Global Economics Weekly

Parallel universes

SIGNATURE

Optimism over AI and a potential Iran deal continue to fuel equity markets. In contrast, bond markets show concern over the oil shock's inflationary consequences, rising interest rates and high public debt. These immediate macro realities could catch up with the tech promise.

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Global Synthesis

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Parallel universes

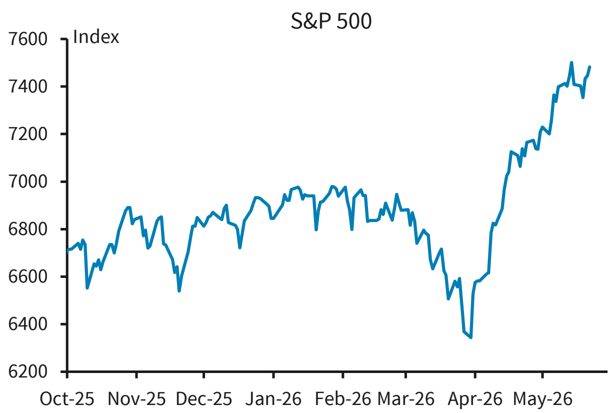
"It would not be beyond the realms of possibility that somewhere outside of our own universe lies another different universe. And in that universe, Zayn is still in One Direction." This was the legendary response by theoretical astrophysicist Stephen Hawking to a fan of the boy band *One Direction* who was heartbroken over Zayn's departure from the band.

Current observers of financial markets may also start wondering about parallel universes: the fixed-income macro universe, where an ongoing oil price shock boosts inflation, slows growth and forces central banks to hike, all while long-end yields soar against the backdrop of debt sustainability concerns; and the tech-equity universe, where AI optimism is keeping equity markets at all-time highs, earnings remain robust, and investment plans are massive.

But should investors trust in the 'Many Worlds" theories of quantum mechanics and cosmic inflation, when in the day-to-day experience the world is still best approximated by Newtonian mechanics? Put differently, can the opposing macro narratives told by the bond versus the equity market truly exist in parallel? Perhaps more likely, one of these universes will eventually collapse, forcing one group of investors to sadly realise that in this existing universe, Zayn has left One Direction for real.

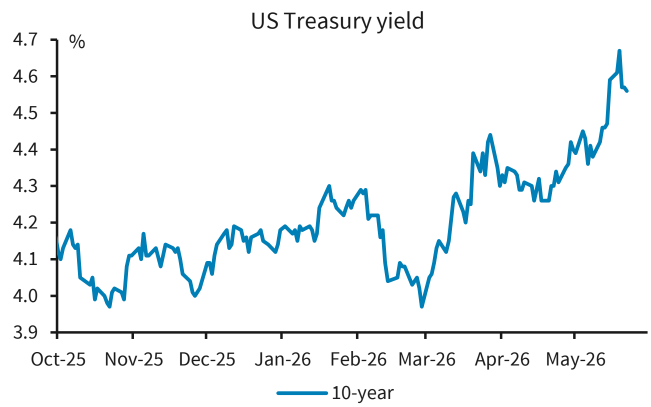
That is not to say that we do not believe in a future where the combination of cognitive and physical AI can boost productivity; see our chapter *How humanoid robotics matters for macro* in the just-published 71st Edition of the *Equity Gilt Study*. But we find the tough macro realities of the coming months leave the cautious bond universe more firmly in the realm of possibility than the gravity-defying equity space. Sadly, we can no longer ask Steven Hawking for help and thus have to rely on our own simple reasoning:

FIGURE 1. The US stock market is at an all-time high...



Source: Bloomberg, Barclays Research

FIGURE 2. ... while the 10y Treasury yield has surged



Source: FRB, Haver Anlaytics, Barclays Research

Universe I: Oil shock, stagflationary impulse and rising rates

'It opens, it opens not, it opens...': The final petal on the daisy being plucked?

A few weeks back, we had compared the back-and-forth about expectations for an imminent opening of the Strait of Hormuz with the old 'he loves me, he loves me not' flower game *effeuiller la marguerite*. Since then, many additional petals have been plucked from the daisy, but the most recent one left markets with the answer 'it opens'.

Iran this week stated that it was reviewing the US's latest proposal to bring an end to the war,[1] while US Secretary of State Marco Rubio added that there had been 'slight progress' on the mediated peace talks with Iran.[2] Earlier this week, Iran's Revolutionary Guard had announced that more than 30 ships had passed though the Strait of Hormuz.[3] Iran reportedly has been in discussion with Oman to have some form of a permanent toll system in the Strait. Trump has strongly opposed such a solution, stressing, "We want it open, we want it free, we don't want tolls."[4] Perhaps even more importantly, at the time of writing, the US and Iran still had not found common ground over Iran's enriched uranium.

Hence, while both sides clearly should have motivation to find compromise, it is still uncertain if a peace deal will come through and the Strait fully re-opens. A senior adviser to the UAE president called it 'a 50-50 chance that we will reach agreement'.[5] This weekend will be crucial.

Even a deal leaves physical oil markets stressed

Crucially, however, even if a deal is announced this weekend, it would not necessarily be the cure for stressed energy markets (see A deal is not a cure). With the possibility of a deal on the horizon, oil prices have been volatile all week, with Brent at $103/bl at the time of writing. The announcement of a deal may push oil well below $100 as an immediate reaction. But for the physical oil market to return to normality lastingly, a number of steps need to happen:

[1] CNBC , May 21 2026, "Iran reviews U.S. peace proposal as Trump says he's willing to wait 'a few days'."
[2] Bloomberg News, May 22 2026, "US Touts 'Slight Progress' as Deal With Iran Remains in Limbo".
[3] Rudaw, May 21 2026, "Iran says over 30 ships crossed Strait of Hormuz after cooridnationg with IRGC".
[4] Bloomberg News, May 22 2026, "US Touts 'Slight Progress' as Deal With Iran Remains in Limbo".
[5] Bloomberg 22 May.

First, the Strait must truly fully re-open. This requires not only a diplomatic deal, but also the physical clearance of the Strait from mines. The process to clear the waters fully so that commercial underwriters will provide insurance for Hormuz shipping lanes could take up to six months. Certainly, some tankers will start the transit right away, but until the Strait is fully open, insured, and de-mined, it will likely take months.

Second, production must recover. Gulf producers have shut in several million barrels per day of production since March. Saudi Arabia and the UAE are best positioned for a fast restart; many of their wells were throttled, rather than fully shut, and Aramco has said it could ramp up within days. Kuwait and Iraq will likely be slower, for technical reasons (reservoir pressure, water and gas intrusion, paraffin buildup etc). The longer a well has been shut, the more complex the restart.

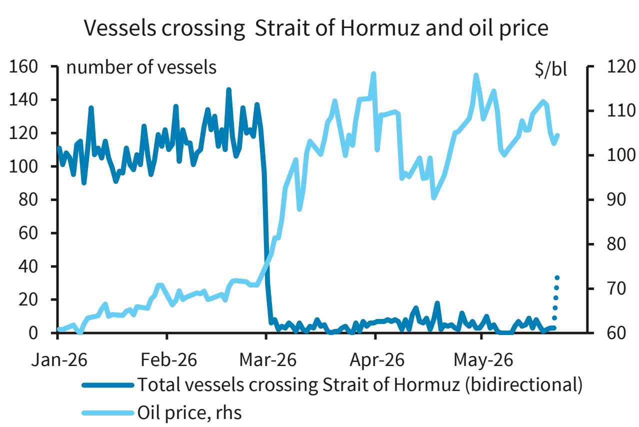
Third, refineries need to be brought back to full. Feedstock-constrained Asian refineries have cut runs by several million barrels per day, and bringing a complex refinery back to full throughput requires the consistent availability of crude supply.

Last, consider inventories and demand. Global inventories have had the fastest quarterly drawdown in IEA history and are now near their lowest levels since 2020 (see Priced for Perfection). Hence, they will need to be rebuilt and not every barrel that is used to rebuild stocks is available for consumption. This creates a structural bid for crude long after headlines about the Strait have faded.

Even disregarding the need to rebuild oil buffers, some areas of demand will likely snap back immediately. Even if demand from end-consumers may come back more gradually, that from refineries and petrochemical plants will restart right away. Deprived of feedstock, they have been forced to suppress their activity and will try to ramp up as soon as supply allows.

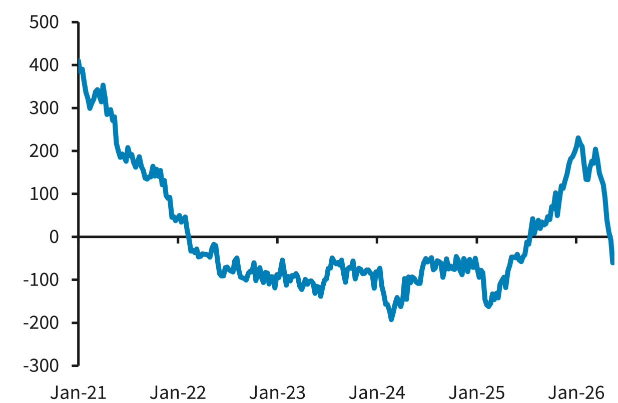
In sum, we expect supply to recover linearly, demand to recover in a step function, and inventory rebuilding to sit on top of both. That mismatch is likely to persist for several quarters, leaving us comfortable with our forecast for Brent to average $100 in 2026 (see Deal or No Deal), versus a pre-crisis world of $65-70.

FIGURE 3. Oil prices remain volatile with uncertainty about the Strait



Note: Only vessels that actively transmit AIS signals are displayed. Dotted lines represent the IRGC-announced 35 vessels that have passed through Strait of Hormuz.
Source: Bloomberg, Barclays Research

FIGURE 4. Global oil inventories have had the fastest drawdown in IEA history



Note: Our weekly global total oil inventory indicator excluding the Middle East Gulf region minus the pre-pandemic seasonal average (2017-19), mb.

Source: EIA, Kpler, Barclays Research

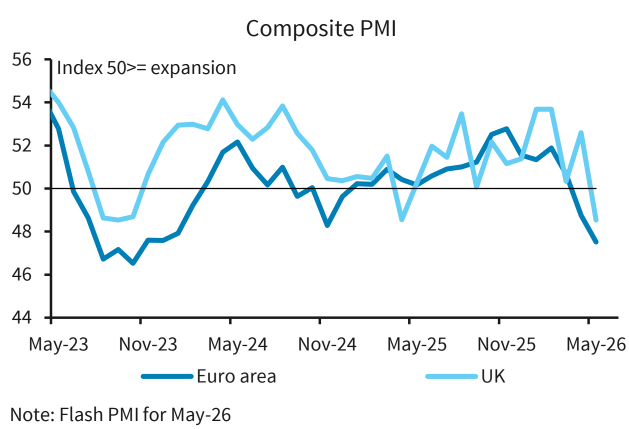
Stagflationary impulse growths in Europe

In Europe, this week's flash PMIs for May clearly pointed to a further slowing of activity. Composite PMI was weaker at 47.5 (-1.3pts) in the EA and 48.5 (-4.1pts) in the UK, both below our and the Bloomberg consensus. The decrease was most pronounced in France (43.5, -4.1pts). The decline in composite prints was driven primarily by services PMI (EA: 46.4, -1.2pts; UK: 47.9, -4.8pts). Manufacturing output weakened in the EA (51.0, -1.4pts) but improved in the UK (52.4, +0.6pts). Considering the April and May composite PMI prints, the average Q2 PMI for EA stands at 48.1 (-3.2pts, vs 51.3 in Q1), consistent with a contraction in real GDP, pointing to downside risks to our forecast of 0.1%q/q in Q2. In the UK, our GDP tracking indicated flat growth in Q2, broadly in line with our forecast of 0.1% q/q.

At the same time, price pressures continue to rise. EA input prices' PMI rose to 70.5 (+2.1pts), the highest level since late 2022, reflecting higher energy prices, transport costs and price pressures across a broad range of raw materials, accompanied by growing supply chain pressures, with supply delivery times lengthening further in May. EA output prices rose only slightly (56.9, +0.1pts), as input costs were absorbed by margins, but this is unlikely to last.

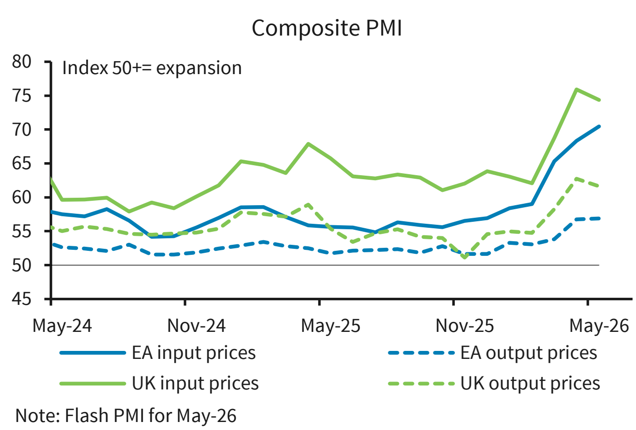
In the UK, input prices decelerated to 74.4 (-1.6pts), which is helping to slow output price growth, although input prices remain well above the long-term average of 61.5, driven by higher energy and transportation costs thus far. Overall, input prices remain strong, but the inflation outlook will depend on the speed, breadth and magnitude at which they percolate to downstream consumer inflation.

FIGURE 5. Europe flash PMIs point to slowing activity...



Source: S&P Global, Haver Analytics, Barclays Research

FIGURE 6. ...and continued price pressures



Source: S&P Global, Haver Analytics, Barclays Research

China's domestic weakness not offset by export boom

In China, retail sales for April rose only 0.2%y/y, the weakest reading since late 2022. This was much below both our and Bloomberg expectations, and fixed asset investment for April also contracted unexpectedly, due to a contraction in infrastructure and manufacturing investment, while the property drag deepened. April Industrial production (IP) growth also decelerated, to 4.1%y/y. This occurred despite strong export growth, due to a sharper-than-expected deterioration in household consumption and Chinese household's deleveraging intensifying.

The unexpected sharp slowdown in April activity data reflects the fading of front-loaded Q1 fiscal support and a weakening credit impulse. It also shows that the strength in high tech and export-oriented sectors is not sufficient to offset weakness in domestic demand.

FIGURE 7. China's domestic activity data is weak despite strong exports

Source: CNBS, Haver Analytics, Barclays Research

FIGURE 8. China's fixed asset investment contracted

Source: CNBS, Haver Analytics, Barclays Research

Central banks acknowledge inflation risks

The Fed can do its 'own thing' as Warsh arrives

The April FOMC minutes released this week show that a vast majority of participants acknowledge cost pressures from the conflict and that even though the easing bias was maintained, the bar for cuts has risen slightly from prior meetings. The committee appears to be shifting toward a regime that exhibits more concern for sustaining credibility amid elevated price pressures, while acknowledging that the outlook for activity and the labor market has solidified.

At the same time, Trump told Warsh this week to do 'his own thing' as he swore him in as the 17th Fed chair, stating that he wants Warsh to be 'totally independent'. Governor Waller in the meantime stated that he now saw an even chance of the next Fed action being a hike or a cut. We view this as representative of the broader change in views among FOMC participants. This week's jump in long-term inflation expectations to 3.9% in the University of Michigan survey (alongside consumer confidence dropping to an all-time low) will only cement this.

We stick for now with our baseline expectation that the FOMC will hold rates unchanged through 2026 and deliver a 25bp cut in March 2027.

Japan's BoJ sets the stage for a June hike

Policy member Koeda's remarks this week continued the strengthening and broadening hawkish tone, and the next key event is Governor Ueda's speech on 3 June. Based on the BoJ's communications to date and the pressure from US Treasury Secretary Bessent, we stick to June as our base case for the next rate hike. We project additional rate hikes in October and in April 2027, to a terminal rate of 1.5%.

The government also appears determined to defend the 160/USD line, with reports that it may have conducted about JPY10trn in USD selling and JPY-buying interventions between late April and early May (Nikkei, 7 May).

ECB June hike becomes matter of credibility

ECB communication is gradually coalescing around the prospect of a rate increase at the 11 June meeting. Belgian Governor Wunsch noted that unless the conflict is resolved by June, the likelihood of a hike would be 'quite high'. Wunsch pointed to early signs of a faster pass-through of higher input costs to firms' selling prices, but also underscored that the wage outlook remained benign.

Echoing these comments, Malta's Governor Demarco suggested that the ECB may need to act at the June meeting. He stressed that this was 'about preserving credibility', as the ECB could be seen as falling behind the curve. Similar remarks were made by Governor Rehn, who warned that the euro area was drifting towards the adverse scenario of weaker growth and higher inflation, which could force the ECB to tighten policy 'for the sake of credibility'.

Also on the policy front, former Treasury head and Secretary General Emmanuel Moulin has been confirmed by the National Assembly and the Senate as Governor of the Banque de France.

BoE feels it has 'more time'

As MPC members gave evidence to the Treasury Select Committee this week, the common threads were references to the tightening of financial conditions, the importance of wage dynamics for second-round effects, and the length of the Middle East conflict as key to determining the need for hikes. On balance, though, the comments suggest that the median voter remains comfortable with holding the policy rate at its current level.

Governor Bailey spoke of months before oil markets would normalise (and potentially years for gas markets), but still said that the tightening of financial conditions 'gives us time', echoing comments made by DG Breeden last week. In separate remarks, Alan Taylor more explicitly made the case for holding Bank Rate constant, clarifying that the realised Bank Rate is already 0.5pp higher than he would have chosen it to be at this point before the Middle East shock. Megan Greene suggested that the duration of the war was key, but that absent clarity on that, she would advocate 'proactively' leaning against the inflation shock. This echoed comments made by Chief Economist Huw Pill earlier.

EM central banks lead the hikes

This week, BI surprised with a larger-than-expected 50bp rate hike, to 5.25%. While in our base case we had no rate hike, we had highlighted that a rate hike was a close call, given the speed and magnitude of the surge in USDIDR. However, it was uncertain to us if the resistance from the pro-growth government had eased sufficiently to pave the way for one. The IDR depreciation had likely reached levels that left the pro-growth government with no choice but to relent on monetary policy tightening.

Next week, we expect SARB to hike rates 25bp, to 7%, although the risk skews toward a larger 50bp, following the further rise in April CPI to 4.0% y/y; BoK to stand pat, while risks are skewed for a more hawkish outcome; the NBH to stay on hold;, and the Bank of Israel to cut rates 25bp, but it is a close call between a hold and a cut.

Universe II: AI-optimism, earnings strength

In another universe, the state of the world is much brighter. Hopes for an Iran deal further fueled optimism in US equity markets, driving US stocks toward their longest streak of weekly gains. Earlier in the week, chip producer NVIDIA, which has driven nearly a fifth of the SP500 gains YTD, delivered yet another quarter of very strong earnings results, well above Wall Street expectations. Even if this, plus buy-backs and a higher dividend, did not make investors raise its share price further (apparently over growth concerns), it certainly cemented the company as a large, stable place to invest.

This equity market euphoria seems in stark contrast to the pressures in government bond markets (despite some recovery towards the end of the week) over concerns regarding debt sustainability, inflation risks and potentially higher real equilibrium interest rates. It seems that parallel to the universe of macro concerns lies another different universe of tech-equity bliss.

Global Forecasts

Data as of 22 May 2026

		Real GDP									Consumer prices							
		% over previous period, saar						% annual change			% over a year ago					% annual change		
	Weight#	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2025	2026	2027	1Q26	2Q26	3Q26	4Q26	1Q27	2025	2026	2027
Global*	*100.0*	3.1	3.1	2.4	2.9	3.1	2.5	3.5	3.1	3.0	2.3	3.0	3.2	3.2	3.3	2.3	2.9	2.3
Advanced	*38.1*	0.6	1.5	1.5	1.3	1.3	1.2	1.7	1.5	1.3	2.4	3.6	3.8	3.8	3.4	2.6	3.4	2.3
United States	*17.9*	0.5	2.0	2.5	2.0	2.0	1.5	2.1	2.2	1.7	2.7	4.2	4.2	4.1	3.5	2.7	3.8	2.2
Euro area	*13.5*	0.8	0.6	0.5	0.6	0.8	0.8	1.5	0.7	0.9	2.0	3.2	3.5 ↑	3.5	3.2	2.1	3.1	2.4
Germany	*3.7*	1.0	1.3	0.5	0.6	0.9	0.9	0.3	0.7	1.1	2.3	2.8 ↓	3.0 ↓	2.9 ↓	2.8 ↓	2.3	2.8 ↓	2.4
France	*2.7*	0.8	0.0	0.5	0.6	0.8	0.6	0.9	0.7	0.8	1.1	2.7	2.7	2.9	2.6	0.9	2.4	1.8
Italy	*2.2*	1.3	0.7	-0.1	0.3	0.4	0.4	0.7	0.6	0.5	1.4	3.2 ↑	3.7 ↑	4.0 ↑	3.5 ↑	1.6	3.1 ↑	2.4
Spain	*1.6*	3.1	2.5	1.4	1.0	1.5	1.3	2.8	2.2	1.5	2.8	3.5 ↑	4.3	4.0	3.5 ↓	2.7	3.7	2.8 ↓
Japan	*4.0*	0.8 ↓	2.1	1.4 ↑	0.6	0.4	1.3	1.1	0.8	1.0	1.8	1.6 ↓	2.5 ↓	2.6	3.7	3.1	2.1 ↓	2.6
United Kingdom	*2.6*	0.6	2.5	0.2	0.7	0.7	1.6	1.4	1.0	1.1	3.1	2.9 ↓	3.2	3.3	2.9	3.4	3.1	2.4
Emerging*	*61.9*	4.6	4.0	3.0	3.8	4.1	3.7	4.5	4.0 ↓	4.0	2.1	2.2	2.3	2.5	3.0	1.8	2.3	2.2
EM ex China*	*38.5*	4.6	2.2 ↓	2.8	4.1	4.3	3.3	4.2	3.7 ↓	3.9	3.2	3.7	3.8	3.9	3.8	3.3	3.6	3.4
Emerging Asia	*43.0*	5.5	6.1	3.4	4.4	4.8	4.5	5.4	5.1	4.6	1.4	1.5	1.8	2.0	2.3	0.7	1.7	1.7
EM Asia ex China	*19.6*	6.6	5.3	3.7	5.7	5.8	4.6	5.9	5.6	5.2	2.5	3.4	3.8	3.9	3.4	1.8	3.4	3.4
China	*23.4*	4.5	6.8	3.2	3.2	4.0	4.5	5.0	4.6	4.0	0.8	0.5	0.7	0.9	1.3	0.1	0.7	0.8
India	*9.9*	6.7	5.6	5.7	7.6	7.7	7.0	7.5	6.9	6.7	3.1	3.9	4.3	5.2	4.8	2.2	4.1	5.1
Indonesia	*2.9*	6.2	6.0	4.9	3.6	5.7	6.1	5.1	5.3	5.2	3.9	3.2	4.3	4.1	4.3	1.9	3.9	3.1
Korea	*2.0*	-0.6	6.9	-0.1	0.8	1.7	3.1	1.0	2.6	2.0	2.1	3.0	2.9	2.2	1.9	2.1	2.5	1.7
Thailand	*1.1*	7.8	2.7 ↑	-2.4 ↓	1.2 ↓	1.0 ↓	2.4	2.4	1.8	2.2	-0.5	3.4	3.5	3.1	3.2	-0.1	2.4	1.4
Taiwan	*1.1*	23.6	8.4	-2.0	8.7	3.3	-5.2	8.7	8.8	2.5	1.3	2.3	2.0	1.8	1.8	1.7	1.9	1.5
Malaysia	*0.8*	5.6 ↑	0.0 ↑	3.6 ↓	8.2	6.1	3.9	5.2	4.6	4.8	1.6	2.2	2.6	2.6	2.6	1.4	2.3	1.8
Philippines	*0.8*	2.4	3.8	2.0	4.1	5.7	5.3	4.4	3.0	5.0	2.8	7.4	7.4	7.6	6.6	1.7	6.3	3.8
Singapore	*0.6*	5.2	0.4	-0.8	0.8	0.8	3.2	5.0	2.4	2.2	1.5	2.2	2.7	2.5	2.9	0.9	2.2	2.1
Hong Kong	*0.3*	4.0	2.4	2.3	1.5	3.8	2.3	3.5	2.8	2.0	1.5	1.7	2.2	1.9	1.7	1.6	1.8	1.8
Latin America*	*7.3*	1.4	2.2 ↑	3.0	2.4	1.4	2.4	2.1	1.9	2.1	4.0	4.3	4.3	4.4	4.3	4.3	4.2	3.8
Brazil	*2.9*	0.6	4.4 ↑	2.7	1.5	-0.9	3.0	2.3	2.0	1.4	4.1	4.6	4.8	5.0	4.9	5.0	4.6	4.1
Mexico	*2.0*	2.9 ↓	-2.4 ↑	4.0	2.3	3.3	1.4	0.5	1.2	2.3	4.1	4.2	4.0	4.0	3.7	3.8	4.1	3.8
Argentina	*0.9*	2.4	3.2	3.2	3.2	2.8	2.8	4.4	2.5	3.0	32	33	33	30	26	32	30	20
Colombia	*0.7*	0.5	2.5	2.0	2.5	2.5	2.5	2.6	2.3	2.6	5.3	5.2	5.0	4.9	4.3	5.1	5.1	4.1
Chile	*0.4*	1.2	4.1	3.6	3.2	2.8	2.4	2.5	2.7	2.5	3.0	3.8	3.5	3.2	3.2	3.8	3.2	3.0
Peru	*0.4*	-0.6	4.7	0.7	6.4	2.6	1.7	3.2	2.9	2.8	2.0	2.0	2.4	2.8	2.6	1.5	1.8	2.0
EEMEA*	*11.6*	3.3 ↓	-3.0 ↓	1.2	2.4	3.2	2.4	2.6	1.4 ↓	2.8	3.6	3.6	3.4	3.4	3.9	5.3	3.5	3.2
Russia	*4.2*	3.2 ↓	-6.1 ↓	0.9 ↑	0.8 ↑	0.7	1.5	1.0 ↑	-0.5 ↓	1.3	5.9	5.2	5.0	4.7	4.8	8.7	5.2	4.4
Turkiye	*2.2*	1.5	5.9	1.6	2.7	3.0	4.0	3.6	3.4	3.7	31.2	30.4	27.4	25.8	21.5	35.1	26.9	20.5
Poland	*1.2*	4.5	2.6	0.7	2.5	3.8	3.8	3.6	2.9	3.4	2.4	3.3	3.4	4.0	3.5	3.8	3.1	3.0
South Africa	*0.6*	1.5	0.7	0.8	1.3	1.1	1.8	1.1	1.2	1.6	3.2	4.0	4.2	4.6	4.7	3.2	4.0	3.7
Hungary	*0.3*	4.2	2.2	-1.6	0.9	2.6	3.2	0.3	2.2	2.5	2.4	3.5	4.1	4.6	4.8	4.4	3.4	4.1
Israel	*0.3*	2.9	-3.3 ↑	8.2 ↓	5.6 ↓	4.0	3.5	3.2	3.3 ↑	4.5 ↓	1.9	1.9	1.7	1.8	2.2	3.0	1.8	2.2
Saudi Arabia	*1.6*	5.8	-19.8	-4.7	5.1	10.3	1.9	4.5	-3.0	4.2	1.6	1.5	1.0	0.6	1.2	2.0	1.2	1.4
Nigeria	*1.3*	2.9	3.7	7.5	4.0	2.9	2.5	4.0	4.5	4.3	14.9	14.5	13.6	13.5	12.6	23.0	14.1	10.5

Note: Arrows appear next to numbers if current forecasts differ from that of the previous week by 0.5pp or more for quarterly annualized GDP, by 0.2pp or more for annual GDP and by 0.2pp or more for Inflation. Weights used for real GDP are based on IMF PPP-based GDP (5y centred moving averages). Weights used for consumer prices are based on IMF nominal GDP (5y centred moving averages)". # IMF PPP-based GDP weights for 2024. Nigeria growth figures are GVA. Russia GDP is using SA series by Haver Analytics. *Aggregates for CPI exclude Argentina, Turkiye & Nigeria inflation rates.
Source: Barclays Research

Global Data and Events

Week ahead

UNITED STATES		Period	Prev – 2	Prev – 1	Forecast	Consensus
23 – 29 May	Events: NY Fed's Williams (Thu.)					
28 May 13:30	Personal spending, % m/m ; to decrease, driven by price pressure.	Apr	0.6	0.9	0.6	0.5
28 May 13:30	Core PCE price index, % m/m (y/y); to inch up, reflecting rising energy prices & the high weight that the PCE measure places upon rising prices in the computer software and accessories component.	Apr	0.4 (3.0)	0.3 (3.2)	0.3 (3.3)	0.3 (3.3)
28 May 13:30	Real GDP, % q/q saar; BEA to revise down growth by 0.1pp due to minor downward revisions to business investment.	Q1 S	0.5	2.0 P	1.9	2.1
28 May 15:00	New home sales, k saar; to decline 4.7% m/m, below the prior month but above the 3mma seen in Q1 26.	Apr	635	682	650	663

EURO AREA		Period	Prev – 2	Prev – 1	Forecast	Consensus
23 – 29 May	Events: ECB's Lagarde (Sat.); General Affairs Council (Tue.); Netherlands CB President Sleijpen (Tue.); ECB's Lagarde, Lane, Cipollone & Schnabel (Thu.); ECB minutes (Thu.); Estonia CB Gov. Muller & Bulgaria CB Gov. Radev (Fri.)					
26 May -	France: Retail sales sa, % m/m (y/y)	Apr	-0.5 (-0.5)	0.4 (0.1)	-	-
27 May 09:00	EA21: ECB publishes Financial Stability Review	May				
28 May 08:00	Spain: Adjusted retail sales, % y/y	Apr	2.3	4.1	-	3.6
28 May 10:00	EA21: EC business and consumer survey	May	-	-	-	-
29 May 07:45	France: GDP, % q/q	Q1 F	0.2	0.0 P	0.0	0.0
29 May 11:00	Italy: GDP, % q/q	Q1 F	0.3	0.2 P	0.2	0.2

UK		Period	Prev – 2	Prev – 1	Forecast	Consensus
23 – 29 May	Events: BoE's Lomardelli & Breeden (Thu.); BoE's Bailey (Fri.)					

JAPAN		Period	Prev – 2	Prev – 1	Forecast	Consensus
27 May 01:00	BoJ Governor Ueda speaks – Ueda to deliver opening remarks at international conference hosted by BoJ's IMES.					
29 May 00:30	Tokyo CPI excl. perishables, % y/y; to be steady, as the termination of utility subsidies likely had limited effect of only slightly reducing negative contributions.	May	1.7	1.5	1.5	1.5
29 May 00:30	Unemployment rate, % / Jobs-applicants ratio; unemp. rate to stay low as structural & irreversible tightening of labor mkt continues.	Apr	2.6 / 1.19	2.7 / 1.18	2.7 / -	2.7 / 1.18
29 May 00:50	IP, % m/m; to decrease again in April.	Apr P	-2.0	-0.4	-0.2	-0.5

REST OF THE WORLD		Period	Prev – 2	Prev – 1	Forecast	Consensus
25 May 14:00	Israel: Discount rate, %; BoI to cut, given incoming data; however, geopolitical uncertainty and labour tightness tempers conviction and could delay easing into H2 26.	May	4.00	4.00	3.75	3.75
26 May 13:00	Hungary: Policy rate, %; NBH to stay on hold, supported by a high ex post real policy rate cushion.	May	6.25	6.25	6.25	6.25
27 May 03:00	New Zealand: RBNZ official cash rate, %; RBNZ to hike it's policy rate since CPI inflation has turned out to be sticky & a swift end to the Middle East conflict also looks elusive.	May	2.25	2.25	2.50	2.25
27 May 13:00	Brazil: IPCA-15 inflation, % m/m; to decelerate, explained by reduction in transport cost due to drop in fuel prices.	May	0.44	0.89	0.53	-
27 May 19:30	Mexico: Banxico Q1 inflation report – In our view, Banxico staff is likely to review the downside of their 2026 growth projection, after the lower-than-expected activity reported in Q1 26, which we think was affected by trade volatility.					
28 May -	Korea: BoK 7d repo rate, %; BoK to hold the policy rate, while delivering a strong signal toward future rate hikes.	May	2.50	2.50	2.50	2.50
28 May 14:00	South Africa: Repo rate, %; SARB to hike, given the uptick in headline and core CPI.	May	6.75	6.75	7.00	7.00
29 May 13:00	Brazil: GDP, % y/y; to accelerate after two quarters of near stability.	Q1	1.8	1.8	1.8	-

Note: For details, refer to corresponding Data Review and Preview sections. Events and speeches that do not show the time are in local timezone. Rest are reported in BST. Consensus data are from Bloomberg. Indicators with EA21 country code include Bulgaria.
Source: Barclays Research

US Outlook

Holding firm, watching inflation

Resilient activity persists beneath depressed sentiment as cost pressures persist. Incoming data suggest steady growth alongside gradual erosion in household buffers. The April FOMC minutes underscore a longer hold and a more balanced stance, with inflationary developments the main focus.

