

Global Economics Wrap-Up: April 17, 2026

Global Economics

4/17/26 1:15PM ET

- Developments in the Middle East conflict:
 - Our baseline commodity forecasts assume that energy flows normalize in the coming weeks.
 - Under this baseline, we estimate that higher energy prices will add 0.8pp to global headline inflation and subtract 0.5% from global GDP over the next year.
 - The reopening of the Strait of Hormuz by Iran led spot Brent prices to fall back to the high \$80s on Friday.
 - This development lowers the risk of a more adverse energy price scenario that would result in larger effects on global growth and inflation.
 - Our Global FCI has retraced most of its peak tightening since the start of the war and now points to a more modest drag on global growth from tighter financial conditions.

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US Economics

4/17/26 11:34AM ET

- We expect higher inflation, lower growth, and weaker hiring as a result of the Iran war:
 - We have raised our December 2026 year-over-year headline PCE inflation forecast by 1pp to 3.1% and our core PCE inflation forecast by 0.3pp to 2.5% since the war began.
 - The impact on core inflation should come mostly from energy cost passthrough and a more modest contribution from higher prices of non-energy Gulf commodity exports.
 - We have lowered our 2026 Q4/Q4 GDP growth forecast by 0.5pp to 2.0% (or 2.3% on a full-year basis) since the war began.
 - The drag on growth mainly reflects the hit from higher oil prices to real income and consumer spending.
 - The drag from tighter financial conditions now looks more modest.

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- We expect the unemployment rate to reach 4.6% later this year, as weaker activity growth translates to weaker hiring.
 - Past oil shocks have tended to reduce employment the most in discretionary spending sectors like leisure and hospitality, where demand is most sensitive to the hit to disposable income.
- We expect a combination of rising unemployment and limited progress on inflation—where tariff effects dropping out should outweigh incoming energy passthrough—will make the case for two cuts in September and December.
- Consumer and business surveys are starting to show the effects of the Iran war:
 - The prices components of the ISM manufacturing and services surveys and the Empire and Philadelphia Fed manufacturing surveys increased sharply.
 - Short term consumer inflation expectations have increased notably in the University of Michigan (+1.0pp to 4.8%), New York Fed (+0.4pp to 3.4%), and Conference Board (+0.7pp to 6.2%) surveys.

Europe Economics

4/17/26 11:06AM ET

- We no longer expect ECB to hike in April:
 - The incoming information has reduced the urgency for ECB rate hikes.
 - Energy prices have fallen from their peak following last week's ceasefire.
 - Recent price-related indicators have not moved up decisively.
 - Recent ECB communication has shown little urgency for a near-term policy change.
 - We therefore no longer expect a hike at the April meeting.
 - We maintain our forecast for two hikes this year, which we push back to June and September.
 - We now believe that it is a close call whether the ECB hikes twice or holds rates unchanged.
- Euro area final March inflation data revised up:
 - Euro area March inflation showed headline inflation at 2.55%yoy, revised up from the flash reading of 2.52%yoy
 - Core inflation went to 2.29%yoy, up 3bp from the flash print.
 - Our summary indicator of sequential underlying inflation ticked down in March to 0.19%mom.
 - We continue to see year-over-year core inflation at 2.4%yoy in 2026, peaking at 2.5%yoy in Q3.
 - As for headline inflation, we see it averaging 2.9%yoy in 2026, peaking at 3.2%yoy in Q2.
- We assess the upside to food inflation from higher commodity prices:

- Energy prices have increased notably, providing a key upside risk to food inflation.
- At the same time, global food commodity prices remain more benign for now.
- Our new food commodity summary measure points to broadly contained food price pressures
- We therefore estimate a peak contribution to food inflation of around 2pp by 2027Q3.
- The boost is driven primarily by recent increases in energy prices, with food commodity effects more contained.
- Mixed GDP growth dynamics in Europe:
 - On the one hand, monthly UK GDP rose by 0.5%mom in February, notably above expectations.
 - The January figures were also revised up.
 - This data implies a substantial upgrade to our Q1 growth forecast to +0.57%qoq (from +0.22%).
 - In the Euro area, on the other hand, our tracking for Q1 growth edged down to +0.19%qoq (vs. +0.20%qoq previously).

