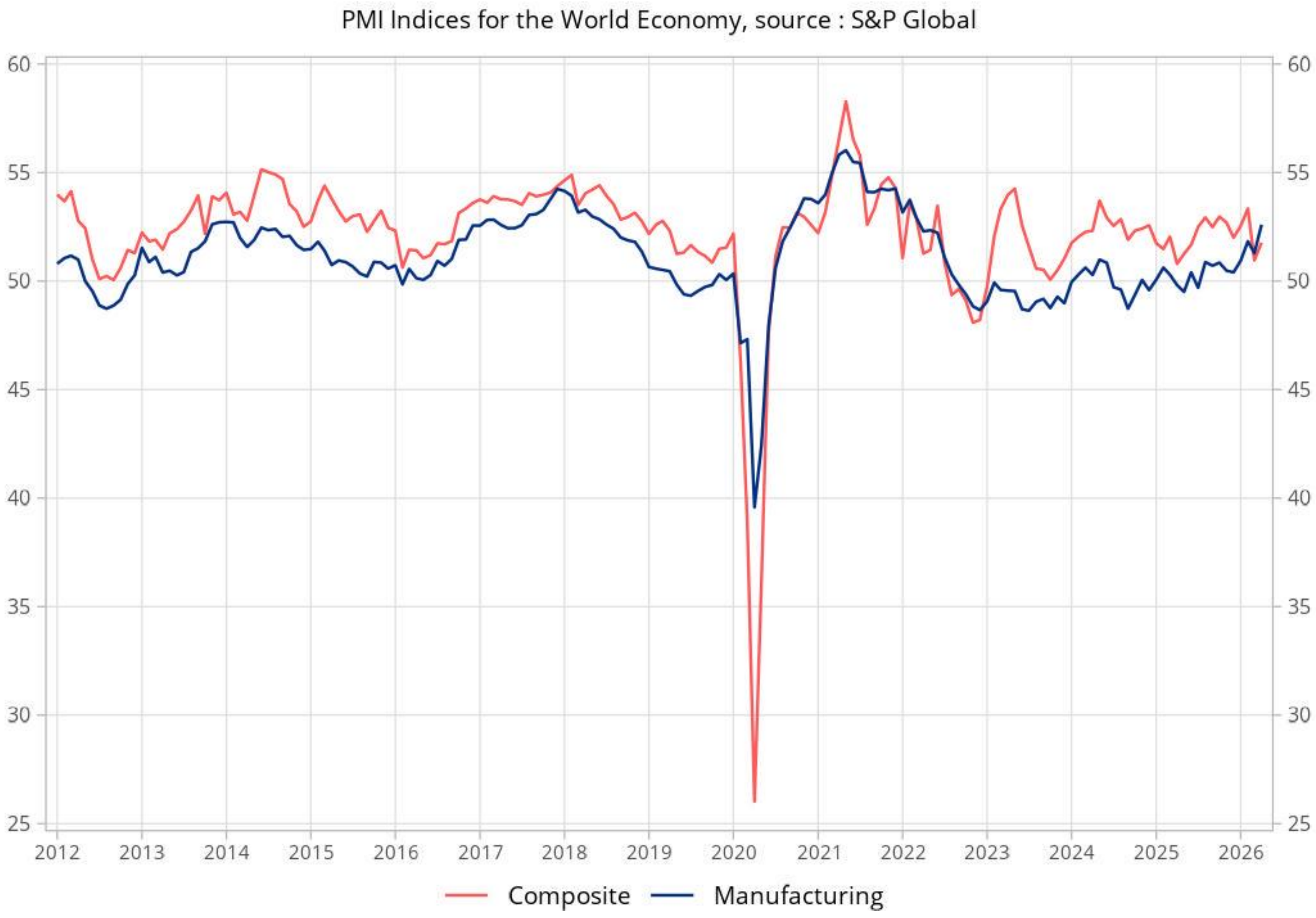
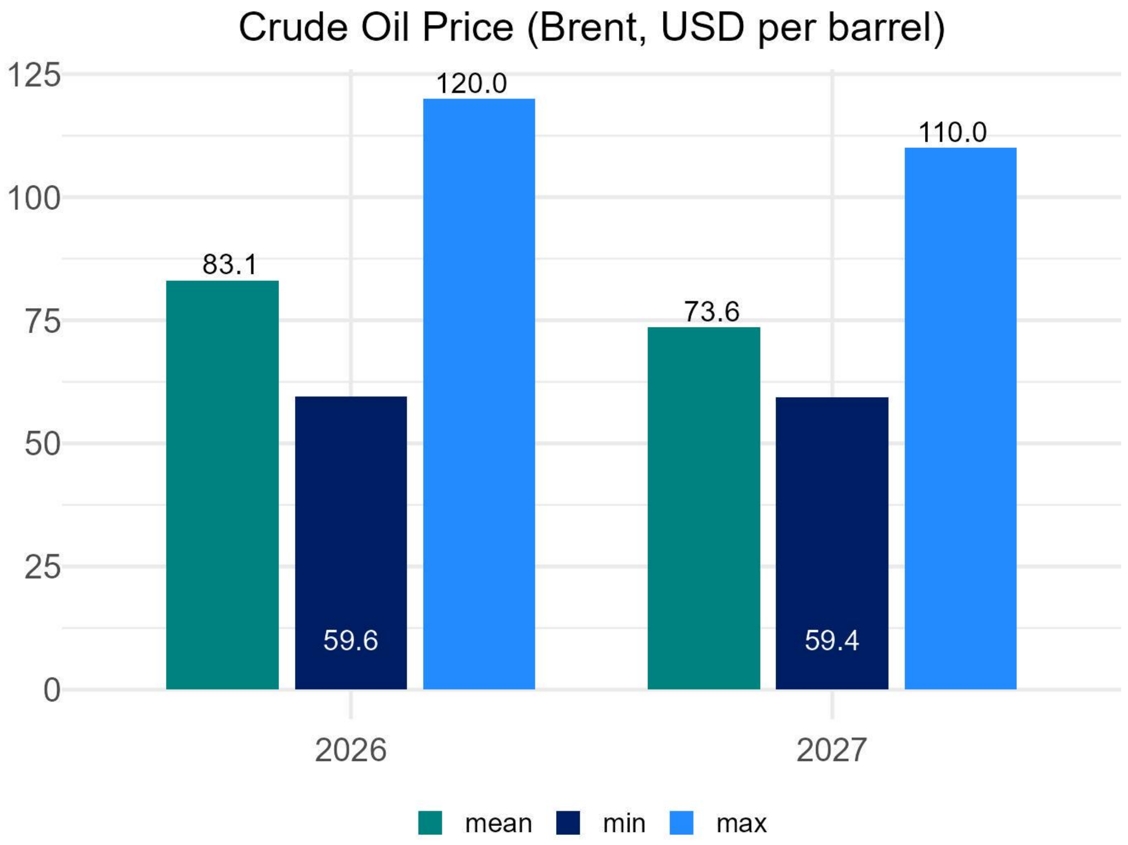
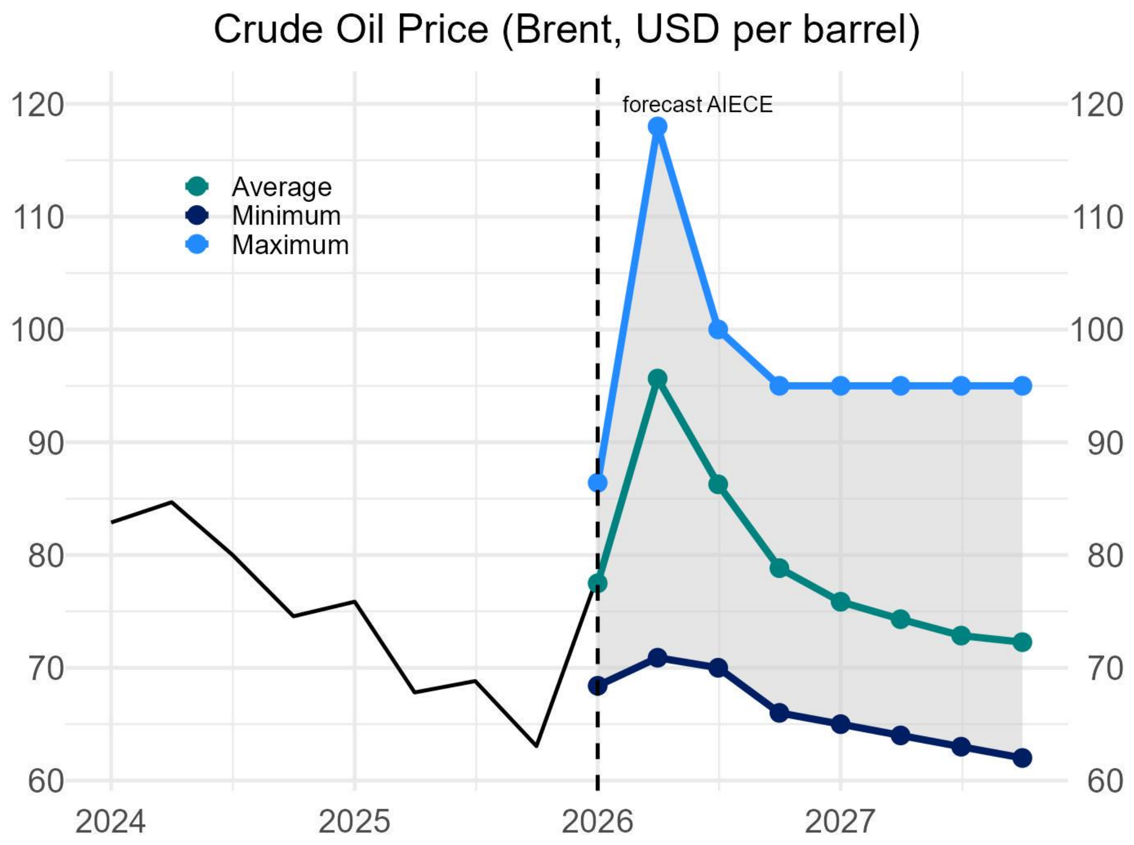
Global PMIs softening but still above the 50 expansion threshold - no broad-based contraction yet



- The mild downward drift starts with the latest escalation in the Middle East, consistent with a confidence shock rather than a demand collapse.
- Manufacturing has actually held up better than services in recent months.

Brent: a transitory spike priced in the second quarter of 2026, but the dispersion tells the real story





- Mean Brent forecast: $83 in 2026, falling back to $74 in 2027 with a quick normalization.
- But the range is enormous: $60 to $120 in 2026, and still $59 to $110 in 2027.

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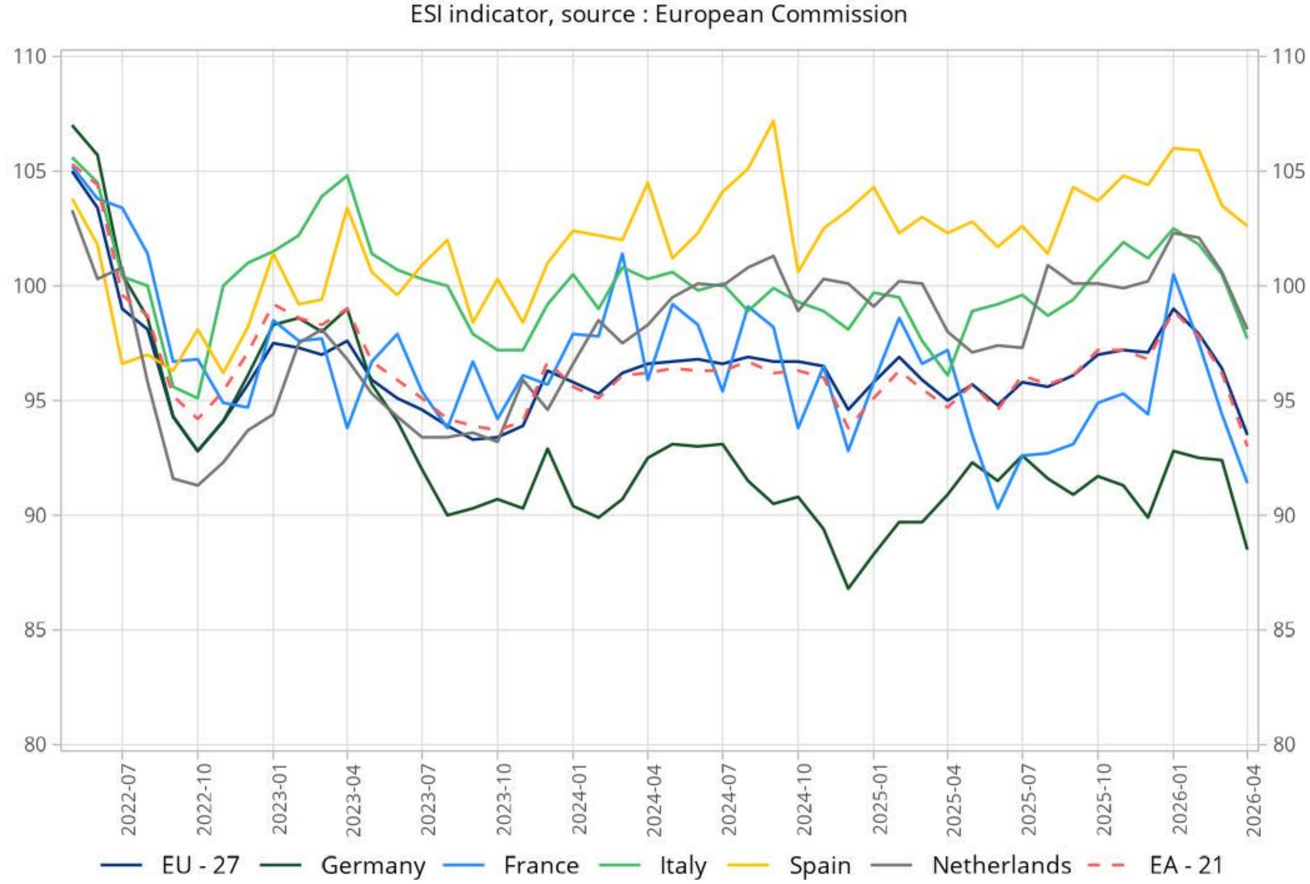
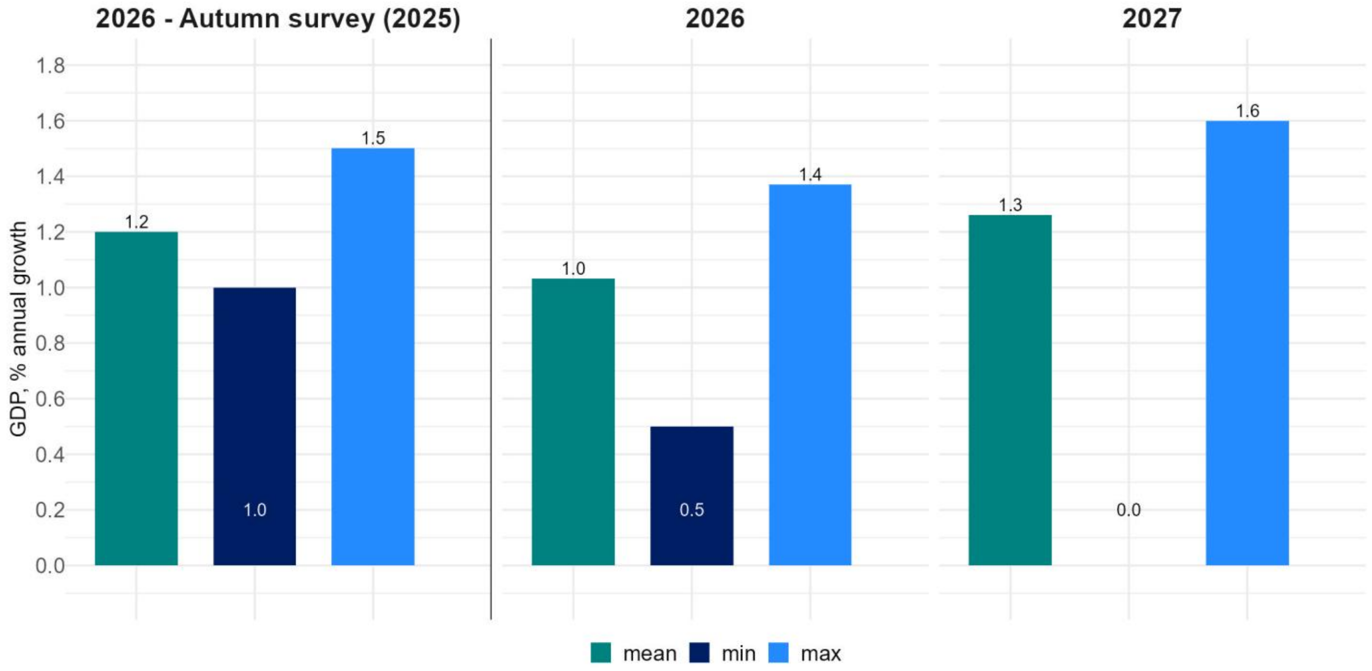
Outlook for Europe

Industry just out of recession faces a new cost shock - business sentiment already rolling over

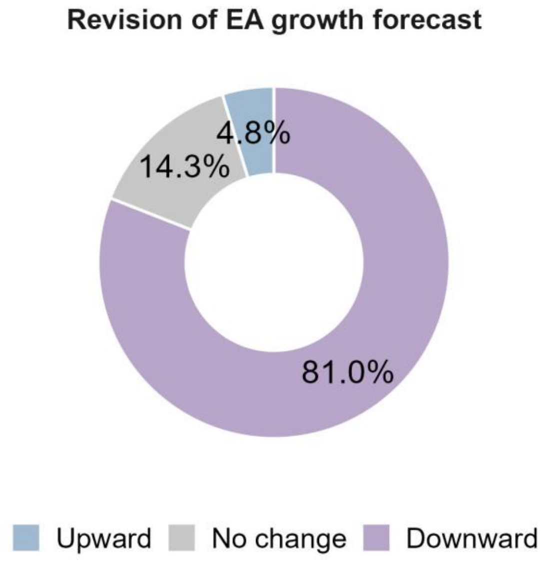


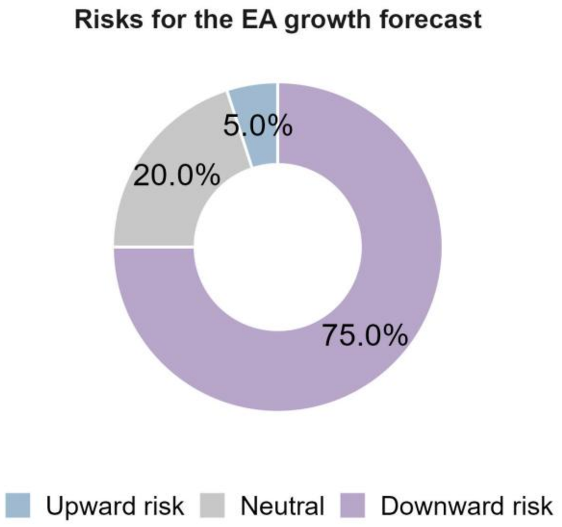
- Manufacturing production had clawed back from –6% y/y in 2024 to roughly zero by early 2026 - a recovery now interrupted before it really took hold.
- The ESI dropped sharply at the start of 2026 across all major economies.