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- Soft data suggest activity remains resilient despite weak consumer sentiment and growing concerns about sustained inflation pressures. After incorporating incoming estimates of April housing starts and the Q1 Quarterly Services Survey, we expect next week's second estimate to nudge down Q1 GDP growth to 1.9% q/q saar. We continue to track Q2 growth at 2.5% q/q saar.
- A busy data week awaits, with most focus on April's personal income release, where we expect core PCE to rise 0.27% m/m (3.3% y/y), real spending to increase 0.1% m/m, and the saving rate to decline as commodity price pressures weigh on consumers. An above-consensus jump in durable goods orders (Barclays: 7.7% m/m) and a wider goods trade deficit should round out the picture.
- With Warsh having formally succeeded Powell as chair, the April FOMC minutes point to a longer, more conditional hold and a higher bar for cuts. In our view, the reaction function has become more two-sided, with persistent inflation seen as a trigger for further firming. Policy remains firmly on hold, with greater emphasis on inflation and credibility in shaping future decisions.

Resilience persists despite strains

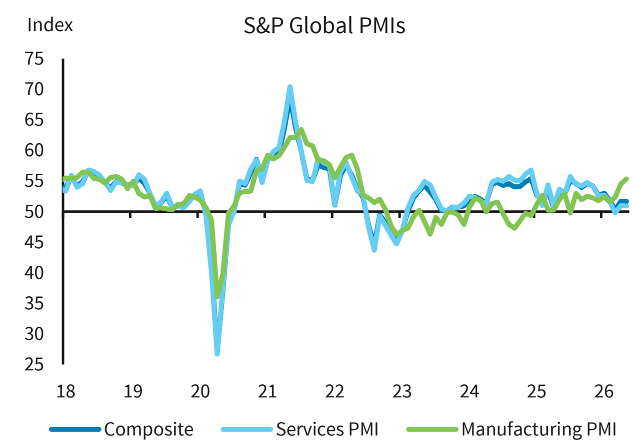
Data continue to point to resilient underlying activity, even as sentiment measures signal significant consumer strain. May's preliminary S&P Global PMIs remained consistent with expansion, with the composite holding in solid territory despite some divergence across manufacturing and services (Figure 1). In our view, the strength in manufacturing largely reflects ongoing AI-related capex, which continues at a strong pace despite rising input costs for semiconductors and other components. This strength should be evident in next week's advance durable goods report (Barclays: 7.7% m/m; consensus: 3.2%), where we expect another solid gain in core capital goods (Barclays: 1.0%; consensus: 0.4%) alongside a surge in the volatile aircraft component. By contrast, softer services activity likely reflects gradually cooling consumer spending, a dynamic that has become clearer after incorporating this week's Q1 Quarterly Services Survey (QSS) data.

Taken together, the latest data remain consistent with trend-like GDP growth in H1 2026. With the QSS pointing to softer services than assumed in the advance release, we expect next week's second estimate to leave Q1 consumer spending at 1.6% q/q saar and to nudge headline GDP down to 1.9%, reflecting modest downward revisions to business investment. We continue to track Q2 growth at 2.5% q/q saar following April's mixed data for housing starts and permit issuance—within the range of competing forecasts from S&P Global Market Intelligence (1.9% q/q saar) and the Atlanta Fed's (factor-based) GDPNow estimate (4.3% q/q saar).

Consumer spending seems poised to fade, but the AI buildout remains potent

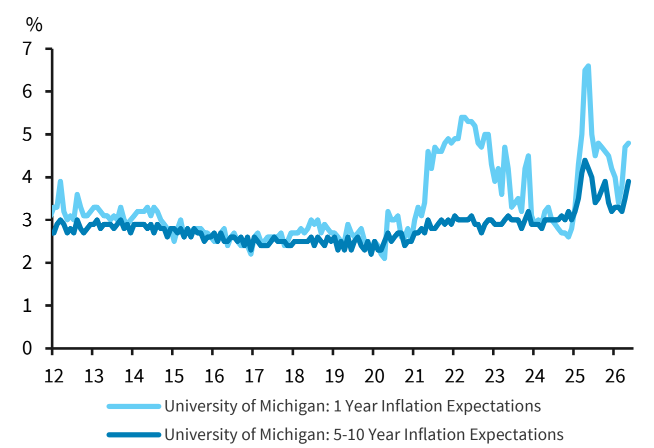
Consumer spending appears to be losing momentum, but the AI buildout remains a key source of support. While consumer aggregate spending has slowed alongside softer labor income growth, last year's tax cuts and ongoing wealth effects continue to provide a partial offset. At the same time, strains on purchasing power from elevated energy prices are increasingly evident in sentiment, with the final May Michigan reading (44.8) falling to new all-time lows alongside an upsurge in inflation expectations (Figure 2). As higher energy costs erode savings buffers and income growth moderates, we expect household spending to slow from 1.8% saar in H1 2026 to 1.0% in H2.

FIGURE 1. S&P Global PMIs remain in expansionary territory, with manufacturing accelerating notably



Source: S&P Global, Haver Analytics, Barclays Research

FIGURE 2. Michigan survey inflation expectations picked up notably in May's final report



Source: University of Michigan, Bloomberg, Haver Analytics

At the same time, we see little indication that momentum in business fixed investment from the AI buildout will slow anytime soon. This week, our colleagues in Credit Research upgraded their medium-term hyperscaler capex outlook (see Hyperscaler Capex and Capital: Gigawatts Don't Build Themselves), pointing to rapidly growing lease commitments for computing capacity. They now expect nominal capex by the five largest hyperscalers to decelerate only gradually—from $725bn (+80%) in 2026 to nearly $1trn (+37%) in 2027 and $1.2trn (+16%) in 2028. This strengthens the upside to our already robust outlook for nonresidential fixed investment, with real spending growth potentially up to 2pp higher than our current 2027 forecast (2.6% Q4/Q4).[6]

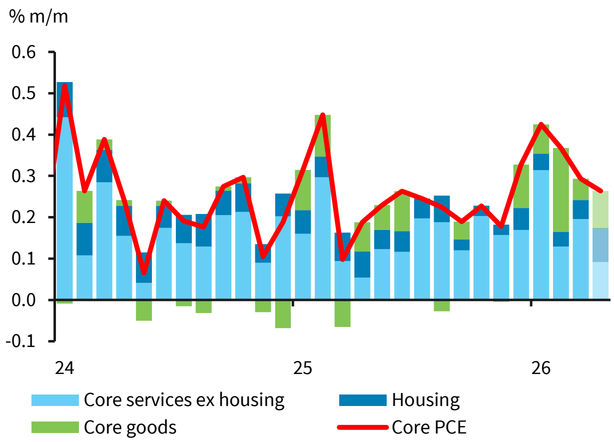
Next week's focus: April personal income and spending

The upcoming week should be busy on the data front, highlighted by April estimates of personal income, spending, and PCE inflation. We will be paying particular attention to the income–spending mix, with stronger nominal spending growth (Barclays: 0.6% m/m; consensus: 0.5%) alongside softer income growth (Barclays and consensus: 0.4%) likely implying a further decline in the saving rate. Based on April CPI and PPI readings, we estimate a 0.55% m/m increase in headline PCE prices and a 0.27% m/m (3.3% y/y) rise in the core index. While April's core CPI was boosted by distortions from a double dose of rent inflation, this effect should be less

[6] Note that nominal spending gains by the hyperscalers translate to much slower growth in terms of aggregate nonresidential fixed investment, which is currently about $4.5trn. This is, in part, because investment outside of the AI sector remains fairly flat, and, in part, because the nominal estimates are exaggerated by inflationary pressures for AI capital goods.

pronounced in the PCE measure, which assigns a lower weight to housing and was temporarily dampened by the earlier equity market selloff during the initial phase of the Iran conflict.

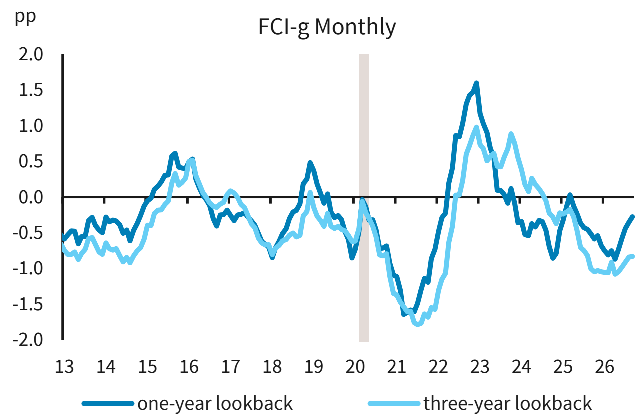
FIGURE 3. Available estimates still show elevated core PCE price inflation, despite some deceleration



Note: Shaded readings represent Barclays forecasts.

Source: BLS, Barclays Research, Haver Analytics

FIGURE 4. The bond selloff makes financial conditions less supportive for growth



Note: Indices represent the expected drag on GDP growth in the upcoming 12 months, in percentage points, according to FRB/US model multipliers. When the index is negative, conditions are a tailwind.

Source: Federal Reserve, ICE/Bank of America Merrill Lynch, Wall Street Journal, Haver Analytics, Barclays Research

FOMC minutes: more two-sided stance, greater focus on inflation

The April FOMC minutes reinforce that the committee is coalescing around a longer and more conditional hold, with diminished confidence that further easing is the natural next step. Participants broadly judged that "maintaining the current policy stance for longer than previously anticipated" may be necessary, while discussions around forward guidance show that a meaningful portion of the committee no longer views the easing bias as appropriate, even as the majority opted to retain it. Conditions for cuts were framed more tightly than before, with easing contingent on "clear indications that disinflation is firmly back on track" or "solid signs" of labor market deterioration. At the same time, the emphasis on an extended pause suggests a high bar for policy adjustments, pushing back against expectations that the FOMC might contemplate a pivot toward hikes in the near term.

More importantly, the minutes point to an evolution in the committee's policy reaction function toward greater emphasis on inflation risks and credibility. A "vast majority" of participants highlighted the risk that inflation could remain elevated for longer, while "a majority" indicated that further firming "would likely become appropriate if inflation were to continue to run persistently above 2 percent," explicitly reintroducing hikes into the policy distribution and reinforcing the sense that the bar for further easing has risen. This shift is reinforced by a relative downplaying of labor market risks—participants "generally expected labor market conditions to remain stable"—and greater concern that sustained cost pressures could "feed into wage- and price-setting behavior." Taken together, the minutes suggest the committee is no longer implicitly oriented toward easing, but instead increasingly focused on guarding against upside inflation risks and preserving credibility, consistent with a more two-sided policy stance in which inflation developments are likely to play an especially prominent role in shaping future policy decisions.

Waller reinforces two-sided messaging

The evolution toward a more two-sided view of the future path of policy rates was further emphasized by Governor Waller, who said he "would support removing the 'easing bias' language in [the] policy statement to make clear that a rate cut is no more likely in the future than a rate increase," given that "inflation is not headed in the right direction." While he recognized that oil prices could decline, he "can no longer rule out rate hikes further down the road if inflation does not abate soon." He added that he would not hesitate to support a rate hike if he believed that inflation expectations had started to become unanchored, though he noted that such action was premature at this point.

We view Waller's comments as representative of the broader change in views among FOMC participants. Indeed, his remarks are consistent with our thinking (detailed in What would trigger a 2026 Fed hike?) that the FOMC could hike rates if it sees evidence that (i) longer-term inflation expectations are becoming unmoored, particularly in 5–10y market-based measures; (ii) the run rate of core PCE inflation had settled at level well above its target-consistent pace, even as tariff-related pressures fade; and/or (iii) demand was outpacing supply, with, eg, growth exceeding potential, consumer spending re-accelerating, unemployment falling below NAIRU and wage growth accelerating.

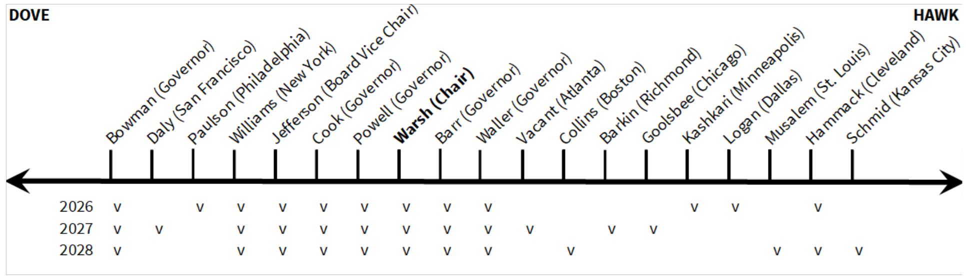
Although May's 0.4pp jump in the University of Michigan's 5-10y inflation expectations, to 3.9% y/y, speaks to the first of these conditions, we doubt this will be sufficient to trigger rate hikes absent corroborating signals from longer-term market-based expectations measures.

Warsh sworn in as the new Fed chair

In a highly visible ceremony at the White House hosted by President Trump, Kevin Warsh was sworn in as the new Fed chair, to a four-year term. The FOMC also unanimously selected Warsh as its chairman. With Powell staying as a governor, Warsh takes Miran's seat as governor for a nearly 14-year term. Seeking to alleviate fears about the loss of Fed independence, Trump emphasized: "I want Kevin to be totally independent... Don't look at me, don't look at anybody. Just do your own thing." However, Trump also laid out his expectation that the economy would grow rapidly amid low inflation, suggesting calls for easing could resurface if growth disappoints.

Figure 5 lays out our assessment of the FOMC participants from the most dovish to the most hawkish. Based on their communication, we continue to view the most hawkish block to comprise Fed presidents Goolsbee, Kashkari, Logan, Musalem, Hammack and Schmid and note that from that group, only Goolsbee will be a voter in 2027. Waller's latest comments led him to move from the dovish to the hawkish side of the block of governors, and with Miran having left, we view the group of dovish members as comprising Bowman, Daly, Paulson and Williams. As we await comments from Warsh in his new role as chair, we expect him to attempt to represent the whole committee, but to be slightly more hawkish than Powell, given the intellectual environment he has been part of and his persistent complaints about the Fed's excessive largesse with the balance sheet. While his comments that productivity improvements would eventually result in lower inflation may cause him to push for lower policy rates, we doubt he will risk jeopardizing long-run price stability.

FIGURE 5. FOMC participants are mostly distinguished by their preference for removing the easing bias and the bar they set for further easing



Notes: "v" signifies voting member. John Williams is also Vice Chair of the FOMC. Cheryl Venable has been serving as the interim Atlanta Fed president after February 2026 departure of Raphael Bostic.
Source: Barclays Research

US Q2 GDP TRACKING AT 2.5%

Colin Johanson, BCI, US | Jonathan Millar, BCI, US

We began this week by updating for the April housing starts estimates, which left our GDP tracker unchanged at 2.5% q/q saar but slightly reduced our residential investment tracker. We finished the week by aligning to our forecasts for next week's indicators, which kept our tracker constant at 2.5% q/q saar as well.

FIGURE 6. **The effect of incoming data on our GDP tracking model**

		Details of Q2 2026 GDP tracking estimate (% q/q saar, unless indicated)											
Date	**Data release**	**GDP**	**Final sales**	**PCE**	**Res. inv.**	**Equip**	**Struct**	**IPP**	**Gov**	**Exports**	**Imports**	**Net exports (level)**	**CIPI (level)**
May-21	Housing Starts	2.5	3.0	2.3	**3.1**	9.6	5.0	9.0	1.5	0.0	4.0	-1105.4	-7.1
May-22	Calibration	2.5	3.0	2.3	**3.2**	9.6	**5.1**	9.0	1.5	0.0	4.0	-1105.4	**-7.7**
	Current quarter tracking	**2.5**	**3.0**	**2.3**	**3.2**	**9.6**	**5.1**	**9.0**	**1.5**	**0.0**	**4.0**	**-1105.4**	**-7.7**
	Contribution to GDP growth (pp)		*3.0*	*1.5*	*0.1*	*0.5*	*0.1*	*0.5*	*0.3*			*-0.5*	*0.0*
	Barclays official forecast	**2.5**	**2.9**	**2.0**	**4.0**	**10.0**	**5.0**	**9.0**	**1.5**	**0.0**	**4.0**	**-1105.3**	**-2.0**

Note: Our GDP tracking estimate is distinct from our official published GDP forecast. It reflects the mechanical aggregation of monthly activity data that feed directly into the BEA's GDP calculation. Where data releases have implications for the tracking components, cells have been bolded
Source: Barclays Research

US DATA REVIEW & PREVIEW

Marc Giannoni, BCI, US | Jonathan Millar, BCI, US | Pooja Sriram, BCI, US | Colin Johanson, BCI, US

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
NAHB housing market index	May	34.0	-	37.0	The housing market index rose to 37, after hitting a seven-month low in April, driven by a broad-based improvement in the sub-indices - current sales, expected sales and buyer traffic.
Net long-term TIC flows, $ bn	Mar	57.0 R	-	81.3	Net foreign purchases increased in March, with total TIC inflows rising to $150.7 bn, driven by strong private inflows despite official outflows.
Pending home sales, % m/m	Apr	1.7 R	-	1.4	Pending home sales increased 1.4% m/m in April, marking a third consecutive monthly gain, despite uncertainty around economic conditions and rising mortgage rates. Broad-based regional increases in the Northeast, Midwest and West supported the overall index.
Minutes of FOMC meeting	Apr-29	-	-	-	The minutes indicate that officials were generally content to maintain their hold for longer than previously thought, with a majority acknowledging the risk of hikes if inflation persists. We perceive some early indications that the committee's priorities are shifting toward preserving credibility.
Initial jobless claims, k (4wma)	May-16	212 R (204)	210	209 (203)	Initial claims edged down to 209k from a revised 212k, taking the 4wma further lower, while continued claims rose to 1782k.
Insured unemployment (continued claims), k	May-09	1776 R	-	1782	
Philadelphia Fed mfg. index	May	26.7	20.0	-0.4	Manufacturing activity weakened in May, with the general activity index falling to a 5-month low. New orders and shipments declined, indicating a broad pullback in demand and output.
Housing starts, k saar	Apr	1507 R	1450	1465	Housing starts fell 2.8% m/m in April, retracing some of the strong gain in March. Permit issuance, which historically is a stronger indicator of overall housing demand, jumped 5.8% m/m, showing signs of strengthening demand.
Building permits, k saar	Apr P	1363	-	1442	
"Flash" S&P Global manufacturing PMI, index	May	54.5	-	55.3	The composite PMI remained unchanged at 51.7 in May, indicating continued modest expansion, as the manufacturing index rose to 55.3, the highest since May 2022, supported by strong output growth and stock building, while the services index eased to 50.9. Input cost inflation accelerated to the fastest pace since late-2022 across both sectors.
"Flash" S&P Global services PMI, index	May	51.0	-	50.9	
"Flash" S&P Global composite PMI, index	May	51.7	-	51.7	
"Final" U. of Michigan consumer sentiment, index	May	48.2 P	48.2	44.8	The final May consumer sentiment index declined for a third consecutive month and came in below the preliminary estimate, as households are hit by higher gasoline prices and broader cost-of-living pressures. Inflation expectations for 1 year and 5 years ahead moved higher from the flash estimates.
"Final" U. of Michigan 1 Yr. inflation, %	May	4.5 P	-	4.8	
"Final" U. of Michigan 5-10 Yr. inflation, %	May	3.4 P	-	3.9	

Preview of upcoming data

Monday, 25 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
	No indicator release scheduled.						

Tuesday, 26 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:00	FHFA purchase-only HPI, % m/m (y/y)	Mar	0.3 (2.0)	0.2 (1.8)	0.0 (1.8)	0.1 (1.8)	0.1
09:00	S&P Cotality CS 20-City HPI, % m/m (y/y)	Mar	0.5 (1.5)	0.2 (1.2)	0.0 (0.9)	-0.1 (1.0)	0.1 (1.0)
10:00	Conference Board Consumer confidence index	May	91.0	92.2	92.8	90.5	91.5

House Prices: We forecast a decline in the S&P Cotality CS 20 City measure (-0.1% m/m, 1.0% y/y) and a slight increase in the FHFA house price index (0.1% m/m, 1.8% y/y) in March, which, barring revisions, would show continued moderation and even declines in house prices, extending what was shown in the February data report.

Wednesday, 27 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
	No indicator release scheduled.						

Thursday, 28 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:30	Personal income, % m/m	Apr	0.5	0.0	0.6	0.4	0.4
08:30	Personal spending, % m/m	Apr	0.4	0.6	0.9	0.6	0.5
08:30	PCE price index, % m/m (y/y)	Apr	0.3 (2.9)	0.4 (2.8)	0.7 (3.5)	0.5 (3.8)	0.5 (3.9)
08:30	Core PCE price index, % m/m (y/y)	Apr	0.4 (3.1)	0.4 (3.0)	0.3 (3.2)	0.3 (3.3)	0.3 (3.3)
08:30	Durable goods orders-p, % m/m	Apr	-0.4	-1.2	0.8	7.7	3.0
08:30	Durable goods ex transportation-p, % m/m	Apr	0.4	1.2	0.9	1.0	0.4
08:30	Core capital goods orders-p, % m/m	Apr	-0.3	1.6	3.4	1.0	0.4
08:30	Initial jobless claims, k (4wma)	May-23	199 (203)	212 (204)	209 (203)	210	213
08:30	Insured unemployment (continued claims), k	May-16	1758	1776	1782	-	
08:30	Real GDP 2nd release, % q/q saar	Q1	4.4	0.5	2.0 P	1.9	2.1
08:30	Real consumer spending 2nd release, % q/q saar	Q1	3.5	1.9	1.6 P	1.6	1.7
08:30	GDP price index 2nd release, % q/q saar	Q1	3.8	3.7	3.6 P	-	3.6
08:55	New York Fed President Williams (FOMC voter) speaks at Reykjavík Economic Conference, Harpa Concert Hall and Conference Center, Reykjavík, Iceland						
10:00	New home sales, k saar	Apr	583	635	682	650	663

Personal income and spending: We think the preliminary April estimates will show a 0.4% m/m increase in personal income, in nominal terms, driven mostly by solid gains in private payroll income in the April payroll estimates. With available source data suggesting that price pressures helped drive a 0.6% m/m increase in nominal consumer spending, this will likely imply further downdrift in the household saving rate from March's 3.5%. On the inflation front, available estimates point to a robust 0.46% m/m increase in headline PCE prices and a 0.27% m/m (3.3% y/y) uptick in the core index, reflecting rising energy prices and the high weight that the PCE measure places upon rising prices in the computer software and accessories component.

Advance durable goods orders: We expect the estimates to show an outsized increase in demand for domestically produced durable goods, led by the surge in aircraft orders already reported by Boeing and by ongoing strength related to the AI buildout. All told, we think that headline orders will be up 7.7% m/m, with new orders in the ex-transportation goods and core capital goods categories up 1.0% m/m.

Gross domestic product: We think that the BEA will revise down its Q1 GDP growth estimate by 0.1pp, to 1.9% q/q saar, mostly on account of minor downward revisions to business investment. We expect consumer spending growth to be unrevised at 1.6% q/q saar, with upward revisions to February and March estimates for the retail sales control group roughly offset by incoming QSS estimates that were weaker than the BEA assumed when assembling its advance estimate.

New home sales: We expect new home sales in April to decline 4.7% m/m to 650k, below the prior month but above the 3mma seen in Q1 26. This would represent solid demand for new builds as mortgage rates have trended downwards ever since the Fed began its rate cutting campaign in September last year, but at a lower rate than the elevated level seen in March.

Friday, 29 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
8:30	Advance trade balance for goods, $ bn	Apr	-80.9	-83.5	-87.4	-87.9	-87
8:30	Wholesale inventories-p, % m/m	Apr	-0.3	0.9	1.3	1	-
9:45	Chicago PMI index	May	57.7	52.8	49.2	-	51.2

Note: Consensus data from Bloomberg.
Source: BEA, BLS, Bloomberg, Census Bureau, Federal Reserve, ISM, University of Michigan, S&P Global, Haver Analytics, Barclays Research

US SNAPSHOT

Marc Giannoni BCI, US | Jonathan Millar BCI, US | Pooja Sriram BCI, US | Colin Johanson BCI, US

	2025				2026				2027				Calendar year average		
% Change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2025	2026	2027
Real GDP (% q/q saar)	-0.6	3.8	4.4	0.5	2.0	2.5	2.0	2.0	1.5	1.5	1.5	1.5	2.1	2.2	1.7
Real GDP (% y/y)	2.0	2.1	2.3	2.0	2.7	2.3	1.7	2.1	2.0	1.8	1.6	1.5	...	...	...
Private consumption	0.6	2.5	3.5	1.9	1.6	2.0	1.0	1.0	1.5	1.5	1.5	1.5	2.6	1.9	1.4
Public consump and invest	-1.0	-0.1	2.2	-5.6	4.4	1.5	1.5	1.5	0.5	0.5	0.5	0.5	1.1	0.8	0.9
Gross private investment	23.3	-13.8	0.0	2.3	8.7	8.2	8.3	7.2	3.4	3.5	2.0	2.0	1.9	4.6	4.7
Residential investment	-1.0	-5.1	-7.1	-1.7	-8.0	4.0	4.0	4.0	2.0	2.0	2.0	2.0	-2.2	-2.2	2.7
Nonresidential investment	9.5	7.3	3.2	2.4	10.4	8.6	9.2	6.8	3.8	3.6	2.0	2.0	4.1	7.1	4.9
Equipment	21.4	8.5	5.2	4.3	17.2	10.0	10.0	8.0	4.0	4.0	2.0	2.0	8.3	9.8	5.4
Intellectual property	6.5	15.0	5.6	5.4	13.0	9.0	9.0	5.0	3.0	3.0	2.0	2.0	5.6	9.0	4.3
Structures	-3.1	-7.5	-5.0	-6.5	-6.7	5.0	8.0	8.0	5.0	4.0	2.0	2.0	-5.3	-1.8	5.1
Ch. inventories (contr to GDP, pp)	2.6	-3.4	-0.1	0.1	0.4	0.1	0.0	0.2	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Net exports (contr to GDP, pp)	-4.7	4.8	1.6	-0.2	-1.3	-0.5	-0.4	-0.2	-0.2	-0.2	0.1	0.1	-0.2	0.0	-0.2
Exports	0.2	-1.8	9.6	-3.2	12.9	0.0	2.0	2.5	2.5	2.5	2.5	2.5	1.6	3.9	2.3
Imports	38.0	-29.3	-4.4	-1.0	21.4	4.0	4.5	3.5	3.5	3.5	1.5	1.5	2.7	3.4	3.3
Final sales to domestic purchasers	1.4	2.4	2.8	0.6	2.8	2.9	2.3	2.0	1.7	1.6	1.4	1.4	2.4	2.5	1.9
Industrial production (% y/y)	0.7	0.5	1.7	1.6	1.2	1.7	1.7	2.6	2.7	2.5	2.7	3.0	1.1	1.8	2.7
GDP price index	3.6	2.1	3.8	3.7	3.6	5.4	3.0	2.3	2.1	1.9	2.3	2.4	2.8	3.7	2.5
Nominal GDP	2.9	6.0	8.3	4.2	5.6	8.1	5.1	4.3	3.7	3.4	3.8	3.9	5.0	6.0	4.2
Employment (avg mthly chg, K)	20	34	23	-39	63	72	25	25	0	0	0	0	10	46	0
Unemployment rate (%)	4.1	4.2	4.3	4.5	4.3	4.3	4.2	4.1	4.1	4.1	4.0	4.0	4.3	4.2	4.1
CPI inflation (% y/y)	2.7	2.4	2.9	2.7	2.7	4.2	4.2	4.1	3.5	1.9	1.6	1.7	2.7	3.8	2.2
Core CPI inflation (% y/y)	3.1	2.8	3.1	2.7	2.5	2.8	2.7	3.0	3.0	2.8	2.6	2.4	2.9	2.8	2.7
PCE price index (% y/y)	2.6	2.4	2.7	2.8	3.1	4.0	4.0	3.8	3.1	2.1	1.9	1.9	2.6	3.7	2.2
Core PCE price index (% y/y)	2.8	2.7	2.9	2.9	3.1	3.3	3.2	3.2	2.7	2.5	2.4	2.3	2.8	3.2	2.5
Current account (% GDP)	-5.8	-3.3	-3.1	-2.4	-3.0	-3.1	-3.2	-3.3	-3.4	-3.5	-3.6	-3.7	-3.6	-3.1	-3.6
Federal budget bal. ($bn)	...	...	...	...	...	...	...	...	...	...	...	...	-1,775	-2,013	-2,005
Federal budget bal. (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-5.8	-6.3	-6.0
Government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	125.2	125.0	127.5
Federal funds target range															
Upper bound (%)	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.50	3.50	...	...	...
Lower bound (%)	4.25	4.25	4.00	3.50	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	...	...	...

Note: % q/q saar unless indicated. The budget balance is fiscal year.
Source: BEA, BLS, FRB, US Treasury, Barclays Research

Euro Area Outlook

Growth paying a higher price

Price and activity data paint a stagflationary picture for the EA, with growth feeling the pain of higher energy prices and pipeline price pressures building up across the economy. With inflation risks tilted to the upside, we continue to expect the ECB to hike rates in June and September.

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- Incoming high-frequency indicators, including PMIs, are consistent with a slight contraction in economic activity in the second quarter, pointing to clear downside risks to our near-term euro area growth outlook.
- April headline inflation was confirmed at 3.0% y/y in the final release. Our energy-sensitive core basket shows little evidence of pass-through from higher energy prices to broader inflation at this stage but incoming survey data suggest continued build up of pipeline price pressures.
- We revise our inflation projections. Conditional on the latest forward curves, we see headline inflation peaking at around 3.5% y/y in Q4 2026 before gradually returning towards target in 2027, supported by pronounced negative energy base effects. Risks to the inflation outlook remain skewed to the upside. Without the normalisation in energy supply, as implied by oil futures, inflation could approach 4% this year and stay well above target into next year.
- This configuration argues for policy tightening. We expect two 25bp hikes, in June and September, taking the deposit rate to the upper end of the nominal neutral range.

Gloom persists, but stabilisation could be edging closer...

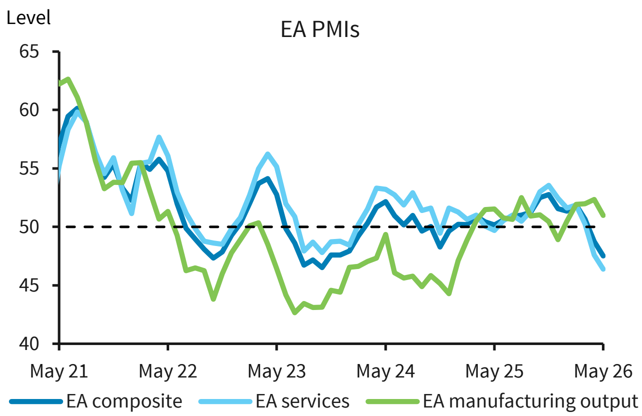
High-frequency activity indicators for May continue to point to underlying weakness, albeit to varying degrees across sectors and countries. The euro area flash composite PMI fell by a further 1.3pt to 47.5 (Figure 1), driven by declines in both services (-1.2pt to 46.4) and manufacturing (-1.3pt to 51.0), although the latter remains in expansionary territory.