Asia/EM Economics

4/16/26 10:06AM ET

- China – Q1 GDP growth above expectations; mixed March data
 - Q1 real GDP growth (5.0% yoy) was above consensus expectations. We maintain our 2026/27 full-year real GDP growth forecasts both at 4.7%.
 - March activity data continued to reflect a bifurcated economy, with industrial production (+5.7% yoy) beating market expectations, while retail sales (+1.7% yoy) and fixed asset investment (+1.6% yoy) remained weak.
 - March export growth declined to 2.5% yoy in March (down from +21.8% yoy in Jan-Feb) partly due to the later-than-usual Lunar New Year holidays. Import growth (+27.8%) surprised to the upside.
 - March credit data surprised to the downside, mainly due to weaker-than-expected bank lending.
 - Primary property prices declined at a 4.3% annual rate overall in March, but tier-1 cities returned to positive sequential growth, led by Shenzhen.
- Elections in Hungary and Peru
 - Hungary's opposition Tisza party won a decisive victory in Hungary's parliamentary elections, ending Viktor Orbán's 16-year rule. Following Tisza's win, we expect an immediate improvement in EU-Hungary relations and a complete resumption of EU funding.
 - The new government has pledged to meet the Maastricht Convergence Criteria for Euro adoption by 2030, and we think the prospect of Hungary

joining the Euro is realistic.

- Peru held its first-round presidential election on April 12, with right-leaning candidate Keiko Fujimori appearing to have advanced to a near-certain presidential runoff on June 7.
- Asia/EM central banks mostly on hold
 - The Monetary Authority of Singapore (MAS) tightened monetary policy by increasing the pace of appreciation of the SGD NEER policy band, but with relatively dovish forward guidance, in our view. We do not expect further changes this year.
 - The Bank of Korea kept its policy rate unchanged at 2.5%, as expected. We continue to expect no policy rate changes for remainder of 2026, under our baseline scenario of Brent oil prices at around \$80 in H2.
 - Poland's central bank kept its rate on hold at 3.75%, with guidance pointing to unchanged policy during the Middle East conflict. We expect the central bank to remain cautious in the near term but 'look through' the effects of higher oil prices, and to leave rates unchanged while geopolitical uncertainty persists.
 - Peru's central bank kept its policy rate on hold at 4.25%, as expected. We maintain our forecast that the policy rate will remain at 4.25%, as we think the MPC is likely to look through transitory shocks.

GDP Forecast Tracker: GS vs. Consensus

Real GDP Growth:	Annual Average						Q4/Q4	
	2025	2026		2027		2026		
	Actual*	GS	Consensus	GS	Consensus	GS	Consensus	
DMs								
US	2.1	2.3	2.2	2.0	2.0	2.1	2.1	
Euro Area	1.5	0.7	0.9	1.0	1.3	0.6	0.9	
Germany	0.4	0.6	0.7	1.2	1.3	0.8	0.9	
France	0.9	0.8	0.9	0.8	1.0	0.5	0.8	
Italy	0.7	0.6	0.6	0.7	0.8	0.5	0.8	
Spain	2.8	2.1	2.2	1.6	1.9	1.6	2.0	
Japan	1.2	0.4	0.7	1.0	0.9	0.6	0.9	
UK	1.4	0.9	0.7	1.3	1.2	1.0	0.8	
Canada	1.7	1.5	1.2	2.0	1.8	2.0	1.7	
Australia	2.0	1.8	2.1	2.2	2.0	1.3	1.6	
EMs								
China	5.0	4.7	4.6	4.7	4.4	4.6	4.6	
India	7.5	5.9	6.5	6.6	6.4	5.0	6.4	
Brazil	2.3	1.9	1.8	1.8	1.8	3.0	2.0	
South Korea	1.0	1.9	2.0	1.9	1.9	1.6	1.9	
Mexico	0.6	1.5	1.4	1.9	1.9	1.3	1.4	
World	2.8	2.4	2.6	2.6	2.6	2.2	2.5	

*GS estimate where actual full-year data is not yet available.

Note: Global GDP growth rates aggregated using market exchange rates. IMF forecast used for India 2027 consensus value.

Source: Bloomberg, Goldman Sachs Global Investment Research

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