Massive downward revisions for the Euro Area growth forecast according to AIECE members

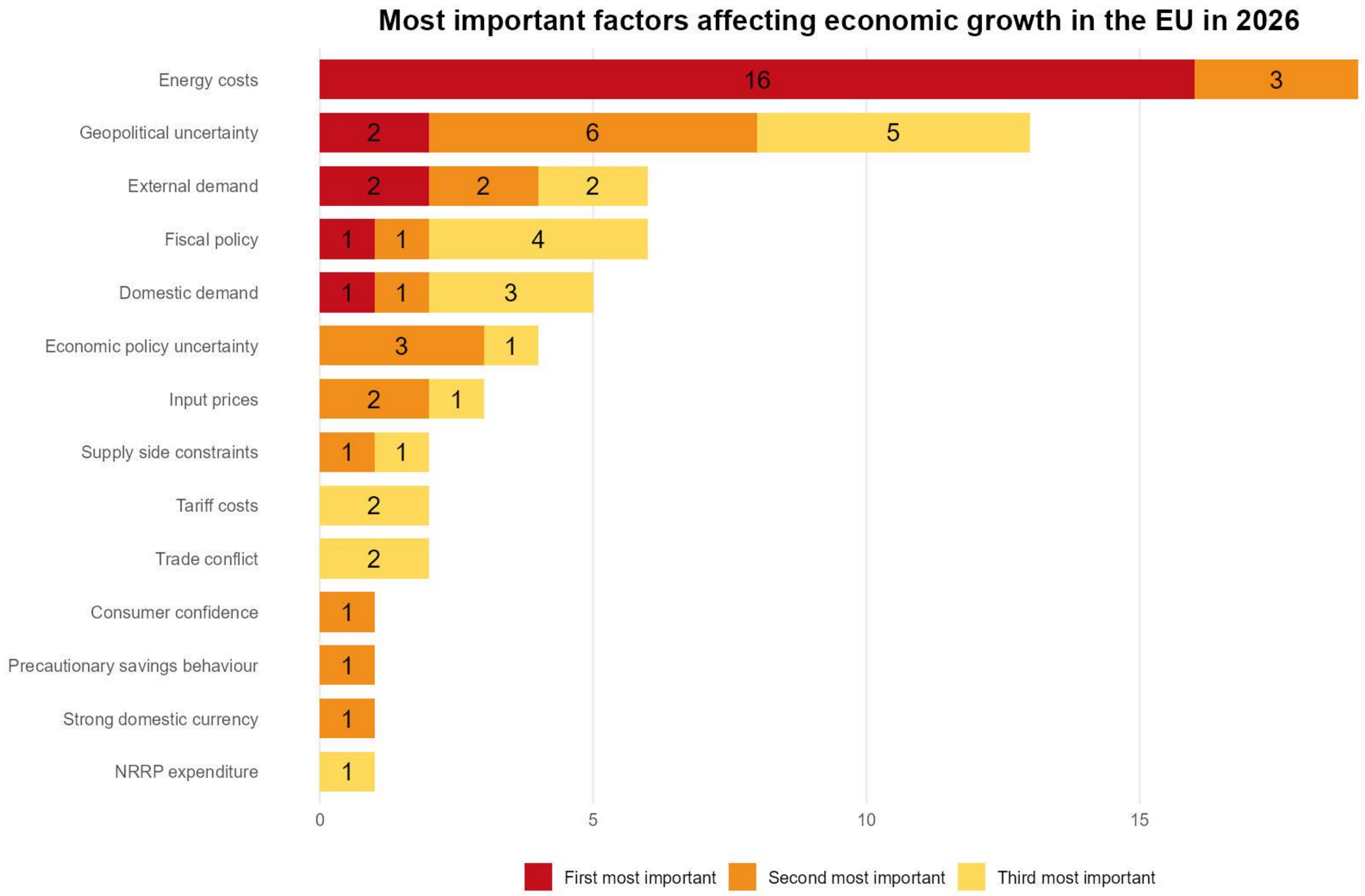


- Growth marked down sharply: 81% of AIECE members revised 2026 downward
- The risk balance is also tilted: 75% of members see downside risks dominating, 20% neutral, 5% upside, confirming this is not yet a baseline shock but a scenario most expect to worsen.





Energy costs dominate the risk map - cited #1 by 16 out of 23 institutes



- Geopolitical uncertainty is the second pillar with 13 mentions, confirming the two are perceived as a joint shock rather than independent risks.

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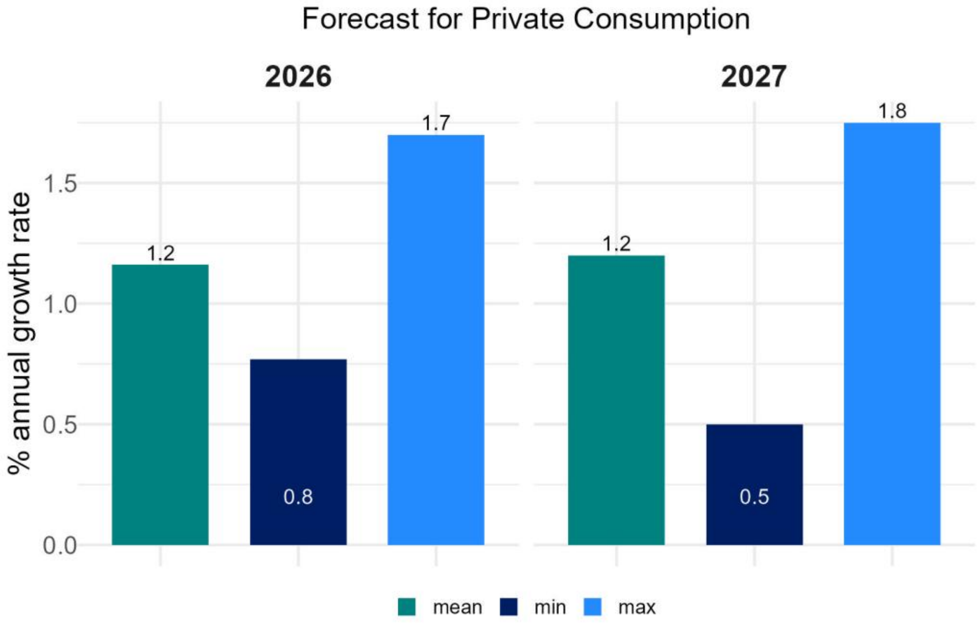
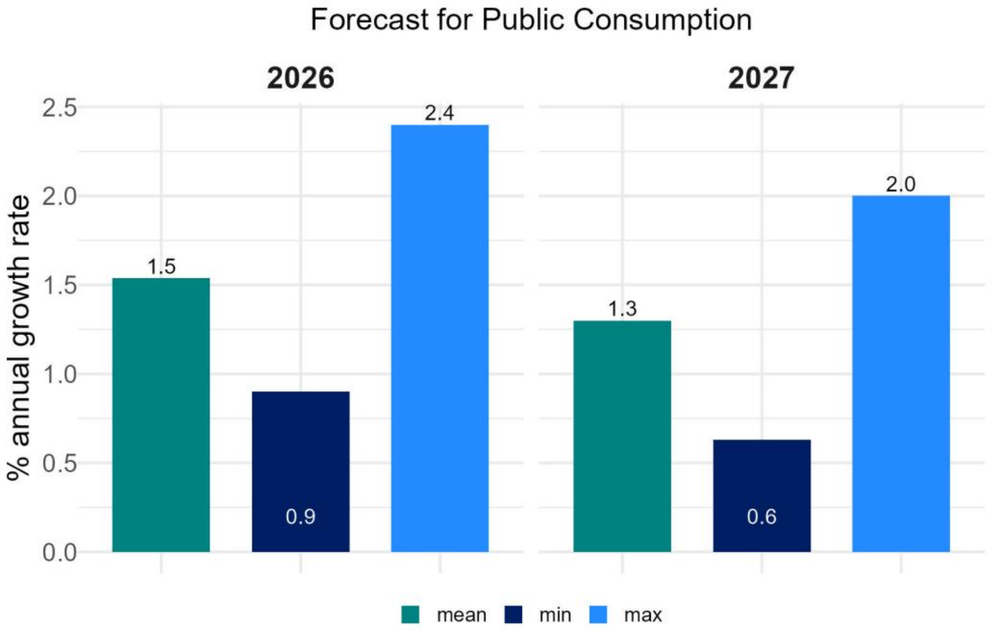
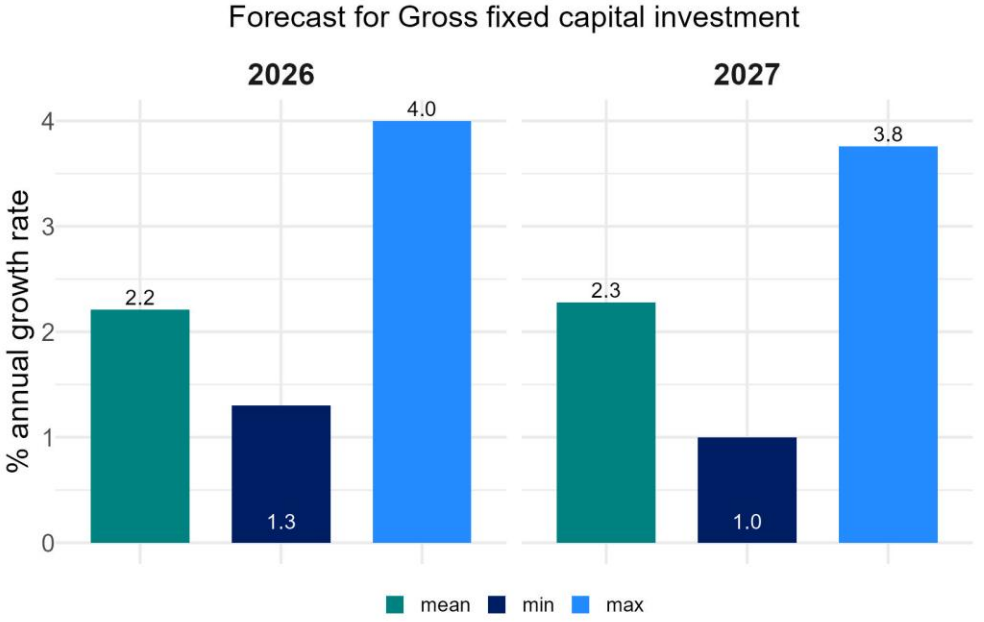
Investment carries Euro Area's growth in 2026; consumption barely keeps pace







- Gross fixed capital investment leads at +2.2% in 2026 and +2.3% in 2027 (defense spendings? NRRP?)
- Private consumption is the soft spot at just +1.2% both years despite positive real wage growth, consistent with current uncertainty.
- Public consumption grows 1.5% in 2026, easing to 1.3% in 2027 (fiscal consolidation expected next year?).

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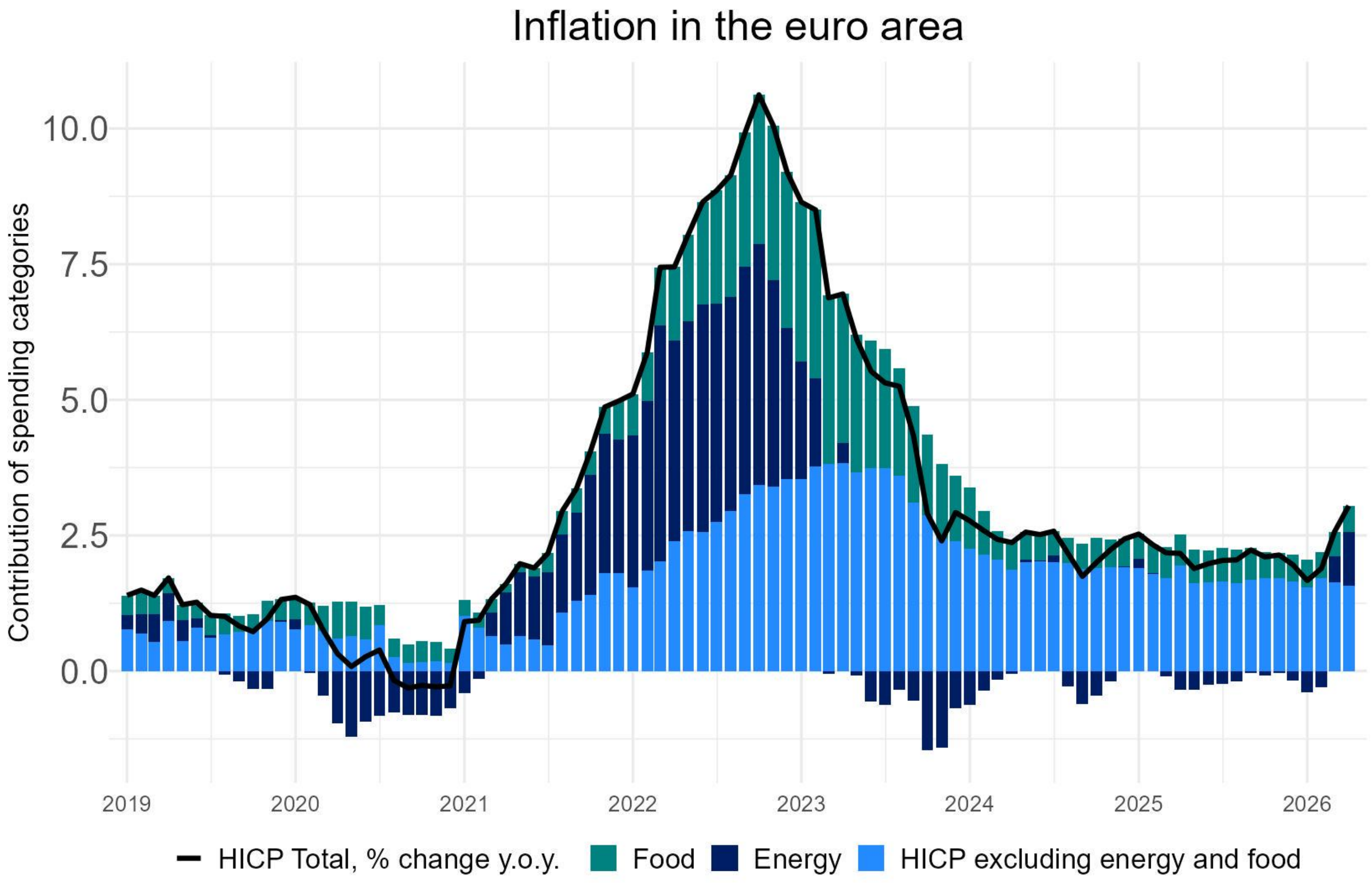
Energy is back as a positive contributor to HICP after two years of disinflation

- In March 2026 the energy contribution flipped positive again, pushing headline back up toward 2.6% in March, and at 3% in April.