Geographically, France continues to deteriorate sharply, with the composite PMI dropping by 4.1pt to 43.5, reflecting significant declines in both manufacturing output (-6.4pt to 46.4) and services (-3.6pt to 42.9). By contrast, Germany presents a more mixed picture: PMIs edged slightly higher (+0.2pt to 48.6), with manufacturing output softening (-1.8pt to 50.2) but still expanding, while services showed tentative signs of stabilisation (+0.9pt to 47.8).

Meanwhile, national business surveys paint a somewhat less negative picture. In France, the INSEE business climate was unchanged at 94 – still well below its long-run average (100) – but momentum improved in construction and manufacturing, while services softened slightly. Employment indicators, however, remain weak. In Germany, after declines in March and April, sentiment recovered in the Ifo May survey, with expectations becoming less pessimistic. The improvement was mainly driven by services, where both current conditions and expectations picked up.

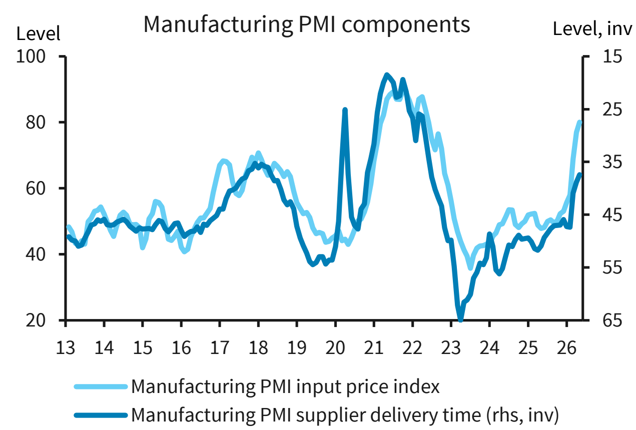
On the consumer side, the first estimate of euro area May consumer confidence showed only a limited improvement (+1.6pt to -19.0 vs -12.4 in February) after the sharp drops in both March and April. Taking the evidence for April and May together, survey data point to lower growth in Q2 relative to Q1, most likely consistent with a small contraction in real GDP in Q2, highlighting clear downside risks to both our and the ECB's baseline of 0.1% q/q growth. Next week will bring the EC May consumer and business surveys (Thursday), Q1 final GDP for France and Italy (Fri) and April euro area money and credit data (Fri), all of which should help us gain a clearer read on the evolution of economic activity as the Middle East conflict drags on.

FIGURE 1. PMIs posted another marked decline in May



Source: S&P Global, Haver Analytics, Barclays Research

FIGURE 2. Manufacturing PMIs showed an additional rise in input prices along with a further lengthening in suppliers' delivery times



Source: S&P Global, Haver Analytics, Barclays Research

...while pipeline price pressures build

The picture is clearer on price pressures. Input prices rose to their highest since 2022 (+2.2pt to 70.5), driven by both manufacturing (+3.1pt to 80.1) and services (+1.8pt to 67.3). This coincided with continued signs of supply-chain pressures in manufacturing, with delivery times in May lengthening further, by the largest extent since July 2022 (Figure 2).

Unlike in March-April, however, higher input costs appear to have been absorbed in margins, as output prices were little changed across both manufacturing and services on the month. That said, the French INSEE survey shows that the balance of opinion on expected selling prices over the next three months continues to rise sharply, having reached its highest since March 2023. The increase was also broad-based across several manufacturing sectors, including pharmaceuticals, textiles, clothing, leather and footwear, rubber and plastics, and other manufacturing.

As we have shown before, we believe the key for the euro area inflation outlook is the speed and extent to which this recent rise in price expectations feeds through into realised consumer inflation. Historically, pass-through from developments in such upstream price metrics into realised consumer inflation has occurred with lags of around three quarters. However, with firms more alert to energy price developments after the 2022 shock, risks are tilted towards a faster pass-through to downstream prices, even in a weaker demand environment.

On the wage front, it is still too early to identify any tangible evidence of second-round effects in incoming pay data. In this respect, the ECB's negotiated wage indicator eased to 2.5% in Q1, from 2.9% at the end of last year. As we have argued, current wage growth data largely reflect agreements concluded over the past few years, when inflation had broadly converged to the ECB's 2% target. Based on historical regularities and the structure of wage bargaining across euro area member states, we do not expect negotiated wages to show renewed upward momentum driven by inflation catch-up before early next year.

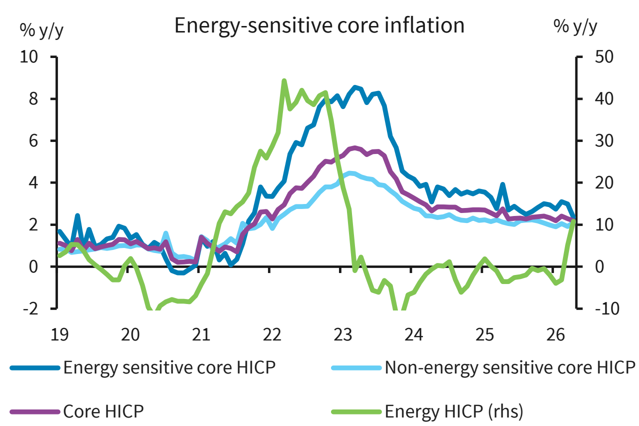
May inflation set to reach 3.3% y/y for the euro area

The final April headline inflation print was confirmed at 3.0% y/y (up from 2.6% in March), while core eased marginally to 2.2% y/y. As expected, the rise in headline inflation was largely driven by energy (10.8% y/y, from 5.1% in March), mainly reflecting higher fuel prices. As we showed in Tracking inflation propagation, the details of the April release confirm that, at this stage, price pressures remain largely confined to the energy component, with no particular evidence of spillovers to energy-sensitive core items (Figure 3).

Looking ahead, the May flash HICP for EA4 countries will be released next Friday before the EA print on 2 June. We expect euro area HICP inflation to come in at 0.2% m/m NSA and 3.3% y/y, up 0.3pp from April. Core inflation is likely to pick up to around 2.4% y/y. The increase in headline should reflect a further rise in energy inflation (to 12.5% y/y, from 10.8% y/y in April), alongside a re-acceleration in services.

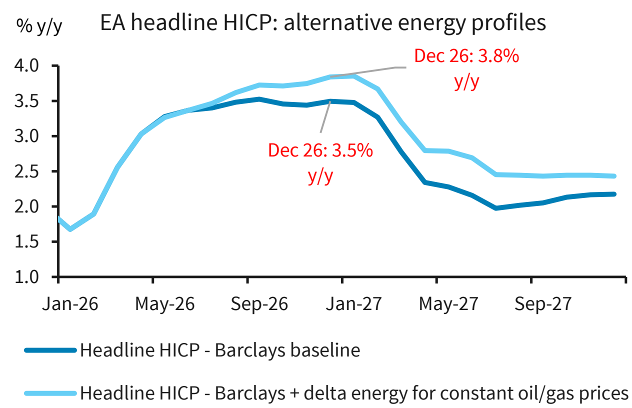
Beyond the front month, we revise our inflation projections based on the latest energy curves and expect headline/core inflation to average 3.1/2.4% in 2026 and 2.4/2.6% in 2027. Risks to our baseline are skewed to the upside, as the return of inflation towards target in 2027 remains contingent on the realisation of energy futures, which, as argued by our oil analyst, currently embed a rapid normalisation of flows through the Strait of Hormuz. In a scenario where oil and gas prices remain close to current front-contract forward levels ($105/bbl for oil and €48/MWh for gas) over the remainder of the projection horizon, we would expect euro area headline inflation to peak closer to 4% in Q4 2026 and remain materially above target in 2027 (Figure 4).

FIGURE 3. Annual inflation in our energy-sensitive core basket edged lower in April



Source: Eurostat, Barclays Research

FIGURE 4. Risks to our EA inflation profile would be skewed to the upside should commodity markets' expectation of some normalisation of energy supply not materialise



Source: Eurostat, Barclays Research

June hike close to locked in

ECB communication is gradually coalescing around the prospect of a rate increase at the 11 June meeting. In particular, in an interview with Bloomberg, Belgian Governor Wunsch noted that, unless the conflict is resolved by June, the likelihood of a hike would be “quite high”. He added that, while he had a slight preference for a hike at the April meeting, he could support the decision to hold given the value of waiting back then. So far, Wunsch has pointed to early signs of a faster pass-through of higher input costs to firms' selling prices, but has underscored that the wage outlook remained benign. Echoing these comments, Malta's Governor Demarco suggested that the ECB may need to act at the June meeting, stressing that this is "about preserving credibility", as the ECB cannot be seen as falling behind the curve. Similar remarks were made by Governor Rehn, who warned that the euro area is drifting towards the adverse scenario of weaker growth and higher inflation, which could force the ECB to tighten policy "for the sake of credibility".

Bank of France Governor Villeroy's successor, former Treasury head and Secretary General Emmanuel Moulin, has been confirmed as Governor of the Banque de France by both the National Assembly and the Senate.

Progress on the approval of the EU-US trade deal

On Wednesday, negotiators from the European Parliament, the Council and the European Commission reached a compromise on the implementation of the EU-US trade deal. According to media reports, the agreement could include several key features: (1) provisions under which the Commission would be empowered, at the request of the Parliament or a member state, to suspend the agreement in whole or in part – for example, the possibility to suspend concessions on steel products vis-à-vis the US if, by 31 December 2026, US tariffs on EU steel and aluminium derivatives remain above 15%; (2) a sunset clause under which the agreement would expire in December 2029; and (3) safeguard provisions requiring the Commission to investigate, either on its own initiative or at the request of three member states, whether imports pose a serious threat to domestic industries. The vote on the text is expected to take place during the European Parliament's plenary session on 15-18 June, ahead of the US-imposed 4 July deadline.

The week ahead

On the policy side, attention will focus on a series of public interventions, including remarks from Dutch central bank President Sleijpen (Tuesday), Chief Economist Lane (Thursday), President Lagarde (Thursday), Executive board member Cipollone (Thursday), Executive board member Schnabel (Thursday), Italian central bank Governor Panetta (Friday), Bulgarian central bank Governor Radev (Friday) and Estonian central bank Governor Muller (Friday). We will also closely monitor the April monetary policy meeting account (Thursday).

EURO AREA DATA REVIEW & PREVIEW

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Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
EA21: "Final" HICP, % m/m (y/y)	Apr	1.04 (3.04) P	1.04 (3.04)	1.03 (3.03)	Euro Area headline inflation was unrevised at 3.0% y/y in the April final release, up 0.4pp from March. Core HICP was also unrevised at 2.2% y/y, easing from 2.3% y/y recorded in March. The pickup in headline inflation was driven mainly by energy (+5.7pp to 10.8% y/y), with fuel prices providing the bulk of the increase for now. Within core, the deceleration in services more than offset the pick-up in core goods prices.
EA21: 'Eurostat' core (HICP x fd, alc, tob, ene), % m/m (y/y)	Apr	0.92 (2.19) P	0.92 (2.19)	0.93 (2.20)	
EA21: HICP ex tobacco, index (2015 = 100)	Apr	102.0	103.0	103.0	
EA21: "Flash" Manufacturing PMI, index	May	52.2	51.6	51.4	Euro area PMI declined further in the May flash release, falling by 1.3pt to 47.5, with both services (-1.2pt to 46.4) and manufacturing (-1.3pt to 51.0) softening, although the latter remains in expansionary territory. Weakness was broad-based across countries, but most pronounced in France. The data continue to reflect the impact of the Middle East conflict, with softer demand and rising input costs.
EA21: "Flash" Services PMI, index	May	47.6	47.7	46.4	
EA21: "Flash" Composite PMI, index	May	48.8	48.7	47.5	
France: Business climate, index	May	94.0	-	93.6	France's business climate indicator was unchanged at 94 in May, remaining at its lowest level since early 2021. Across industries, sentiment held up in manufacturing but weakened further in services and retail. The employment climate index fell to its lowest level since the pandemic, driven mainly by the services sector.
Germany: "Final" GDP, % q/q	Q1	0.3 P	0.3	0.3	Germany's Q1 real GDP growth was confirmed at +0.3% q/q. The expenditure breakdown highlights a positive contribution from net exports, with exports of goods and services rising by 3.3% following the decline in Q4 2025, alongside support from government consumption.
Germany: IFO business climate, index	May	84.5 R	85.9	84.9	The German ifo business climate indicator edged up by 0.4 points to 84.9 in May. Firms' assessments of both current conditions and expectations improved modestly from April, rising to 86.1 and 83.8, respectively.
Germany: IFO current assessment, index	May	85.4	86.2	86.1	
Germany: IFO business expectations, index	May	83.3	85.5	83.8	

Preview of upcoming data

Saturday 23 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	**EA21: ECB President Lagarde participates in informal ECOFIN meeting in Nicosia, Cyprus**						

Tuesday 26 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:00	**EU27: General Affairs Council in Brussels, Belgium**						
14:00	**Netherlands: DNB President Sleijpen speaks at press conference in Amsterdam, Netherlands**						
-	France: Retail sales sa, % m/m (y/y)	Apr	1.4 (0.9)	-0.5 (-0.5)	0.4 (0.1)	-	-

EU27 – General Affairs Council meeting: The Council will start preparations for the June European Council meeting by discussing an annotated draft agenda. Ministers will hold a policy debate on the EU's Multiannual Financial Framework (MFF) 2028-2034 with a focus on its contribution to the integration of the EU's single market. The Council will also exchange views on EU-UK relations. In the context of the annual rule of law dialogue, it will hold country-specific discussions concerning France, Croatia, Italy and Latvia. In a public session, it will be invited to adopt a directive on the right to vote and to stand as a candidate in municipal elections by EU citizens residing in a member state of which they are not nationals. Over an informal breakfast, ministers will exchange views on strategic foresight, with the Commission also briefly presenting its intergenerational fairness strategy.

Wednesday 27 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:00	**EA21: ECB publishes Financial Stability Review**	**May**					

05:00	EU27: New car registrations, % y/y	Apr	-3.9	1.4	12.5	-	-
07:45	France: Consumer confidence indicator, index	May	91.3	88.9	83.7	-	82.0

Thursday 28 May		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
01:00	**EA21: ECB Chief Economist Lane participates in fireside chat at conference "Monetary Policy from New Perspectives" organised by Bank of Japan and Japan-Institute for Monetary and Economic Studies in Tokyo, Japan**						
08:15	**EA21: ECB Chief Economist Lane in pre-recorded video address at External Statistics Conference jointly organised by Irving Fisher Committee on Central Bank Statistics, ECB and National Bank of Poland in Krakow, Poland**						
08:20	**EA21: ECB President Lagarde delivers opening remarks at 28th meeting of Francophone Central Bank Governors in Phnom Penh, Cambodia**						
09:30	**EA21: ECB Executive Board Member Cipollone delivers speech followed by Q&A at public event "Euro Digitale e Sovranità Europea" organised by Istituto Affari Internazionali in Rome, Italy**						
12:30	**EA21: ECB Minutes**	**Apr**					
16:45	**EA21: ECB Executive Board Member Schnabel delivers public lecture as part of the Selten Salon organised by ECONtribute in Cologne, Germany**						
07:00	Norway: GDP, % q/q	Q1	0.5	0.1	0.4	-	0.4
08:00	Sweden: Economic tendency indicator, index	May	99.5	99.6	99.0	-	-
08:00	Sweden: Consumer confidence, index	May	96.1	95.2	91.5	-	-
08:00	Sweden: Manufacturing confidence indicator, net balance	May	97.3	100.3	100.0	-	-
08:00	Spain: Adjusted retail sales, % y/y	Apr	3.9	2.3	4.1	-	3.6
09:00	Italy: Consumer confidence, index	May	97.4	92.6	90.8	-	90.0
09:00	Italy: Business confidence, index	May	97.3	97.3	95.2	-	-
10:00	EA21: EC business and consumer survey	May	-	-	-	-	-
10:00	EA21: "Final" consumer confidence, % bal	May	-16.4	-20.6	-19.0 P	-	-
10:00	EA21: Industrial confidence, % bal	May	-7.3	-7.0	-7.7	-	-8.0
10:00	Malta: Preliminary GDP, % q/q	Q1	3.2	4.1	-2.1	-	-
10:30	Belgium: CPI, % m/m (y/y)	May	0.5 (1.4)	0.1 (1.6)	1.5 (4.0)	-	-

Friday 29 May		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
-	**EA21: Bank of Estonia Governor Muller and Bulgarian National Bank Governor Radev participate in panel discussion at Reykjavik Economic Conference 2026 in Reykjavik, Iceland**						
06:00	Estonia: GDP, % q/q	Q1	0.7	0.1	-0.1	-	-
06:00	Finland: GDP, % q/q	Q1	-0.1	-0.1	0.3	-	-
07:00	Sweden: Preliminary GDP, % q/q	Q1	1.0	0.8	0.5	-	0.0
07:00	Sweden: Retail sales, % m/m (y/y)	Apr	0.1 (3.7)	-0.8 (2.2)	3.1 (6.2)	-	-
07:00	Norway: Registered unemployment rate, %	May	2.2	2.2	2.1	-	-
07:45	France: Hhsld consum. goods, % m/m (y/y)	Apr	0.5 (0.5)	-1.4 (-1.6)	0.7 (0.5)	-0.1	-0.1
07:45	France: Preliminary CPI, % m/m (y/y)	May	0.6 (0.9)	1.0 (1.7)	1.0 (2.2)	-	0.2 (2.4)
07:45	France: Preliminary HICP, % m/m (y/y)	May	0.71 (1.07)	1.10 (1.97)	1.15 (2.48)	0.2 (2.9)	0.20 (2.90)
07:45	France: "Final" GDP, % q/q	Q1	0.6	0.2	0.0 P	0.0	0.0
07:45	France: "Final" non-farm payrolls, % q/q	Q1	-0.1	-0.1	-0.1 P	-	-
08:00	Switzerland: KoF leading indicator, index	May	103.8	95.6	97.9	-	98.0
08:00	Spain: Preliminary HICP, % m/m (y/y)	May	0.43 (2.46)	1.66 (3.45)	0.70 (3.53)	-0.1 (3.5)	0.00 (3.50)
08:55	Germany: Unemployment change (000s, sa); (rate, %)	May	3.0 (6.3)	4.0 (6.4)	20.0 (6.4)	-	10.5 (6.4)
09:00	Italy: Unemployment rate, %	Apr	5.2	5.4	5.2	-	5.3
10:00	Belgium: "Final" GDP, % q/q	Q1	0.2	0.1	0.2 P	-	-
10:00	Greece: Unemployment rate, %	Apr	8.0	8.6	9.0	-	-
10:00	Italy: Preliminary CPI, % m/m (y/y)	May	0.7 (1.5)	0.5 (1.7)	1.1 (2.7)	-	0.0 (2.9)
10:00	Italy: Preliminary HICP, % m/m (y/y)	May	0.50 (1.52)	1.70 (1.60)	1.57 (2.79)	0.4 (3.3)	0.40 (3.30)

11:00	Italy: "Final" GDP, % q/q	Q1	0.2	0.3	0.2 P	0.2	0.2
11:00	Portugal: "Final" GDP, % q/q	Q1	0.6	0.9	0.0 P	-	-
11:00	Portugal: Preliminary HICP, % m/m (y/y)	May	0.1 (2.1)	2.3 (2.7)	1.9 (3.3)	-	-
11:00	Ireland: Preliminary HICP, % m/m (y/y)	May	0.8 (2.5)	1.8 (3.6)	0.4 (3.6)	-	-
13:00	Germany: Preliminary CPI, % m/m (y/y)	May	0.2 (1.9)	1.1 (2.7)	0.6 (2.9)	-	0.1 (2.9)
13:00	Germany: Preliminary HICP, % m/m (y/y)	May	0.30 (1.92)	1.19 (2.82)	0.59 (2.91)	0.0 (2.8)	0.00 (2.90)

Note: All times reported are in BST. Consensus figures are taken from Bloomberg.
Source: Bloomberg, Haver Analytics, Barclays Research

EURO AREA SNAPSHOT

Silvia Ardagna Barclays, UK | Mariano Cena Barclays, UK | Saadalla Nadra-Yazji BBI, Paris

	2025				2026				2027				Calendar year average		
% Change q/q	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025	2026E	2027E
Real GDP (% q/q)	0.6	0.1	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	...	...	...
Real GDP (% q/q saar)	2.4	0.6	1.2	0.8	0.6	0.5	0.6	0.8	0.8	1.0	1.4	1.5	...	...	...
Real GDP (% y/y)	1.6	1.6	1.4	1.3	0.8	0.8	0.6	0.6	0.7	0.8	1.0	1.2	1.5	0.7	0.9
Private consumption	0.3	0.3	0.3	0.4	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	1.6	0.8	0.9
Public consumption	-0.2	0.5	0.7	0.5	0.1	0.3	0.3	0.3	0.3	0.2	0.3	0.3	1.6	1.4	1.0
Investment	2.7	-1.4	1.2	0.7	0.4	0.2	0.2	0.2	0.3	0.3	0.4	0.4	3.1	1.5	1.1
Inventories contribution (pp)	-0.2	0.4	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Final dom. demand cont. (pp)	0.7	0.0	0.5	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	1.8	1.0	0.9
Net exports (contr to GDP, pp)	0.1	-0.2	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-0.6	-0.4	0.0
Employment (% q/q)	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.7	0.6	0.6
Unemployment rate (%)	6.3	6.3	6.3	6.3	6.2	6.3	6.4	6.4	6.4	6.4	6.4	6.3	6.3	6.3	6.4
HICP inflation (% y/y)	2.3	2.0	2.1	2.1	2.0	3.2	3.5	3.5	3.2	2.3	2.0	2.2	2.1	3.1	2.4
Core HICP (ex food/energy) (% y/y)	2.6	2.4	2.3	2.4	2.3	2.3	2.4	2.5	2.6	2.6	2.6	2.6	2.4	2.4	2.6
Nominal GDP (% y/y)	...	...	...	...	...	...	...	...	...	...	...	...	4.1	4.0	3.4
Current account (% GDP)	1.8	2.0	1.2	1.2	1.2	0.5	0.2	0.4	0.7	0.9	1.1	1.1	1.6	0.6	1.0
General government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-3.1	-3.6	-3.4
General government primary balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-1.2	-1.5	-1.1
General government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	87.7	88.6	89.6
Refi rate (period end %)	2.65	2.15	2.15	2.15	2.15	2.40	2.65	2.65	2.65	2.65	2.65	2.65	2.15	2.65	2.65
Depo rate (period end%)	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.00	2.50	2.50

Note: All numbers expressed in % q/q swda unless otherwise specified. E = Forecast.
Source: Eurostat, Barclays Research

FRANCE SNAPSHOT

Silvia Ardagna Barclays, UK | Mariano Cena Barclays, UK | Saadalla Nadra-Yazji BBI, Paris

	2025				2026				2027				Calendar year average		
% change q/q	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025	2026E	2027E
Real GDP (% q/q)	0.2	0.4	0.6	0.2	0.0	0.1	0.2	0.2	0.2	0.2	0.3	0.3	...	...	...
Real GDP (% q/q saar)	0.7	1.4	2.2	0.8	0.0	0.5	0.6	0.8	0.6	0.8	1.2	1.3	...	...	...
Real GDP (% y/y)	0.6	0.8	1.0	1.3	1.1	0.9	0.5	0.5	0.6	0.7	0.9	1.0	0.9	0.7	0.8
Private consumption	-0.1	0.0	0.1	0.4	-0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.3	0.5	0.4	0.7
Public consumption	0.2	0.5	0.7	0.4	0.4	0.3	0.1	0.1	0.2	0.2	0.2	0.3	1.6	1.5	0.7
Investment	0.3	0.4	0.8	0.3	-0.4	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.8	0.6	0.9
Inventories contribution (pp)	0.7	0.6	-0.5	-0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.1	0.0
Final dom. demand cont. (pp)	0.0	0.2	0.4	0.4	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.8	0.7	0.7
Net exports (contr to GDP, pp)	-0.6	-0.4	0.6	0.5	-0.7	-0.1	0.0	0.0	0.0	0.0	0.1	0.0	-0.6	-0.1	0.1
Employment (% q/q)	0.0	0.1	0.1	0.0	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3
Unemployment rate (%)	7.5	7.6	7.7	7.9	7.7	7.8	7.9	8.0	8.0	8.0	8.0	7.9	7.7	7.8	8.0
HICP inflation (% y/y)	1.2	0.8	0.9	0.8	1.1	2.7	2.7	2.9	2.6	1.5	1.5	1.6	0.9	2.4	1.8
Core HICP (ex food/energy) (% y/y)	1.9	1.6	1.6	1.3	1.2	1.5	1.6	1.9	2.0	1.9	2.0	1.9	1.6	1.5	2.0
Nominal GDP (% y/y)	...	...	...	...	...	...	...	...	...	...	...	...	2.2	3.1	2.5
Current account (% GDP)	-0.5	-1.0	-0.3	0.1	0.1	-0.3	-0.5	-0.3	-0.2	0.0	0.1	0.0	-0.4	-0.2	0.0
General government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-5.1	-5.0	-5.1
General government primary balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-2.8	-2.4	-2.2
General government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	115.6	116.9	119.3

Note: All numbers expressed in % q/q swda unless otherwise specified. E = Forecast.
Source: Eurostat, INSEE, Barclays Research

GERMANY SNAPSHOT

Silvia Ardagna Barclays, UK | Mariano Cena Barclays, UK | Saadalla Nadra-Yazji BBI, Paris

	2025				2026				2027				Calendar year average		
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2025**	**2026E**	**2027E**
Real GDP (% q/q)	0.4	-0.2	0.0	0.2	0.3	0.1	0.2	0.2	0.2	0.3	0.4	0.4	...	...	...
Real GDP (% q/q saar)	1.5	-0.8	-0.2	1.0	1.3	0.5	0.6	0.9	0.9	1.3	1.7	1.8	...	...	...
Real GDP (% y/y)	0.3	0.4	0.3	0.4	0.3	0.7	0.9	0.8	0.7	0.9	1.2	1.4	0.3	0.7	1.1
Private consumption	0.8	0.4	0.0	0.5	0.4	0.0	0.1	0.2	0.2	0.4	0.4	0.4	1.7	1.0	1.0
Public consumption	-0.8	0.3	0.6	1.1	0.4	0.5	0.4	0.5	0.4	0.3	0.4	0.3	1.3	2.3	1.6
Investment	0.5	-0.9	0.3	1.0	0.4	0.2	0.2	0.3	0.4	0.5	0.5	0.5	0.0	1.4	1.5
Inventories contribution (pp)	-0.4	0.2	0.5	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.1	0.0
Final dom. demand cont. (pp)	0.4	0.1	0.2	0.7	0.4	0.2	0.2	0.3	0.3	0.4	0.4	0.4	1.2	1.3	1.2
Net exports (contr to GDP, pp)	0.4	-0.4	-0.8	-0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.1	-1.5	-0.7	-0.1
Employment (% q/q)	0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.0	-0.1	0.5
Unemployment rate (%)	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.2	4.2	4.2	4.1	4.0	3.8	4.1	4.1
HICP inflation (% y/y)	2.6	2.1	2.1	2.3	2.3	2.8	3.0	2.9	2.8	2.3	2.1	2.2	2.3	2.8	2.4
Core HICP (ex food/energy) (% y/y)	3.2	2.8	2.4	2.7	2.5	2.4	2.4	2.3	2.6	2.7	2.6	2.6	2.8	2.4	2.6
Nominal GDP (% y/y)	...	...	...	...	...	...	...	...	...	...	...	...	3.4	4.1	3.7
Current account (% GDP)	4.9	4.9	4.5	3.8	3.7	3.0	2.6	2.9	3.2	3.3	3.5	3.5	4.5	3.1	3.4
General government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-2.7	-3.9	-3.5
General government primary balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-1.6	-2.7	-2.2
General government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	63.0	64.5	65.9

Note: All numbers expressed in % q/q swda unless otherwise specified. E = Forecast.
Source: Eurostat, Destatis, Barclays Research

ITALY SNAPSHOT

Silvia Ardagna Barclays, UK | Mariano Cena Barclays, UK | Saadalla Nadra-Yazji BBI, Paris

	2025				2026				2027				Calendar year average		
% change q/q	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025	2026E	2027E
Real GDP (% q/q)	0.3	0.0	0.2	0.3	0.2	0.0	0.1	0.1	0.1	0.2	0.2	0.2	...	...	...
Real GDP (% q/q saar)	1.2	0.1	0.9	1.3	0.7	-0.1	0.3	0.4	0.4	0.6	0.9	0.8	...	...	...
Real GDP (% y/y)	0.6	0.4	0.7	0.9	0.7	0.7	0.5	0.3	0.2	0.4	0.6	0.7	0.7	0.6	0.5
Private consumption	0.1	0.3	0.3	0.1	0.1	0.0	0.1	0.2	0.1	0.2	0.2	0.1	1.1	0.5	0.6
Public consumption	-0.2	0.3	0.1	0.2	0.1	-0.1	0.2	0.2	0.1	-0.1	0.1	0.1	0.6	0.5	0.3
Investment	1.4	1.7	1.0	0.9	0.4	0.2	0.1	0.0	0.1	0.1	0.3	0.3	3.8	2.2	0.5
Inventories contribution (pp)	-0.3	0.1	-0.3	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.4	0.0
Final dom. demand cont. (pp)	0.3	0.6	0.4	0.3	0.2	0.0	0.1	0.2	0.1	0.1	0.2	0.1	1.5	0.9	0.5
Net exports (contr to GDP, pp)	0.4	-0.7	0.1	-0.7	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.6	-0.7	0.0
Employment (% q/q)	0.7	-0.1	0.2	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.1	0.8	0.5
Unemployment rate (%)	6.4	6.3	6.0	5.7	5.3	5.4	5.4	5.4	5.4	5.5	5.4	5.4	6.1	5.4	5.4
HICP inflation (% y/y)	1.8	1.8	1.7	1.2	1.4	3.2	3.7	4.0	3.5	2.4	1.9	2.0	1.6	3.1	2.4
Core HICP (ex food/energy) (% y/y)	1.7	2.0	2.0	1.9	2.1	1.8	2.0	2.2	2.3	2.6	2.6	2.6	1.9	2.1	2.5
Nominal GDP (% y/y)	...	...	...	...	...	...	...	...	...	...	...	...	2.7	3.7	2.9
Current account (% GDP)	1.0	1.6	1.6	1.1	1.0	0.0	-0.5	0.0	0.1	0.2	0.2	0.2	1.3	0.1	0.1
General government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-3.1	-3.2	-2.9
General government primary balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	0.7	0.9	1.3
General government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	136.4	137.2	137.0

Note: All numbers expressed in % q/q swda unless otherwise specified. E = Forecast.
Source: Eurostat, Istat, Barclays Research

SPAIN SNAPSHOT

Silvia Ardagna Barclays, UK | Mariano Cena Barclays, UK | Saadalla Nadra-Yazji BBI, Paris

	2025				2026				2027				Calendar year average		
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2025**	**2026E**	**2027E**
Real GDP (% q/q)	0.5	0.7	0.6	0.8	0.6	0.4	0.3	0.4	0.3	0.4	0.5	0.5	...	...	...
Real GDP (% q/q saar)	2.2	2.9	2.4	3.1	2.5	1.4	1.0	1.5	1.3	1.8	1.9	1.9	...	...	...
Real GDP (% y/y)	3.1	2.9	2.7	2.6	2.7	2.3	2.0	1.6	1.3	1.4	1.6	1.7	2.8	2.2	1.5
Private consumption	0.5	0.8	0.9	0.9	0.6	0.3	0.3	0.4	0.4	0.4	0.5	0.5	3.4	2.4	1.6
Public consumption	0.6	0.2	1.4	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3	2.4	1.5	1.0
Investment	1.0	0.8	2.1	2.1	0.4	0.5	0.4	0.4	0.4	0.5	0.5	0.4	5.8	3.9	1.8
Inventories contribution (pp)	-0.2	0.2	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Final dom. demand cont. (pp)	0.6	0.6	1.2	1.0	0.5	0.3	0.3	0.3	0.3	0.4	0.4	0.4	3.5	2.5	1.5
Net exports (contr to GDP, pp)	0.1	-0.1	-0.7	-0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.1	-0.7	-0.2	0.1
Employment (% q/q)	0.5	0.7	0.7	0.8	0.4	0.4	0.3	0.3	0.2	0.3	0.3	0.3	2.7	2.0	1.0
Unemployment rate (%)	10.8	10.5	10.5	10.2	10.3	10.3	10.3	10.3	10.4	10.4	10.4	10.3	10.5	10.3	10.4
HICP inflation (% y/y)	2.7	2.2	2.8	3.1	2.8	3.5	4.3	4.0	3.5	3.0	2.3	2.5	2.7	3.7	2.8
Core HICP (ex food/energy) (% y/y)	2.3	2.6	2.6	3.0	3.0	3.2	3.5	3.4	3.4	3.0	3.1	3.0	2.6	3.3	3.1
Nominal GDP (% y/y)	...	...	...	...	...	...	...	...	...	...	...	...	5.8	5.9	4.5
Current account (% GDP)	2.7	3.2	3.1	2.6	2.6	2.1	2.1	2.3	2.4	2.5	2.5	2.6	2.9	2.3	2.5
General government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-2.4	-2.4	-2.5
General government primary balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	0.2	0.2	0.2
General government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	99.6	97.3	96.8

Note: All numbers expressed in % q/q swda unless otherwise specified. E = Forecast.
Source: Eurostat, INE, Barclays Research

United Kingdom Outlook

What a 'weak'

Data on the labour market, inflation and activity all showed softening. Our updated inflation forecasts are lower over the next few months but higher in the medium term. Data and BoE speakers have increased our conviction that the MPC will remain on hold in coming meetings.

