# Commerzbank Forecasts

## Growth and inflation

| | Real GDP (%) | | | Inflation rate (%) | | |
|---|---|---|---|---|---|---|
| | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 |
| USA | 2.1 | 2.4 | 2.3 | 2.7 | **3.4** | **2.5** |
| China | 5.0 | **4.5** | 4.5 | 0.1 | **1.1** | **1.3** |
| Euro area | 1.4 | **0.8** | **1.1** | 2.1 | **2.8** | **2.4** |
| - Germany | 0.2 | **1.0** | 1.0 | 2.2 | **2.6** | **2.6** |
| - France | 0.7 | 0.7 | **0.8** | 1.0 | **2.1** | 1.9 |
| - Italy | 0.7 | **0.7** | 0.5 | 1.7 | 2.9 | **2.1** |
| - Spain | 2.9 | **2.4** | **1.6** | 3.1 | 3.3 | **2.6** |
| - Netherlands | 1.5 | **1.2** | **1.2** | 3.0 | 3.2 | **2.5** |
| - Austria | 0.3 | **0.8** | 1.2 | 3.5 | 3.1 | **2.5** |
| UK | 1.3 | **1.1** | **1.1** | 3.4 | **3.0** | 2.5 |
| Switzerland | 1.2 | 1.1 | **1.6** | 0.3 | **0.5** | **0.6** |
| Japan | 1.1 | 0.6 | 0.8 | 3.2 | 1.8 | 2.0 |
| World | 3.4 | 3.1 | 3.2 | | | |

- We expect that the tensions in the Gulf region will ease in the fourth quarter.
- The U.S. economy should weather the crisis fairly well, not least because of its relatively high trend growth.
- The eurozone economy is hit by high energy prices and the increased uncertainty.
- Because the central banks are not tackling inflation vigorously enough, it is likely to remain above 2% longer term.

## Interest rates (end-of-quarter)

| | 6-Aug | Q3 26 | Q4 26 | Q1 27 | Q2 27 | Q3 27 |
|---|---|---|---|---|---|---|
| **USA** | | | | | | |
| Fed funds, upper bound | 3.75 | 3.75 | 3.75 | 3.75 | 3.50 | 3.25 |
| 3-months OIS | 3.74 | 3.65 | 3.65 | 3.65 | 3.40 | **3.15** |
| 2 years* | 4.20 | 4.00 | 3.90 | 3.70 | 3.40 | 3.10 |
| 5 years* | 4.33 | 4.10 | 4.00 | 3.90 | 3.60 | 3.30 |
| 10 years* | 4.62 | 4.45 | 4.40 | 4.30 | 4.20 | 4.10 |
| Spread 10-2 years | 43 | 45 | 50 | 60 | 80 | 100 |
| Swap-Spread 10 years | 41 | 45 | 45 | 45 | 45 | 45 |
| **Euro area** | | | | | | |
| Depo rate | 2.25 | 2.50 | 2.50 | 2.50 | 2.50 | 2.25 |
| 3-months Euribor | 2.49 | 2.50 | 2.50 | 2.50 | 2.50 | 2.25 |
| 2 years* | 2.73 | 2.80 | 2.50 | 2.40 | 2.20 | 2.10 |
| 5 years* | 2.85 | 2.75 | 2.60 | 2.50 | 2.40 | 2.30 |
| 10 years* | 3.12 | 3.00 | 2.90 | 2.90 | 2.80 | 2.75 |
| Spread 10-2 years | 38 | 20 | 40 | 50 | 60 | 65 |
| Swap-Spread 10 years | -4 | 5 | 5 | 10 | 15 | 15 |
| **UK** | | | | | | |
| Bank rate | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.50 |
| 3-months OIS | 3.78 | 3.70 | 3.70 | **3.70** | **3.50** | **3.35** |
| 2 years* | 4.24 | 4.25 | 4.10 | 3.90 | 3.70 | 3.40 |
| 10 years* | 4.89 | 4.80 | 4.70 | 4.60 | 4.50 | 4.50 |

- The ECB is likely to hike rates a second time due to inflation risks. When inflation falls again, it is likely to cut the depo rate again to 2.0%, the level prevailing before the Iran war.
- The Fed is under considerable political pressure to cut interest rates further. We expect it to resume rate cuts around mid-2027, as inflation should have eased somewhat by then.
- 10-year Bund yields are likely to fall again once the conflict in the Persian Gulf comes to an end. After all, interest rate cuts by the ECB and the Fed should then become increasingly likely and should indeed start in mid-2027. However, the continued high funding needs in many countries due to large budget deficits should limit the decline in yields.

## Exchange rates (end-of-quarter)

| | 6-Aug | Q3 26 | Q4 26 | Q1 27 | Q2 27 | Q3 27 |
|---|---|---|---|---|---|---|
| EUR-USD | 1.15 | **1.16** | **1.17** | **1.18** | **1.18** | **1.19** |
| USD-JPY | 158 | 158 | 155 | 152 | 150 | 148 |
| EUR-CHF | 0.93 | 0.94 | 0.93 | 0.92 | 0.92 | 0.91 |
| EUR-GBP | 0.86 | 0.86 | 0.88 | 0.88 | 0.87 | 0.87 |
| EUR-SEK | 10.95 | 10.60 | 10.50 | 10.50 | 10.50 | 10.50 |
| EUR-NOK | 11.01 | 10.90 | **11.10** | **11.00** | **11.00** | **10.90** |
| EUR-PLN | 4.30 | **4.30** | 4.25 | 4.30 | 4.35 | 4.37 |
| EUR-HUF | 363 | 360 | **355** | **355** | **360** | **370** |
| EUR-CZK | 24.20 | 24.15 | 24.20 | **24.25** | **24.25** | **24.30** |
| USD-CAD | 1.40 | **1.39** | **1.38** | **1.37** | **1.36** | **1.35** |
| USD-CNY | 6.75 | 6.76 | 6.75 | 6.72 | 6.68 | 6.66 |

- The dollar is likely to be under pressure again after the end of the war with Iran because the Fed is unlikely to raise rates as markets have priced in. Rather, the Fed is likely to embark on pronounced and ultimately excessive interest rate cuts again in 2027, also because of the political pressure. Furthermore, the dollar is vulnerable because it is significantly overvalued based on purchasing power parity.

Source: Bloomberg, Commerzbank Research; bold: change on last week; Swap spreads calculated as government bond yield minus swap rate in basis points. * Treasuries, Bunds, Gilts

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