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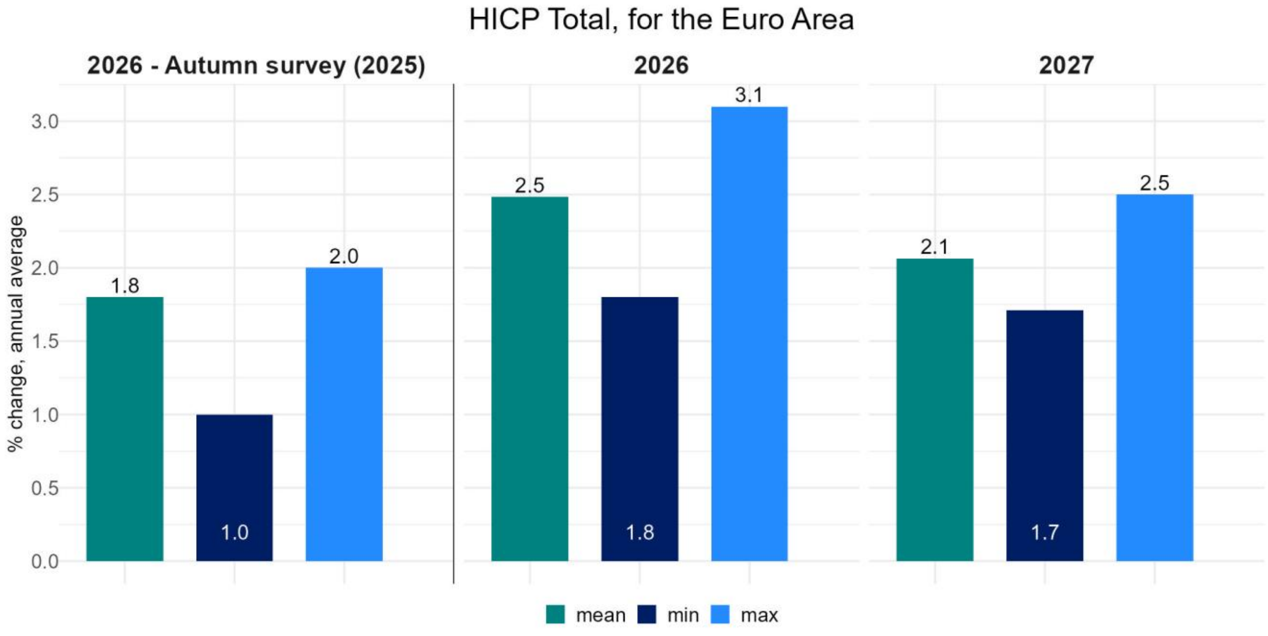
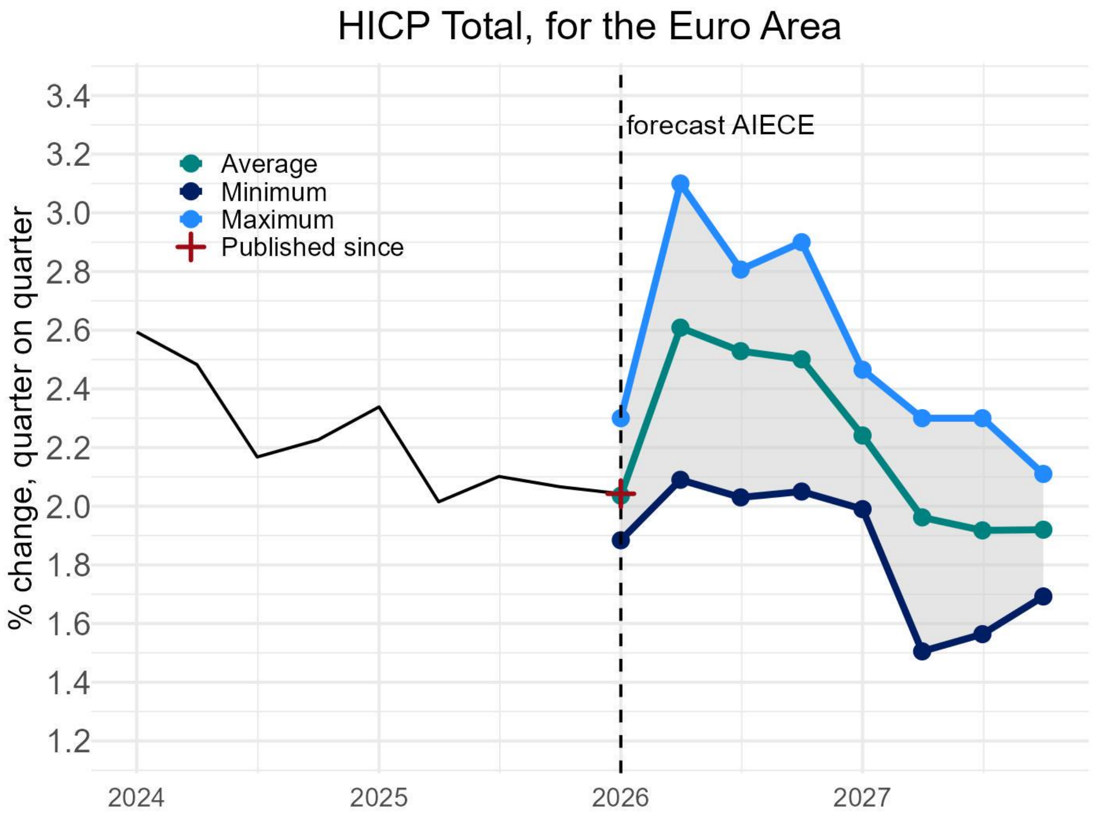
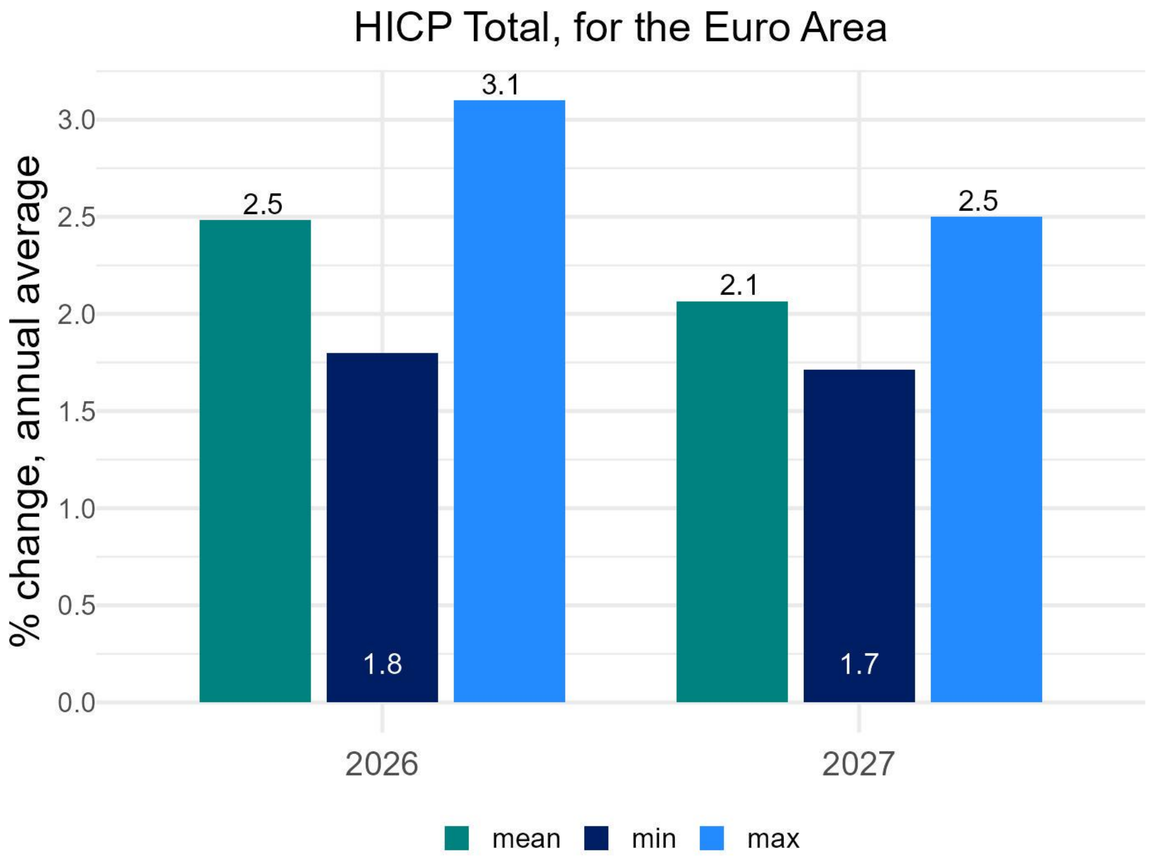
Inflation projected at 2.5% in 2026, with a clear front-loaded profile

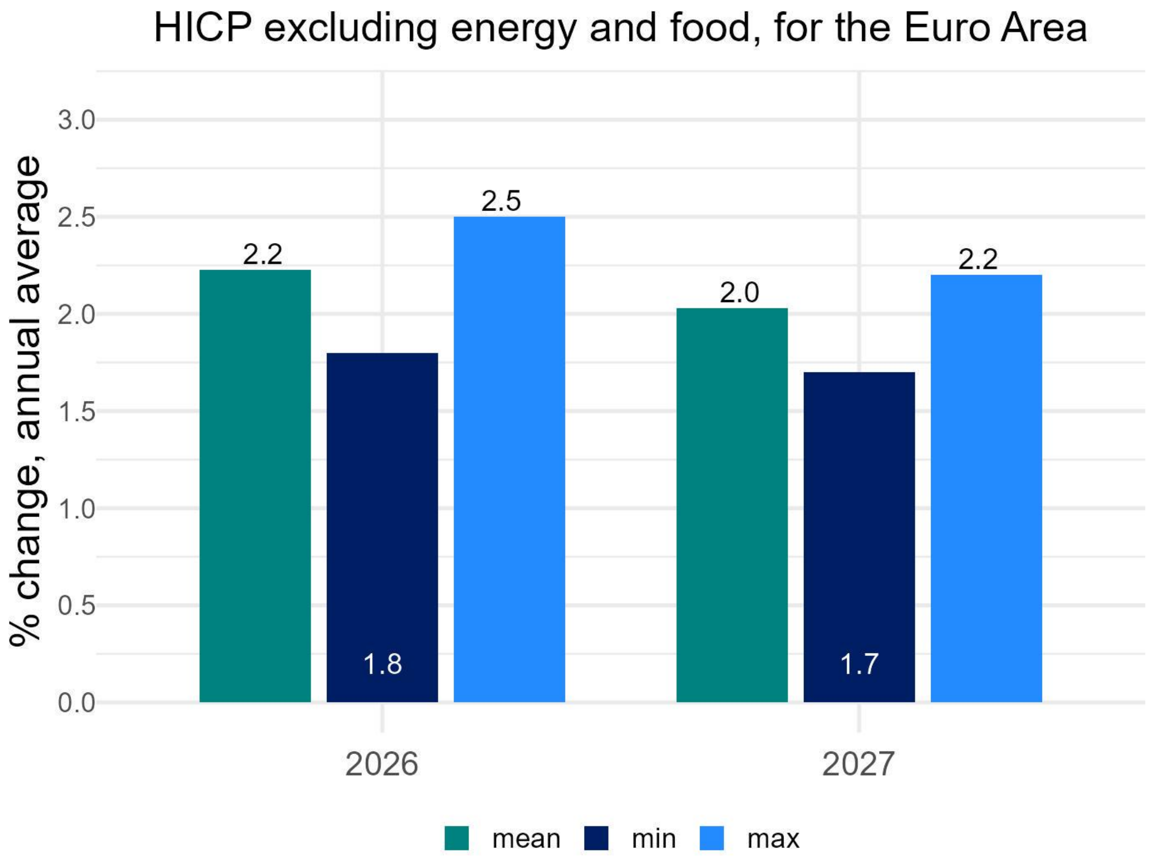




- Forecast range is wide for 2026 (1.8–3.1%) but tightens substantially for 2027 (1.7–2.5%). Disagreement is about the peak, not the medium-term forecast.

What about the transmission to core inflation?





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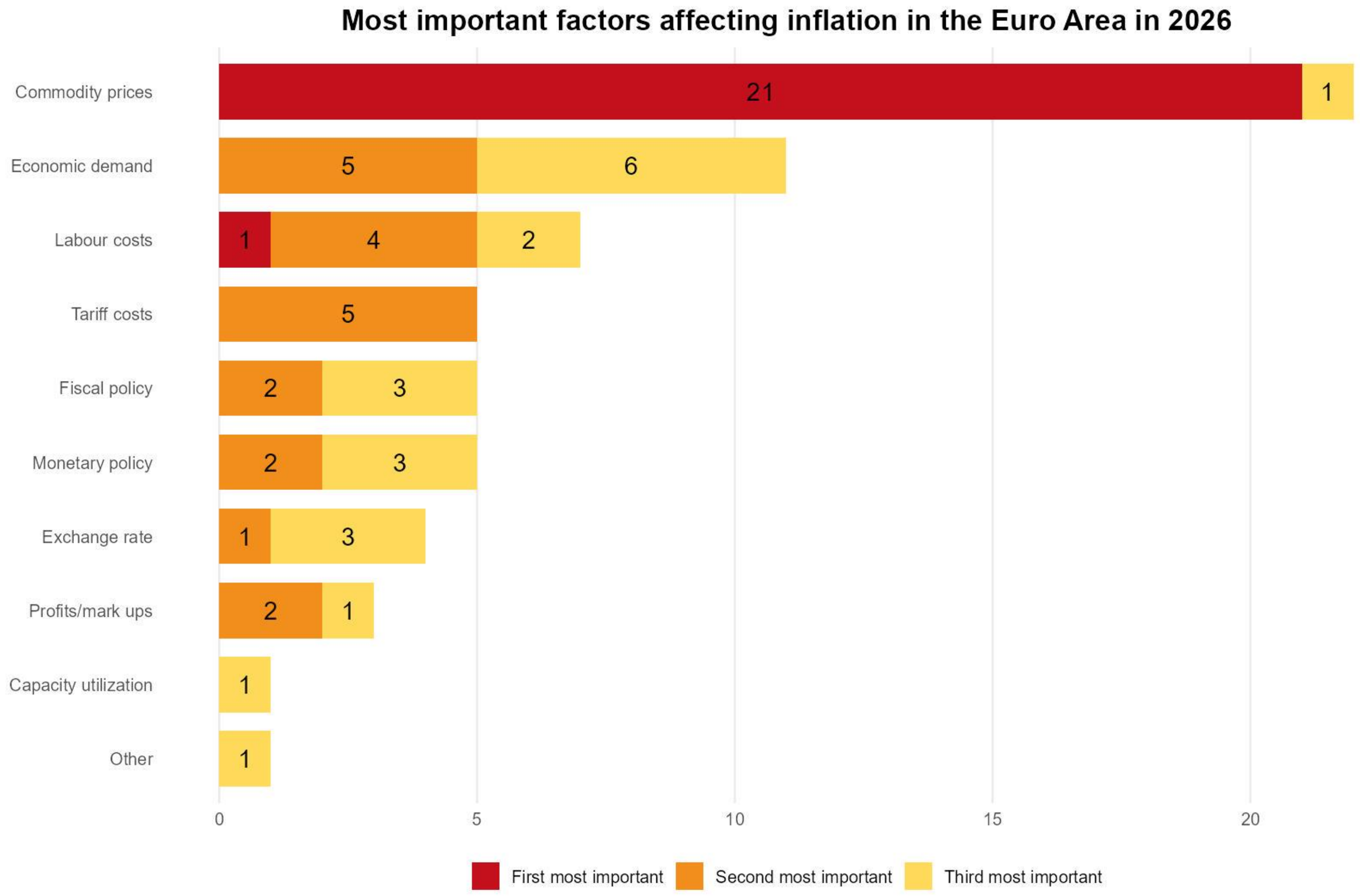
Commodity prices flagged #1 by 21 out of 23 institutes - an almost unanimous diagnosis



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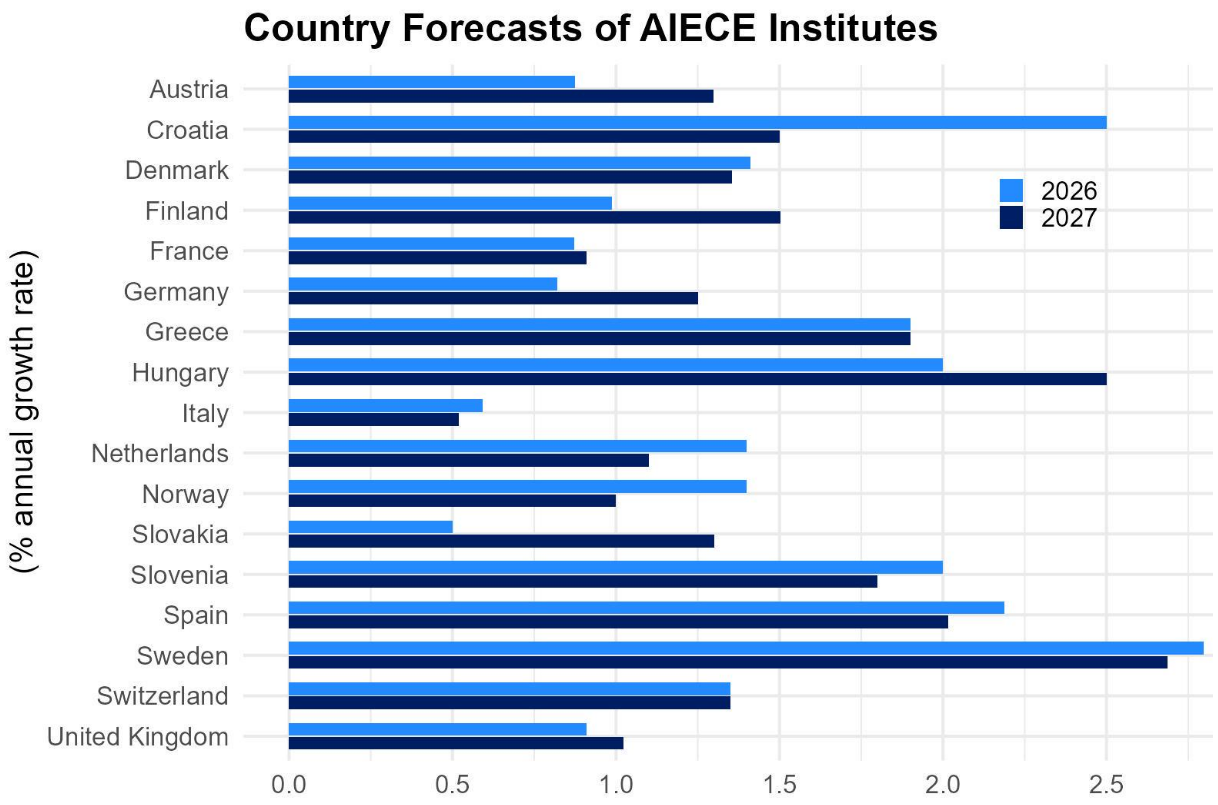
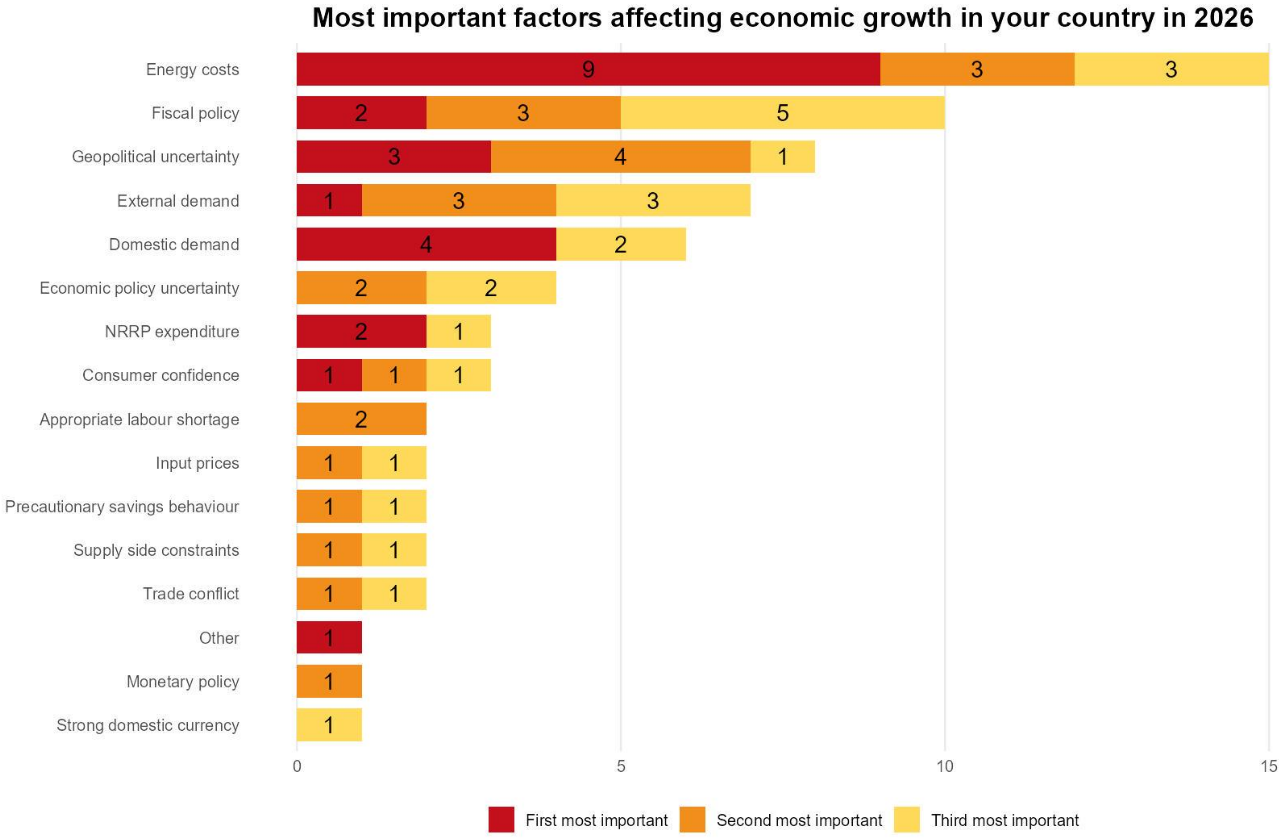
Country forecast

A two speed Europe





- Top of the class in 2026: Sweden (~2.8%), Croatia (~2.5%), Hungary (~2.0%), Spain (~2.2%), Slovenia (~2.0%).
- Bottom of the class: Italy (~0.5%), Germany (~0.8%), France (~0.8%).
- Energy costs dominate the country-level risk ranking with fiscal policy now the second concern, could be a sign that the energy shock and the fiscal-consolidation debate are merging into one narrative?