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- Data on the labour market, inflation and activity all slowed this week. Private sector wage pressures continued to ease in March while unemployment rose. PMIs, consumer confidence and retail sales suggest downside risks to our Q2 GDP forecast. CPI inflation undershot our expectation, at 2.8% y/y in April. Our updated forecast is lower for the next few months, but still expects a reacceleration in H2 26 and is revised higher than previously in 2027.

- MPC members speaking this week highlighted the importance of tightening financial conditions in their decision. They described the importance of wage decisions at the turn of the year and that further extensions of the conflict in the Middle East will raise the probability of needing to hike. However, we continue to interpret the central view of the committee as being that anything aligned with their Scenario B from the April MPR - which we think is their broad base case - will not require increases in Bank Rate.

Labour market data shows further easing

ONS data showed wage pressures easing in March, with the 3m/y growth of regular private sector AWE slowing by 0.2pp to 3.0%. Our leading PAYE tax indicator suggests it could slow further next month, to around 2.8% 3m/y. Wage momentum (3m/3m-annualised) is now at 2.1%, and has been below the 3.25% that MPC members have cited as consistent with a 2% inflation rate target, for seven months in a row. The LFS unemployment rate rose to 5.0% 3mma, with a single month print of 5.5% in March. Even then, the 207k increase in LFS employment in the single month of March is at odds with the signal from our shadow employment indicator, which suggests employment will continue to contract in April, and other indicators, including the KPMG/REC and PMI employment indicators. We continue to take more steer from the non-LFS data, which we think offers a consistent picture of a loose labour market, which is set to loosen further over the coming months (for more on the data and our views on the labour market, see First Look: March labour market, 19 May).

Inflation: the fall, and rise, and fall

Annual headline CPI inflation eased by more than we had expected in April, slowing by 0.5pp to 2.8% even as the direct energy components accelerated in response to the Middle East shock. The UK now has lower headline inflation than the US or EA. Services CPI inflation eased by 1.3pp to 3.2% y/y due to base effects from tax changes, weak airfares and also recreation. While the quarterly update for the Ofgem price cap reduced the energy component, as did government decisions to remove green levies from bills, rising pump prices and heating fuel more than offset this, leading energy to accelerate by 2.2pp to 7.1% y/y. Crucially, while the direct energy impact is clear, there are limited signs thus far of indirect energy effects. Food prices, one of the places we would expect to have seen this emerge soonest, decelerated by 0.7pp to 3.0% y/y and producer input prices for both domestic and imported food remained muted (for more on our analysis of the April data, see Between two waves, 20 May).

There are many moving parts in our monthly inflation forecast update as we build in the data release, updated energy curves and a range of government policy announcements aimed at reducing cost pressures for families over the summer. The net of these is a profile for headline inflation that is lower than previously over the next six months, but which is higher in the second half of 2027, finishing next year at 2.0%. This leaves our forecast of annual headline CPI averaging 3.1% y/y in 2026, but revise 2027 to 2.4% (+0.1pp). For core inflation, we revise our 2026 expectation to 2.7% (-0.2pp) and our 2027 forecast is unchanged at 2.4% (for more on our forecast update, see Caught inside, 21 May) .

Activity indicators weak

Flash PMIs for May showed a significant slowdown in activity metrics. The composite decreased to 48.5 (-4.4pt), well into negative territory, driven by easing in the service sector. Combined with the final PMI for April, our PMI tracking model now points to a flat quarter of real GDP growth in Q2, suggesting downside risk to our forecast of 0.1% q/q (for our fuller analysis of the PMIs see Energy shock bites, 21 May). A similar signal comes from our Barclaycard SpendTrends data, which showed that a 1.7% y/y growth in nominal spending in the four weeks to 8 May was driven by increased spending on fuel, with growth in other categories having slowed since the war in the Middle East began. Further compounding the weak signal for Q2, retail sales volumes in April contracted by even more than our below consensus forecast, shrinking by 1.3% m/m as consumers reduced purchases of fuel in response to higher prices and six of the seven subcategories shrank. GfK consumer confidence for May bounced back slightly from the local low, at -23 (from -25 in April), but remains subdued and the index for major purchases and saving intentions both worsened, which would be consistent (as we have flagged before) with increasingly constrained consumers postponing big purchases amid a growing real income shock and heightened uncertainty.

Public sector finances on track, with policy measures announced

Public sector finance data showed a marginally lower borrowing number in FY25-26 than the first estimate, at £129bn, or 4.2% of GDP (down by £3.0bn, or 0.1pp of GDP from first estimate). This represents a 1pp fall from FY24-25 and is £3.7bn lower than the OBR had forecast in its March EFO. However, the provisional data for April suggests borrowing of £4.9bn, which is £3.4bn above the OBR forecast, leaving the level broadly on track.

Looking ahead, there are two major factors we think could influence the near-term fiscal numbers. The first is the higher outturns for inflation and gilt yields, both of which will add to net debt interest costs in coming months. The second is a windfall from oil and gas-producing revenues. It was too early to see these in the April figures, given lags in reporting and payment structure, but our modeling of a shock in which oil stays around $100/bbl for the rest of this year and gas around 118p/therm, assuming no change in production, could raise around £5-6bn more for the exchequer this fiscal year through the energy price levy. This could be added to by the announcement this week from the Chancellor that she will change the tax rules around foreign branch taxation to reduce the ability of oil and gas companies to structure profits to reduce their tax burden. The chancellor suggests this could raise "hundreds of millions" of pounds of revenue.

Thinking ahead to an autumn budget, these two factors - interest costs and energy revenues - could both be important for the Chancellor's headroom. We calculate that the shift in gilt yields and short rates since March may take £7-10bn from the c.£24bn of headroom the Chancellor had in her current budget rule. However, the OBR had assumed that lower energy prices would mean that the Energy Profit Levy (EPL) was halted from Q2 27. Assuming prices stay above $71.40/bbl for oil and 54p/therm for gas for the next three years, the EPL will stay in place for longer and we estimate this could give the Chancellor £1-2bn back as a partial offset.

Net migration falls to the lowest level since 2012

Net migration fell to 171,000 in 2025, from 331,000 a year earlier and a peak of 944,000 in the YE March 2023. Absenting COVID, it is now at its lowest level since 2012. The effect of government policies, tightening visa routes and reducing scope for dependents to join primary applicants, can be seen in the composition of the change. The fall was predominantly in work-related visas, and more heavily skewed towards dependents. Student visa numbers remained steady, but masked an increase in the numbers of students coming to the UK balancing a reduction of the dependents of students.

BoE feels it has "more time" to assess

A range of MPC members gave evidence to the Treasury Select Committee this week, with common threads evident: references to the tightening of financial conditions offsetting the energy price shock; the importance of wage dynamics at the turn of the year in determining second-round effects; and the fact that the longer the Middle East conflict goes on, the more risk there is that the MPC has to hike. On balance though, we interpreted the comments as suggesting that the median voter on the MPC has internalised some persistence in the energy price shock and still remains comfortable with advocating holding Bank Rate at its current level. Governor Bailey spoke calmly of "months" before oil markets normalised, and potentially years before there was a normalisation of gas markets. In this context, he still said that the tightening of financial conditions "gives us time", echoing comments made by DG Breeden last week.

In separate remarks, Alan Taylor more explicitly made the case for holding Bank Rate constant, clarifying that realised Bank Rate is already 0.5pp higher than he would have chosen it to be at this point before the Middle East shock. Megan Greene suggested that it is clarity on the duration of the war, rather than evidence of second-round effects, that she is looking for in the near term, as she does not expect to see anything decisive on the latter for many months. Despite that, she advocated "proactively" leaning against the shock, echoing comments made by Chief Economist Huw Pill. What was still unclear to us is whether or not she judges the tightening that has already occurred in the market as sufficient to deliver this, a position we think has been communicated by Bailey, Breeden, Taylor and the MPR simulations, or if she judges a hike to be required.

Next week: lots of BoE, building politics, little data

Next week, we have a wide range of MPC speakers with DG Clare Lombardelli (28 May), DG Sarah Breeden (28 May), Governor Bailey (29 May), Catherine Mann (30 May) and Megan Greene (31 May). Lombardelli, in particular, has not given a personal view of the outlook since the April decision, where she had a more hawkish tone. We are therefore looking for any mapping of that stance into timing over the next few meetings. In politics, we expect to hear more about Andy Burnham's policy platform and increased noise around polling ahead of the by-election. On the data front, we get the BRC shop price index for May (26 May) and we expect the Citi/YouGov inflation expectations release for May, although the exact date is uncertain to us. We will be looking to see whether the easing seen last month continues.

UK DATA REVIEW & PREVIEW

Jack Meaning, Barclays, UK | Cian Hennigan, Barclays, UK

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Average weekly earnings, % 3m/y	Mar	3.9 R	3.8	4.1	Regular private sector earnings growth decelerated 0.2pp to 3.0% 3m/y in March, below our expectation of 3.1%. The unemployment rate picked up to 5% 3mma, 0.1 above our expectation. The single month unemployment rate picked up to 5.5% in March, dragging up the average. HMRC payroll data for April showed an employment contraction of 100k, however, the first estimates of this series can be revised considerably. Vacancies printed at 705k 3mma in April, slightly above our nowcast of 700k, and at their lowest level since April 2021.
Regular average weekly earnings, % 3m/y	Mar	3.6	3.4	3.4	
Regular private sector average weekly earnings, % 3m/y	Mar	3.2	3.1	3.0	
ILO unemployment rate, %	Mar	4.9	4.9	5.0	
Change in HMRC payrolls, thous	Apr	-28.2 R	-	-100	
Jobless claims change, sa, k	Apr	4.9	-	26.5	
Headline job vacancies, % 3m moving average	Apr	712 R	700	705	
CPI, % m/m (y/y)	Apr	0.7 (3.3)	1.0 (3.0)	0.7 (2.8)	Annual headline CPI inflation decelerated 0.5pp in April to 2.8% y/y, below our expectation of 3%. Core CPI slowed 0.6pp to 2.5% y/y. This was due to significant softening in services and FAT. Services CPI decelerated 1.3pp to 3.2% y/y, 0.4pp below our forecast of 3.6%. The big downward contribution from transport services was a result of weak airfares, largely due to the timing of Easter, which may have also affected other recreation services. RPI printed at 3% y/y, 0.2pp below our forecast and 0.3pp below market pricing.
Core CPI, % m/m (y/y)	Apr	0.4 (3.1)	0.9 (2.6)	0.7 (2.5)	
Services CPI, % y/y	Apr	4.5	3.6	3.2	
Retail price index	Apr	411.4	415.2	414.4	
RPI, % m/m (y/y)	Apr	0.8 (4.1)	0.9 (3.2)	0.7 (3.0)	
"Flash" Manufacturing PMI, index	May	53.7	53.0	53.7	The UK flash composite PMI decreased to 48.5 in May, down from 52.6 in April. This was due to services activity falling 4.8pt to 47.9 in April, the sharpest decline since January 2021. The headline manufacturing PMI index held steady at 53.7.
"Flash" Services PMI, index	May	52.7	51.7	47.9	
"Flash" Composite PMI, index	May	52.6	51.6	48.5	
CBI industrial trends, total orders	May	-38	-	-41	
GfK consumer confidence, index	May	-25	-	-23	The GfK consumer confidence index improved 2pt to –23 in May, from –25 previously.
Retail sales, % m/m (y/y)	Apr	0.6 (1.4) R	-0.9 (0.9)	-1.3 (0.0)	Retail sales contracted 1.3% m/m in May, slightly worse than our forecast of –0.9% m/m.
PSNB, £ bn	Apr	11.5 R	-	24.3	Public sector borrowing was £24.3bn in April, £12.8bn higher than March.

Preview of upcoming data

Monday 25 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
	No data releases scheduled.						
Tuesday 26 May		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
11:00	CBI distributive trades, total sales	May	-40	-38	-39	-	-
Wednesday 27 May		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
	No data releases scheduled.						
Thursday 28 May		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
03:25	**BoE Deputy Governor Lombardelli speaks at the BOJ's annual international conference, run with the Institute for Monetary and Economic Studies**						
16:40	**BoE Deputy Governor Breeden speaks in a fireside chat at the International Capital Market Association conference**						
	No data releases scheduled.						

Friday 29 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:20	**BoE Governor Bailey speaks at the Reykjavik 2026 economic conference in Iceland**						
00:01	Lloyds business barometer, %	May	44	55	44	-	41

Note: All times reported are in BST. Consensus figures are taken as at 11:00 am BST on Friday, 22 May 2026 from Bloomberg and hence, may be subject to significant change, given that the 'final cut' is 3pm London time of the same day.
Source: Haver Analytics, Bloomberg, Barclays Research

UK SNAPSHOT

Jack Meaning Barclays, UK | Cian Hennigan Barclays, UK

	2025				2026				2027				Calendar year average		
% Change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2025**	**2026E**	**2027E**
Real GDP (% q/q)	0.6	0.1	0.2	0.2	0.6	0.1	0.2	0.2	0.4	0.3	0.4	0.4	...	...	...
Real GDP (% q/q saar)	2.3	0.6	0.7	0.6	2.5	0.2	0.7	0.7	1.6	1.1	1.6	1.6	...	...	...
Real GDP (% y/y)	1.8	1.4	1.3	1.0	1.1	1.0	1.0	1.1	0.8	1.0	1.3	1.5	1.4	1.0	1.1
Private consumption	0.2	0.2	0.1	0.1	0.6	0.1	0.1	0.2	0.3	0.3	0.4	0.4	1.0	0.9	1.0
Public consumption	0.0	0.7	0.3	0.1	0.4	0.2	0.4	0.3	0.4	0.4	0.4	0.4	1.6	1.1	1.4
Investment	2.8	0.4	0.8	-0.1	-0.6	0.0	0.3	0.3	0.5	0.6	0.7	0.7	4.3	0.0	1.9
Final domestic demand	0.4	0.5	-0.2	0.4	0.8	0.1	0.2	0.2	0.4	0.3	0.4	0.4	2.0	1.3	1.2
Inventories contribution (pp)	-0.2	0.2	-0.5	0.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.6	0.0
Net exports (contr to GDP, pp)	0.1	-0.4	0.5	-0.3	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.7	-0.3	-0.1
Employment (mn)	34.0	34.2	34.2	34.2	34.4	34.4	34.5	34.5	34.5	34.6	34.6	34.7	34.2	34.4	34.6
Unemployment rate (%)	4.5	4.7	5.0	5.2	5.0	5.1	5.2	5.4	5.5	5.5	5.4	5.4	4.9	5.2	5.4
CPI inflation (% y/y)	2.8	3.5	3.8	3.4	3.1	2.9	3.2	3.3	2.9	2.5	2.3	2.1	3.4	3.1	2.4
Core CPI inflation (% y/y)	3.6	3.7	3.6	3.3	3.2	2.5	2.5	2.7	2.5	2.4	2.5	2.3	3.5	2.7	2.4
Nominal GDP (% y/y)	6.0	5.4	4.7	4.3	4.6	4.1	4.2	4.3	3.6	3.2	3.4	3.6	5.1	4.3	3.5
Current account (% GDP)	-2.9	-3.1	-1.4	-2.4	-2.6	-2.6	-2.6	-2.6	-2.7	-2.7	-2.7	-2.8	-2.4	-2.6	-2.7
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-4.2	-3.8	-3.5
Government primary balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-1.3	-1.1	-0.8
Government debt % GDP (PSND)	...	...	...	...	...	...	...	...	...	...	...	...	93.1	94.1	95.5
Bank Rate (%, EOP)	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Note: Final domestic demand is the sum of private consumption, public consumption, investment and inventories. Government balance, primary balance, and government debt are fiscal year forecasts, eg, 2024 = FY 24/25. Government balance is defined as public sector net borrowing excluding financial interventions (PSNBex). Government debt is defined as public sector net debt (PSND). E = Forecast.
Source: ONS, Barclays Research

Japan Outlook

Government moves to compile supplementary budget amid hawkish shift at BoJ

A small budget centered on energy subsidies appears likely. Deficit-financing JGBs are being discussed as a funding source, but a proposal has emerged to limit issuance to the amount reduced last fiscal year. Meanwhile, Bessent supports rate hikes at the BoJ, where a hawkish shift is underway.

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PM Takaichi reverses course and moves toward early compilation of a supplementary budget, temporarily sending long-term interest rates sharply higher

On 18 May, PM Takaichi revealed that she had instructed FM Katayama to look into compiling a supplementary budget. Under the slogan of "responsible and proactive fiscal policy," Takaichi had clearly outlined a stance that Japan should move away from budget formation premised on supplementary budgets, and until immediately beforehand had consistently argued that such a budget was not necessary, so the market viewed this as a major policy shift.

Supplementary budgets are typically compiled during the extraordinary Diet session in autumn after the ordinary Diet session closes. In the past, however, they have been compiled earlier in response to urgent disasters such as the Great East Japan Earthquake and the spread of COVID, and this time too the move looks likely to be treated as an exceptional response to the pressing situation of surging energy prices caused by the prolonged tensions in the Middle East. That said, as shown below, given expectations that gasoline subsidies would need to be extended, early compilation of a supplementary budget may have only been a matter of time.

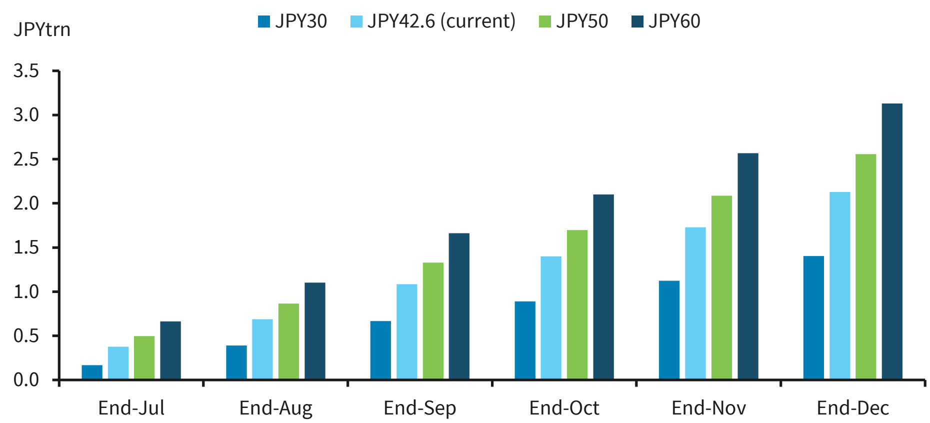
That said, the impact on the JGB market could differ significantly depending on whether the government keeps this as a small-scale emergency measure or includes additional steps and moves toward a comprehensive "economic package." Long-term interest rates rose even further on the news with the 10y yield temporarily reaching 2.8%, its highest level since 1996, while the 30y yield approached 4.2% at one point, hitting its highest level since issuance began in 1999 (a measure of calm was subsequently restored).

Direct trigger was the risk of depletion of gasoline subsidy funds

In response to the surge in crude oil prices following the closure of the Strait of Hormuz, the government began a subsidy program on 19 March to cap retail gasoline prices at JPY170 per liter. The subsidy amount, which started at JPY30.2 per liter, temporarily rose to just under JPY50 as market prices increased, before reaching JPY42.6 on 14 May. As of end-April, the balance of the fund that could be diverted to gasoline subsidies stood at JPY980bn, implying that if the subsidy remained at current levels, the fund would be exhausted by end-June.

The additional budget required will naturally depend on the size and duration of the gasoline subsidy. For example, if the subsidy remains unchanged at JPY42.6 and continues through end-September, an additional JPY1.1trn would be required. If gasoline prices rise further, the subsidy expands to JPY60 and the program continues through end-October, more than JPY2trn in additional funding would be needed (Figure 1). The government has budgeted JPY1trn in contingency reserves for FY26, but that alone may prove insufficient; even if not, there would still be a case for securing new budget funding for gasoline subsidies in order to prepare for unforeseen disasters going forward.

FIGURE 1. Gasoline subsidies (per liter) and budget shortfall



Source: METI, Barclays Research

Summer electricity and gas bill subsidies are also set to return

PM Takaichi is also reportedly inclined to provide support in Q3, when demand for electricity and gas rises, so that charges come in below last year's levels[7]. Subsidies for electricity and gas charges have already been implemented multiple times, requiring JPY288.1bn in Q3 25 and JPY529.6bn in Q1 26. If around JPY500bn is budgeted this time, total required funding together with the gasoline subsidy could exceed JPY1.5trn.

Key questions now are whether this will expand into a comprehensive "economic package," and how it will be financed

The main issue going forward is whether this supplementary budget will remain limited to emergency relief in response to heightened Middle East tensions, or whether it will include additional measures and expand into a comprehensive "economic package." Bloomberg reported on 18 May that the government is expected to stick with the former this time, but if it opts for the latter, the budget could swell to several trillion yen. For example, Democratic Party for the People (DPP) leader Tamaki has argued for a supplementary budget of around JPY3trn that would add support for SME financing and measures to address supply-chain bottlenecks to gasoline and electricity/gas subsidies[8]. A proposal for a budget of that size has also reportedly surfaced within the government (TBS, 21 May).

As for timing and scale, the first supplementary budget for FY22 under the Kishida administration provides a useful reference point. In recent years, supplementary budgets have typically been compiled from autumn into winter at a scale of more than JPY10trn (Figure 2),

[7] 電気・ガス料金への補助、首相が再開の考え示す　補正予算の検討指示, Asahi newspaper, 18 May [translation: Electricity and gas bill subsidies: PM indicates intention to resume, instructs consideration of supplementary budget compilation]

[8] 「玉木国民民主代表、片山財務相に 3 兆円規模の補正予算申し入れ, Reuters, 15 May [translation: DPP leader Tamaki urges FM Katayama to compile a supplementary budget worth around JPY3trn]

but the first supplementary budget for FY22 was enacted in May and amounted to JPY2.7trn. It was compiled primarily to fund gasoline subsidies, much like the current case, after crude oil prices surged following Russia's invasion of Ukraine in February that year, and it was financed entirely through deficit-financing JGBs. The TBS report cited above (21 May) also says the package would total JPY3trn and be financed through the issuance of deficit-financing JGBs. However, because the deficit-financing JGB issuance planned for the previous fiscal year is expected to be reduced due to stronger tax revenues, the apparent intention is to keep any new issuance of such bonds within that range in order to limit the market impact.

FIGURE 2. **Supplementary budgets in recent years (figures combined for years with multiple budgets)**

	Total size (JPY trn)	Additional JGB (JPY trn)	Cabinet	Theme
FY20	73.0	63.0	Abe/Suga	Emergency COVID-19 response
FY21	36.0	22.1	Kishida	Post-pandemic support
FY22	31.5	22.9	Kishida	Energy cost/inflation countermeasures
FY23	13.2	8.6	Kishida	Inflation countermeasures/wage hike promotion and defense spending increase
FY24	13.9	6.7	Ishiba	Growth support/wage hike promotion and inflation countermeasures
FY25	17.7	11.7	Takaichi	Safty & security of citizens and sustainable growth

Source: Nikkei, Barclays Research

Viewed on a standalone basis, however, the supplementary budget now under consideration by the Takaichi administration is considerably smaller than the supplementary budgets that in recent years have mainly been compiled in winter. As a result, although long-term yields temporarily surged on the news, it does not appear likely in itself to materially stoke fiscal concerns. That said, caution is warranted because as discussions gather pace through the summer over concrete measures for crisis management and growth investment, which PM Takaichi is prioritizing, as well as over a potential cut in the consumption tax rate on food, there is also the possibility of a second supplementary budget being compiled from autumn onward.

As for funding sources, the market has also focused on the possible use of surplus funds from the foreign exchange special account. However, Chief Cabinet Secretary Kihara said on 18 May, while noting that he was speaking in general terms, that under the law JPY funds obtained through intervention are required to be used for the redemption of short-term bills and therefore cannot be used as a funding source (Reuters, 18 May). Another possibility would be the use of contingency reserves. In any event, the JGB market has become more sensitive to fiscal developments, meaning the Takaichi administration will need to proceed cautiously in judging both the size of the supplementary budget and its funding sources.

BoJ's hawkish shift continues

Board member Koeda, too, follows the hawkish line seen since the April meeting

Since the BoJ's April monetary policy meeting, where three Policy Board members including Nakagawa dissented in favor of a rate hike, we have observed a strengthening and broadening of the hawkish tone through the Summary of Opinions on 12 April and PB member Masu's speech on 14 April. PB member Koeda's remarks on 21 May continued in that same vein. Unlike board members Takata and Tamura, who were already known hawks, Nakagawa, Masu, and Koeda had generally been viewed as more centrist, indicating that a hawkish shift is steadily gaining traction among the BoJ's nine policy board members. The next key event is Governor Ueda's speech on 3 June, but based on the BoJ's communications to date and the "external pressure" from US Treasury Secretary Bessent discussed below, we stick to June as our base case for the next rate hike, while looking for additional rate hikes in October and in April 2027 to a terminal rate of 1.5%.

Board member Koeda's main remarks can be summarized as follows.

1. "Underlying inflation is already around 2%" and "given the situation in the Middle East, I see some possibility that underlying inflation may exceed 2 percent looking ahead."
2. "There is debate as to what extent the increase in energy prices stemming from the situation in the Middle East should be considered temporary and 'looked through.' However, sufficient attention must also be paid to the risk that it persists for longer." Given that "strong AI demand may be one factor contributing to higher energy prices [...], prices could continue to increase across a wider range of items down the road."
3. "If real interest rates continue to deviate markedly in a negative direction from the natural rate of interest [...], unintended distortions could arise in future resource allocation. Moreover, short-term real interest rates will fall further if the Bank does not change its policy interest rate in response to a rise in inflation or inflation expectations."
4. At present, the probability that the output gap will fall sharply into negative territory is low. On that basis, "I believe more attention needs to be paid to the side effects of a further decline in real interest rates."
5. "I therefore believe it is reasonable for the Bank to raise the policy interest rate at an appropriate pace to address high inflation while also considering the trade-offs for the economy."

US Treasury Secretary Bessent keeps pressure on the Takaichi administration, which is reluctant to raise rates

The BoJ's own resolve to raise rates early is already firmly in place, and we have long believed that the key factor in determining the timing of rate hikes is domestic and external political pressure. PM Takaichi herself has been reluctant to raise rates, but US Treasury Secretary Bessent has for some time urged the government to continue raising rates to correct JPY weakness and to restrain excessive fiscal spending. The government also appears determined to defend the 160/USD line, with reports that it may have conducted around JPY10trn in USD-selling, JPY-buying interventions between late April and early May (Nikkei, 7 May).

Bessent met FM Katayama and PM Takaichi on 12 May. Details of the meeting remain unclear, but in a Reuters interview on 19 May, Bessent said, "Mr. Ueda is a wonderful central banker, and I am confident that if he is given the room to freely do what needs to be done, it will result in excellent monetary policy." In response, FM Katayama said, "We respect our relationship based on the BoJ Act, which stipulates the BoJ's independence, and of course the PM does as well. Mr. Bessent is absolutely right" (translated from Japanese news article in Mainichi Shimbun, 21 May). Bessent appears to be deliberately checking the Takaichi administration's inclination to interfere with the BoJ, given that it is naturally reluctant to raise rates, and so far there has been no notable pushback from the Takaichi side.

JAPAN DATA REVIEW & PREVIEW

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Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Real GDP (% q/q saar)	Q1	0.8	1.7	2.1	Growth was supported by firmer domestic demand: private consumption accelerated to 1.1% q/q saar from 0.2%, capex remained solid at 1.1% despite slowing from the prior quarter's strong gain and housing investment stayed positive at 2.1% following a sharp rebound in Q4 (a reaction to institutional factors earlier in the year). On the public side, government consumption eased to 0.4%, but public investment strengthened sharply to 5.7%, supported by the FY25 supplementary budget. External demand was the main driver of the upside surprise, with exports surging 7.1% after a 0.7% increase in Q4 and contributing 1.5pp to annualized GDP growth, helped by strong goods exports to Asia, while imports rose 1.9%; as a result, net exports contributed 1.1pp to real GDP growth, up from 0.2pp. Reflecting the stronger-than-expected print in Q1, we raised our 2026 forecast to 0.8% from 0.7%
Trade bal, nsa/sa (JPYbn)	Apr	643/95	-65/n.a.	302/236	Japan logged an unadjusted trade surplus, mainly due to firm exports. Electronic parts including semiconductors and non-ferrous metals posted y/y gains of more than 40%, leading overall export growth. For both categories, higher prices made a large contribution, but for semiconductors, ICs also increased 6.6% y/y in volume terms. On the import side, crude oil imports fell 64% in volume and 49.9% in value, clearly reflecting the impact of the Strait of Hormuz blockade. LNG imports also dropped sharply, down 21% in volume and 20% in value. By contrast, imports of petroleum products (up 49% y/y in value) and organic compounds (up 23.6%) increased substantially.
Core machinery orders (% m/m)	Mar	13.6	-8.0	-9.4	Core orders, a leading capex indicator, turned down m/m after a sharp increase in the previous month driven by large orders. Major machinery makers projected an increase of +0.6% q/q in Q2 following a gain of +6.4% in Q1.
BoJ PB Member Koeda speaks	May				Koeda struck a hawkish tone, warning of side effects from a further decline in real policy rates due to a rise in inflation expectations at a time when a major economic downturn appears unlikely. She joins other board members previously viewed as more centrist, signaling a broader hawkish shift at the BoJ.
National CPI ex-perishables (core; % y/y)	Apr	1.8	1.7	1.4	BoJ core (ex-perishables and energy) and core (ex-perishables) slowed more than expected, as the contribution of items such as rice continued to shrink on y/y base effects, while institutional factors such as a free elementary school lunch program also exerted an impact. Going forward, higher oil prices and a weak JPY will likely take BoJ core back above 2% for some time before it returns to the 2% target from autumn 2027 and stabilizes temporarily.

Preview of upcoming data

Wednesday, 27 May							
09:00	Gov. Ueda delivers opening remarks at international conference hosted by BoJ's IMES						

Ueda remarks: In his 2023 remarks, Ueda's argued that accommodative monetary policy had been a contributing factor to high inflation during the oil crisis and stressed the importance of anchoring inflation expectations, offering insights into current policy conduct. Last year, he commented on the outlook for monetary policy management.

Friday, 29 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:30	Tokyo CPI ex-perishables (core: % y/y)	May	1.8	1.7	1.5	1.5	1.5
08:30	Unemployment rate/jobs-applicants ratio (%/x)	Apr	2.7/1.18	2.6/1.19	2.7/1.18	2.7/n.a.	2.7/1.18
08:50	Industrial production (% m/m)	Apr	4.3	-2.0	-0.4	-0.2	-0.5

Tokyo CPI: Inflation likely held steady for both the CPI ex-perishables and energy (BoJ core), reflecting moderating disinflation in food, and the CPI ex-perishables alone (core), where the termination of utility subsidies likely had a limited impact of only slightly reducing negative contributions.
Employment: We estimate that the unemployment rate remained low as the structural and irreversible tightening of the labor market continues.
IP: Production likely decreased again. Output of inorganic/organic chemicals will be a focus in gauging how much of the drag is attributable to the Middle East situation versus scheduled maintenance at naphtha crackers and related facilities.

Source: Bloomberg (consensus figures), Barclays Research

JAPAN SNAPSHOT

Naohiko Baba BSJL, Japan | Takashi Onoda BSJL, Japan

	2025				2026				2027				Calendar year average		
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2025**	**2026E**	**2027E**
Real GDP (% q/q)	0.4	0.3	-0.6	0.2	0.5	0.3	0.1	0.1	0.3	0.3	0.3	0.3	...	...	...
Real GDP (% q/q saar)	1.8	1.4	-2.5	0.8	2.1	1.4	0.6	0.4	1.3	1.3	1.1	1.1	...	...	...
Real GDP (% y/y)	1.5	2.0	0.5	0.2	0.6	0.4	1.2	1.1	0.9	0.9	1.0	1.2	1.1	0.8	1.0
Private consumption	0.7	0.2	0.5	0.0	0.2	-0.1	-0.2	0.0	0.3	0.3	0.2	0.2	1.3	0.4	0.5
Public consumption	-0.2	0.7	0.1	0.4	0.0	0.3	0.3	0.2	0.2	0.2	0.2	0.2	1.0	1.0	0.8
Residential investment	-0.5	0.0	-8.1	5.0	0.5	0.3	0.3	-0.1	0.0	0.0	0.0	0.0	1.3	0.4	0.5
Public investment	-0.8	0.4	-1.1	-0.2	1.0	0.3	0.3	0.2	0.2	0.2	0.2	0.2	-0.4	1.3	0.8
Capital investment	0.7	1.2	-0.1	1.4	0.2	0.3	0.3	0.1	0.6	0.6	0.6	0.6	2.1	1.9	1.8
Net exports (contr to GDP, pp)	-0.6	0.1	-0.3	0.0	0.3	0.5	-0.2	-0.1	0.0	0.0	0.0	0.0	-0.2	0.4	0.0
Exports	-0.6	1.6	-1.6	0.2	0.6	0.3	0.3	0.3	0.2	0.2	0.2	0.2	2.5	1.9	0.9
Imports	2.2	1.1	-0.2	0.0	-0.1	-2.6	1.7	0.8	0.1	0.2	0.2	0.1	3.8	-0.3	1.1
Ch. Inventories (q/q cont.)	0.7	-0.2	-0.3	-0.4	0.0	-0.2	0.4	0.1	0.0	0.0	0.0	0.0	-0.3	-0.4	0.1
Nominal GDP	0.8	2.0	0.1	0.9	0.9	1.0	0.2	0.2	0.5	0.6	0.4	0.5	4.5	3.0	1.8
Industrial output	-0.3	0.4	0.0	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.2	1.0	0.4
Employment (% q/q)	0.2	0.1	0.0	0.3	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.7	0.2	-0.2
Unemployment rate (%)	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.6
CPI ex perishables (% y/y)	3.1	3.5	2.9	2.8	1.8	1.6	2.5	2.6	3.7	3.2	1.8	1.6	3.1	2.1	2.6
CPI ex perishables/energy (% y/y)	2.7	3.2	3.2	3.0	2.6	2.0	2.2	2.3	2.3	2.4	2.1	2.0	3.0	2.3	2.2
Current account (% GDP)	4.7	4.4	5.4	4.9	5.8	3.9	3.4	3.4	3.3	3.3	3.2	3.2	4.8	4.1	3.3
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-1.3	-2.0	-2.5
Government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	206.5	234.0	234.0
Net government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	136.5	134.3	130.1
Overnight call rate (%, EOP)	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	0.75	1.25	1.50

Note: Central bank rates are for end of period, %.
Source: BoJ, Cabinet Office, METI, MIC, MoF, Barclays Research

China Outlook

Trump-Xi readouts and April reality check

We compared official deliverables from the Trump–Xi summit, highlighting differences by topic, and summarised key outcomes from the Putin–Xi meeting. The sharp slowdown in April data underscores rising risks from K-shaped growth dynamics, oil price shocks and persistent property drag, in our view.

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Trump–Xi follow-ups: Unpacking official readouts

Follow-ups to the Trump-Xi meeting this week provided additional details from the US and China. Both sides emphasized on strategic stability and economic cooperation, while also highlighting outcomes related to their respective core interests. We have noted that China's top three priorities heading into the summit were Taiwan, tariffs, and technology restrictions, while the US priorities focused on rare-earth supply security, increased Chinese purchases of US goods, and further market opening (see: China Outlook: US–China: Strategic stability; divergent priorities, 15 May 2026).

Deliverables cited by both the US (the White House fact sheet) and China (China's Ministry of Commerce, MOFCOM) focused mainly on trade and investment frameworks, sector-specific deals like beef, poultry, and aircraft purchases, and rare earth access. Some areas of common ground included: **1) Establishment of boards on trade and investment; 2) China's purchase of 200 Boeing aircraft.** The White House fact sheet described this as an "initial" purchase, and President Trump told reporters on May 15, on his return flight to Washington[9] , that China had agreed to purchase "approximately 400, 450 engines, 200 planes and a promise of up to 750 if they do a good job". 3) **Beef and poultry trade.** China renewed export licenses for over 400 US beef plants and resumed poultry imports from relevant US states. 4) **Rare earths.** China emphasized on rules-based export controls on rare earths, and expressed willingness to work with the US to support the security and stability of the global industrial and supply chains.

Meanwhile, the White House fact sheet also highlighted additional outcomes on geopolitical coordination - like alignment on Iran (opposition to nuclear weapons, reopening of the Strait of Hormuz, and no transit tolls) and the de-nuclearization of North Korea , and China's agricultural purchase commitments. China MOFCOM referenced discussions on potential trade truce extension and tariff arrangements, including capping US tariffs at levels reached in October 2025, and reciprocal tariff reductions covering USD30bn goods from each sides. More specifically,

- **Tariff arrangement.** China's Ministry of Commerce (MOFCOM) stated: 1) it hoped that the US would honor its commitments, and in the future, regardless of imposing or replacing tariffs on

[9] "Trump and Boeing say China agreed to buy 200 aircraft, reopening a key market for the US planemaker, AP, 15 May 2026

Chinese goods on any ground, the level of US tariffs on China must not exceed the level agreed upon in the joint arrangements reached during the economic and trade talks in Kuala Lumpur, in 2025. 2) through subsequent consultations, the two nations should work to further remove relevant unilateral tariffs on China; 3) US and China have agreed in principle to discuss, under the framework of a trade council, a reciprocal tariff reduction arrangement covering products of comparable scale, starting at USD30bn or more on each side.

- **Trade truce extension.** China's MOFCOM stated that both countries will maintain close communication and consultations to promote the extension of the joint arrangements reached during the economic and trade talks in Kuala Lumpur (see: China Outlook: Tactical truce, 31 October 2025).

- **Agricultural trade:** China's MOFCOM stated that both sides had "set guiding targets to expand two-way agricultural trade", with select farm products to be incorporated into a reciprocal tariff reduction framework.

  The White House fact sheet provided more specific figures, noting that China will purchase at least USD17bn of US agricultural products annually in 2026–2028, on top of earlier soybean commitments. Following the Trump–Xi Busan meeting last October, the US indicated that China agreed to purchase at least 12 mmt of US soybeans in late 2025 and 25 mmt annually in 2026-2028[10] . While China appears to have met last year's target, it has not publicly confirmed these commitments on soybean purchases[11] .

- **Geopolitical issues:** The White House fact sheet highlighted alignment on Iran: "Both leaders agreed Iran cannot have a nuclear weapon, called to reopen the Strait of Hormuz, and agreed that no country or organization can be allowed to charge tolls", and the shared goals on de-nuclearization of North Korea .

- **On Taiwan**, US's acting navy secretary on Thursday said that, US arms sales to Taiwan have been "paused in order to make sure we have the munitions we need" for its Iran operations[12] . China's Foreign Ministry, on 21 May, reiterated its firm opposition to the US' official exchanges with Taiwan and arms sales to the island. This followed President Trump's comments to reporters on Wednesday, when asked if he would speak to President Lai ahead of a decision on arms sales. Trump said: "I'll speak to him. I speak to everybody." President Trump approved a USD11bn arms package to Taiwan last December, and a potential USD14bn package remains pending his approval. On 16 May, President Trump said the arms package is "a very good negotiating chip," while noting that "the last thing we need right now is a war… 9,500 miles away.""[13]

Putin–Xi Meeting: Strategic Cooperation, Limited POS-2 details

Russian President Putin visited China on May 19–20, marking his 25th visit to China, with the two leaders having met over 40 times since 2012. The visit followed President Putin's last visit to China in September 2025, for the annual summit of Shanghai Cooperation Organization in Tianjin, watching a military parade honoring the 80th anniversary of the end of World War II, and holding talks with Xi.

China and Russia released a joint communique[14] on 20 May, stating that both sides pledged to expand cooperation in areas from AI and civil aviation to mining and agricultural. The

[10] "Fact Sheet: President Donald J. Trump Strikes Deal on Economic and Trade Relations with China", The White House, 1 November 2025

[11] "China hits 12 million ton US soybean target pledged in trade truce", Reuters, 20 January 2026

[12] "US arms sales to Taiwan on ‘pause' due to Iran war, says acting navy chief", the Guardian, 22 May 2026

[13] Trump says he will speak to Taiwan's president in break from protocol", BBC, 21 May 2026

communiqué also noted that both countries agreed to deepen energy cooperation spanning oil, gas, and nuclear power. The joint communique made no reference to the Power of Siberia 2 (POS-2) pipeline, while the Kremlin spokesman Dmitry Peskov on 20 May noted that there was a "shared understanding" between the two leaders on key parameters for the POS-2, including the route and construction framework, although "some details still need to be finalised".

The POS-2 project is expected to transport up to 50bn cubic metres (bcm) of gas annually from western Siberia to China via Mongolia[15] , which by our estimate, represents ~28% of China's gas imports in 2025. For context, the existing Power of Siberia 1 (POS-1) pipeline delivered around 38.8bcm last year and during Putin's visit to China last September, the two nations agreed to increase annual volumes on the route to 44 bcm annually[16] .

April reality check: supply can't lift demand

April reality check is particularly concerning

China's April activity data point to a clear loss of growth momentum at the start of Q2, with a sharp, broad-based slowdown across consumption and investment. Retail sales materially undershot expectations, rising only 0.2% y/y (Bloomberg consensus: 2.0%; Q1 average: 2.4%), one of the weakest readings since late 2022. Fixed-asset investment (FAI) declined unexpectedly, falling 1.6% y/y (consensus: +1.7%), as infrastructure and manufacturing investment slipped back into contraction (around -4% each) while the property drag deepened (around -20%). Reflecting this, industrial production (IP) growth decelerated to a 33-month low of 4.1% y/y, down from 6.1% in Q1 (consensus: 6.0%; March: 5.7%).

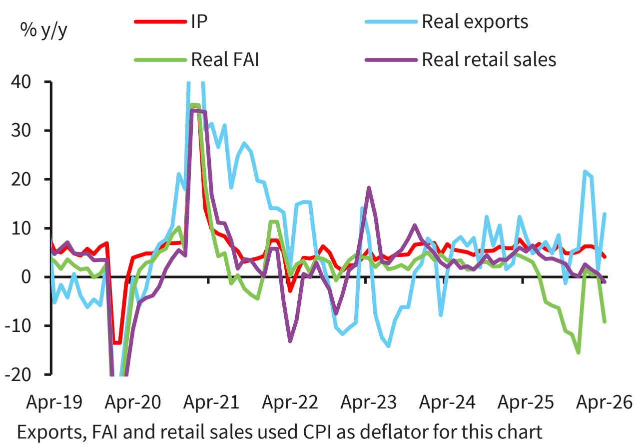
April's data serve as a reality check for a market split along two debates - property stabilisation and consumption recovery - neither of which is our base case. Three aspects of the April print are particularly concerning, in our view. First, the deceleration in IP occurred despite strong export growth (15% y/y Jan-April), underscoring that weakening domestic demand is increasingly spilling over into production as visibly shown in Figure 1. Second, household consumption has deteriorated much sharper than expected YTD, at a time when the property sector sentiment and sales were improving (though mainly secondary-market sales, Figure 3, while contraction in new home sales widened to 9.5%y/y in April from 7.4%, Figure 9). Third, Chinese households deleveraging has intensified, with households loan plummeting by CNY787bn in April, the largest net repayment on record, driving the first bank loan contraction since July 2025 (Figure 4).

[14] https://www.news.cn/world/20260520/06f5505d9d8f4ff48664d8e1b03c44c9/c.html

[15] "What is the Power of Siberia 2 pipeline that Russia, China are planning?", Aljazeera, 20 May 2026

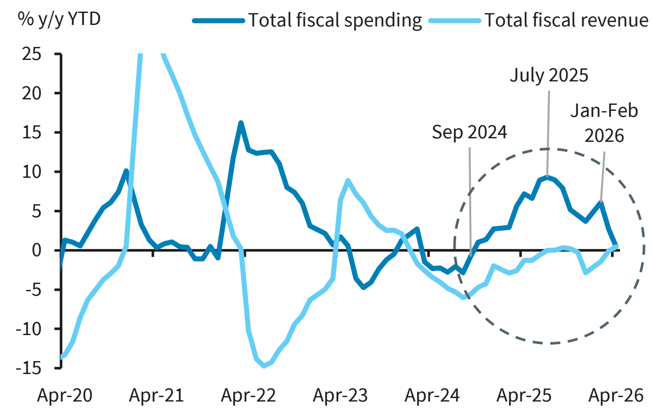
[16] "Russia's growing energy ties with China since the Ukraine war", Reuters, 19 May 2026

FIGURE 1. Weakening domestic demand feeds into production



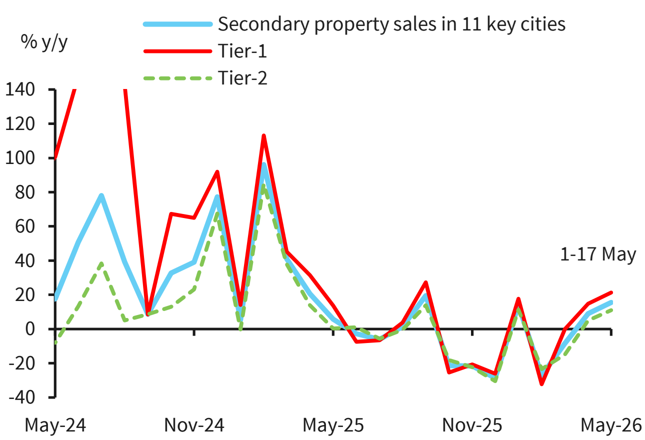
Source: Wind, Barclays Research

FIGURE 2. Fading fiscal support weighs on consumption



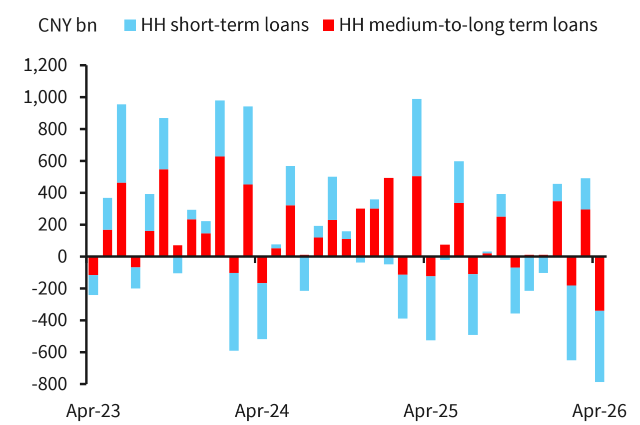
Source: Wind, Barclays Research

FIGURE 3. Secondary-market home sales improved



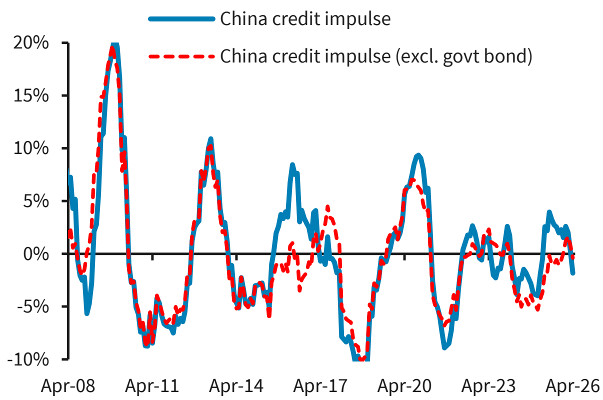
Source: Wind, Barclays Research

FIGURE 4. Households deleveraging intensified



Source: Wind, Barclays Research

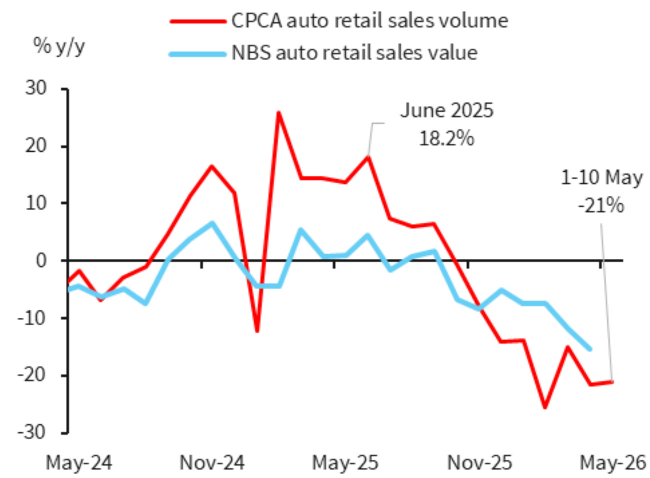
FIGURE 5. Credit impulse weakened sharply



Note: China credit impulse is Barclays alternative measure

Source: Wind, Barclays Research

FIGURE 6. Auto sales tumbled further



Source: Wind, Barclays Research

Three recurring themes to help frame the discussion

What explains the unexpectedly sharp slowdown—and how much is cyclical versus structural? In our view, the April surprise reflects the fading of front-loaded Q1 fiscal support (Figure 2) and a weakening credit impulse (Figure 5), but it is anchored by structural constraints that keep domestic demand subdued. We note the three recurring themes since China reopened in 2023 that help frame the picture.

First, China remains a two-speed economy, characterised by strong supply—supported by exports and high-tech manufacturing—while domestic demand remains persistently weak, particularly in household consumption (see China: Two-speed economy persists, 19 January 2026).

Second, quarterly growth continues to exhibit a common pattern, with a strong early-year rebound followed by moderation in Q2–Q3 as stimulus effects fade; notably, this year's loss of momentum has occurred earlier, is more pronounced, and more broad-based than in 2025.

Third, the prolonged property downturn continues to erode household wealth and confidence, weighing on consumption and reinforcing disinflationary pressures. At the same time, China's ongoing structural transformation is weighing on the broader labour market (China: Youth unemployment - just hang in there, 14 Jul 2023) —dampening employment and income prospects and reinforcing precautionary savings behaviour.

The K-shaped growth, broad demand weakness, and uneven recovery

The April data also send a clear warning on China's well-known bifurcation: strength in high-tech and export-oriented sectors is not sufficient to offset the weakness in domestic demand, calling for stepped-up policy support. As we highlighted in China: Lower 2026 inflation, 9 January 2026, such imbalance would weigh on domestic demand through at least two key channels. (1) **The labour market remains under pressure** as the transition toward less labour-intensive high-tech manufacturing—alongside rapid adoption of AI and "AI+" applications—should lead to a net reduction in total employment. (2) **Policy support remains modest**. Figure 2 shows that fiscal spending picked up strongly following the September 2024 policy pivot, but peaked around mid-2025, and the renewed push in January–February was not sustained; a pattern consistent with the subsequent trend in retail sales growth.

Meanwhile, withstanding the tentative property "green shoots", we maintain our view that they are unlikely to be sustained. Year-to-date, the property recovery has been highly selective, concentrated in top-tier cities, specific locations and segments (see China Outlook: Property green shoots, watch sustainability, 24 April 2026). Our investor trip to Beijing, Shanghai and Hangzhou last week reinforces this view: discussions with experts point to still weak mass-market demand, while both low-priced units (around CNY 3mn, accounting for ~70% of core-city transactions) and premium/luxury segments show relative resilience. Notably, the March–April common seasonal rebound appears to have ended, according to some Shanghai-based property experts.

In the consumer space, we note that while there are early signs of improvement, consistent with the broader K-shaped dynamics, it is also highly selective. Some NBS consumer confidence indicators have edged higher, but remain fragile and uneven. While the size and heterogeneity of China's consumer market mean that pockets of resilience persist, under the themes of "health, niche, and experience", with firms that tap into evolving consumer preferences - by offering differentiated products, stronger perceived value for money, compelling narratives, and greater "emotional value"-standing out, overall consumption and aggregate demand will remain subdued.

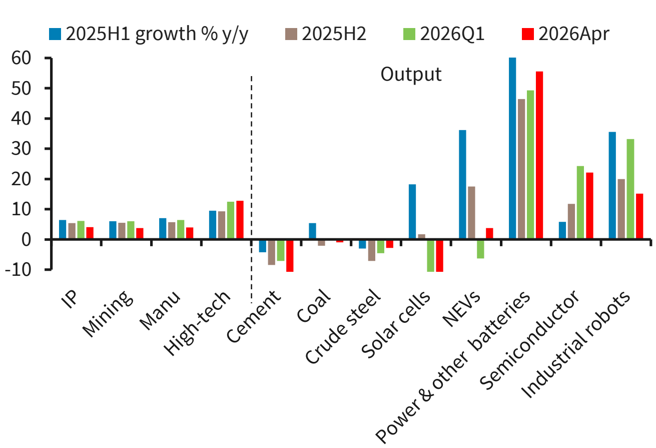
US-Iran conflict and higher oil costs add additional downside pressures

Moreover, the US-Iran conflict and associated oil price shocks are increasingly feeding into activity data, primarily through rising input costs in energy-related sectors, but also employment and consumption, in our view.

On the production side, industrial output softened more than expected in April, with notable moderation across chemicals, pharmaceuticals, and rubber and plastics—likely reflecting margin compression from higher feedstock costs. These cost pressures are also weighing on investment decisions. Manufacturing investment in energy-intensive sectors has weakened, with chemical investment slipping into contraction and textile investment growth slowing markedly.

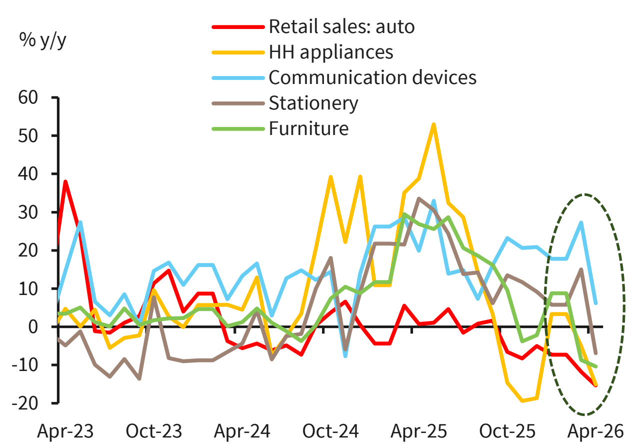
At the same time, cost-push energy supply shocks will worsen downstream profitability, particularly for smaller and less cost-efficient firms along the supply chain. Resulting firm exits could intensify labour market pressures, reinforcing downside risks to household income and consumption.

FIGURE 7. High-tech production outperformed



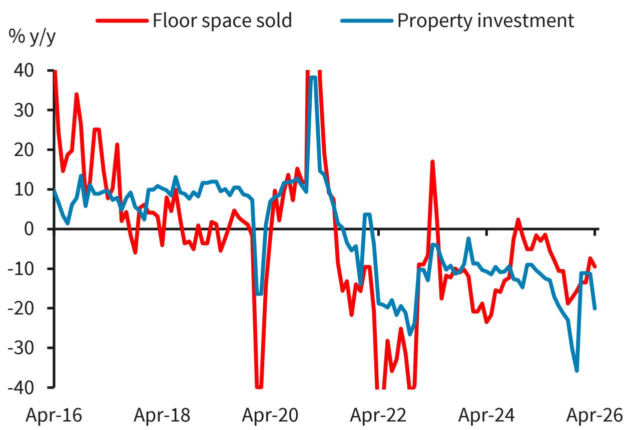
Source: Wind, Barclays Research

FIGURE 8. Trade-in goods sales weakened y/y



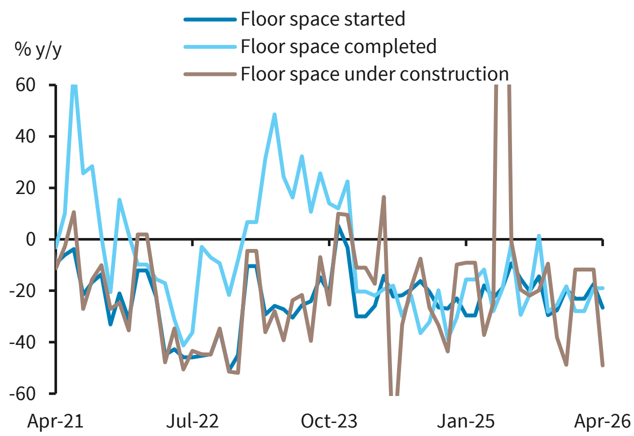
Source: Wind, Barclays Research

FIGURE 9. Property sales and investment weakened...



Source: Wind, Barclays Research

FIGURE 10. ...key property indicators also stayed deep in contraction



Source: Wind, Barclays Research

We highlight some key takeaways from the April data

- Industrial production moderated to 4.1% y/y in April, down from an average of 6.1% in Q1 and below expectations (Bloomberg: 6%, Barclays: 6.2%). The slowdown was partly driven by softer output in energy-related sectors, such as chemicals, pharmaceuticals, and rubber and plastics, likely reflecting rising feedstock costs amid the latest Middle East conflicts, which squeezed margins and weighed on production. By contrast, high-tech manufacturing continued to outperform (Figure 7), in line with strong exports of high-tech and green products.

- Retail sales growth slowed sharply to 0.2% y/y and marking the weakest print since the contraction in December 2022, when China reopened from Covid. The weakness was driven by goods consumption, which fell for the first time in 40 months. We noted that: 1) Trade-in-related categories softened across the board. Auto sales fell at a double-digit pace for a second consecutive month (Figure 8). 2) Meanwhile, discretionary spending weakened visibly, with jewellery sales posting the steepest decline in four years and cosmetics sales also moderating.

- The property sector remained the key drag, with most indicators deteriorating further. Property investment fell 20.1% y/y in April, a level last seen in Q3 2025 and nearly double the pace of decline in Q1, and property sales fell at a faster pace (Figure 9). Leading indicators weakened across both floor space started and under construction, while completions remained deeply negative (Figure 10). On the price side, conditions were relatively stable, with month-on-month declines in both new and existing home prices holding at -0.2%.

- Infrastructure investment lost momentum (April: -3.7%, Q1: 9.5%) after three months of gains in Q1, in line with slower local government bond issuance following earlier front-loading and a net repayment of corporate long-term loans in April.

CHINA DATA REVIEW & PREVIEW

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Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
China: Retail sales, % y/y	Apr	1.7	2.0	0.2	
China: Industrial production, % y/y	Apr	5.7	6.2	4.1	Supply can't lift demand
China: Fixed asset investments, YTD % y/y	Apr	1.7	1.6	-1.6	
China: 1y Loan prime rate, %	May	3.00	3.00	3.00	LPR unchanged

Preview of upcoming data

Monday, 25 May	Period	Prev 2	Prev 1	Latest	Forecast	Consensus
No upcoming data releases scheduled						

Note: Bloomberg consensus forecasts and release dates are subject to change.
Source: Bloomberg, Barclays Research

CHINA SNAPSHOT

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	2025				2026				2027				Calendar year average		
% change y/y	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025	2026E	2027E
Real GDP (% y/y)	5.4	5.2	4.8	4.5	5.0	4.7	4.4	4.3	3.7	3.9	4.1	4.2	5.0	4.6	4.0
Real GDP (% q/q saar)	5.6	4.3	3.6	4.4	6.8	3.2	3.2	4.0	4.5	4.1	4.1	4.1	...	...	...
Real GDP (% y/y YTD)	5.4	5.3	5.2	5.0	5.0	4.8	4.7	4.6	3.7	3.8	3.9	4.0	...	...	...
Consumption (pp)	2.8	2.8	2.8	2.6	2.4	2.0	2.0	2.0	1.9	1.8	2.0	2.0	2.6	2.0	2.0
Investment (pp)	0.5	1.0	0.9	0.8	1.9	1.4	1.3	1.2	1.1	1.0	1.0	1.0	0.8	1.2	1.0
Net exports (pp)	2.1	1.5	1.5	1.6	0.8	1.4	1.4	1.4	0.7	1.0	1.0	1.0	1.6	1.4	1.0
Industrial production (% y/y)	6.5	6.2	5.8	5.0	6.1	5.2	4.9	4.8	4.2	4.4	4.6	4.7	5.9	5.2	4.5
Nominal GDP (% y/y)	4.6	3.9	3.7	3.9	4.9	5.0	5.0	4.9	4.3	4.5	4.7	4.7	4.0	5.2	4.6
CPI inflation (% y/y)	-0.1	0.0	-0.2	0.5	0.8	0.5	0.7	0.9	1.3	1.2	0.8	0.0	0.1	0.7	0.8
Surveyed unemployment rate (%)	5.2	5.0	5.2	5.1	5.4	5.1	5.1	5.1	5.2	5.1	5.2	5.1	5.1	5.1	5.1
Current account (% GDP)	3.7	2.7	4.0	4.4	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.7	4.0	4.0
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-4.0	-4.0	-4.0
Central government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	29.1	32.8	36.5
7d OMO rate (%)	1.50	1.40	1.40	1.40	1.40	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.40	1.30	1.30

Note: All numbers are expressed in y/y % change unless otherwise specified. Contributions by GDP expenditure components are all reported as "year to date" numbers officially.
Source: Barclays Research

Emerging Asia Outlook

The tide turns hawkish

Despite the sustained disruption to supply chains running through the Strait of Hormuz, economic activity has held up much better than we anticipated. Following BI's 50bp policy rate hike on 20 May, the BoK is likely to turn hawkish next week too (but not hike).