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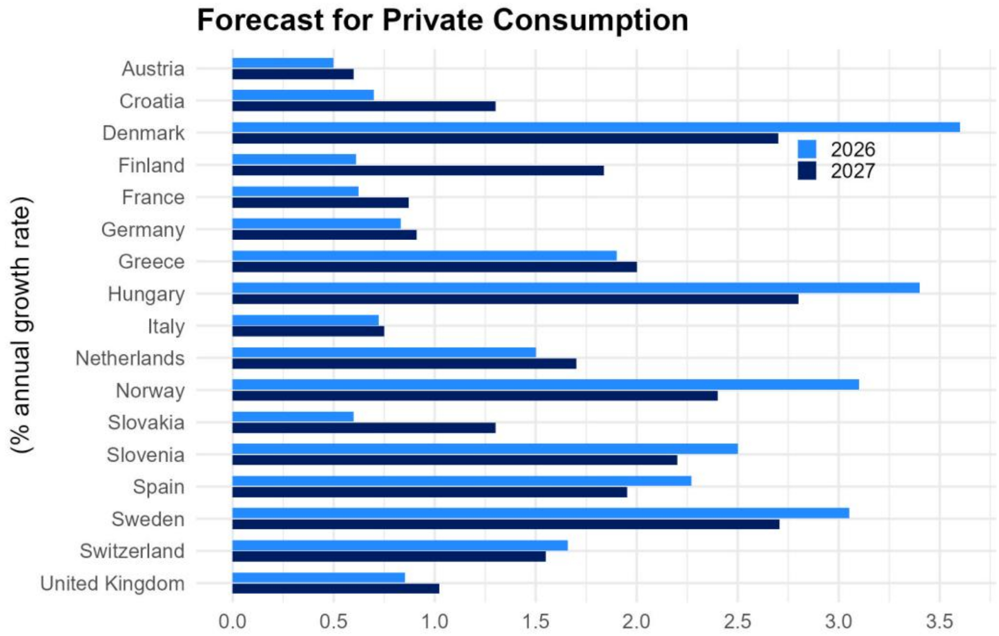
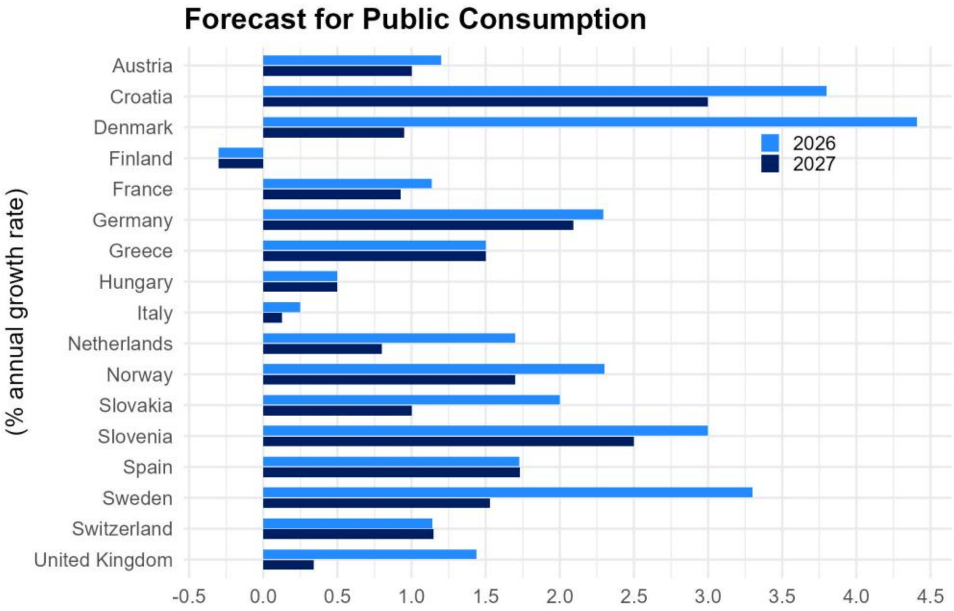
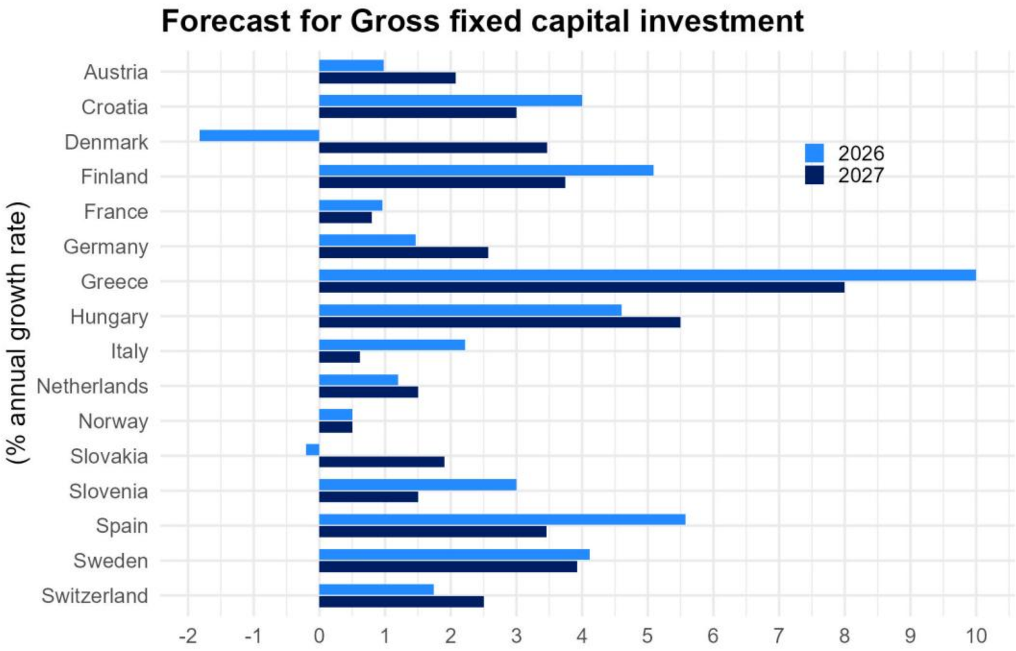
No common growth driver across Europe - each economy leans on a different component







- Gross fixed capital investment: Greece leads at ~10% in 2026, Spain ~5.5%, Hungary ~4.5% (NRRP-driven economies?)
- Private consumption: strongest in Hungary (~3.4%) and Denmark (~3.6%), weakest in France and Italy (~0.7%).
- Public consumption is highest in Denmark (~4.5%) and Croatia (~3.7%).

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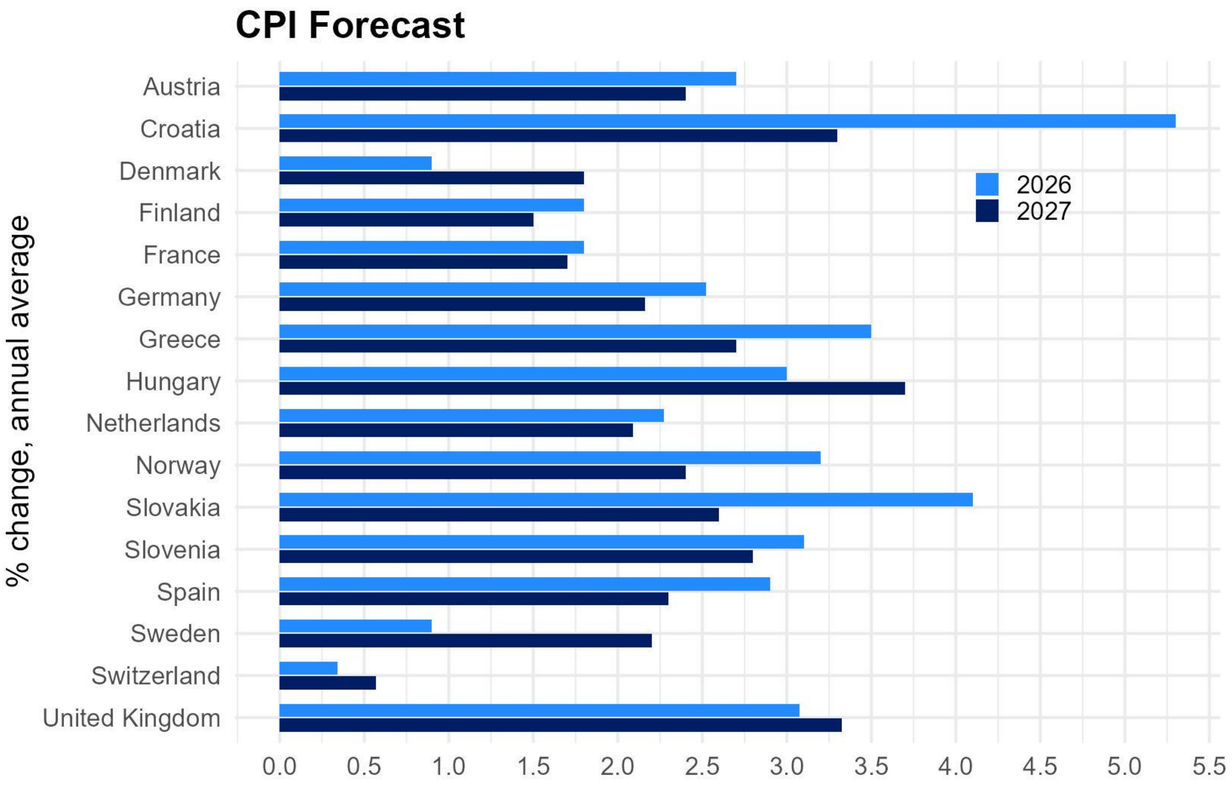
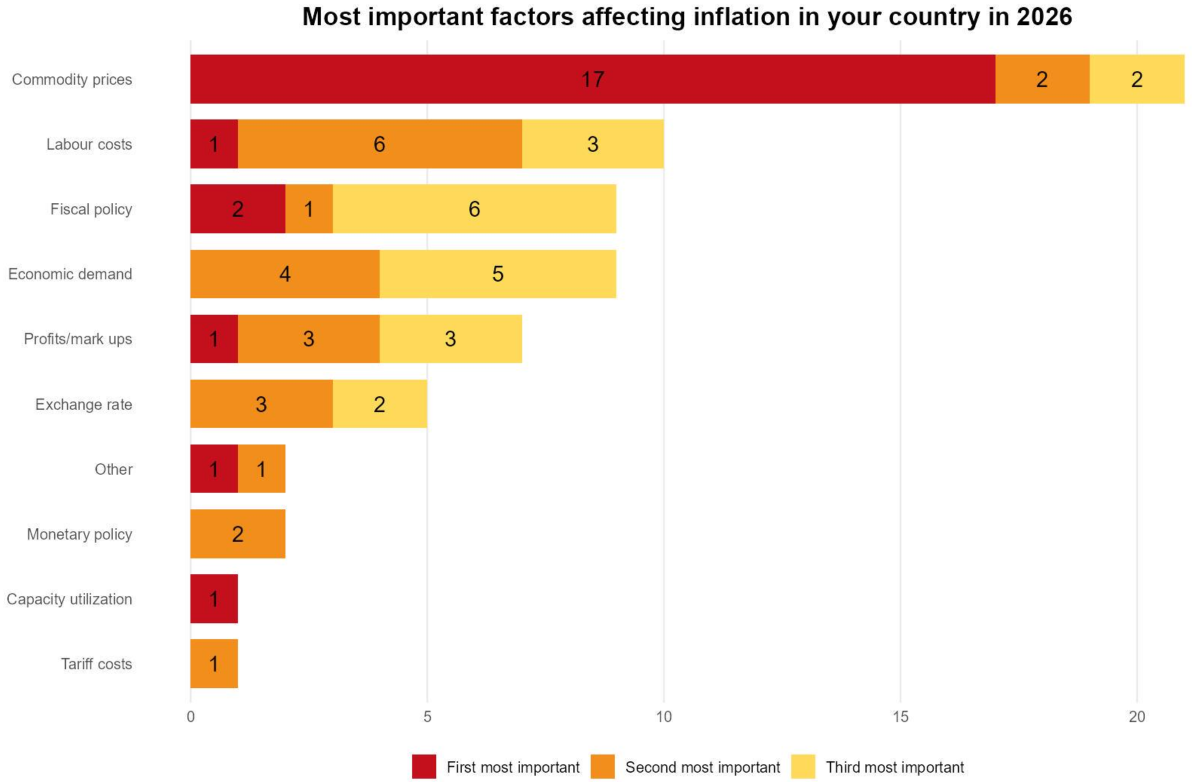
A common diagnosis, uneven outcomes: commodity prices drive inflation everywhere, but levels diverge sharply





Questions to be discussed

- What indicators do you trust most now for early signals of turning points in Euro Area activity?
- What is the most important blind spot in current Euro Area forecasting models?
- How do you handle the tension between model-based forecasts and judgment-based adjustments in your current outlook?
- What share of your last GDP revision was attributable to oil assumptions alone, versus changes in trade, fiscal stance, or financial conditions?
- What role do energy efficiency policies play in mitigating inflationary pressures?
- As an example Brent forecasts span \$60–\$120 for 2026. Is a central forecast still informative at this level of dispersion?
- To what extent are firms in your country already reshoring or diversifying supply chains?
- How are you accounting for the possibility of a wage-price spiral becoming entrenched in high-inflation member states?

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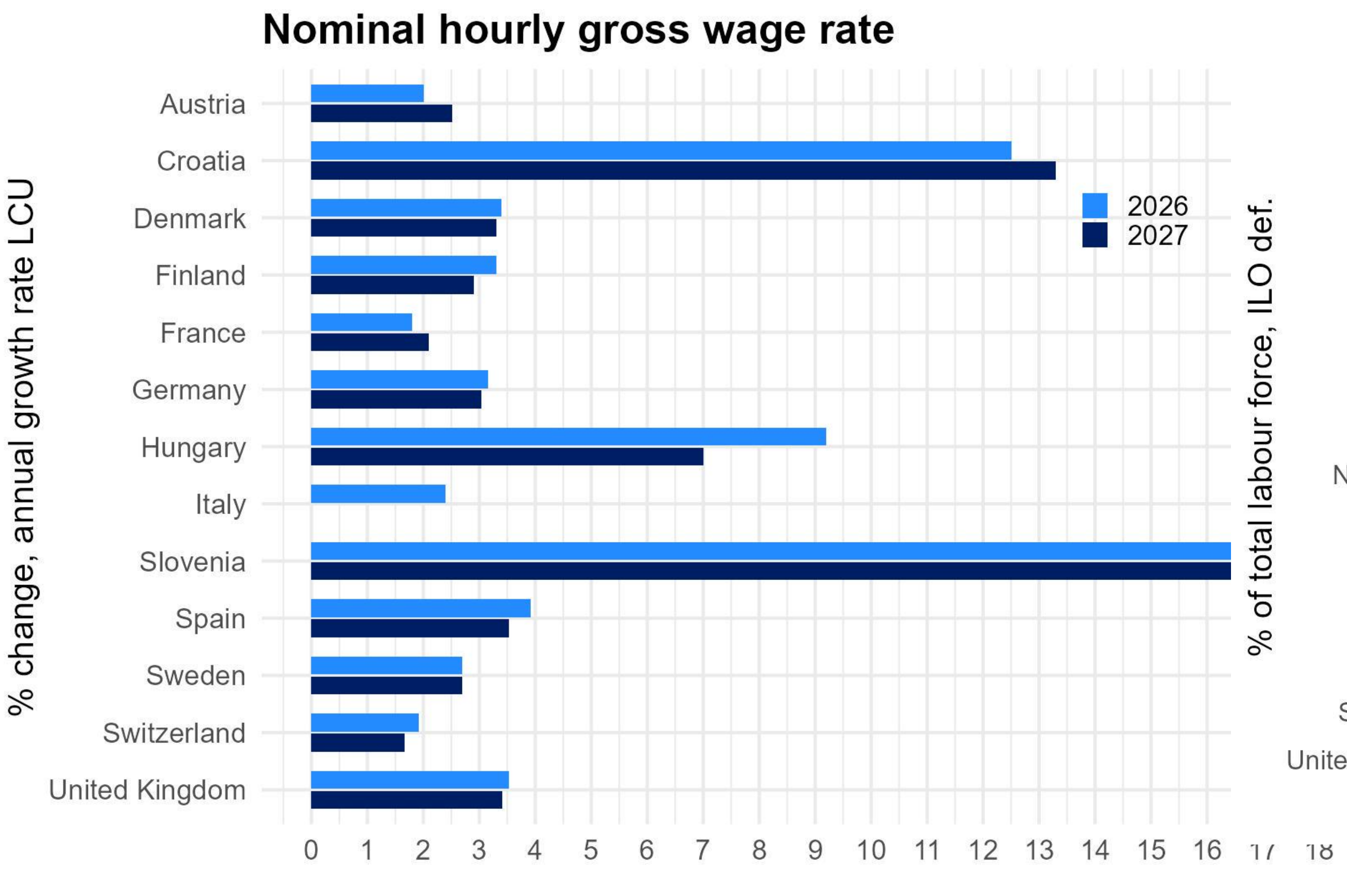
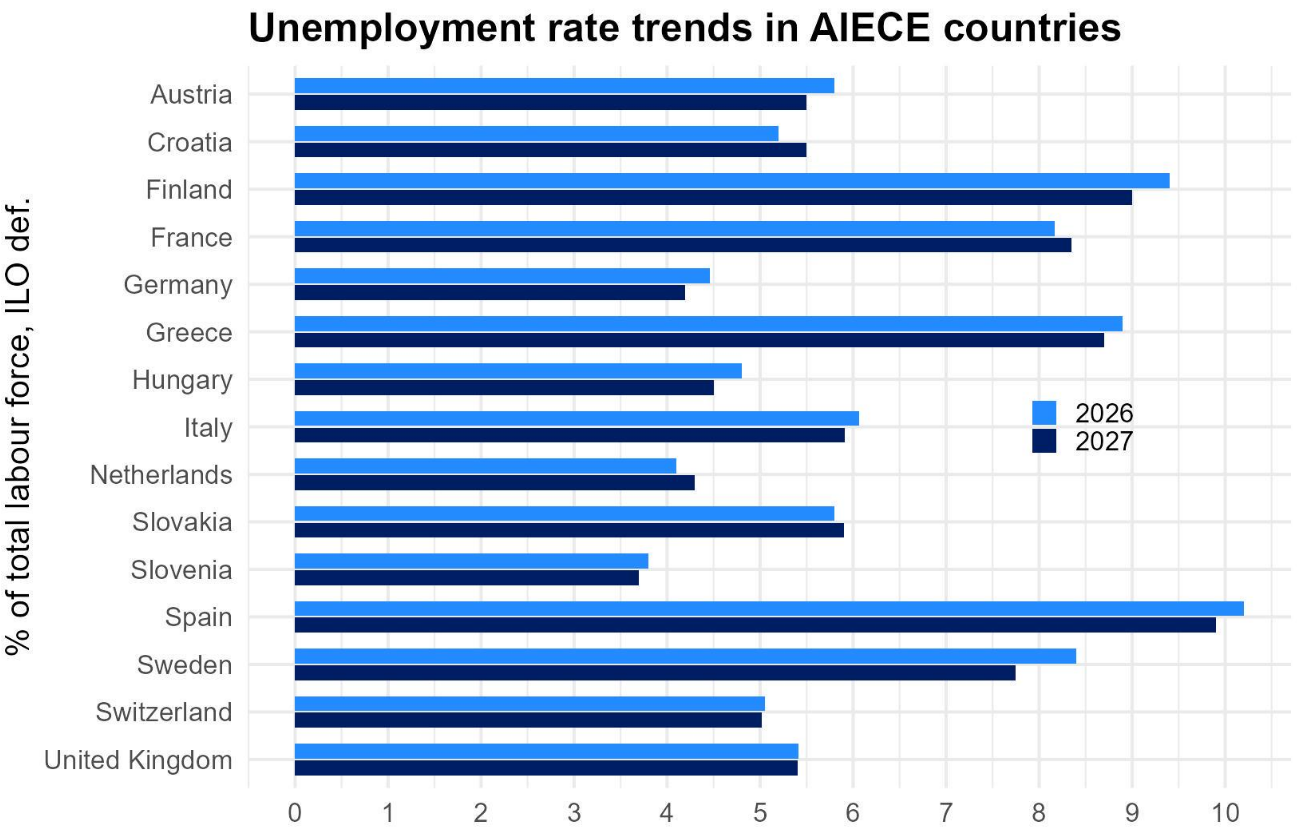
Policy environment