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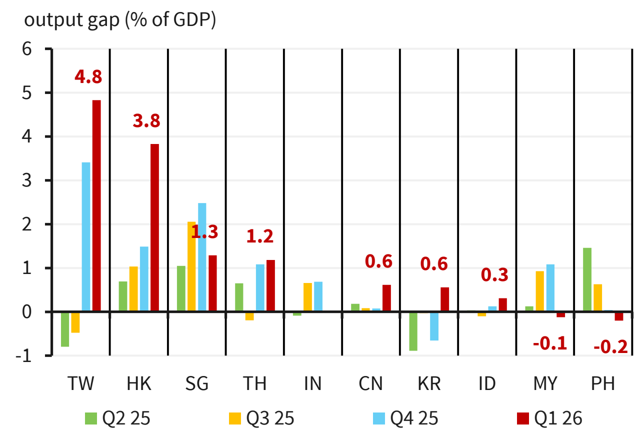
With Bank Indonesia (BI) delivering a 50bp policy rate hike on 20 May – the third major central bank in the region to tighten monetary policy settings since the outbreak of conflict in the Middle East – and others such as the Bank of Korea (BoK) likely to turn hawkish too, clearly economic growth fears have not weighed as heavily on policymakers' minds as we earlier expected.

Despite the sustained disruption to supply chains running through the Strait of Hormuz, economic activity has held up much better than we anticipated. Almost all of the region's major economies (except India) have released Q1 GDP data – our estimates point to positive and largely improving output gaps throughout Emerging Asia, except in Malaysia and the Philippines where these turned slightly negative.

- We suspect the seeming softening in Malaysia may be at least partly due to challenges in the official seasonal adjustment process accounting for the Ramadan fasting month and Eid al-Fitr holidays shifting deeper into Q1 closer towards the Lunar New Year festivities.
- By contrast, the further deterioration in the Philippines was unsurprising, given ongoing challenges around the corruption allegations in public sector flood-control projects and the energy-saving measures that the government undertook in the wake of the global oil price surge.

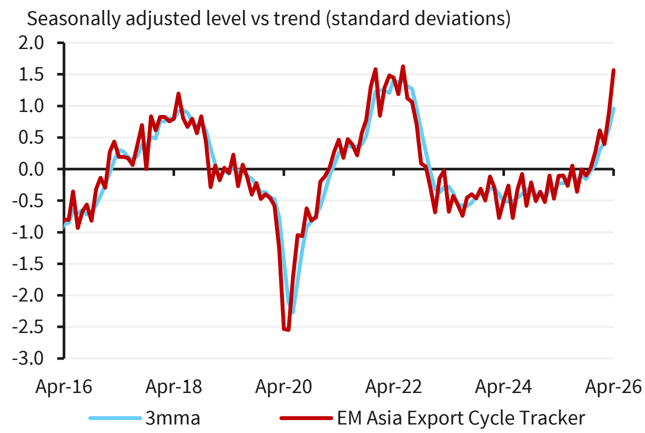
At the same time, the region's exports have skyrocketed, largely driven by the tech segment likely linked to AI demand. With seven jurisdictions already reporting April data – Thailand, Indonesia and the Philippines have not – our Barclays EM Asia Export Cycle Tracker, which aims to provide a more broad-based and timelier measure of the state of play in the region, has surged even higher from an already strong Q1.

FIGURE 1. Output gaps by economy



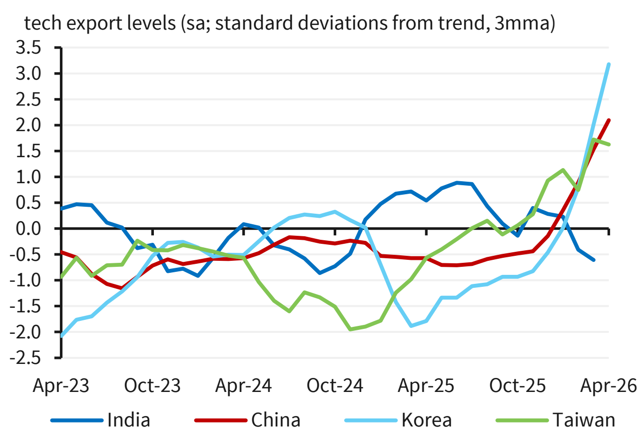
Source: Haver Analytics, S&P Global Market Intelligence, Barclays Research

FIGURE 2. EM Asia Export Cycle Tracker



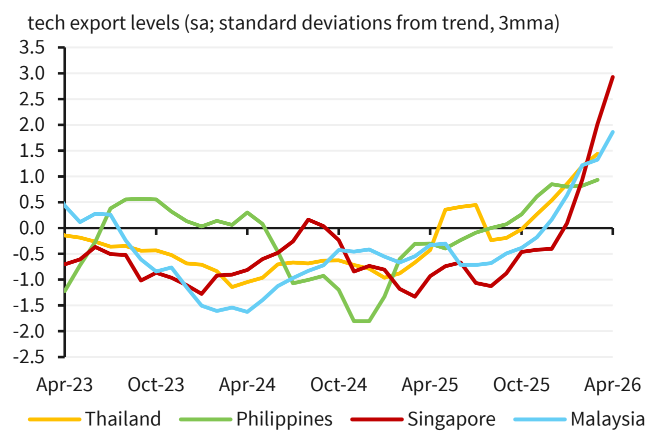
Source: Haver Analytics, S&P Global Market Intelligence, Barclays Research

FIGURE 3. Seasonally adjusted tech export levels relative to trend: India and North Asia



Source: CEIC, Haver Analytics, S&P Global Market Intelligence, Barclays Research

FIGURE 4. Seasonally adjusted tech export levels relative to trend: Asean



Source: CEIC, Haver Analytics, S&P Global Market Intelligence, Barclays Research

BI: Outsized 50bp hike

BI surprised with a larger-than-expected 50bp policy rate hike, to 5.25%. While our base case had been for no move, we are not entirely surprised by the outsized 50bp policy rate hike. We had highlighted that our forecast was a close call and mainly based on our lack of clarity whether the likely resistance from the pro-growth government had abated sufficiently to clear the way for a policy rate hike. That the policy rate hike was a larger-than-usual 50bp adjustment is also not particularly shocking, in our view, in light of the extent and pace of the USDIDR surge since the start of this week.

What the 50bp hike suggests therefore is that IDR depreciation has reached levels that have caused the pro-growth government to relent on monetary policy tightening. As we have been arguing, while the current administration's tolerance for IDR weakness may be relatively high, it is not unlimited. This has two implications, in our view:

- As the latest decision proves, BI likely now has greater flexibility to deploy policy rate hikes to defend the IDR, supplementing instruments such as higher SRBI and repo rates.
- In line with our longstanding view, we continue to believe the government – likely well aware that fiscal policy is a key area of focus for global investors – would prefer to avoid the surge in

exchange rate pressures that would likely ensue if the fiscal deficit ceiling was to be raised from 3% of GDP. Thus while the risk remains that the government will seek to raise the 3% ceiling, allowing for larger fiscal deficits, this is still not our base case.

We now expect another 25bp rate hike, to 5.50%, in June – with the main risk being that IDR pressures subside visibly, obviating the need for further FX support. Once IDR pressures subside, BI will likely pivot back towards rate cuts – but uncertainty is high on the timing of such a turn. Our base case is for 25bp rate cuts in March, April and May 2027 – to 4.75% – in line with our forecast for a 25bp Fed funds rate cut in March 2027, though risks are tilted towards delays.

In terms of the IDR, investor sentiment has grown even more cautious after President Prabowo Subianto ordered exports of palm oil, coal and ferro-alloys to be conducted through a new state-owned enterprise – with the potential for more commodities to be eventually added to the list.

- The new entity Danantara Sumberdaya Indonesia (DSI) will begin trials from June to September – which will only focus on export filing – after which it will be evaluated in Q4 before full implementation in January 2027.
- Danantara officials have indicated that full implementation will involve DSI eventually purchasing and taking ownership of goods directly from domestic producers, and conducting the export activity itself.
- In our view, while this is potentially a powerful new measure to address the problem of under-invoicing, smooth implementation and clear communication would likely help to minimise the risk of disruption (see Indonesia: A new commodity export agency, 21 May 2026).

BoK: Question of how hawkish

Next week, we expect the BoK's Monetary Policy Board (MPB) to keep policy rates unchanged at 2.5% at the 28 May meeting. We believe the decision is likely to include at least one dissenting vote from Senior Deputy Governor Ryoo Sangdai, with potentially a second one from Dr Chang Yongsung. In addition, we expect the BoK's six-month forward guidance to show a significant shift in the distribution relative to the February meeting, reflecting changes in the board's composition (two members were replaced) and upside surprise in Q1 GDP.

Risks are skewed towards a more hawkish meeting outcome: While we do not expect a hike, the vote split could lean more hawkish – potentially three versus three, requiring Governor Shin's casting vote. In an extreme scenario, a surprise hike could be accompanied by dissenting votes in favour of a hold. Similarly, we cannot rule out a dot on a 3.25% policy rate on a six-month horizon, which could imply at least one period of back-to-back hikes by November 2026. Another tail risk is a pre-emptive hike in next week's meeting.

We believe the likelihood of a hike is very low. Notably, we believe the BoK is likely to assess the current 2.5% policy rate as a "good initial" position to react if required given this rate level is in the middle of the estimated neutral rate range. Without CPI inflation reaching the 3% handle, we believe pre-emptive action would require other signals such as a de-anchoring of inflation expectations. That said, search engine activity suggests a stabilisation in public interest in oil prices, despite such interest remaining elevated, leading us to believe that the bulk of the initial shock to inflation expectations is over.

More hawkish voting could imply that the BoK is confident enough about the growth outlook to pre-commit to a policy path despite the high level of macroeconomic uncertainty. What's more, further tightening could weigh on the fixed income market, especially against a backdrop of the global rates sell-off and weak sentiment that triggered a series of verbal government interventions (see Korea: BoK preview – Question of how hawkish, 21 May 2026).

Thailand: Fiscal policy takes centre-stage

With monetary policy in Thailand constrained by limited policy space, fiscal has come to the fore to support growth. Thailand's cabinet approved a THB175bn (~USD5.4bn) cost-of-living crisis relief package on 19 May[17] . The measures include direct cash support to 13.2mn welfare cardholders (THB1,000 baht per person per month) and subsidies for 30mn more (cooking gas, public transport, and co-payment scheme) over a four-month period from June to September. The funding for these measures will be borne out of the THB400bn emergency borrowing announced in early May.

We maintain our GDP growth forecast of 1.8% for 2026, which had already factored in the short-term stimulus package (contours of the program were indicated during the emergency borrowing announcement): in particular, we expect a GDP growth impact of 0.4pp for the full year, from the stimulus, partially offsetting the growth shock from the energy crisis, decline in tourist arrivals public spending cuts. Our estimates assume fiscal multiplier of 0.4, based on previous experience of the digital wallet scheme (2023) and BoT's empirical analysis[18] which found that the fiscal multiplier of direct transfers is typically lower than direct government consumption or investment. (The BoT's April 2026 estimate of 0.5-0.7pp upside to its growth forecast of 1.5% for 2026 assumed a larger THB300bn stimulus package, which notably suggests an even lower government spending multiplier of ~0.3-0.4).

[17] *Bloomberg*, Thai Cabinet Approves 175bBaht Cost-of-Living Relief Program, 22 May

[18] Bank of Thailand, Monetary policy report, Q4 2023

AUSTRALIA & EMERGING ASIA DATA REVIEW & PREVIEW

Brian Tan, Barclays Bank, Singapore | Bum Ki Son, Barclays Bank, Singapore | Aastha Gudwani, BSIPL, India | Amruta Ghare, BSIPL, India

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Singapore: Non-oil domestic exports, % y/y	Apr	15.3	7.5	24.5	Jump in Nodx
Thailand: GDP, % q/q sa	Q1	1.9	0.1	0.7	Calm before the storm
Thailand: GDP, % y/y	Q1	2.5	2.2	2.8	
Australia: RBA May meeting minutes	-	-	-	-	Rate hike likely
Malaysia: CPI, % y/y	Apr	1.7	1.9	1.9	Limited April CPI pass-through
Malaysia: Trade balance, MYR bn	Apr	24.5 R	22.9	28.7	Sharp rise in export growth
Malaysia: Exports, % y/y	Apr	8.4 R	7.6	36.9	
Malaysia: Imports, % y/y	Apr	10.4	-5.9	20.0	
Indonesia: BI rate, %	May	4.75	4.75	5.25	Outsized 50bp hike
Australia: Employment change, k	Apr	23.3 R	-	-18.6	Rise in unemployment rate
Australia: Unemployment rate, %	Apr	4.3	-	4.5	
India: "Flash" S&P Global manufacturing PMI, index	May	54.7	-	54.3	Slight change in PMI
Indonesia: Current account, USD bn	Q1	-2.5	-4.7	-4.0	Deeper deficit
Taiwan: Unemployment rate, %	Apr	3.4	3.4	3.3	Minimal change

Preview of upcoming data

Monday, 25 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	Singapore: GDP 2nd release, sa, % q/q	Q1	1.9	1.3	-0.3	0.1	0.1
08:00	Singapore: GDP 2nd release, % y/y	Q1	4.5	5.7	4.6	5.1	5.1
11:30	Thailand: Customs trade balance, USD bn	Apr	-3.3	-2.8	-3.3	-5.0	-5.4
11:30	Thailand: Customs exports, % y/y	Apr	24.4	9.9	18.7	29.4	19.3
11:30	Thailand: Customs imports, % y/y	Apr	29.4	31.8	35.7	33.2	29.6
13:00	Singapore: CPI - headline, % y/y	Apr	1.4	1.2	1.8	2.0	2.1
13:00	Singapore: CPI - core, % y/y	Apr	1.0	1.4	1.7	1.8	1.8

Singapore: Both core and headline inflation likely rose slightly further in April, though risks are skewed to the upside depending on how much the global commodity price surge spills over to the broader goods and services items in the CPI basket. Q1 GDP growth will likely be revised higher on account of better-than-expected manufacturing activity.

Thailand: We expect the merchandise trade deficit to widen sequentially on higher imports, outweighing export strength.

Tuesday, 26 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
13:00	Singapore: Industrial production, % y/y	Apr	9.7	3.3	10.1	12.0	12.0
16:00	Taiwan: Industrial production, % y/y	Apr	27.9	16.6	28.7	12.8	19.4

Singapore: Industrial production growth likely remained robust in April, supported by strong tech demand.

Taiwan: We expect industrial production growth to slow to 12.8% y/y, from 28.7% in March, due to reduced export volumes.

Wednesday, 27 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
10:00	New Zealand: RBNZ official cash rate, %	May	2.25	2.25	2.25	2.50	2.25

New Zealand: While a close call, our base case is for the Reserve Bank of New Zealand (RBNZ) to hike its policy rate by 25bp. CPI inflation has turned out to be sticky, staying above the RBNZ's 1-3% target range in Q1, while the latest surveys point to a pickup in inflation expectations; a swift end to the Middle East conflict also looks elusive. That said, the overshoots are not excessive, providing significant scope for the central bank to stay on hold at the upcoming May meeting and hike rates later, perhaps in July.

Thursday, 28 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
-	Korea: Bank of Korea 7-day repo rate, %	May	2.50	2.50	2.50	2.50	2.50

12:00	Thailand: Manufacturing production, % y/y	Apr	1.6	0.1	0.8	1.0	0.6

Korea: We expect the Bank of Korea to hold the policy rate at this meeting, while delivering a strong signal of future rate hikes. We expect at least one dissent in favour of a hike, and in the six-month dot plot, around eight dots pointing to a 3.0% policy rate by November. However, given that Q2 growth is likely to moderate, inflation is still only in the mid-2% area, and inflation expectations remain broadly anchored, we believe the BoK will view this shift primarily as a pre-emptive move. Under the assumption that incoming data do not significantly exceed expectations, we expect a first hike in August, followed by another in November. We see 3.0% as an appropriate terminal rate for a pre-emptive tightening cycle. That said, the ongoing AI investment boom and semiconductor cycle are likely to keep financial conditions relatively easy, and if housing prices rise again into the second half, there remains a possibility of additional tightening in Q2 next year with a stronger focus on financial stability.

Thailand: Manufacturing output growth likely remained subdued in April owing to fewer working days on account of the Songkran festival and rise in input costs, supported to an extent by continued momentum in electronics production.

Friday, 29 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
07:00	Korea: Industrial production, % y/y	Apr	6.8	-2.3	3.6	3.0	2.5
09:00	Philippines: Trade balance, USD bn	Apr	-4.3	-4.0	-4.5	-4.9	-4.3
09:00	Philippines: Total exports, % y/y	Apr	8.7	8.9	20.4	10.6	16.5
09:00	Philippines: Total imports, % y/y	Apr	-0.9	16.6	12.3	15.5	12.5
15:00	Thailand: Current account, USD bn	Apr	0.5	2.1	0.6	-1.8	-
16:00	Taiwan: GDP 2nd release, % y/y	Q1	8.4	12.7	13.7	-	13.7

Korea: We expect industrial production growth to slow to 3% from 3.6% in March.

Philippines: The merchandise trade deficit likely came under further pressure in April on the back of the Middle East conflict and surging global commodity prices.

Thailand: The current account balance likely turned into a deficit from a surplus in March, driven by a wider merchandise trade deficit.

Note: Bloomberg consensus forecasts and release dates are subject to change.
Source: Bloomberg, Barclays Research

INDIA SNAPSHOT

Aastha Gudwani BSIPL, India | Amruta Ghare BSIPL, India

	2025				2026				2027				Fiscal year average		
% change y/y	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025 E	2026E	2027E
Real GDP (% y/y)	6.7	8.4	7.8	7.4	7.3	6.3	6.6	7.0	7.1	6.5	6.3	7.0	7.6	6.8	6.7
Private consumption (% y/y)	9.2	8.0	8.7	5.1	6.2	6.5	6.8	7.2	7.1	6.5	6.3	7.0	7.7	6.7	6.7
Public consumption (% y/y)	5.8	6.6	4.7	9.4	6.5	5.0	7.0	7.0	5.6	4.9	5.6	6.7	6.6	6.4	5.7
Fixed investment (% y/y)	4.9	8.4	7.8	7.2	7.5	5.5	6.2	6.0	7.1	6.7	6.3	6.9	7.1	6.3	6.8
CPI inflation (% y/y)	2.9	1.7	0.6	3.1	3.9	4.3	5.2	4.8	5.1	5.2	5.5	5.0	2.1	4.5	5.2
Current account (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-1.0	-1.8	-1.5
General government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-7.5	-7.3	-7.0
Gross public debt % GDP	...	...	...	...	...	...	...	...	...	...	...	...	76.0	75.0	74.0
Repo rate (period end, %)	5.50	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.75	5.75	5.25	5.25	5.75
Cash reserve ratio (period end, %)	4.00	3.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

Note: All numbers expressed in y/y basis unless otherwise specified. 2024 = FY2024-25, and so on. India's fiscal year begins in April and ends in March.
Source: Haver Analytics, RBI, Barclays Research

KOREA SNAPSHOT

Bum Ki Son, CFA Barclays Bank, Singapore

	2025				2026				2027				Calendar year average		
% Change	**Q1**	**Q2**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2025 E**	**2026E**	**2027E**
Real GDP (% q/q, sa)	-0.2	0.7	1.3	-0.2	1.7	0.0	0.2	0.4	0.8	0.3	0.7	0.7	...	...	...
Real GDP (% q/q saar)	-0.9	2.7	5.4	-0.6	6.9	-0.1	0.8	1.7	3.1	1.1	3.0	2.8	...	...	...
Real GDP (% y/y)	0.0	0.6	1.8	1.6	3.6	2.9	1.7	2.3	1.4	1.7	2.2	2.5	1.0	2.6	2.0
Private consumption (% y/y)	0.5	1.0	1.8	2.0	2.6	2.2	1.2	1.2	1.2	1.5	1.7	1.8	1.3	1.8	1.5
Public consumption (% y/y)	2.2	2.6	3.0	3.9	4.0	3.8	3.0	2.2	2.8	2.5	2.4	2.3	3.0	3.2	2.5
GFCF (% y/y)	-4.5	-3.7	-2.2	-2.9	1.0	2.0	2.7	5.6	3.5	3.0	1.1	0.0	-3.2	2.9	1.8
Exports (% y/y)	1.4	4.5	6.6	4.3	10.3	7.4	6.4	8.7	4.9	4.4	4.7	5.4	4.2	8.2	4.9
Imports (% y/y)	2.0	4.6	5.3	3.5	7.8	6.8	7.9	9.9	8.3	6.3	3.7	3.1	3.8	8.1	5.3
Industrial production (% y/y)	2.4	3.2	7.7	-1.5	3.9	3.1	2.8	3.5	2.1	1.9	1.9	1.4	2.9	3.3	1.8
Unemployment rate (%)	2.8	2.8	2.7	2.6	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.7	2.7	2.7
CPI inflation (% y/y)	1.8	2.2	1.8	2.2	2.1	3.0	2.9	2.2	1.9	1.4	1.7	1.6	2.1	2.5	1.7
Current account (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	6.6	12.8	11.3
Consolidated fiscal balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-3.1	-1.9	-2.1
Consol. fiscal balance ex social security funds (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-4.1	-3.9	-4.1
Key central bank rate (%, EOP)	2.75	2.50	2.50	2.50	2.50	2.50	2.75	3.00	3.00	3.25	3.25	3.25	2.50	3.00	3.25

Note: All numbers expressed in y/y basis unless otherwise specified.
Source: Haver Analytics, Barclays Research

EEMEA Outlook

The court ruling in Turkiye and implications

We discuss early election scenarios in Turkiye following the court decision this week. We expect the SARB to deliver a hawkish 25bp hike. In contrast, the BoI is set to resume its easing cycle, while the NBH should remain on hold. Fiscal consolidation is on track in Senegal, but risks remain.

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Domestic politics back in focus in Turkiye

An appeals court annulled the CHP's November 2023 congress, which brought Ozgur Ozel to the leadership. It ruled the congress legally invalid under "absolute nullity" (mutlak butlan), meaning it is treated as if it never took place. As a result, Ozgur Ozel and the current leadership have been removed, while Kemal Kilicdaroglu and the pre-2023 leadership have been reinstated as an interim leader[19]. One potential scenario is that Ozel and his leadership would move toward forming a new party[20].

Higher probability of early elections in 2026?

We have received increased queries about the potential for early elections following the court decision. One camp sees a higher probability of elections in October–November 2026. The argument is that FX policy pressures (and its effect on foreign reserves) will intensify as the current account deficit widens seasonally from November (Turkiye C/A Balance: Limited pressure on reserves until October, 13 May). This would make the macro/policy backdrop more challenging, increasing the incentive to hold elections earlier, rather than risk a deterioration in the economic outlook later.

Another camp argues that the timing will hinge largely on energy prices. If oil prices remain elevated into mid-summer, an October–November 2026 election window might become more plausible. However, if energy prices moderate, pressure on FX and rates policy would ease materially, reducing the need for early elections. In that case, late 2027 or early 2028 could be a better timeline.

From a procedural standpoint, calling early elections—and enabling President Erdogan to run for a third term—requires parliamentary approval by 360 out of 600 MPs. The ruling coalition currently holds 326 seats, leaving a gap of 34. The most straightforward route would be securing support from the Kurdish DEM party (56 MPs), likely contingent on progress in the stalled Kurdish peace process[21]. However, there would be other options to secure 360 MPs.

[19] Al Jazeera: Turkish court ousts leader of main opposition party, 22 May
[20] BBC: Turkish opposition fights court ousting of leaders in ruling boosting Erdoğan, 22 May
[21] The Economist: Talks stall between Turkey's government and the Kurds, 11 December 2025

The CBT's reaction function will depend highly on domestic dollarisation

Local dollarisation is driven mainly by USD-denominated returns on TRY deposits and TRY volatility. Despite around USD10bn in FX sales in the two days following the court decision, the CBT maintained a steady pace of TRY depreciation, suggesting no intention to allow FX volatility amid elevated outflows. Anecdotal evidence suggests that recent exits on Thursday and Friday this week from the TRY have been driven largely by non-residents, with limited dollarisation among residents at this stage. If resident dollarisation were to pick up, the CBT could respond by raising TRY returns via policy rate hikes and/or tighter macro-prudential measures. For now, we maintain our call for the policy rate to remain unchanged at 37% at the 11 June MPC meeting. However, this will depend heavily on dollarisation trends over the next two to three weeks, as well as global energy prices. Beyond TRY volatility and deposit returns, residents' dollarisation decisions will also be influenced by expectations around potential early elections.

EEMEA rate decisions next week: one cut, one hold, one hike

Uncertainty justifies waiting, but data support a cut in Israel: Next week's MPC meeting will be a very close call between staying on hold and delivering a 25bp cut. Given incoming data, we expect greater support for a cut (to 3.75%). Inflation expectations remain well-anchored and we expect headline CPI to remain within the target range, which should allow the BoI to resume the easing cycle. Likewise, a narrowing fiscal deficit should give the BoI more comfort to cut. However, geopolitical uncertainty and labour tightness temper conviction and could delay easing into H2 26. The US-Iran peace negotiations gave the markets some hope, as Iran commented that the latest US proposal "bridged the gap between the sides"[22]. However, the US's demand to remove enriched uranium from the country and rejection of the Hormuz tolls idea keep the risks of resumed military actions elevated, while the Israeli army is "on highest alert" for any developments[23].

We will focus on forward guidance from the NBH: Compared with regional peers, the NBH in Hungary is in a relatively comfortable position, supported by a high ex post real policy rate cushion (+4.2pp in Hungary vs. +0.6pp in Poland and +1.0pp in Czechia). The recent strength of the forint, together with expectations of stronger EU fund inflows, should help offset second-round inflationary effects from higher energy prices. In addition, the new government has signalled a gradual removal of price controls on on some areas including energy[24], which should ease fears about a sharp acceleration in inflation in H2 26. Against this backdrop, markets are pricing a relatively faster easing cycle of around 75bp to 5.50%. Our current base case is for a more gradual 25bp cut over the remainder of the year, taking the policy rate to 6.0%. However, depending on the tone of the next MPC meeting, we see scope to revise our call towards a 50bp or even 75bp easing.

South Africa inflation soars, increasing the likelihood of a larger SARB action: In **South Africa**, April CPI printed at 4% y/y, above our 3.7% y/y forecast and the consensus expectation of 3.9% y/y. The main upside surprise was in regulated fuel costs, which printed at 18% m/m, higher than the 15% m/m increase that was announced by the government. Public transport fares also rose 3.1% m/m versus our expectation of just 2% m/m; and insurance (mostly funeral policies) came in at 1.2% m/m versus our projection of 0.2% m/m. Finally, communication costs jumped an unanticipated 2.1% m/m versus our 0.5% m/m forecast, thanks largely to a 2.5% m/m rise in the cost of telecommunication services. Given the rise in the latter two components, core CPI printed at a high 3.6% y/y, which was well above our 3.4% y/y forecast, and 3.0% y/y in February, pointing to a reasonably sharp acceleration in non-food, non-fuel prices, which will likely concern the monetary authorities. We expect further increases in local fuel prices in May

[22] Progress in Iran talks undercut over uranium, Hormuz tolls, Bloomberg, 22 May 2026

[23] Israel army chief says military 'on highest alert' as threats over Iran war escalate, Bloomberg, 20 May 2026.

[24] Hungary Today: New Government Plans to Maintain the Fuel Price Freeze, 17 April

and June. In addition, public transport costs will likely accelerate, especially if one considers that local taxi fares in some areas rose significantly in mid-May, and are slated to rise a further 6-14% in some parts of the country on 1 June 2026[25]. Higher public transport fares will naturally push up the cost of services and food in the coming months. **With regards to monetary policy**, the targeted inflation measure is now already at the upper bound of the 100bp tolerable band around the country's 3% inflation target, and will likely average ~4.6%y/y in Q2 26 (SARB estimates 4% y/y), on our estimates, if no action is taken. We now expect inflation to peak at 5.3% y/y by February 2027 (5.0% previously) and fall back to target only in the second half of 2028 (previously Q1 28). Importantly, core CPI, which we had expected to reach 3.6%y/y in May and plateau at ~3.7% over the subsequent nine months, printed at 3.6% y/y in April and will likely remain above the ceiling of the tolerance band at ~4.1%y/y over the coming nine months. Furthermore, core CPI will, on our projections, likely remain above the 3% target until Q4 28. We think this outlook will result in a hawkish-rhetoric-filled 25bp hike when the SARB meets on 28 May, while the likelihood of a larger, 50bp rate hike has increased significantly.

Senegal consolidation plan on track but there are risks

Updates from the Ministry of Finance show that budget revenues printed at CFA1.14trl in Q126, roughly a fifth of the revised annual target of CFA5349trl. Even so, the budget deficit came in at a reported CFA343bn, which is 14% lower than the CFA400bn that was reported in Q1 25, thanks in large measure to cut-backs in investment spending to ensure that the authorities do not derail from their deficit consolidation path[26]. Press reports also indicate that President Faye met with the IMF's Kristalina Georgieva on the sidelines of the recent Africa Forward Summit in Kenya, where discussions focused on "debt sustainability and potential pathways toward a solution,"[27] with President Faye indicating that he would personally see to it that the Fund gets all the outstanding information that it needs to move forward with Senegal's long-awaited program. At that event, President Macron is also reported to have assured Senegal that "France will not let Senegal down"[28]. Finally, the reports[29] also suggested that the new head of the IMF's Africa Department, Zeine Zeidane has prioritised Senegal since he assumed the role on 1 May, and the cordial relationship between him and the African Development Bank could see the latter play a more meaningful role in supporting Senegal through the current crisis.

Even so, the ongoing US-Iran war, which has pushed international oil prices to levels close to double the USD62/bbl that was assumed in the Senegal budget, will likely stoke spending pressures unless the government eventually takes the long overdue decision to remove existing fuel and energy subsidies worth more than 2% of GDP. In fact, we believe that while subsidy removal may not necessarily turn out to be one of the prior actions required by the IMF for sign-on, it is likely to feature prominently in the program, as it is one of the most obvious expenditure line items that could be trimmed to help rein in the deficit. Also, with interest rates heading higher globally, Senegal's cost of debt is likely to rise further, making it more difficult to achieve fiscal targets while also paying back maturing debt liabilities. As we mentioned in our November 2025 EM Quarterly, higher debt costs may put the country's debt sustainability and the ability to execute its proposed funding program at risk.

[25] 'Fuel price surges reach taxi fares', Moneyweb, 19 May 2026

[26] 'Senegal Budget Revenue Lags Targets Amid ‘Systemic Energy Shock’, Bloomberg, 16 May 2026

[27] 'Senegal’s Faye, IMF Agree to Press Ahead With Debt Talks', Bloomberg, 12 May 2026

[28] 'Senegal's debt: behind the scenes of the discussions between Diomaye Faye, Macron and the IMF', Jeune Afrique, 20 May 2026

[29] 'Senegal's debt: behind the scenes of the discussions between Diomaye Faye, Macron and the IMF', Jeune Afrique, 20 May 2026

FIGURE 1. **Inflation and interest rate forecasts**

CPI, % y/y	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27
Poland	3.2	3.4	3.5	3.5	3.5	3.7	3.8	3.9	4.1	3.9	3.9	3.0	2.9	2.8
Hungary	2.1	2.4	2.5	2.6	2.8	3.2	3.9	4.0	4.0	4.3	4.4	4.1	4.2	4.1
Czechia	2.5	2.5	2.3	2.4	2.4	2.6	2.5	2.8	3.1	3.3	3.5	3.1	2.8	2.8
Romania	10.7	10.5	10.2	7.8	6.0	6.0	6.1	5.9	6.0	6.0	5.9	5.6	5.2	5.2
Turkiye	32.4	32.4	32.1	31.9	31.2	30.1	29.6	29.4	28.7	26.8	25.3	24.7	22.1	21.4
Israel	1.9	2.0	1.7	1.7	1.6	1.8	1.7	1.8	1.8	2.1	2.1	2.2	2.1	2.2
Russia	5.6	5.3	4.8	5.2	5.0	4.8	4.6	4.7	4.8	5.1	4.8	4.4	4.4	4.2
South Africa	4.0	4.8	4.9	4.6	4.8	4.8	5.0	5.2	5.2	5.2	5.3	5.1	4.3	3.6

Policy rate, %	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27
Poland	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Hungary	6.25	6.25	6.25	6.25	6.25	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.50
Czechia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Romania	6.50	6.50	6.50	6.50	6.50	6.50	6.25	6.25	6.00	6.00	6.00	6.00	6.00	5.75
Turkey	37.00	37.00	37.00	36.00	36.00	35.00	34.00	34.00	33.00	32.00	32.00	31.00	31.00	30.00
Israel	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.25
Russia	14.50	14.50	14.00	13.50	13.50	13.00	12.50	12.50	12.00	12.00	11.50	11.00	10.50	10.50
South Africa	6.75	7.00	7.00	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25

Ex-Post Real Policy Rate, %	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27
Poland	0.6	0.4	0.3	0.3	0.3	0.0	0.0	-0.2	-0.4	-0.2	-0.2	0.8	0.9	1.0
Hungary	4.2	3.9	3.8	3.7	3.5	2.8	2.1	2.0	2.0	1.7	1.6	1.9	1.6	1.4
Czechia	1.0	1.0	1.2	1.1	1.1	0.9	1.0	0.7	0.4	0.2	0.0	0.4	0.7	0.7
Romania	-4.2	-4.0	-3.7	-1.3	0.5	0.5	0.2	0.4	0.0	0.0	0.1	0.4	0.8	0.6
Turkey	4.6	4.6	4.9	4.1	4.8	4.9	4.4	4.6	4.3	5.2	6.7	6.3	8.9	8.6
Israel	2.1	1.8	2.1	1.8	1.9	1.7	1.8	1.7	1.7	1.4	1.4	1.3	1.4	1.1
Russia	8.9	9.2	9.2	8.3	8.5	8.2	7.9	7.8	7.2	6.9	6.7	6.6	6.1	6.3
South Africa	2.8	2.2	2.1	2.7	2.5	2.5	2.3	2.1	2.1	2.1	2.0	2.2	3.0	3.7

Source: Haver Analytics, Barclays Research

EMERGING EUROPE, MIDDLE EAST & AFRICA DATA REVIEW & PREVIEW

Zalina Alborova, Barclays, UK | Ercan Erguzel, Barclays, UK | Michael Kafe, Barclays, UK | James Swanston, Barclays, UK

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Israel: Advance GDP, % saar q/q	Q1	2.9 R	-	-3.3	Less pronounced drop relative to 4.3% q/q saar drop in Q2 25 (12-day war with Iran).
Turkiye: Consumer confidence, sa	May	85.5	-	85.8	Despite higher CPI, consumer confidence remains stable.
Israel: Unemployment rate, %	Apr	2.8	-	2.9	Labour market remains tight.
Poland: CPI core, % y/y	Apr	2.7	2.9	3.0	Ongoing deterioration in core CPI.
Russia: Preliminary Current account, $ bn	Q1	9.4	-	12.2	Driven by exports growth. However, relative to Q1 25 the surplus narrowed by $6.2bn given higher imports and a wider deficit of the services balance.
Ghana: Bank of Ghana interest rate, %	May	14.00	13.50	14.00	Rates on hold as authorities assess impact of Iran war.
Hungary: Average gross wages, % y/y	Mar	9.7	-	9.1	Real wage growth remains above CE4 peers.
South Africa: CPI, % y/y	Apr	3.1	3.7	4.0	Jump in fuel, public transport, insurance and communication costs.
South Africa: Core CPI, % y/y	Apr	3.2	3.4	3.6	
South Africa: Retail sales constant, sa, % m/m	Mar	-1.0	-	0.1	Strong furniture and hardware, weak textiles and pharma.
Nigeria: Central Bank interest rate, %	May	26.50	26.50	26.50	On hold as inflation continues to tick higher.
Russia: PPI, % y/y	Apr	-1.8	-	5.5	Driven by the mining & quarrying sector, given higher oil prices and demand for Russian oil.
Poland: Average gross wages, % y/y	Apr	6.6	-	5.4	Real growth was down 1.4pp to 2.1% y/y.
Poland: Sold industrial output, % y/y	Apr	7.5	-	3.1	Sharp slowdown in April.
Egypt: Deposit rate, %	May	19.00	19.00	19.00	Rates left unchanged as policymakers remain in “wait-and-see” mode for Iran war impacts on CPI.
Turkiye: Trade balance, $ bn	Apr	-11.2	-	-8.5	Some improvement after a big deterioration in March.
Turkiye: Real sector confidence, sa	May	98.6	-	101.0	Surprising improvement in May despite higher energy prices.
Turkiye: Capacity utilization, %	May	73.8	-	74.2	Up from historically low levels.

Preview of upcoming data

Monday, 25 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
-	Nigeria: GDP, % y/y	Q1	4.2	4.0	4.1	4.2	-
08:30	Poland: Retail sales, % y/y	Apr	3.9	4.3	9.8	-	1.5
14:00	Israel: Discount rate, %	May	4.00	4.00	4.00	3.75	3.75

Israel: Next week's MPC meeting will be a very close call between staying on hold and delivering a 25bp cut. Given incoming data, we see greater support for a cut (base case). However, geopolitical uncertainty and labour tightness tempers conviction and could delay easing into H2 26.

Tuesday, 26 May		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	South Africa: Leading indicator index	Mar	118.9	119.6	120.2	119.5	-
13:00	Hungary: Policy rate, %	May	6.25	6.25	6.25	6.25	6.25

Hungary: Compared with regional peers, the NBH is in a relatively comfortable position, supported by a high ex post real policy rate cushion (+4.2pp in Hungary vs. +0.6pp in Poland and +1.0pp in Czechia). The recent strength of the forint, together with expectations of stronger EU fund inflows, should help offset second-round inflationary effects from higher energy prices. In addition, the new government has signalled a gradual removal of price controls on food and other goods and services, which should ease concerns about a sharp acceleration inflation in H2 2026. However, in our view it would be too early to deliver a cut in May. We expect the NBH to remain on hold at this meeting, but we will watch the messages for the next meetings very closely.

Wednesday, 27 May		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Forecast**	**Consensus**
17:00	Russia: Industrial production, % y/y	Apr	-0.8	-0.9	2.3	-	1.5

Thursday, 28 May		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Forecast**	**Consensus**
-	Zambia: CPI, % y/y	May	7.5	7.1	6.8	7.2	-
10:30	South Africa: PPI, % y/y	Apr	2.2	1.8	2.3	3.2	4.6
14:00	South Africa: Repo rate, %	May	6.75	6.75	6.75	7.00	7.00

South Africa: Given the uptick in headline and core CPI, we look for a baseline 25bp hike with hawkish rhetoric and believe that the probabilty of a 50bp hike has also risen.

Friday, 29 May		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Forecast**	**Consensus**
-	Kenya: CPI, % y/y	May	4.3	4.4	5.6	5.9	-
-	Ukraine: Current account, $ bn	Apr	-0.8	-4.7	-4.1	-	-
07:30	Hungary: Trade balance, € bn	Apr	0.3	1.0	1.3	-	0.7
08:00	Czechia: Preliminary GDP, %y/y	Q1	2.8	2.7	2.1	-	2.1
08:30	Poland: Preliminary CPI, % y/y	May	2.1	3.0	3.2	3.5	3.7
13:00	South Africa: Trade balance, ZAR bn	Apr	7.9	35.9	31.9	15.0	17.5
13:00	South Africa: Monthly budget balance, ZAR bn	Apr	-69.7	27.3	-45.6	-60.5	-

Note: All times reported are BST. Consensus figures are taken from Bloomberg.
Source: Bloomberg, Haver Analytics, Barclays Research

Latin America Outlook

Mixed speeds amid soft deceleration

Economic activity across the region at the start of the year has been mixed. Some countries have reported a soft first quarter but we think underlying activity is not as weak as reports suggest. Meanwhile, others have positive momentum, albeit with downside risks ahead for some of them.

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- We still expect some soft deceleration across the region to materialize as we forecast regional growth of 1.9% this year versus 2.2% in 2025, with most of the economies decelerating (Figure 1). However, the momentum and what to expect ahead varies across countries.
- In **Brazil**, GDP likely accelerated after two quarters of stability, supported by certain expansionary measures and the front-loaded execution of the federal budget, which help offset a tight monetary policy stance. We see some upside risk to our 2.0% growth forecast for 2026. The smaller region of **Central America and Caribbean** has also performed stronger than expected so far this year which could set their balance of risks to the upside, albeit with some headwinds.
- In other countries that started the year on weak footing, we think activity is not as weak as suggested. For instance, **Mexico** reported a contraction in Q1 but we think this was affected by trade volatility and specific one-off developments so we still expect growth to accelerate this year. Similarly in **Chile**, we believe underlying trends in economic activity are better than implied by the headline numbers.
- In countries with an upcoming balance of risks to the downside, **Colombia**'s so far mixed data shows some acceleration but still below trend. And in **Argentina,** although activity has been favorable, we think that outside the primary sector, growth will be low this year. Finally, in **Venezuela,** the modest economic recovery supports our view about the need to manage expectations about potential recovery values for the debt restructuring.

Case by case

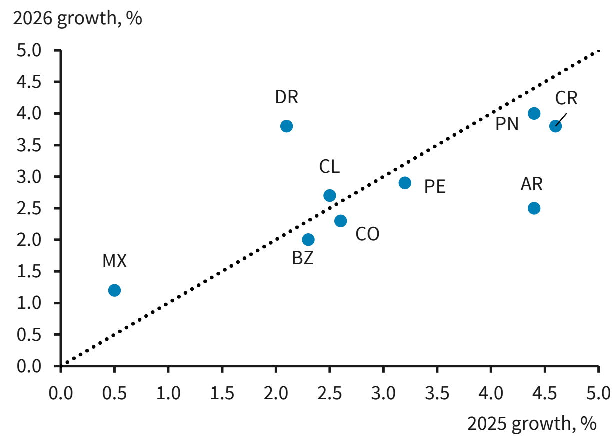
In **Brazil**, we estimate that GDP grew 1.1% q/q (1.8% y/y) in Q1 26, accelerating after two quarters of near stability (0.1% q/q in Q4 25, which could be revised upward due to the seasonal adjustment process). The official figures will be released by the IBGE next Friday, 29 May. We believe the agricultural sector likely remained supportive of growth, though we do not expect an outsized contribution as seen in previous years (eg, when it grew 14.9% q/q in Q1 25 or 14.7% in Q1 23). According to the IBC-Br index (the BCB's monthly GDP proxy), which is not a perfect substitute but often points in the right direction (subject to different methodologies for the seasonal adjustment), agricultural activities grew 1.0% q/q in Q1 26, from 3.0% in Q4 25. Elsewhere, the BCB calculates the "ex-agro" GDP proxy grew 1.2% q/q in Q1 26, up from 0.2% at the end of 2025 (and -0.4% in Q3 25). In our view, the industrial sector likely expanded thanks to increased mining activities (including oil production) but also manufacturing, whereas services are expected to continue to display resilience, as the economy benefits from historically low unemployment levels, rising incomes and expansionary policies ahead of the election cycle (which also include significant front-loading in the pace of execution of the federal budget as previously discussed).

We continue to see some mitigating factors that would partially counter tight monetary policy, such as a strong labor market and various government initiatives that should support domestic demand, including the higher income tax exemption and increased minimum wage, plus the most recent expansionary measures that rely on the use of subsidized credit and/or "below the line" financial transfers that do not affect primary fiscal accounts. In recent weeks, the Lula administration announced several new programs increasing subsidized credit lines for housing (BRL20bn), a new round of subsidized lending for the purchase of new trucks and buses (BRL21.2bn), cars for rideshare and cab drivers (BRL30bn) and a second edition of a debt renegotiation program for households (Desenrola) that will rely on government guarantees of as much as BRL15bn depending on demand. As a result, we see upside risks to our annual GDP growth forecast of 2.0% for 2026, which is slightly above the Focus consensus of 1.85%.

In **Mexico**, INEGI released this week the revised Q1 26 GDP report which also included revisions to the data in previous quarters. These revisions were expected given the reports have been affected by the sharp volatility in international trade patterns over the past year (driven both by President Trump's tariff policies and by measures implemented by the Mexican government, particularly the imposition of tariffs on imports from countries without trade agreements) which has likely distorted seasonal adjustment models. For instance, the significant increase in imports from China in Q4 25, as firms front-loaded imports in order to avoid paying the tariffs that were imposed in January 2026, implied an abnormally higher growth of transport-related services, among other activities, setting the benchmark for the GDP series to mark growth higher than usual. At the end, 2025 growth now is reported to have been 0.5% y/y, instead of 0.6% previously. And the sequential reviews led to Q1 26 to post a lower decline on q/q basis at -0.6%, instead of -0.8% in the preliminary print. The slight upward revision is in line with our view that economic activity is not as weak as reported, and furthermore not weaker than in 2025. In our view, two factors do not support a broader narrative of economic deceleration. First, the security operation aimed at dismantling the leadership of the Jalisco Nueva Generación Cartel (CJNG) caused significant disruption to economic activity last quarter. And second, the seasonally-adjusting model is setting the bar too high for the GDP series to mark growth, given the volatility in the trade data as mentioned above.

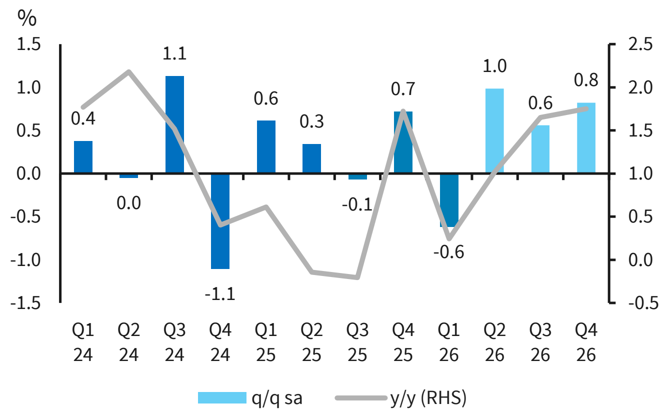
Ahead, we continue to believe the three principal engines of growth remain firmly intact. First, robust US expansion is expected to continue, with our economics team forecasting US GDP to advance by 2.2% this year. Second, we expect strong momentum for global manufacturing where US industrial production registered a 1.1% annual increase in 2025, and we anticipate a further acceleration to 1.8% in 2026. Third, the fact that 2026 is not the initial year of a new government administration in Mexico is expected to support growth dynamics, as such transitions typically dampen economic momentum. As we expect likely further upward revisions to the Q1 data and positive growth in coming quarters, we continue to expect growth to accelerate this year towards 1.2% (2027: 2.3%). Although there could be risks from investment sentiment being constrained by uncertainty around the USMCA renegotiation, as long as the treaty remains in place, this will likely be contained.

FIGURE 1. **Most Latam economies are expected to slightly decelerate this year.**



Note: Dots below the line indicate slower growth in 2026 versus 2025.
Source: Barclays Research

FIGURE 2. **Amid some recent volatility, we expect Mexico's growth to accelerate this year**



Source: INEGI, Barclays Research

In **Colombia,** economic activity data has been mixed. March GDP surprised to the upside, registering an expansion of 4.0% y/y above our and consensus forecast (2.7%), mainly propelled by a re-acceleration of public spending. Nonetheless, first quarter GDP still registered just a 2.2% expansion, which signals growth below its trend. This is an economy that is running close to full capacity, which might not help to bring inflation down but has yet to show clear signals of being significantly overheated. Therefore, given the monetary tightening implemented in recent months and the possible beginning of a fiscal consolidation process after the upcoming elections, the economy should decelerate and potentially move towards a negative output gap in the second half of the year, which could help containing the inflation pressures. New credit disbursements have been decelerating, showing the transmission of the monetary tightening. The balance of risks over our 2.3% GDP growth forecast for this year is tilted to the downside.

In **Argentina,** activity numbers for March were favorable but we continue to think non-primary growth will be low this year, a risk to Milei's popularity. The March monthly GDP proxy expanded 3.5% m/m SA and 5.5% y/y. However, this March had two business days more than last March. For Q1, headline economic activity is up 1.7% y/y, pulled by a few strong-growing sectors (agriculture: +18%, mining: +12%, financial intermediation: +7%). Early indicators for April do not paint a rosy picture. Cement dispatches, automobile production and some agriculture-related metrics have contracted.

The fundamentals of consumption aren't favorable either. Real formal wages are down 7% compared to 1H23 and formal employment down 3.5% versus Q4 23. The declining trend in real wages should slowly reverse as inflation approaches 2%, but we are skeptical the reversal will be firm while the real exchange rate remains at these strong levels. Tight fiscal policy coupled with trade liberalization likely requires a weaker currency for non-tradable and import-competing sectors to do better. Some observers have become more constructive on economic activity as short real rates have come down. In this note, however, we argued that we don't think this will be a relevant factor pulling demand going forward, as credit/GDP is very small in Argentina, banks are fairly lent out, NPLs are high and rates for consumers haven't come down as much. We keep our growth forecast for 2026 at 2.5%.

In **Chile**, the Q1 GDP decomposition confirms that underlying trends in economic activity are better than implied by the headline numbers. We don't think growth performance should dissuade the BCCh from hiking to keep 2y inflation expectations anchored. Headline GDP contracted 0.3% q/q in Q1. However, this was explained by more volatile components of demand. Investment contracted 3.8% q/q, dragged mostly by machinery and equipment (-8.1% q/q). This comes after three very strong quarters for this volatile component. To us, the decline looks like a reversal of the trend. Underlying conditions for investment are rather supportive. The lower chamber approved this week Kast's reform package including a reduction to the corporate tax (from 27% to 23% gradually) and tax credits to stimulate formal employment.

Exports were also behind the poor performance, contracting 4.2% q/q. Here as well, underlying conditions are supportive. Record copper prices stimulate mining investment from the supply side, and Chile's trading partners don't show clear recessionary signs as governments tame the oil shock with fiscal or quasi-fiscal measures. Meanwhile, consumption expanded a strong 1% q/q. We've adjusted our growth forecast for this year to 2.2% to account for a poor performance in Q1, but we believe very favorable terms of trade and a relatively contained erosion in real incomes derived from the oil shock should keep activity performance broadly in line with the March IPoM forecast range for this year.

In **Venezuela** GDP registered an expansion of 2.5% y/y in Q1 26. This is still a modest economic recovery that supports our view about the need to manage expectations about potential recovery values for the debt restructuring. The magnitude of the economic recovery remains a key element in order to assess the government's capacity to pay, the size of the haircut in the restructuring and the conditions under which the debt could be sustainable. The GDP print was partly driven by the contraction of the oil sector of -2.1%, due to the disruptions caused by the blockade ahead of Maduro's removal from power. However, the non-oil economy also registered a modest growth of 3.1%. Considering base effects, the rebound of oil production from the lows of the blockade and the injection of liquidity from higher oil prices, the economy is likely to accelerate in the subsequent quarters, possibly rup to twice as high as the current rate. However, the sustainability of that pace remains dependent on political events, particularly whether a political transition that contributes to the re-establishing of institutions is achieved.

Finally, the **Central America and Caribbean** region has maintained healthy growth, benefiting from external demand with resilient US growth and also from the domestic side amid easing cycles that started last year in addition to resilient remittances. Although we still expect some deceleration ahead amid the current global energy shock and constrained fiscal space, we would note that the balance of risks is to the upside. For instance, countries such as Costa Rica, Guatemala, Honduras and Panama have maintained growth between 4.0-4.4%y/y on average in the first three months of the year, similar to the pace registered last year. Furthermore, El Salvador has registered the fastest pace at 4.7% y/y, according to data available up to February. Finally, the Dominican Republic, which registered the weakest growth last year at 2.1% y/y, now has printed growth close to 4.1% y/y, supported by some easing in financial conditions, strong manufacturing momentum and recovery in construction activity.

LATIN AMERICA DATA REVIEW & PREVIEW

Gabriel Casillas BCI, US | Alejandro Arreaza BCI, US | Nestor Rodriguez BCI, US | Roberto Secemski BCI, US | Ivan Stambulsky BCI, US

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Argentina: Budget balance, ARS bn	Apr	930.3	-	632.8	The YTD fiscal surplus is slightly wider than last year into April. We keep our forecast of a 1.3% of GDP primary surplus for this year, but this will require tight spending control amid weak activity-related revenues.
Brazil: BCB's Economic activity index, % y/y	Mar	-0.1	-	3.1	The monthly GDP proxy fell 0.7% m/m in March after accumulating gains of 1.7% in the two months prior. The IBC-Br grew 1.3% q/q in Q1 26, accelerating from 0.4% in Q4 25 but leaving a carryover of -0.2% q/q for Q2 26.
Chile: GDP, % q/q (y/y)	Q1	0.6 (1.5)	-	-0.3 (-0.5)	Q1 GDP showed consumption remains strong and weakness was explained by more volatile investment in machinery and equipment.
Chile: Current account balance, USD mn	Q1	1268.7	-	1883	Current account surplus increased again in Q1 (c.0.5% of GDP). We don't expect a deterioration in the current account this year (from the below average -1.2% of GDP last year). Oil prices are higher and Chile is a net oil importer, but energy represents 15% of imports. Meanwhile, copper prices are up c.30% versus last year's average and represent 50% of Chile's exports.
Colombia: Trade balance, USD bn	Mar	-1.2	-	-0.5	
Argentina: Trade balance, USD mn	Apr	2.5	-	2.7	Trade surplus continues to widen. Argentina could even have a small current account surplus this year. The read-through is mixed. The clear positives are: i) the 6m SAAR trade surplus is running at a high USD24bn (3.5% of GDP), implying a robust trajectory for the current account and ii) exports are expanding at firm pace (21% y/y in quantities in April) supported by energy (+53%) but also by manufacturing (+24%) and processed food (+5%). This illustrates that a more stable and open economy supports productivity growth. The negative is that imported quantities are still contracting (-8% y/y in April, -10% y/y in Jan-April) even amid a historically strong currency, reflecting lacklustre activity growth, which is a risk to Milei's popularity.
Mexico: Retail sales, % m/m (y/y)	Mar	-0.9 (3.1)	0.4 (2.9)	0.1 (2.9)	
Mexico: Banxico meeting minutes	May	-	-	-	The minutes reinforced the guidance that the easing cycle is done and the current rate of 6.50% is considered by the board as appropriate to face current risks, including global energy shocks. Overall, it is in line with our view that the reference rate will remain at 6.50% for a sustained period of time and the bar to raise the rate is high
Argentina: Economic activity index, % y/y	Mar	-2.1	-	5.5	
Mexico: GDP, % q/q (y/y)	Q1	-0.8 (0.1)	-0.7 (0.2)	-0.6 (0.2)	The report included revisions to the data in previous quarters. As we have previously discussed, these revisions were expected as the reports have been affected by the sharp volatility in international trade patterns over the past year. Q1 2026 posted a lower decline on q/q basis at -0.6%, instead of -0.8% in the preliminary print. The slight upward revision is in line with our view that economic activity is not as weak as reported, We continue to expect growth to accelerate this year towards 1.2% (2027: 2.3%)
Mexico: Economic activity, % m/m (y/y)	Mar	0.1 (-0.3)	0.0 (0.5)	0.4 (1.4)	

Main indicators	Period	Previous	Barclays	Actual	Comments
Mexico: H1 bi-weekly CPI, % 2w/2w (y/y)	15-May	0.04 (4.37)	-0.29 (3.97)	-0.16 (4.11)	As anticipated, CPI declined in the first half of the month, albeit less steep than expected, due to seasonal electricity subsidies and lower agricultural prices. Annual inflation also declined, helped by base effects from a year ago, while core remained stable. In this context, we continue to expect headline inflation to fluctuate but end 2026 at 4.1% (2027: 3.8%), and core to trend downwards to 4.0% YE26 (2027: 3.8%).
Mexico: Bi-weekly CPI core, % 2w/2w (y/y)	15-May	0.10 (4.25)	0.19 (4.29)	0.13 (4.22)	
Brazil: Tax collections, BRL bn	May	229.2	-	-278.8	

Preview of upcoming data

Monday 25 May		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
08:00	Mexico: Trade balance, USD mn	Apr	-6481.1	-462.8	5932	1410	-
11:00	Mexico: Current account balance, USD bn	Q1	-4.4	1.6	7.7	-17.3	-

Tuesday 26 May		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
07:30	Brazil: Current account balance, USD bn	Apr	-8.6	-5.6	-6	-	-

Wednesday 27 May		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
08:00	Brazil: IPCA-15 inflation, % m/m	May	0.84	0.44	0.89	0.53	-
14:30	Mexico: Banxico inflation report	Q1	-	-	-	-	-

Brazil- IPCA-15 inflation: We estimate IPCA-15 inflation at 0.53% m/m in May, from 0.89% in April, with the monthly deceleration explained by transport costs as we estimate fuel prices dropped 1.8% m/m after jumping 6.1% in April. However, we once again note increased uncertainty due to the volatility in airfares – we estimate they rose 8.0% in May, from -14.3% in April. This will be the IBGE's first price collection of air tickets since the beginning of the Middle East conflict, as per its methodology the institute surveys airfare prices two months before the reference period. Still, it is unclear whether airlines adjusted their prices that quickly or, instead, waited until April (to be reflected in June), once jet fuel prices were adjusted higher. Elsewhere, we expect some moderation in food-at-home inflation, but also some acceleration in housing costs due to the electricity surcharge known as tariff flag (which was raised to level yellow, from green, reflecting worsening reservoir levels). If our forecast is correct, annual IPCA-15 inflation will accelerate to 4.55% y/y, from 4.37% in April, exceeding the ceiling of the BCB's target range of 4.50% for the first time since October. We forecast average core inflation at 0.46% m/m in May, from 0.47% a month earlier, which would cause the annual core gauge to rise to 4.39% y/y, from 4.33%. Specifically, we forecast core (underlying) services inflation at 0.54% m/m, from 0.45% in April, rising to 5.41% y/y in annual terms (from 5.32%).

Mexico - Banxico Quarterly Report: In our view, Banxico staff is likely to review to the downside their 2026 growth projection, currently at 1.6%, after the lower-than-expected activity reported in Q1 26 which we think was affected by trade volatility, and still maintain expectations of higher growth this year at 1.2% from 0.6% in 2025. Although there will also be focus on Banxico's assessment of inflation risks in the context of sustained higher energy prices, we do not expect the staff to make adjustments to their latest CPI trajectories from the May 7 policy meeting as there is still confidence that the government's policy to smooth price increases and other inflation determinants such as economic slack, MXN appreciation and prior policy's restrictive stance would help maintain their forecast of inflation convergence towards 3% by Q2 27. Finally, the Q&A session of the press conference will likely reaffirm Banxico's guidance that the easing cycle is done and the current rate of 6.50% is appropriate. However, more details on the risks to this guidance could be provided, particularly US FOMC relevance. All in all, we believe Banxico will remain on hold for the foreseeable future.

Thursday 28 May		Q Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
-	Brazil: Central government budget, BRL bn	Apr	86.8	-30.1	-73.8	-	-
07:00	Brazil: IGP-M inflation, % m/m	May	-0.73	0.52	2.73	-	-
08:00	Brazil: Unemployment rate, %	Apr	5.4	5.8	6.1	-	-
08:00	Mexico: Unemployment rate, %	Apr	2.7	2.6	2.4	2.7	-

Friday 29 May		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
07:30	Brazil: Primary budget balance, BRL bn	Apr	103.7	-16.4	-80.7	-	-
08:00	Brazil: GDP, % y/y	Q1	2.4	1.8	1.8	1.8	-
09:00	Chile: Unemployment rate, %	Apr	8.3	8.3	8.9	-	-
11:00	Colombia: Unemployment rate, %	Apr	10.6	9.2	9.4	-	-

Brazil GDP: We estimate that the Brazilian economy grew 1.1% q/q (1.8% y/y) in Q1 26, accelerating after two quarters of near stability (0.1% q/q in Q4 25, which could be revised upward due to the seasonal adjustment process). The agricultural sector likely remained supportive of growth, though we do not expect an outsized contribution as seen in previous years (eg, when it grew 14.9% q/q in Q1 25 or 14.7% in Q1 23). The industrial sector likely expanded thanks to increased mining activities (including oil production) but also manufacturing, whereas services are expected to continue to display resilience, as the economy benefits from historically low unemployment levels, rising incomes and expansionary policies ahead of the election cycle (which also include significant frontloading in the pace of execution of the federal budget). Our annual GDP growth forecast for 2026 stands at 2.0%, from 2.3% in 2025, but slightly above the Focus consensus of 1.85%.

Source: Bloomberg, Barclays Research

BRAZIL SNAPSHOT

Roberto Secemski BCI, US

	2025				2026				2027				Calendar year average		
% change q/q saar	**Q1**	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2025**	**2026E**	**2027E**
Real GDP (% q/q saar)	6.1	1.2	0.1	0.6	4.4	2.7	1.5	-0.9	3.0	0.4	1.6	1.0	2.3	2.0	1.4
Private consumption	2.9	1.9	-0.4	-0.1	2.5	3.4	2.7	1.6	1.1	0.6	1.0	1.0	1.3	2.2	1.4
Investment	13.1	-9.8	0.4	-13.2	1.4	2.6	1.2	0.0	-1.6	-1.2	1.2	2.8	2.9	1.7	0.7
Net exports (contr, % y/y)	...	...	...	...	...	...	...	...	...	...	...	...	0.2	0.3	0.1
Industrial output (% q/q saar, pa)	-0.5	0.8	0.3	-2.3	5.5	2.7	1.1	-1.9	0.7	1.4	0.7	1.3	0.8	1.5	0.5
CPI inflation (% y/y, EOP)	5.5	5.4	5.2	4.3	4.1	4.7	4.8	5.0	4.5	3.8	3.7	3.9	4.3	5.0	3.9
CPI inflation (% y/y)	5.0	5.4	5.2	4.5	4.1	4.6	4.8	5.0	4.9	4.0	3.8	3.9	5.0	4.6	4.1
Unemployment rate (%)	6.3	5.9	5.8	5.4	5.4	5.4	5.5	5.8	6.2	6.4	6.5	6.6	5.8	5.5	6.4
Key central bank rate (%, EOP)	14.25	15.00	15.00	15.00	14.75	14.25	13.75	13.50	13.50	12.75	11.75	11.50	15.00	13.50	11.50
Current account (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-2.9	-2.1	-2.0
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-8.3	-8.8	-8.4
Gross public debt % GDP	...	...	...	...	...	...	...	...	...	...	...	...	78.6	82.5	86.5
Gross external debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	33.6	30.1	30.0

Note: FY End
Source: IBGE, BCB, National Treasury, Barclays Research

MEXICO SNAPSHOT

Gabriel Casillas BCI, US

	2025				2026				2027				Calendar year average		
% change q/q saar	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025 E	2026E	2027E
Real GDP (% q/q saar)	2.5	1.4	-0.3	2.9	-2.4	4.0	2.3	3.3	1.4	2.1	2.2	2.6	...	...	...
Real GDP (% y/y)	0.6	-0.1	-0.2	1.7	0.2	1.0	1.6	1.8	2.8	2.3	2.2	2.1	0.5	1.2	2.3
Private consumption	0.5	6.1	5.4	4.2	4.5	4.5	5.8	4.0	-4.9	3.0	7.0	4.7	1.3	4.8	2.2
Public consumption	0.7	1.4	0.2	3.2	1.4	0.6	2.5	2.0	-2.7	1.4	7.0	4.4	1.3	1.6	1.4
Investment	-14.9	0.8	-3.4	3.0	3.2	3.5	3.0	2.1	-2.5	4.3	6.2	3.8	-6.4	2.1	2.1
Net exports (contr, % y/y)	...	...	...	...	...	...	...	...	...	...	...	...	1.3	-2.8	0.8
Industrial production (% y/y)	-1.3	-0.3	-2.5	0.3	-1.1	-0.5	0.8	0.3	1.6	1.1	1.1	1.0	-1.0	-0.1	1.2
CPI inflation (% y/y, EOP)	3.8	4.3	3.8	3.7	4.6	4.0	4.1	4.1	3.3	3.9	4.0	3.8	3.7	4.1	3.8
CPI inflation (% y/y)	3.7	4.2	3.6	3.7	4.1	4.2	4.0	4.0	3.7	3.7	4.0	3.8	3.8	4.1	3.8
Unemployment rate (%)	2.6	2.7	2.6	2.6	3.2	3.5	3.7	3.9	4.0	4.0	4.1	4.1	2.6	3.6	4.0
Key central bank rate (%, EOP)	9.00	8.00	7.50	7.00	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	7.00	6.50	6.50
Current account (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-0.5	-0.5	-0.3
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-4.8	-4.3	-4.3
Gross public debt % GDP	...	...	...	...	...	...	...	...	...	...	...	...	53.1	53.5	54.3
Gross external debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	34.7	29.3	30.5

Note: Government balance is Public sector borrowing requirements (PSBR) and for Public debt is the historical balance of PSBR.
Source: INEGI, Banxico, SHCP, Barclays Research

Global Economics Weekly

Key Global Data

A summary of forthcoming data releases and market-moving events, including Barclays forecasts.