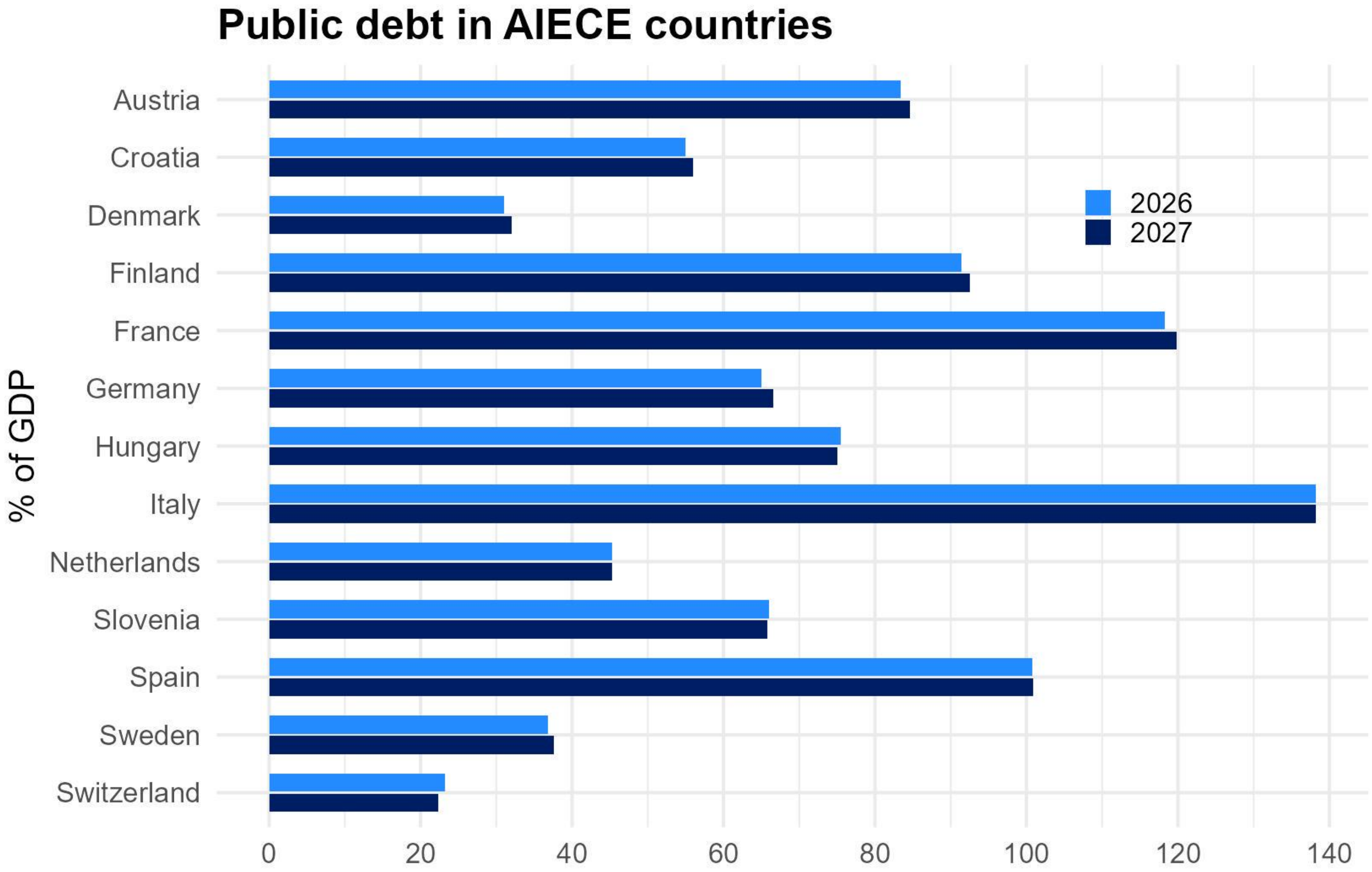
Wage growth slows in core Euro Area but stays double-digit in Central and Eastern Europe





- Nominal wage growth highest in Slovenia (~16%), Croatia (~12%) and Hungary (~9%).
- In contrast, France, Italy and Switzerland are around 2%.
- Unemployment remains heterogeneous, mainly decreasing from 2026 to 2027. Spain still highest at ~10%, Germany lowest among large economies at ~4.5%.

Debt trajectories diverge



- The fiscal-space gap inside the Euro Area is now structural, and explains why the call for more expansionary fiscal policy (next slide) will land very differently across countries.

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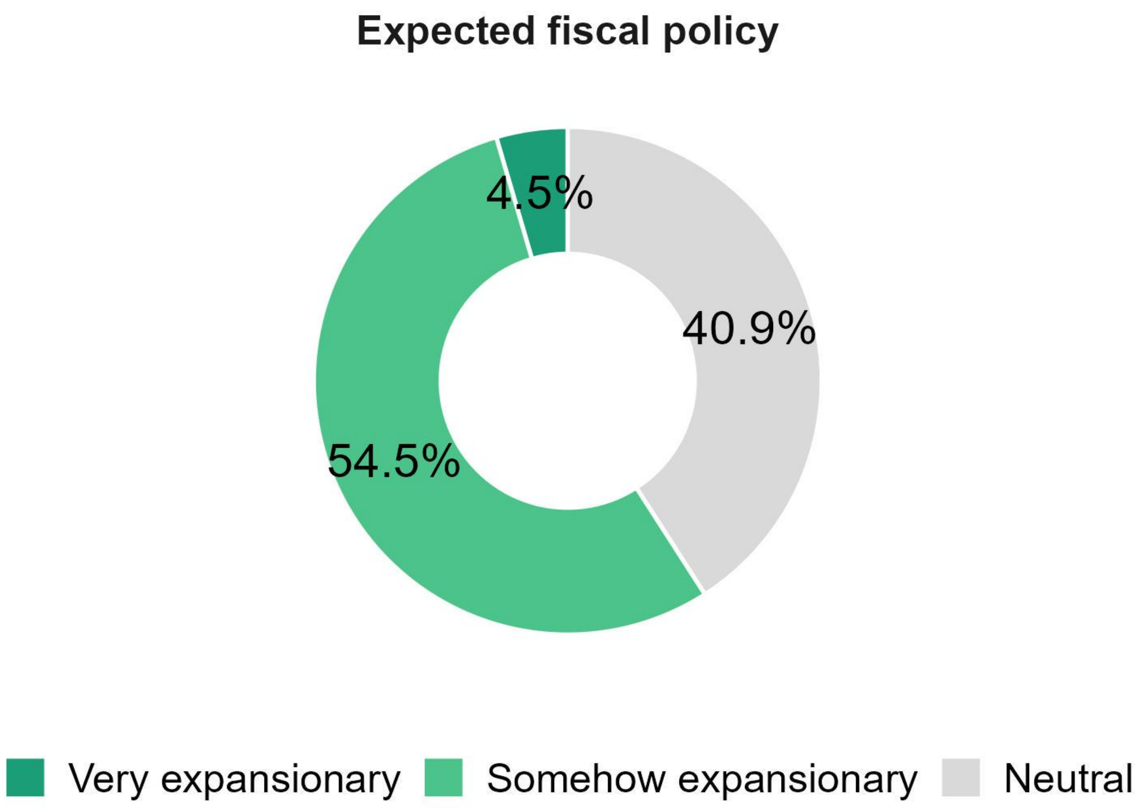
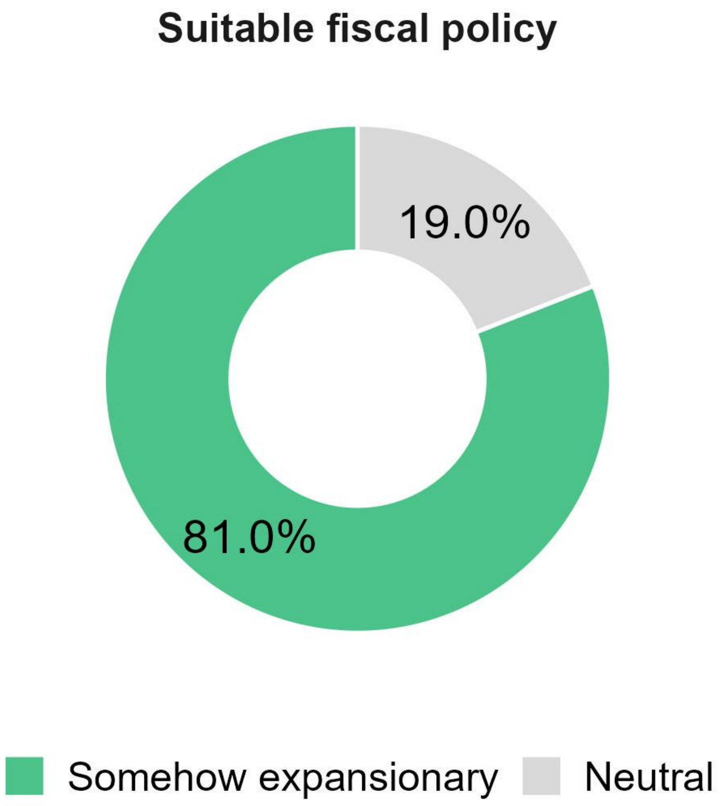
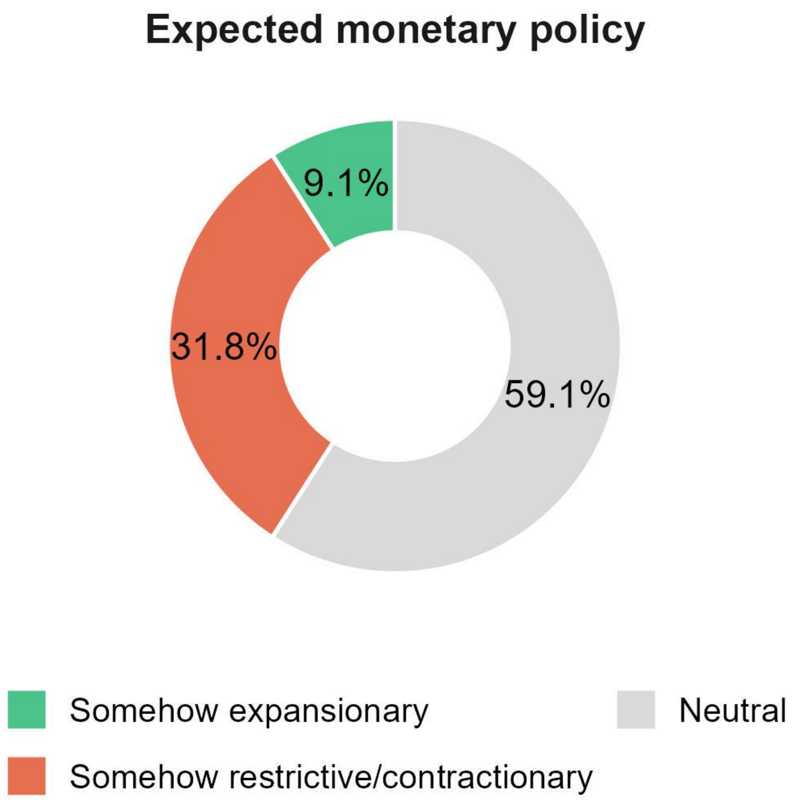
A near-unanimous call for fiscal support from Brussels, which is expected to deliver slightly less

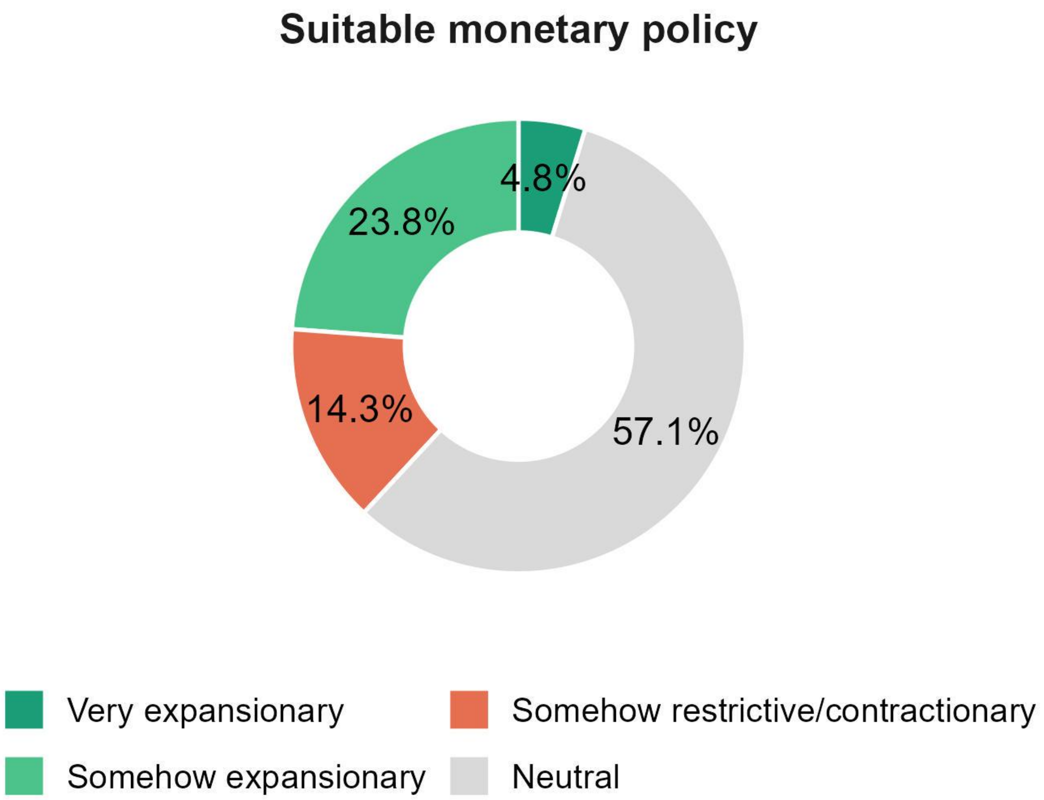




- 81% of AIECE members consider a somewhat expansionary fiscal stance suitable, with not a single vote for restriction.
- Yet only 59% actually expect such a stance. This 22-point gap between "suitable" and "expected" captures the central policy tension: economists see a clear case for support, but expect lesser assistance from Europe’s fiscal policy.

Monetary policy: a perceived mismatch between what the ECB will do and what the economy needs





- 59% of members expect a neutral ECB stance, 32% expect it to be somewhat restrictive, only 9% somewhat expansionary.
- Yet 29% see an expansionary stance as suitable, almost three times the share who expect it.
- The mirror image of the fiscal slide: members want more accommodation than they think they will get, both on the fiscal and monetary fronts, a clear signal that policy is perceived as too tight relative to the downside risks.

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Questions to be discussed

- Considering the example of Germany's planned fiscal stimulus, how concerned should we be about the divergence of national fiscal policies within the Euro Area?

- What macroeconomic impacts might be anticipated should the euro assume a more prominent role in the global economic landscape?

- How do you assess systemic risk arising from the growth of private credit markets outside traditional bank lending?

05

Focus questions

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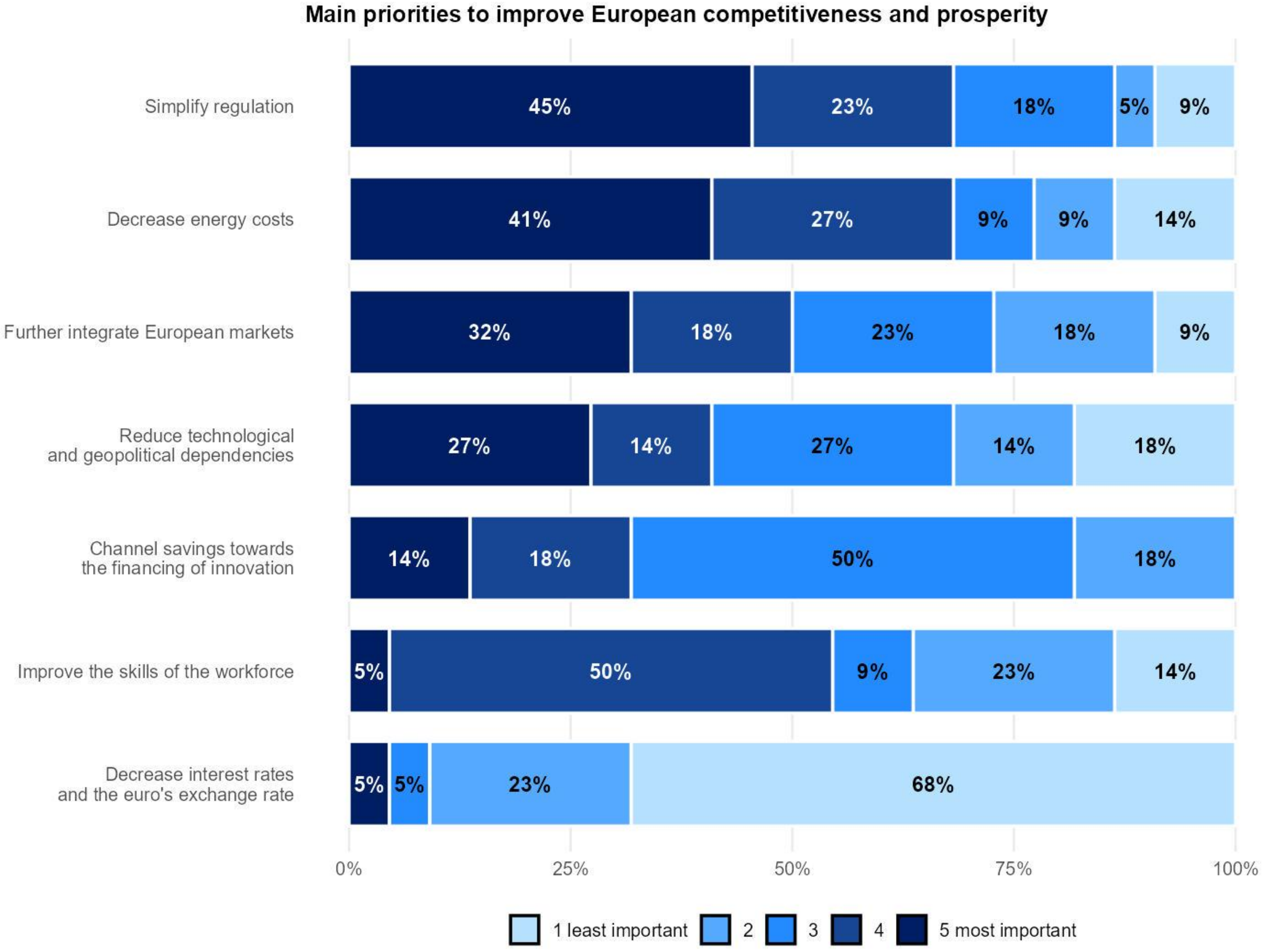
Regulatory burden and energy costs top the list of priorities for restoring European competitiveness

- The top two priorities - simplifying regulation (68% rate it 4 or 5) and reducing energy costs (also 68%) - both point to the cost and friction of doing business in Europe rather than to demand-side levers. This mirrors the Draghi diagnosis: Europe's problem is not insufficient demand but eroded productive capacity.
- Since the 2022 cut-off of Russian gas, European industrial electricity and gas prices have remained more than 2 times higher than in the US, hitting energy-intensive sectors particularly hard.
- There is a revealing pattern around workforce skills. Only 5% rate it "most important," yet 50% put it at 4 - making it broadly endorsed but rarely prioritized. Everyone agrees human capital matters, but it is crowded out by more immediate cost and regulatory concerns.



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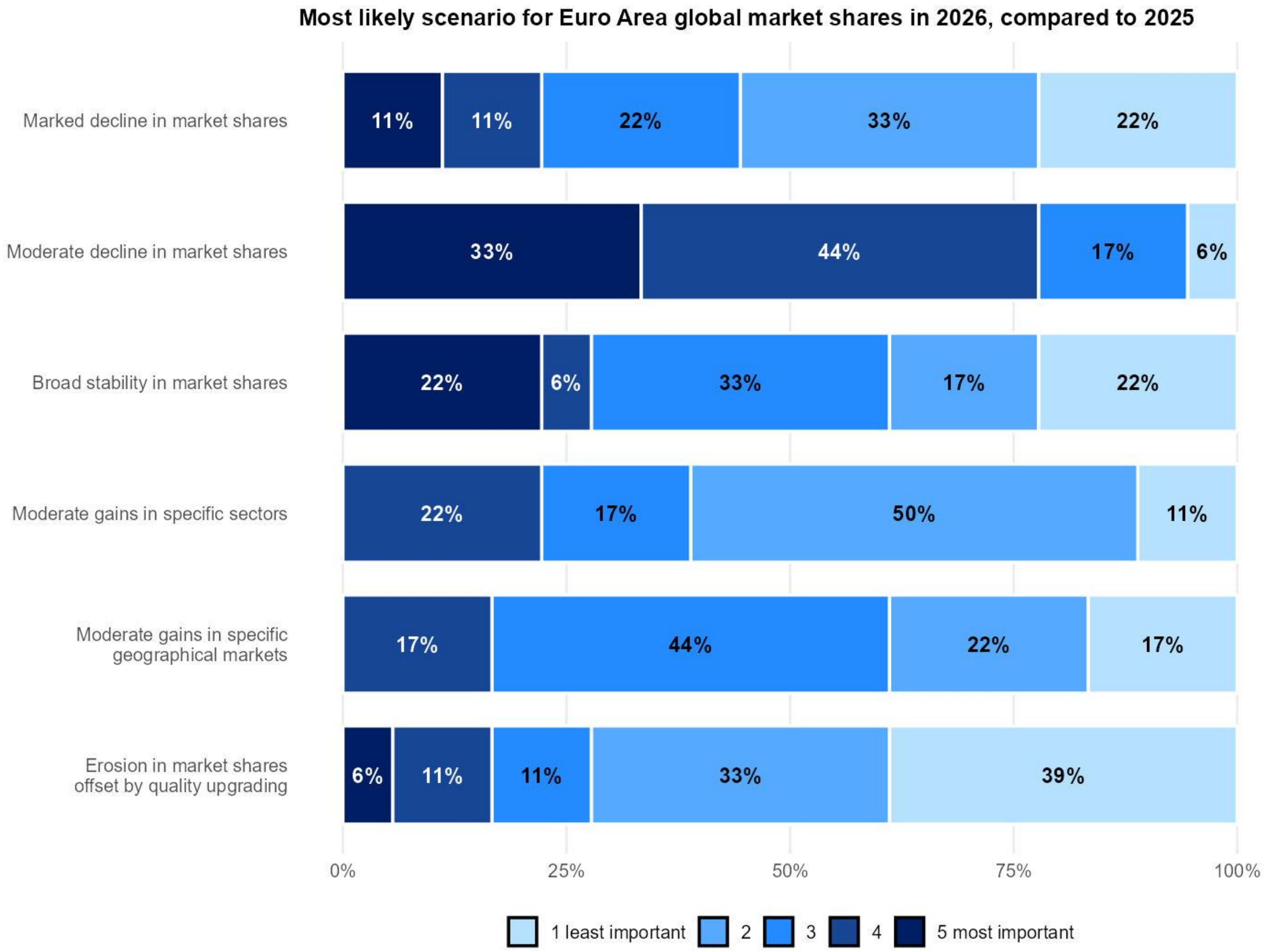
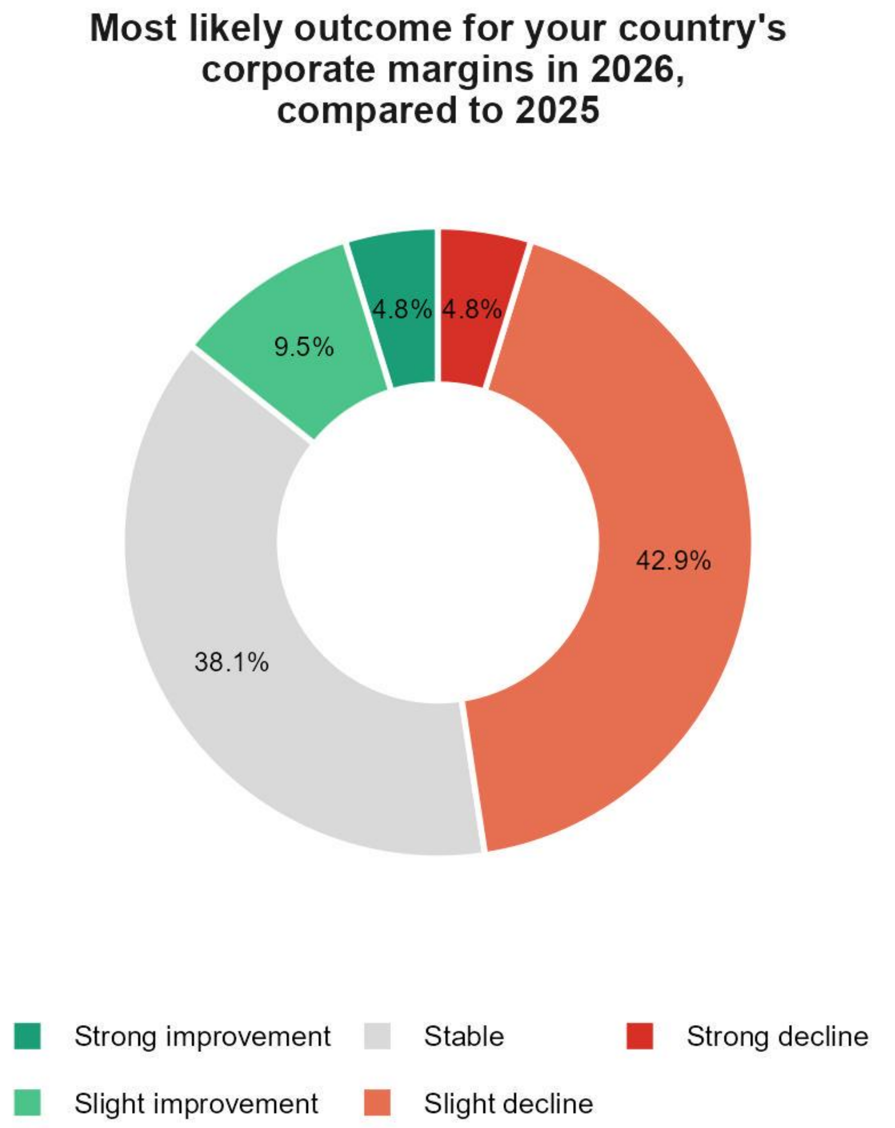
Market shares: a clear pessimistic tilt

- A "moderate decline in market shares" gets the strongest endorsement: 77% of members rate it 4 or 5, making it the central scenario.



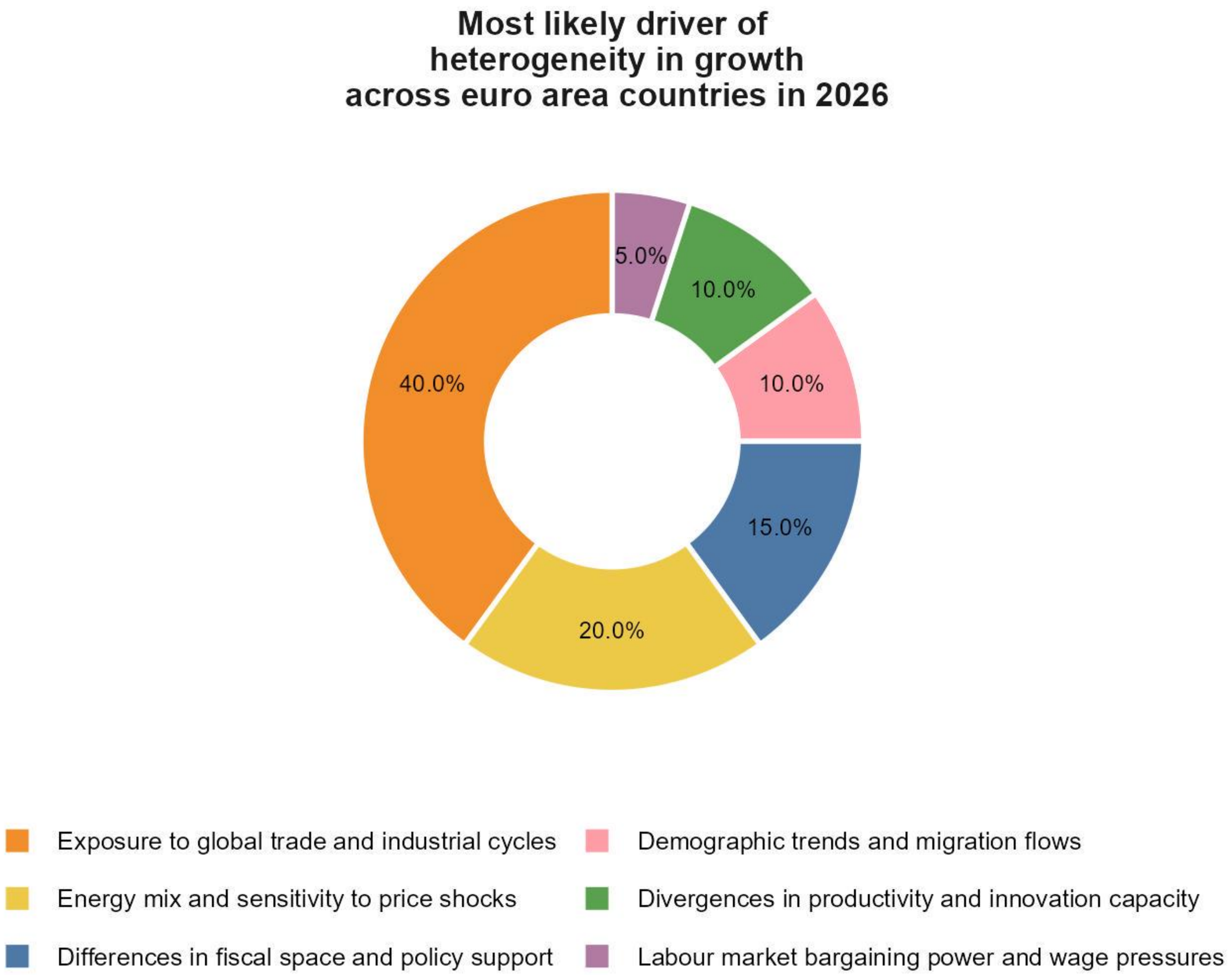
Corporate margin compression is the dominant scenario for 2026

- 47.7% expect a decline in corporate margins (42.9% slight, 4.8% strong), against only 14.3% expecting any improvement - a clearly negative net balance.
- Consistent with the sticky core inflation around 2%: margins are the adjustment variable when input costs rise faster than firms can reprice.
- 38.1% of AIECE institutes see margins as stable, suggesting firms still manage to pass on part of the energy cost shock.



Trade exposure and energy mix explain 60% of the cross-country divergence

- Exposure to global trade and industrial cycles dominates at 40%, by far the top driver.
- Energy mix and sensitivity to price shocks adds 20%: together with trade, external factors account for 60% of perceived heterogeneity.



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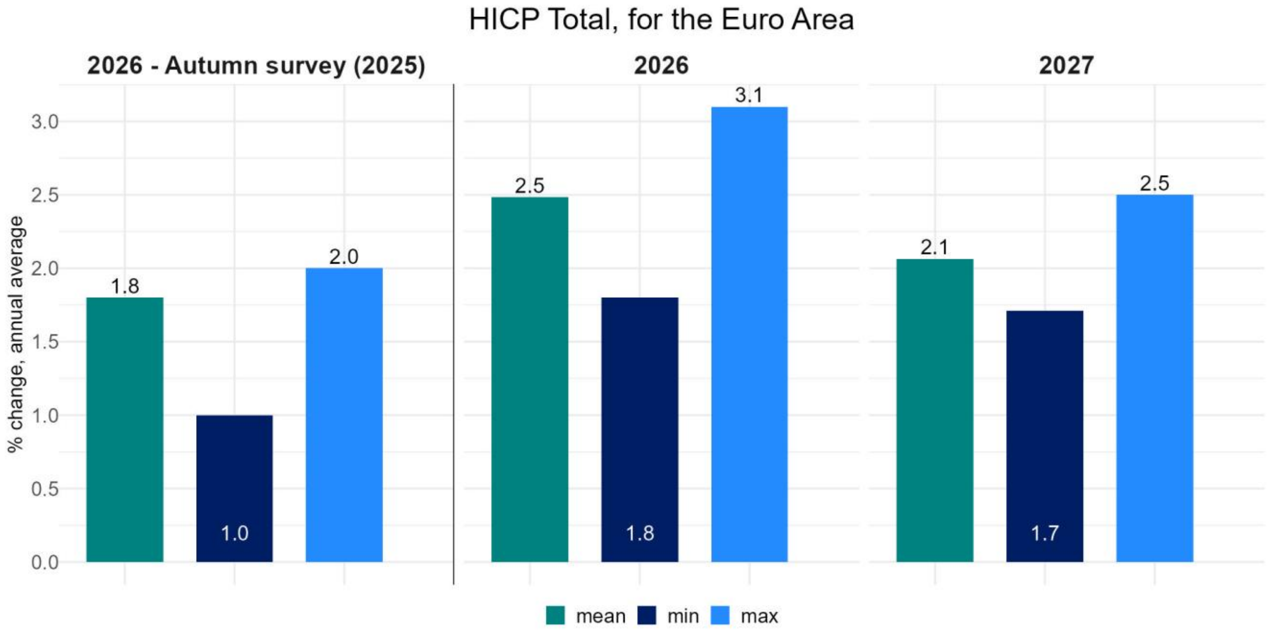
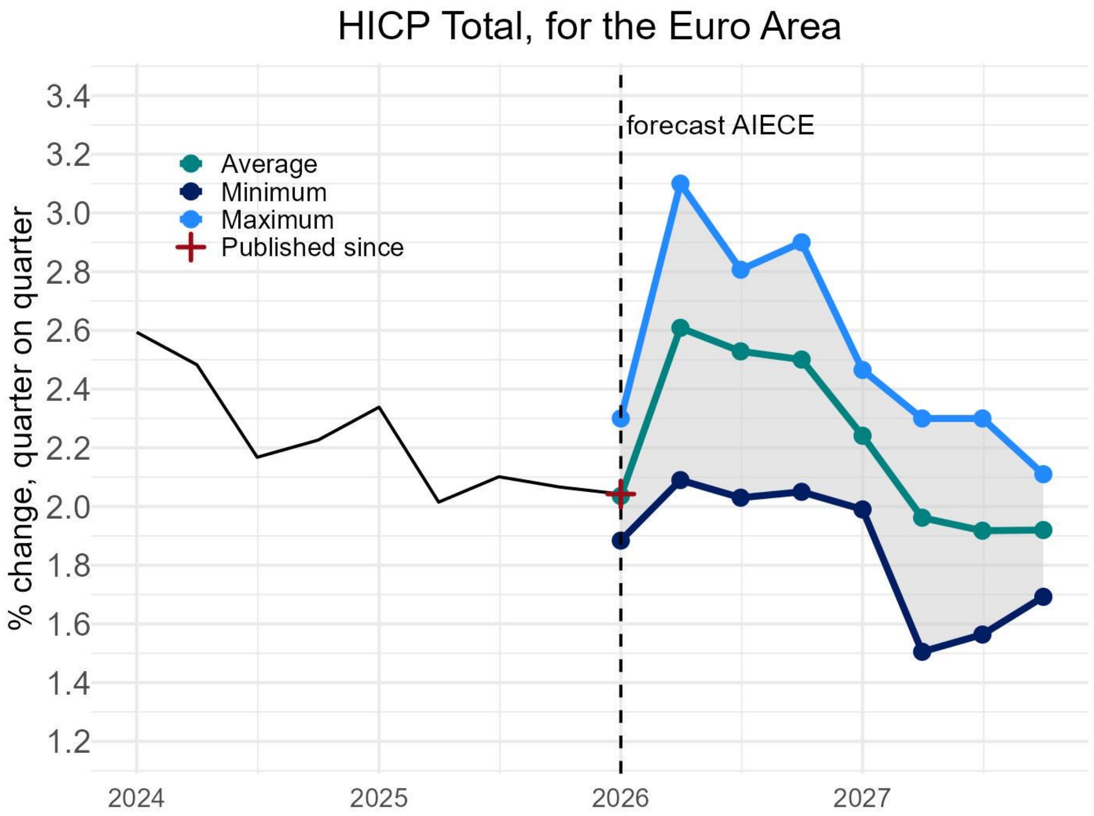
Questions to be discussed

- How should analysts distinguish between temporary weakness in manufacturing and a more durable loss of competitiveness?
- How significant is the tourism and services sector in offsetting manufacturing weakness in your current Euro Area growth decomposition?
- Is the Euro Area losing ground in high-value-added manufacturing sectors beyond automotive, and if so, which industries are most structurally at risk?
- Given the challenges in EU-China trade relations, including concerns about Chinese state subsidies and declining European market shares, what is the optimal long-term strategy for the EU?