Global Rates and Inflation

Central Bank Rates

		Start of cycle			Next move expected	Forecasts			
	Current	Date	Level#	Last move		Q2 26	Q3 26	Q4 26	Q1 27
Advanced									
Fed funds rate	3.50-3.75	Easing: 18 Sep 24	5.25-5.50	Dec 25 (-25)	Mar 27 (-25)	3.50-3.75	3.50-3.75	3.50-3.75	3.25-3.50
BoJ: Uncollateralized overnight call rate	0.75	Tightening: 19 Mar 24	-0.10	Dec 25 (+25)	Jun 26 (+25)	1.00	1.00	1.25	1.25
ECB main refinancing rate	2.15	Easing: 06 Jun 24	4.50	Jun 25 (-25)	Jun 26 (+25)	2.40	2.65	2.65	2.65
ECB deposit facility rate	2.00	Easing: 06 Jun 24	4.00	Jun 25 (-25)	Jun 26 (+25)	2.25	2.50	2.50	2.50
BOE bank rate	3.75	Easing: 01 Aug 24	5.25	Dec 25 (-25)	Beyond 2027	3.75	3.75	3.75	3.75
RBA cash rate	4.35	Tightening: 03 Feb 26	3.60	May 26 (+25)	Jul 26 (+25)	4.60	4.60	4.60	4.60
RBNZ cash rate	2.25	Easing: 14 Aug 24	5.50	Nov 25 (-25)	May 26 (+25)	2.50	2.75	2.75	2.75
Swiss National Bank: Policy rate	0.00	Easing: 21 Mar 24	1.75	Jun 25 (-25)	Beyond 2027	0.00	0.00	0.00	0.00
Norges Bank: Deposit rate	4.25	Tightening: 07 May 26	4.00	May 26 (+25)	Sep 26 (+25)	4.25	4.50	4.50	4.50
Riksbank: Repo rate	1.75	Easing: 08 May 24	4.00	Sep 25 (-25)	Sep 26 (+25)	1.75	2.00	2.00	2.00
Bank of Canada	2.25	Easing: 5 Jun 24	5.00	Oct 25 (-25)	Beyond 2027	2.25	2.25	2.25	2.25
Emerging									
China: 7d OMO rate	1.40	Easing: 18 Nov 19	2.55	May 25 (-10)	Q2 26 (-10)	1.30	1.30	1.30	1.30
India: Repo rate	5.25	Easing: 07 Feb 25	6.50	Dec 25 (-25)	Aug 27 (+25)	5.25	5.25	5.25	5.25
Indonesia: BI-rate	5.25	Tightening: 20 May 26	4.75	May 26 (+50)	Jun 26 (+25)	5.50	5.50	5.50	5.25
Korea: Base rate	2.50	Easing: 11 Oct 24	3.50	May 25 (-25)	Aug 26 (+25)	2.50	2.75	3.00	3.00
Malaysia: O/N policy rate	2.75	Easing: 09 Jul 25	3.00	Jul 25 (-25)	Sep 26 (+25)	2.75	3.00	3.00	3.00
Philippines: O/N lending	4.50	Tightening: 23 Apr 26	4.25	Apr 26 (+25)	May 26 (+25)	5.00	5.25	5.25	5.25
Taiwan: Rediscount rate	2.000	Tightening: 17 Mar 22	1.125	Mar 24 (+12.5)	Jun 27 (-12.5)	2.000	2.000	2.000	2.000
Thailand: O/N repo rate	1.00	Easing: 16 Oct 24	2.50	Feb 26 (-25)	Beyond 2027	1.00	1.00	1.00	1.00
Czechia: 2w repo rate	3.50	Easing: 21 Dec 23	7.00	May 25 (-25)	Jun 27 (-25)	3.50	3.50	3.50	3.50
Hungary: Base rate	6.25	Easing: 24 Oct 23	13.00	Feb 26 (-25)	Sep 26 (-25)	6.25	6.00	6.00	6.00
Israel: Discount rate	4.00	Easing: 1 Jan 24	4.75	Jan 26 (-25)	May 26 (-25)	3.75	3.50	3.50	3.50
Poland: Reference rate	3.75	Easing: 6 Sep 23	6.75	Mar 26 (-25)	Jun 27 (-25)	3.75	3.75	3.75	3.75
Romania: Key policy rate	6.50	Easing: 5 Jul 24	7.00	Aug 24 (-25)	Oct 26 (-25)	6.50	6.50	6.00	6.00
Russia: One-week repo rate	14.50	Easing: 6 Jun 25	21.00	Apr 26 (-50)	Jun 26 (-50)	14.00	13.00	12.00	11.00
South Africa: Repo rate	6.75	Easing: 19 Sep 24	8.25	Nov 25 (-25)	May 26 (+25)	7.00	7.25	7.25	7.25
Turkiye: One-week repo rate	37.00	Easing: 26 Dec 24	50.00	Jan 26 (-100)	Jul 26 (-100)	37.00	35.00	33.00	31.00
Brazil: SELIC rate	14.50	Easing: 18 Mar 26	15.00	Apr 26 (-25)	Jun 26 (-25)	14.25	13.75	13.50	13.50
Chile: Monetary policy rate	4.50	Easing: 31 Jul 23	11.25	Dec 25 (-25)	Jun 26 (+25)	4.75	5.00	5.00	5.00
Colombia: Repo rate	11.25	Tightening: 30 Jan 26	9.25	Mar 26 (+100)	Mar 27 (-25)	11.25	11.25	11.25	11.00
Mexico: Overnight rate	6.50	Easing: 21 Mar 24	11.25	May 26 (-25)	Beyond 2027	6.50	6.50	6.50	6.50
Peru: Reference rate	4.25	Easing: 14 Sep 23	7.75	Sep 25 (-25)	Beyond 2027	4.25	4.25	4.25	4.25

Note: Rates as of COB 22 May 2026 in % per annum (unless stated). #Level indicates the interest rate that was, at the beginning of a policy cycle.
Source: Barclays Research

Key CPI projections

	US		UK			Euro area			France		Japan	
	CPI		RPI		CPI	HICPx		HICP	CPI ex tobacco		CPI ex perishables	
	nsa	y/y	nsa	y/y	y/y	nsa	y/y	y/y	nsa	y/y	nsa	y/y
Jul-25	323.0	2.7	406.2	4.8	3.8	100.28	2.0	2.0	100.56	0.9	111.6	3.1
Aug-25	324.0	2.9	407.7	4.6	3.8	100.43	2.0	2.0	100.99	0.8	111.6	2.7
Sep-25	324.8	3.0	406.1	4.5	3.8	100.52	2.2	2.2	99.99	1.1	111.4	2.9
Oct-25	-	-	407.4	4.3	3.6	100.74	2.1	2.1	100.06	0.9	112.1	3.0
Nov-25	324.1	2.7	405.6	3.8	3.2	100.43	2.1	2.1	99.87	0.8	112.5	3.0
Dec-25	324.1	2.7	408.5	4.2	3.4	100.61	1.9	2.0	99.95	0.7	112.2	2.4
Jan-26	325.3	2.4	406.4	3.8	3.0	100.02	1.6	1.7	99.57	0.3	112.0	2.0
Feb-26	326.8	2.4	408.2	3.6	3.0	100.66	1.8	1.9	100.20	0.9	111.4	1.6
Mar-26	330.2	3.3	411.4	4.1	3.3	101.96	2.5	2.6	101.18	1.7	112.1	1.8
Apr-26	333.0	3.8	414.4	3.0	2.8	103.02	3.0	3.0	102.24	2.1	112.5	1.4
May-26	335.3	4.3	416.4	3.4	3.0	103.20	3.2	3.3	102.47	2.5	113.0	1.4
Jun-26	336.8	4.4	417.8	3.3	2.8	103.60	3.3	3.4	102.70	2.3	113.4	1.8
Jul-26	337.0	4.3	421.8	3.8	3.1	103.66	3.4	3.4	102.91	2.3	113.8	2.0
Aug-26	337.6	4.2	424.0	4.0	3.1	103.88	3.4	3.5	103.35	2.3	114.5	2.6
Sep-26	338.3	4.2	423.2	4.2	3.3	104.02	3.5	3.5	102.36	2.4	114.6	2.9
Oct-26	337.7	-	425.2	4.4	3.2	104.18	3.4	3.5	102.52	2.5	115.3	2.8
Nov-26	337.5	4.1	424.4	4.6	3.4	103.85	3.4	3.4	102.30	2.4	115.3	2.5
Dec-26	337.3	4.1	426.5	4.4	3.2	104.09	3.5	3.5	102.51	2.6	115.0	2.5
Jan-27	338.0	3.9	424.5	4.5	3.0	103.46	3.4	3.5	102.27	2.7	115.5	3.1
Feb-27	339.1	3.8	426.9	4.6	3.0	103.91	3.2	3.3	102.78	2.6	115.9	4.0
Mar-27	339.8	2.9	428.9	4.2	2.7	104.74	2.7	2.8	103.14	1.9	116.6	4.0
Apr-27	340.7	2.3	432.4	4.3	2.5	105.37	2.3	2.3	103.68	1.4	116.7	3.7
May-27	341.5	1.9	434.0	4.2	2.5	105.50	2.2	2.3	103.74	1.2	116.6	3.2
Jun-27	342.4	1.7	435.2	4.2	2.5	105.77	2.1	2.2	104.00	1.3	116.6	2.8
Jul-27	342.5	1.6	437.0	3.6	2.3	105.64	1.9	2.0	104.23	1.3	116.5	2.3
Aug-27	343.1	1.6	439.0	3.6	2.4	105.92	2.0	2.0	104.73	1.3	116.3	1.6
Sep-27	343.6	1.6	437.7	3.4	2.2	106.09	2.0	2.1	103.77	1.4	116.2	1.4
Oct-27	343.4	1.7	438.5	3.1	2.1	106.34	2.1	2.1	104.00	1.4	117.0	1.5
Nov-27	343.4	1.7	437.5	3.1	2.1	106.04	2.1	2.2	103.80	1.5	117.2	1.6
Dec-27	343.4	1.8	439.6	3.1	2.0	106.30	2.1	2.2	104.04	1.5	117.0	1.7
2025		**2.7**		**4.1**	**3.4**		**2.0**	**2.1**		**0.9**		**3.1**
2026		**3.8**		**3.9**	**3.1**		**3.0**	**3.1**		**2.0**		**2.1**
2027		**2.2**		**3.8**	**2.4**		**2.3**	**2.4**		**1.6**		**2.6**

Note: Shaded values indicate actual data.
Source: Barclays Research

Global Weekly Calendar

Data as of 22 May 2026

		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
Saturday 23 May							
-	**EA21: ECB President Lagarde participates in informal ECOFIN meeting in Nicosia, Cyprus**						
Sunday 24 May		**Period**	**Prev-3**	**Prev-2**	**Prev-1**	**Forecast**	**Consensus**
Monday 25 May		**Period**	**Prev-3**	**Prev-2**	**Prev-1**	**Forecast**	**Consensus**
14:00	**Israel: Discount rate, %**	**May**	**4.00**	**4.00**	**4.00**	**3.75**	**3.75**
-	Nigeria: GDP, % y/y	Q1	4.2	4.0	4.1	4.2	-
01:00	Singapore: GDP 2nd release, sa, % q/q	Q1	1.9	1.3	-0.3	0.1	0.1
01:00	Singapore: GDP 2nd release, % y/y	Q1	4.5	5.7	4.6	5.1	5.1
04:30	Thailand: Customs trade balance, $ bn	Apr	-3.3	-2.8	-3.3	-5.0	-5.4
04:30	Thailand: Customs exports, % y/y	Apr	24.4	9.9	18.7	29.4	19.3
04:30	Thailand: Customs imports, % y/y	Apr	29.4	31.8	35.7	33.2	29.6
06:00	Singapore: CPI - headline, % y/y	Apr	1.4	1.2	1.8	2.0	2.1
06:00	Singapore: CPI - core, % y/y	Apr	1.0	1.4	1.7	1.8	1.8
08:30	Poland: Retail sales, % y/y	Apr	3.9	4.3	9.8	-	1.5
13:00	Mexico: Trade balance, $ mn	Apr	-6481.1	-462.8	5932.0	1410.0	-
16:00	Mexico: Current account balance, $ bn	Q1	-4.4	1.6	7.7	-17.3	-
Tuesday 26 May		**Period**	**Prev-3**	**Prev-2**	**Prev-1**	**Forecast**	**Consensus**
09:00	**EU27: General Affairs Council in Brussels, Belgium**						
13:00	**Hungary: Policy rate, %**	**May**	**6.25**	**6.25**	**6.25**	**6.25**	**6.25**
14:00	**Netherlands: DNB President Sleijpen speaks at press conference in Amsterdam, Netherlands**						
-	France: Retail sales sa, % m/m (y/y)	Apr	1.4 (0.9)	-0.5 (-0.5)	0.4 (0.1)	-	-
06:00	Singapore: Industrial production, % y/y	Apr	9.7	3.3	10.1	12.0	12.0
08:00	South Africa: Leading indicator index	Mar	118.9	119.6	120.2	119.5	-
09:00	Taiwan: Industrial production, % y/y	Apr	27.9	16.6	28.7	12.8	19.4
11:00	UK: CBI distributive trades, total sales	May	-40	-38	-39	-	-
12:30	Brazil: Current account balance, $ bn	Apr	-8.6	-5.6	-6.0	-	-
14:00	US: FHFA purchase-only HPI, % m/m (y/y)	Mar	0.3 (2.0)	0.2 (1.8)	0.0 (1.8)	0.1 (1.8)	0.1
14:00	US: S&P Cotality CS 20-City HPI, % m/m (y/y)	Mar	0.5 (1.5)	0.2 (1.2)	0.0 (0.9)	-0.1 (1.0)	0.1 (1.0)
15:00	US: Conference Board Consumer confidence index	May	91.0	92.2	92.8	90.5	91.5
Wednesday 27 May		**Period**	**Prev-3**	**Prev-2**	**Prev-1**	**Forecast**	**Consensus**
01:00	**Japan: Gov. Ueda delivers opening remarks at international conference hosted by BoJ's IMES**						
03:00	**New Zealand: RBNZ official cash rate, %**	**May**	**2.25**	**2.25**	**2.25**	**2.50**	**2.25**
09:00	**EA21: ECB publishes Financial Stability Review**	**May**					
19:30	**Mexico: Banxico inflation report**	**Q1**					
00:50	Japan: Corporate services price index, % y/y	Apr	2.7	2.7	3.1	-	3.0
05:00	EU27: New car registrations, % y/y	Apr	-3.9	1.4	12.5	-	-
07:45	France: Consumer confidence indicator, index	May	91.3	88.9	83.7	-	82.0
13:00	Brazil: IPCA-15 inflation, % m/m	May	0.84	0.44	0.89	0.53	0.53
17:00	Russia: Industrial production, % y/y	Apr	-0.8	-0.9	2.3	-	1.5
Thursday 28 May		**Period**	**Prev-3**	**Prev-2**	**Prev-1**	**Forecast**	**Consensus**
-	**Korea: Bank of Korea 7-day repo rate, %**	**May**	**2.50**	**2.50**	**2.50**	**2.50**	**2.50**
01:00	**EA21: ECB Chief Economist Lane participates in fireside chat at conference "Monetary Policy from New Perspectives" organised by Bank of Japan and Japan-Institute for Monetary and Economic Studies in Tokyo, Japan**						
03:25	**UK: BoE Deputy Governor Lombardelli speaks at the BOJ's annual international conference, run with the Institute for Monetary and Economic Studies**						
08:15	**EA21: ECB Chief Economist Lane in pre-recorded video address at External Statistics Conference jointly organised by Irving Fisher Committee on Central Bank Statistics, ECB and National Bank of Poland in Krakow, Poland**						

		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
08:20	**EA21: ECB President Lagarde delivers opening remarks at 28th meeting of Francophone Central Bank Governors in Phnom Penh, Cambodia**						
09:30	**EA21: ECB Executive Board Member Cipollone delivers speech followed by Q&A at public event "Euro Digitale e Sovranità Europea" organised by Istituto Affari Internazionali in Rome, Italy**						
12:30	**EA21: ECB Minutes**	**May**					
13:55	**US: New York Fed President Williams (FOMC voter) speaks at Reykjavík Economic Conference, Harpa Concert Hall and Conference Center, Reykjavík, Iceland**						
14:00	**South Africa: Repo rate, %**	**May**	**6.75**	**6.75**	**6.75**	**7.00**	**7.00**
16:40	**UK: BoE Deputy Governor Breeden speaks in a fireside chat at the International Capital Market Association conference**						
16:45	**EA21: ECB Executive Board Member Schnabel delivers public lecture as part of the Selten Salon organised by ECONtribute in Cologne, Germany**						
-	Brazil: Central government budget, BRL bn	Apr	86.8	-30.1	-73.8	-	-
-	Zambia: CPI, % y/y	May	7.5	7.1	6.8	7.2	-
05:00	Thailand: Manufacturing production, % y/y	Apr	1.6	0.1	0.8	1.0	0.6
07:00	Norway: GDP, % q/q	Q1	0.5	0.1	0.4	-	0.4
08:00	Sweden: Economic tendency indicator, index	May	99.5	99.6	99.0	-	-
08:00	Sweden: Consumer confidence, index	May	96.1	95.2	91.5	-	-
08:00	Sweden: Manufacturing confidence indicator, net balance	May	97.3	100.3	100.0	-	-
08:00	Spain: Adjusted retail sales, % y/y	Apr	3.9	2.3	4.1	-	3.6
09:00	Italy: Consumer confidence, index	May	97.4	92.6	90.8	-	90.0
09:00	Italy: Business confidence, index	May	97.3	97.3	95.2	-	-
10:00	EA21: EC business and consumer survey	May	-	-	-	-	-
10:00	EA21: "Final" consumer confidence, % bal	May	-16.4	-20.6	-19.0 P	-	-
10:00	EA21: Industrial confidence, % bal	May	-7.3	-7.0	-7.7	-	-8.0
10:00	Malta: Preliminary GDP, % q/q	Q1	3.2	4.1	-2.1	-	-
10:30	Belgium: CPI, % m/m (y/y)	May	0.5 (1.4)	0.1 (1.6)	1.5 (4.0)	-	-
10:30	South Africa: PPI, % y/y	Apr	2.2	1.8	2.3	3.2	4.6
12:00	Brazil: IGP-M inflation, % m/m	May	-0.73	0.52	2.73	-	-
13:00	Brazil: Unemployment rate, %	Apr	5.4	5.8	6.1	-	-
13:00	Mexico: Unemployment rate, %	Apr	2.7	2.6	2.4	2.7	-
13:30	Canada: Current account, CAD bn	Q1	-21.0	-5.3	-0.7	-	-2.5
13:30	US: Personal income, % m/m	Apr	0.5	0.0	0.6	0.4	0.4
13:30	US: Personal spending, % m/m	Apr	0.4	0.6	0.9	0.6	0.5
13:30	US: PCE price index, % m/m (y/y)	Apr	0.3 (2.9)	0.4 (2.8)	0.7 (3.5)	0.5 (3.8)	0.5 (3.9)
13:30	US: Core PCE price index, % m/m (y/y)	Apr	0.4 (3.1)	0.4 (3.0)	0.3 (3.2)	0.3 (3.3)	0.3 (3.3)
13:30	US: Durable goods orders-p, % m/m	Apr	-0.4	-1.2	0.8	7.7	3.0
13:30	US: Durable goods ex transportation-p, % m/m	Apr	0.4	1.2	0.9	1.0	0.4
13:30	US: Core capital goods orders-p, % m/m	Apr	-0.3	1.6	3.4	1.0	0.4
13:30	US: Initial jobless claims, k (4wma)	May-23	199 (203)	212 (204)	209 (203)	210	213
13:30	US: Insured unemployment (continued claims), k	May-16	1758	1776	1782	-	-
13:30	US: Real GDP 2nd release, % q/q saar	Q1	4.4	0.5	2.0 P	1.9	2.1
13:30	US: Real consumer spending 2nd release, % q/q saar	Q1	3.5	1.9	1.6 P	1.6	1.7
13:30	US: GDP price index 2nd release, % q/q saar	Q1	3.8	3.7	3.6 P	-	3.6
15:00	US: New home sales, k saar	Apr	583	635	682	650	663

Friday 29 May		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
-	**EA21: Bank of Estonia Gov. Muller & Bulgarian National Bank Gov.Radev participate in panel discussion at Reykjavik Economic Con. 2026 in Reykjavik, IS**						
09:30	**Italy: Banca d'Italia Governor Panetta presents concluding remarks following the publication of the Bank of Italy's Annual Report for 2025 in Rome, Italy**						
10:20	**UK: BoE Governor Bailey delivers keynote address at Reykjavik Economic Conference 2026 in Reykjavik, Iceland**						
-	Ukraine: Current account, $ bn	Apr	-0.8	-4.7	-4.1	-	-
-	Kenya: CPI, % y/y	May	4.3	4.4	5.6	5.9	-
00:00	Korea: Industrial production, % y/y	Apr	6.8	-2.3	3.6	3.0	2.5
00:01	UK: Lloyds business barometer, %	May	44	55	44	-	41
00:30	Japan: Tokyo CPI, % y/y	May	1.5	1.4	1.5	-	1.6
00:30	Japan: Tokyo CPI excl. perishables, % y/y	May	1.8	1.7	1.5	1.5	1.5
00:30	Japan: Tokyo CPI excl. food and energy, % y/y	May	2.5	2.3	1.9	2.7 / -	1.8
00:30	Japan: Unemployment rate, % / Jobs-applicants ratio	Apr	2.7 / 1.18	2.6 / 1.19	2.7 / 1.18	-	2.7 / 1.18

		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
00:50	Japan: Preliminary Industrial production, % m/m	Apr	4.3	-2.0	-0.4	-0.2	-0.5
00:50	Japan: Retail sales, % y/y	Apr	1.8	-0.1	1.4	-	1.4
02:00	Philippines: Trade balance, $ bn	Apr	-4.3	-4.0	-4.5	-4.9	-4.3
02:00	Philippines: Total exports, % y/y	Apr	8.7	8.9	20.4	10.6	16.5
02:00	Philippines: Total imports, % y/y	Apr	-0.9	16.6	12.3	15.5	12.5
06:00	Estonia: GDP, % q/q	Q1	0.7	0.1	-0.1	-	-
06:00	Finland: GDP, % q/q	Q1	-0.1	-0.1	0.3	-	-
07:00	Sweden: Preliminary GDP, % q/q	Q1	1.0	0.8	0.5	-	0.0
07:00	Sweden: Retail sales, % m/m (y/y)	Apr	0.1 (3.7)	-0.8 (2.2)	3.1 (6.2)	-	-
07:00	Norway: Registered unemployment rate, %	May	2.2	2.2	2.1	-	-
07:30	Hungary: Trade balance, € bn	Apr	0.3	1.0	1.3	-	0.7
07:45	France: Hhsld consum. goods, % m/m (y/y)	Apr	0.5 (0.5)	-1.4 (-1.6)	0.7 (0.5)	-0.1	-0.1
07:45	France: Preliminary CPI, % m/m (y/y)	May	0.6 (0.9)	1.0 (1.7)	1.0 (2.2)	-	0.2 (2.4)
07:45	France: Preliminary HICP, % m/m (y/y)	May	0.71 (1.07)	1.10 (1.97)	1.15 (2.48)	0.2 (2.9)	0.20 (2.90)
07:45	France: "Final" GDP, % q/q	Q1	0.6	0.2	0.0 P	0.0	0.0
07:45	France: "Final" non-farm payrolls, % q/q	Q1	-0.1	-0.1	-0.1 P	-	-
08:00	Thailand: Current account, $ bn	Apr	0.5	2.1	0.6	-1.8	-
08:00	Czechia: Preliminary GDP, % y/y	Q1	2.8	2.7	2.1	-	2.1
08:00	Switzerland: KoF leading indicator, index	May	103.8	95.6	97.9	-	98.0
08:00	Spain: Preliminary HICP, % m/m (y/y)	May	0.43 (2.46)	1.66 (3.45)	0.70 (3.53)	-0.1 (3.5)	0.00 (3.50)
08:30	Poland: Preliminary CPI, % y/y	May	2.1	3.0	3.2	3.5	3.7
08:55	Germany: Unemployment change (000s, sa); (rate, %)	May	3.0 (6.3)	4.0 (6.4)	20.0 (6.4)	-	10.5 (6.4)
09:00	Taiwan: GDP 2nd release, % y/y	Q1	8.4	12.7	13.7	-	13.7
09:00	Italy: Unemployment rate, %	Apr	5.2	5.4	5.2	-	5.3
10:00	Belgium: "Final" GDP, % q/q	Q1	0.2	0.1	0.2 P	-	-
10:00	Greece: Unemployment rate, %	Apr	8.0	8.6	9.0	-	-
10:00	Italy: Preliminary CPI, % m/m (y/y)	May	0.7 (1.5)	0.5 (1.7)	1.1 (2.7)	-	0.0 (2.9)
10:00	Italy: Preliminary HICP, % m/m (y/y)	May	0.50 (1.52)	1.70 (1.60)	1.57 (2.79)	-0.1 (3.5)	0.40 (3.30)
11:00	Italy: "Final" GDP, % q/q	Q1	0.2	0.3	0.2 P	0.2	0.2
11:00	Portugal: "Final" GDP, % q/q	Q1	0.6	0.9	0.0 P	-	-
11:00	Portugal: Preliminary HICP, % m/m (y/y)	May	0.1 (2.1)	2.3 (2.7)	1.9 (3.3)	-	-
11:00	Ireland: Preliminary HICP, % m/m (y/y)	May	0.8 (2.5)	1.8 (3.6)	0.4 (3.6)	-	-
12:30	Brazil: Primary budget balance, BRL bn	Apr	103.7	-16.4	-80.7	-	-
13:00	Germany: Preliminary CPI, % m/m (y/y)	May	0.2 (1.9)	1.1 (2.7)	0.6 (2.9)	-	0.1 (2.9)
13:00	Germany: Preliminary HICP, % m/m (y/y)	May	0.30 (1.92)	1.19 (2.82)	0.59 (2.91)	0.0 (2.8)	0.00 (2.90)
13:00	Brazil: GDP, % y/y	Q1	2.4	1.8	1.8	1.8	-
13:00	South Africa: Trade balance, ZAR bn	Apr	7.9	35.9	31.9	15.0	17.5
13:00	South Africa: Monthly budget balance, ZAR bn	Apr	-69.7	27.3	-45.6	-60.5	-
13:30	Canada: Quarterly GDP, % q/q saar	Q1	-0.9	2.4	-0.6	-	1.4
13:30	Canada: GDP, % m/m (y/y)	Mar	0.2 (1.0)	0.1 (0.6)	0.2 (1.0)	-	0.1 (0.9)
13:30	US: Advance trade balance for goods, $ bn	Apr	-80.9	-83.5	-87.4	-87.9	-87.0
13:30	US: Wholesale inventories-p, % m/m	Apr	-0.3	0.9	1.3	1.0	-
14:00	Chile: Unemployment rate, %	Apr	8.3	8.3	8.9	-	-
14:45	US: Chicago PMI index	May	57.7	52.8	49.2	-	51.2
16:00	Colombia: Unemployment rate, %	Apr	10.6	9.2	9.4	-	-

Note: All times reported in BST. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue. Indicators with EA21 country code include Bulgaria.
Source: Reuters, Market News, Bloomberg, Barclays Research

Global Key Events

Global Key Events for 2026 and 2027

	2026								2027				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
North America													
FOMC meeting	-	17	29	-	16	28	-	9	27	-	17	28	-
Summary of Economic Projections	-	17	-	-	16	-	-	9	-	-	17	-	-
FOMC minutes	20	-	8	19	-	7	18	30	-	17	-	7	19
Fed's Beige Book	-	3	15	-	2	14	25	-	…	…	…	…	…
Bank of Canada	-	10	15	-	2	28	-	9	…	…	…	…	…
Europe													
EU Summit	-	18-19	…	…	…	…	…	…	…	…	…	…	…
EU General Affairs Council	26	16	…	…	…	…	…	…	…	…	…	…	…
ECOFIN	5	12	…	…	…	…	…	…	…	…	…	…	…
Eurogroup	4, 22	11	…	…	…	…	…	…	…	…	…	…	…
ECB "policy" meeting	-	11	23	-	10	29	-	17	…	…	…	…	…
ECB minutes	28	-	9	27	-	8	26	-	…	…	…	…	…
ECB economic bulletin	15	25	-	6	24	-	11	31	…	…	…	…	…
ECB "non-policy" meeting	20	-	-	-	30	-	18	-	…	…	…	…	…
BoE MPC policy meeting	-	18	30	-	17	-	5	17	-	4	-	29	-
BoE MPC Monetary Policy Report	-	-	30	-	-	-	5	-	-	4	-	-	-
BoE minutes	-	18	30	-	17	-	5	17	-	4	18	-	-
Riksbank	7	17	-	20	24	-	4	16	…	…	…	…	…
Swiss National Bank (SNB)	-	18	-	-	24	-	-	10	-	-	18	-	-
Norges Bank	7	18	-	13	24	-	5	17	…	…	…	…	…
Asia/Africa/RoW													
Bank of Japan (BoJ)	-	15-16	30-31	-	17-18	29-30	-	17-18	…	…	…	…	…
BoJ minutes	7	19	-	5	28	-	5	23	…	…	…	…	…
Reserve Bank of Australia (RBA)	5	16	-	11	29	-	3	8	-	9	23	-	4
Reserve Bank of New Zealand (RBNZ)	27	-	8	-	2	28	-	9	-	10	17	-	5
Reserve Bank of India (RBI)	-	3-5	-	3-5	-	5-7	-	2-4	-	3-5	…	…	…
Bank of Korea (BoK)	28	-	16	27	-	22	26	-	…	…	…	…	…
Brazilian Central Bank (BCB)	-	17	-	5	16	-	4	9	…	…	…	…	…
South African Reserve Bank (SARB)	28	-	23	-	23	-	19	-	…	…	…	…	…
National Bank of Poland (NBP)	5-6	9-10	7-8	25*	1-2	6-7	3-4	1-2	…	…	…	…	…
Central Bank of the Republic of Türkiye (CBT)	-	11	23	-	10	22	-	10	21	-	18	22	-
Bank of Israel (BoI)	25	-	6	31	-	21	23	-	…	…	…	…	…
Key international meetings													
WBG-IMF, Spring and Annual meetings	-	-	-	-	-	12-18	-	-	-	-	-	-	-
G7 Summit	-	15-17	-	-	-	-	-	-	-	-	-	-	-
OPEC+ Ministerial Meeting	-	7	…	…	…	…	…	…	…	…	…	…	…
JMMC (of the OPEC) meeting	-	7	…	…	…	…	…	…	…	…	…	…	…
Elections/Key political meetings													
New Zealand General election	-	-	-	-	-	-	7	-	-	-	-	-	-
Brazil General election	-	-	-	-	-	4, 25	-	-	-	-	-	-	-
Israel General election	-	-	-	-	-	27	-	-	-	-	-	-	-

Note: (-) No event, (…) Event yet to be confirmed. * NBP's one-day non-decision-making meeting.
Source: Central banks, IMF, European Commission, Reuters, Bloomberg, Market News, Barclays Research

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