Reminder: Inflation projected at 2.5% in 2026, with a clear front-loaded profile



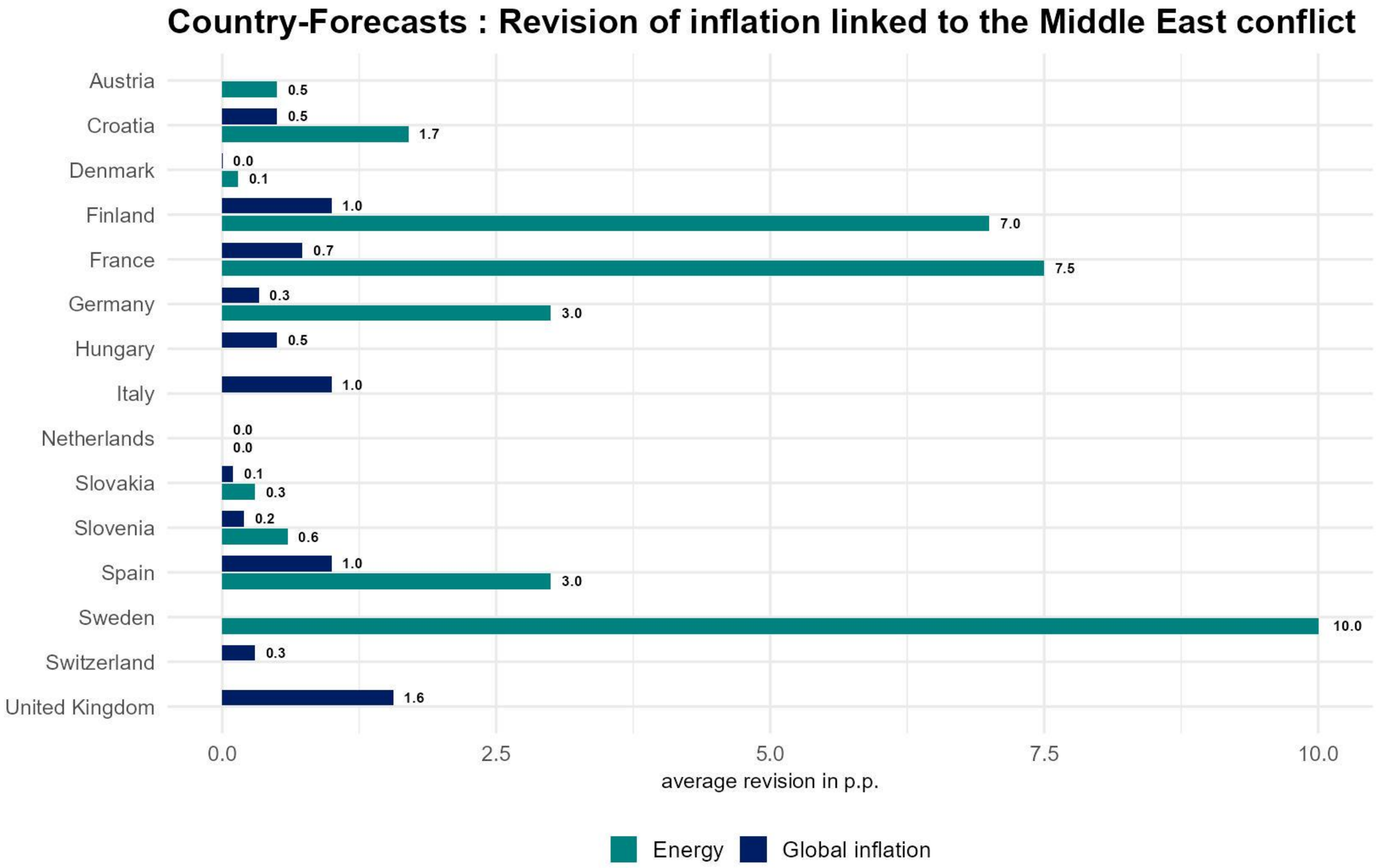


- Forecast range is wide for 2026 (1.8–3.1%) but tightens substantially for 2027 (1.7–2.5%). Disagreement is about the peak, not the medium-term forecast.

Massive revision of energy inflation's forecasts but pass-through to global inflation remains limited

- Energy inflation has been revised up sharply in Sweden (+10pp), France (+7.5pp) and Finland (+7pp), while several economies (Denmark, Austria, Slovakia) revise the energy component by close to zero.

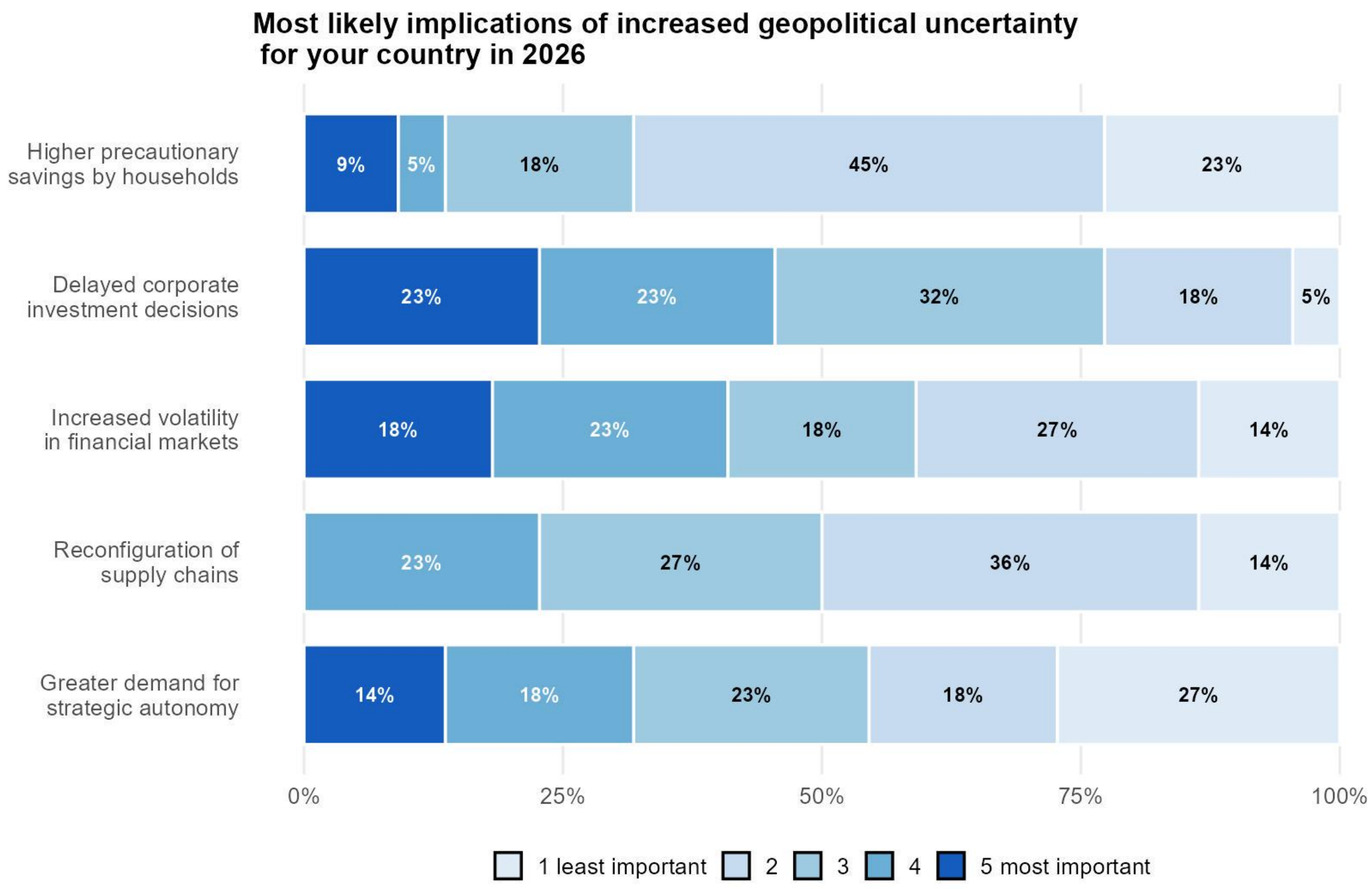
- The asymmetry between energy and global revisions illustrates the wedge between headline and core: AIECE members still expect the second-round effects to be limited.



Investment delays and financial volatility top the list for consequences of geopolitical uncertainty

- Delayed corporate investment decisions rank #1 (46% of members rate it 4 or 5), followed by increased financial-market volatility (41%) – AIECE members see the shock transiting first through firms' capex decisions and risk premia.

- Supply-chain reconfiguration and strategic autonomy score in the middle, suggesting AIECE institutes read the current episode as a confidence shock priced by markets and firms, not yet a structural break in trade patterns.



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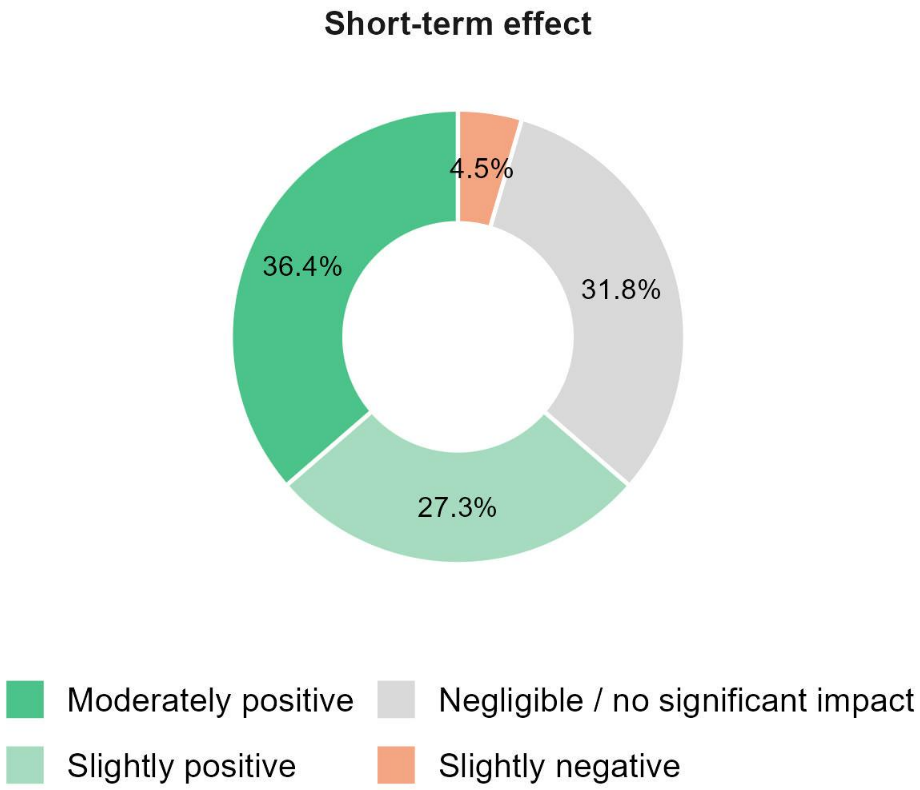
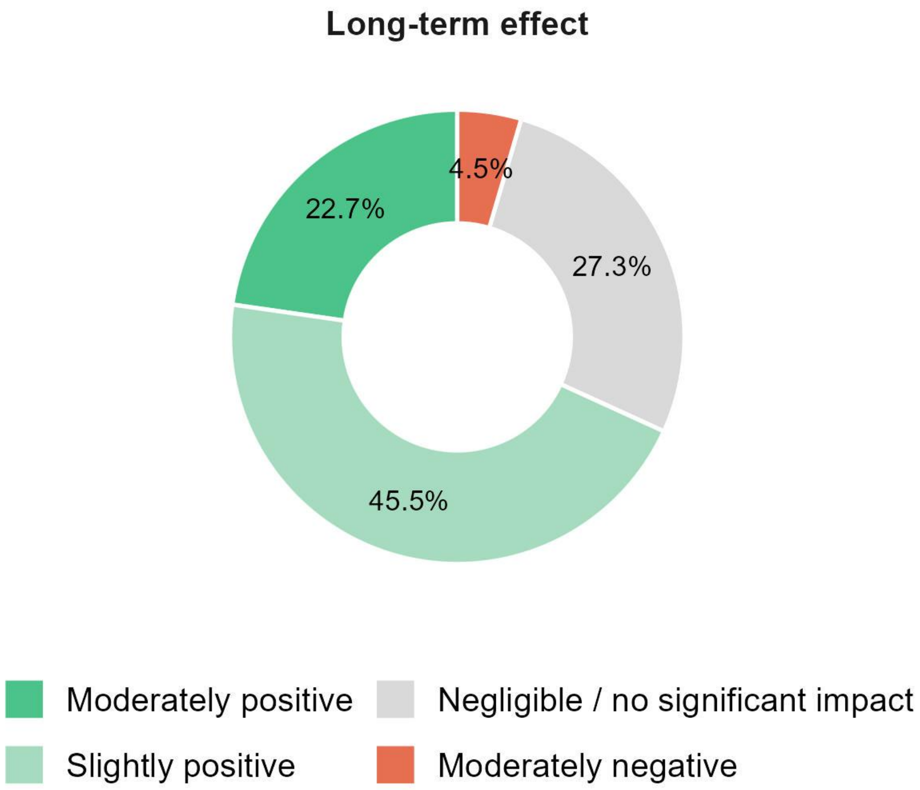
Defense spending: positive effect in the short run, slightly more uncertain in the long run



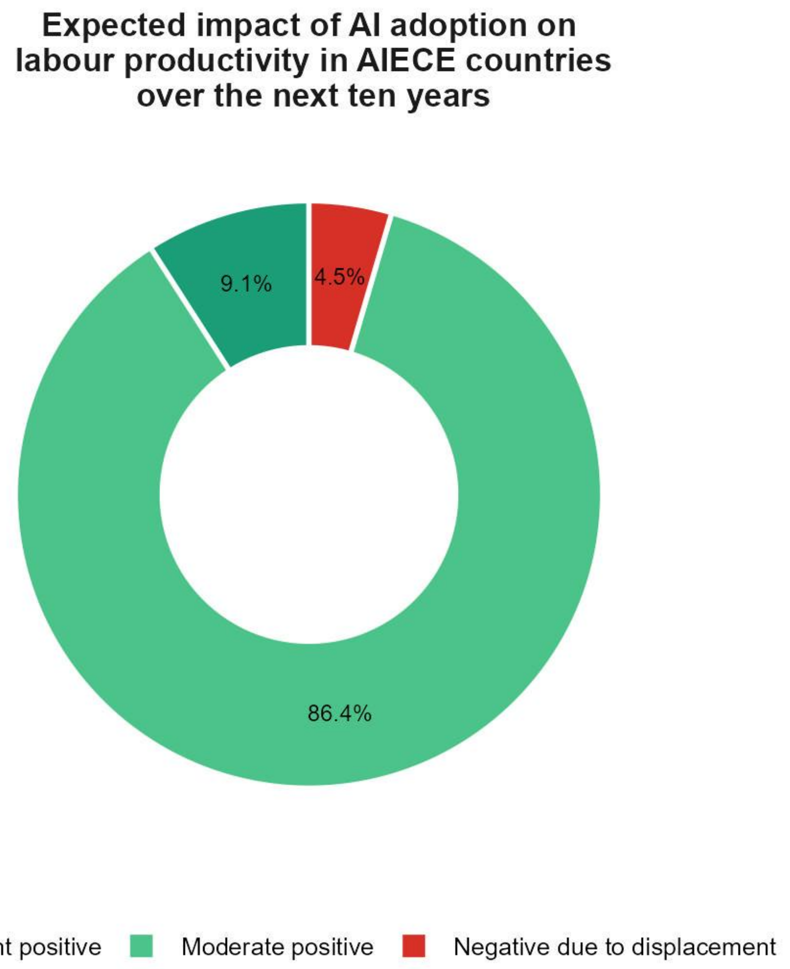


- Short-term: 63.7% of members see a positive effect on growth, with only 4.5% negative.
- Long-term: the positive share is similar (68%) but shifts toward "slightly positive", and a "moderately negative" share emerges.
- The asymmetry feeds into the fiscal-space debate: defense spending helps growth now but its long-run growth payoff is slightly more uncertain.

Questions to be discussed

- Could tighter global financial conditions materially change your corporate investment forecasts? If so, how would you capture this in scenarios?
- How do you validate your forecast models in a period where structural breaks are frequent and historical relationships may no longer hold?
- How are nowcasting tools evolving to incorporate alternative data sources - such as satellite imagery, web scrapping, and real-time payment data - and how much do they improve forecast accuracy?
- How will increased defence spending impact the fiscal stability and economic growth of EU member states?
- Which budget item is most likely to be crowded out by higher defence expenditure?
- How do you assess the fiscal multiplier of defence spending compared with other categories of public investment in the Euro Area context?

95% of AIECE members bet on AI productivity gains - but only a few expect a revolution



- 95.5% of members expect a positive impact on labour productivity, with only 4.5% expecting negative effects from displacement.
- The fact that "moderate" overwhelmingly dominates "significant" (86% vs 9%) suggests members view AI as a gradual productivity diffusion, not a transformative shock.

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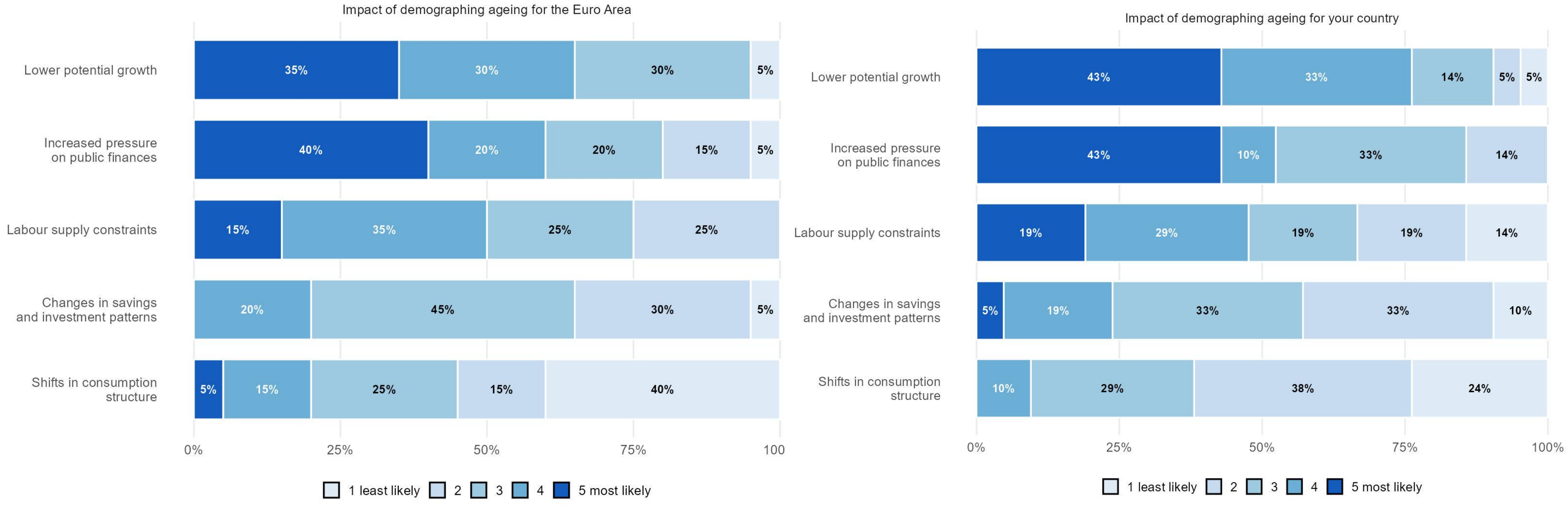
Lower potential growth: the leading channel through which ageing will hit Europe



- Lower potential growth is the top-ranked channel at country level (76% rate it 4 or 5) and the leading concern at Euro Zone level too.
- Pressure on public finances ranks second.
- Behavioral channels are clearly downgraded: changes in savings/investment patterns and shifts in consumption structure are the two lowest-rated channels at both country and Euro Zone level.

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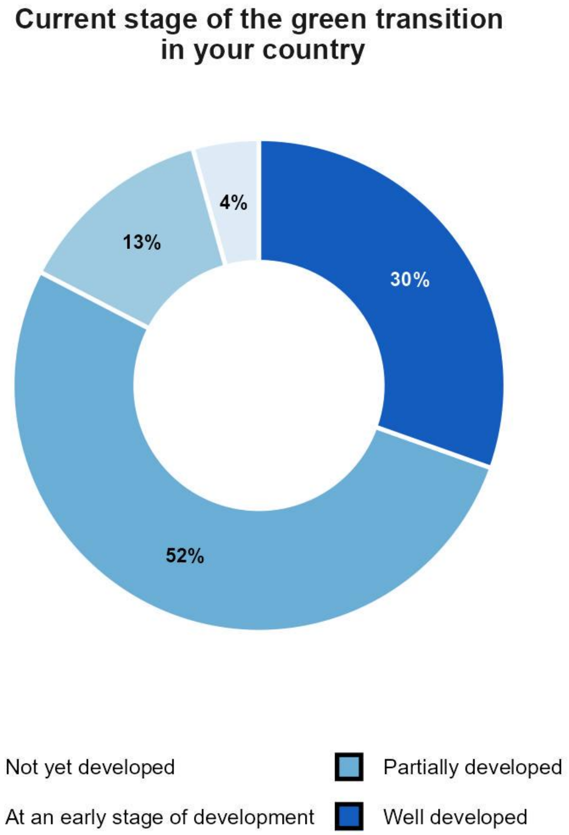
Green transition: well underway but not yet complete…



- 82.6% of members report a transition that is at least "partially developed" (52.2%) or "well developed" (30.4%) - the green transition has clearly moved past its early phase across Europe.

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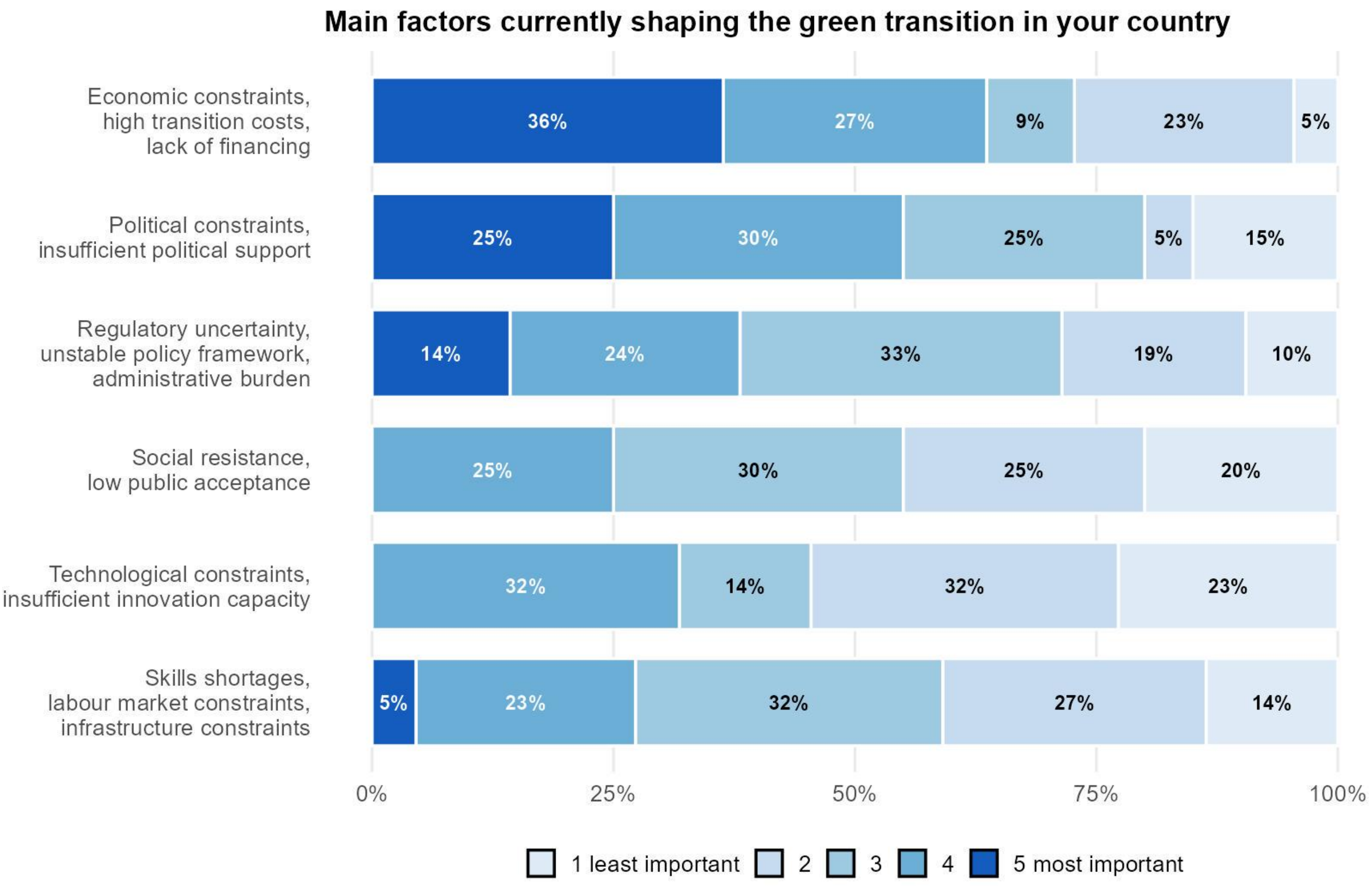
…still, economic costs lead the obstacle list, political constraints follow

- Economic constraints / high transition costs / lack of financing rank first: 63% rate them 4 or 5.
- Technological constraints (32%) and skills shortages (28%) are low: the diagnosis is clearly one of means and support, not capacity to innovate.



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Questions to be discussed

- Should AI investment be treated as a cyclical boost, a structural shift, or both? Is the Euro Area at risk of lagging behind the US and China in capturing AI-driven productivity gains? To what extent could AI exacerbate regional economic divergence across member states?

- Are current investment statistics adequately capturing spending on AI and intangible capital? Could AI-driven efficiency gains create disinflationary pressures, and how persistent might they be?

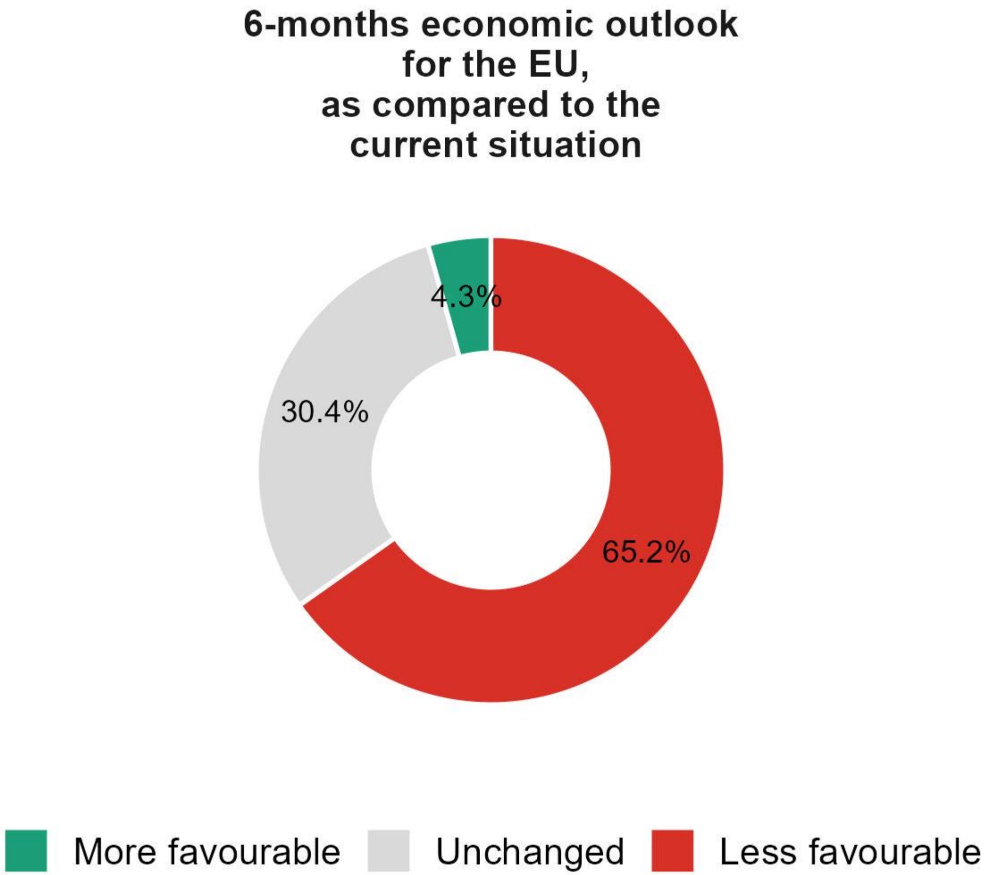
- To what extent could a structurally tighter labour market, driven by demographic decline, keep wage growth persistently elevated even during an economic slowdown? Could increased automation, driven partly by labour scarcity from demographic decline, generate sufficient productivity gains to offset the drag from a shrinking workforce?

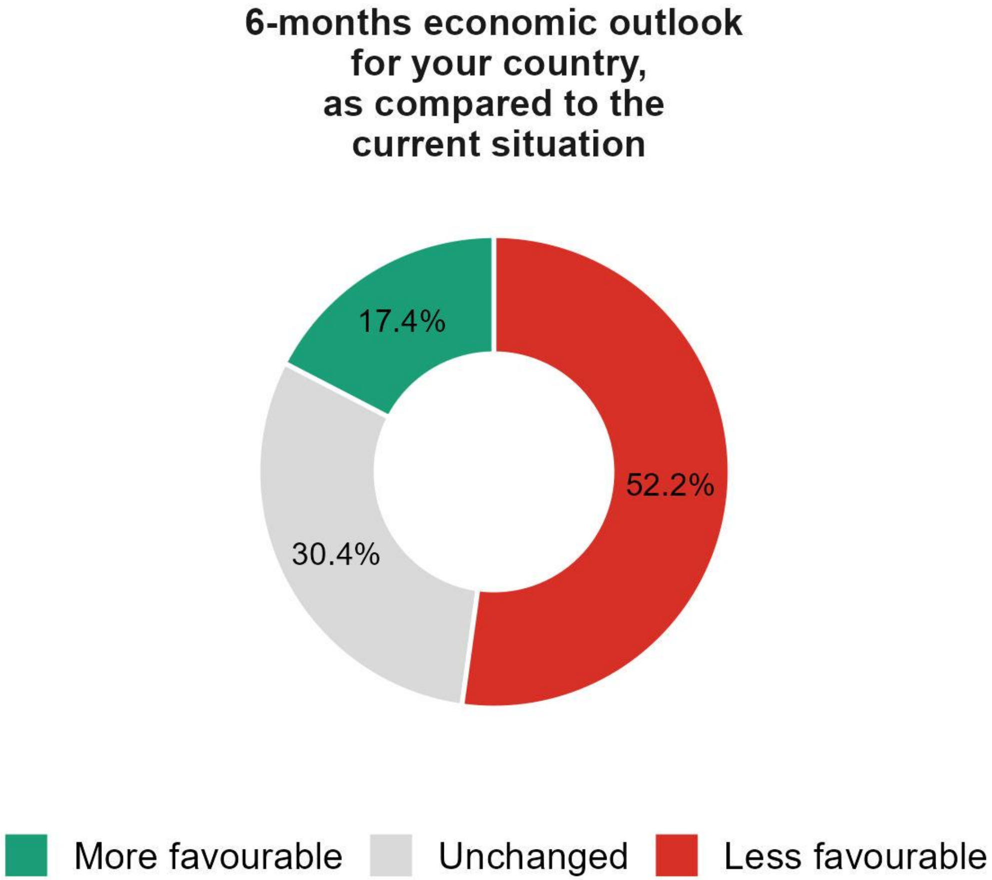
- How do you account for the deflationary potential of falling renewable energy costs in your long-run inflation outlook? Is there a risk that the speed of the green transition diverges significantly across Euro Area member states, and what are the macroeconomic consequences?

06

Annex

A clear degradation of the economic outlook both for Europe as a whole and also country by country

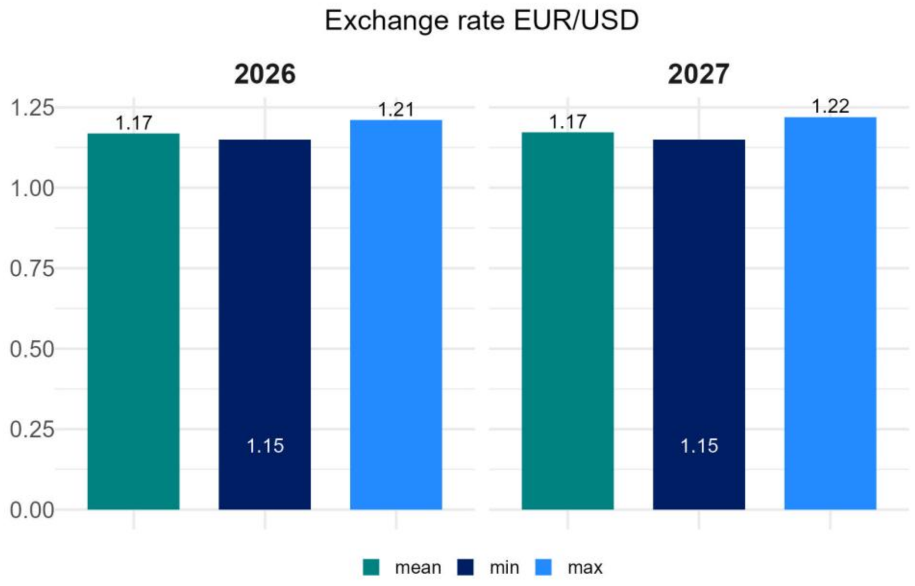


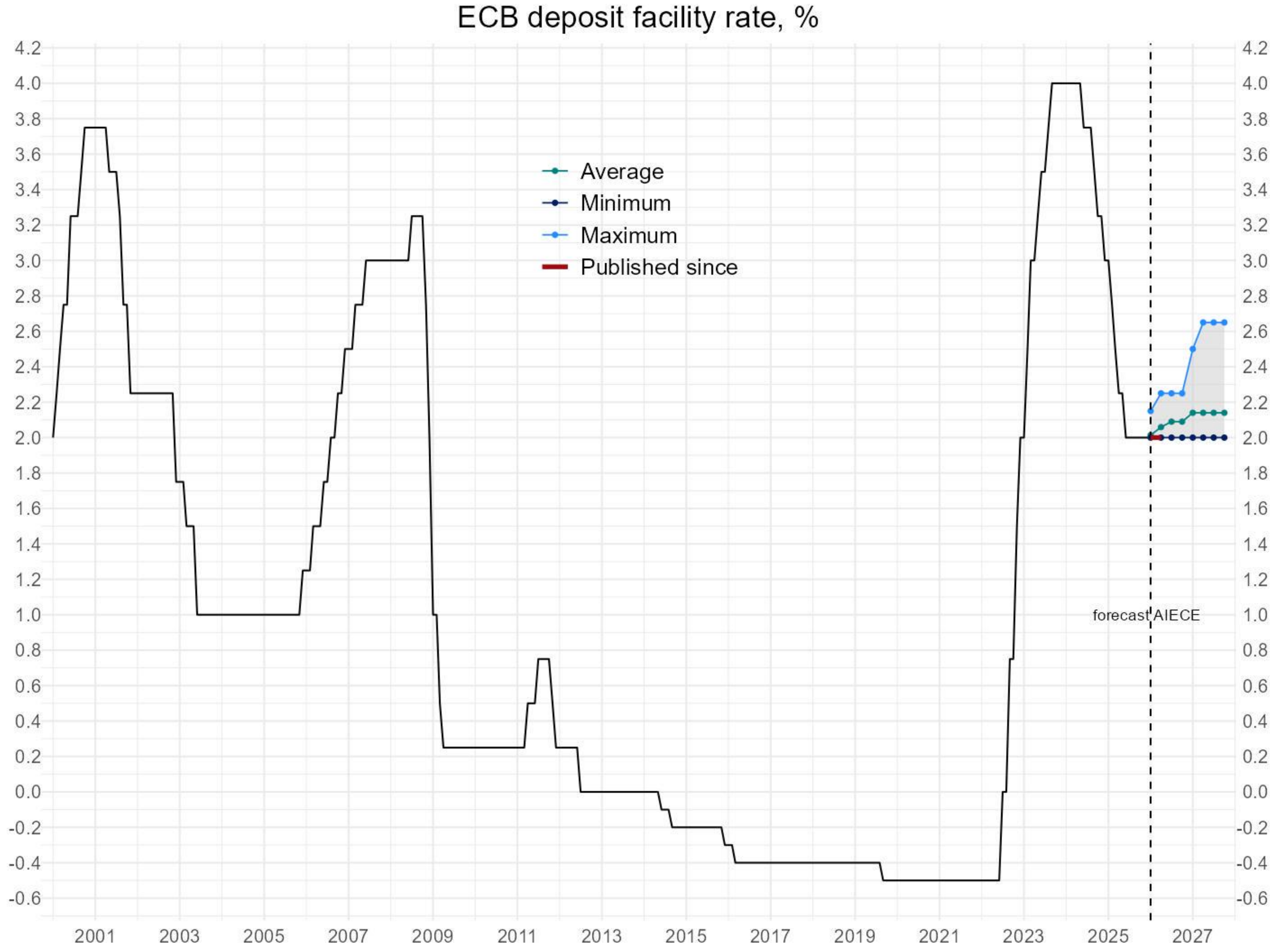


- Two thirds of AIECE institutes forecast that the next 6 months would be less favorable than the current situation for Europe, highlighting the fact that the consequences of the Middle East conflict have yet to manifest.
- However, this realization is dampened when one consider their own country, but it is still half of the respondents.

Insee

ECB deposit rate edging up gradually, euro stable around $1.17





- After the cut to 2.00% in June 2025 and a pause since, the AIECE consensus sees the average rate drifting toward 2.2% and the maximum reaching 2.6% by 2027.
- The EUR/USD assumption is essentially frozen at the spot rate for both 2026 and 2027, with a narrow 1.15–1.22 dispersion reflecting limited expected divergence between ECB and Fed paths.

Insee

Thanks

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