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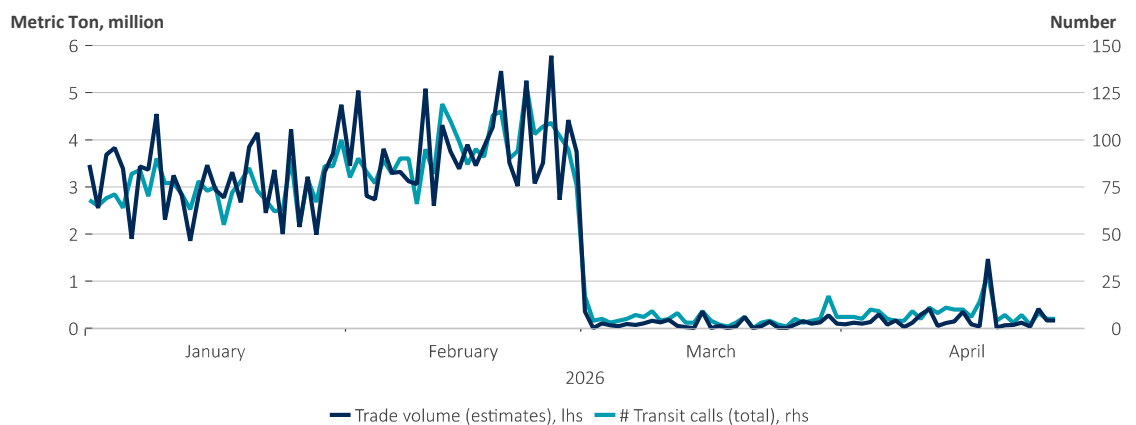
Special: Impacts of the Iran war and the blockade of the Strait of Hormuz on global agricultural and fertilizer markets

Analysts: Wolfgang Donie // Martin Strohmeier

Fertilizer markets against the backdrop of the Iran conflict

The military escalation in the Middle East since March/April 2026, along with the de facto blockade of the Strait of Hormuz, represent one of the most severe geopolitical shocks to global energy, agricultural and fertilizer markets since the start of the war in Ukraine. The Strait of Hormuz serves as the critical chokepoint for global trade in crude oil, natural gas, fertilizers and key intermediate products, with a substantial share of these commodity flows routed through this passage. The current situation has triggered a marked supply shortfall, the effects of which can only be partially offset in the short term. On global fertilizer markets, the blockade is estimated to be making for a monthly shortfall of around 0.8 million metric tons of fertilizers and key intermediate products. Particularly hard hit are approximately 30 percent of worldwide urea exports, around 27 percent of seaborne ammonia shipments, just over a quarter of phosphate exports, and nearly half of all global sulphur flows. This makes the nitrogen complex in particular structurally vulnerable, as alternative routes and readily available substitute capacities are in short supply. Even in the event of a time-limited disruption lasting several months, a portion of the shortfalls is unlikely to be fully offset. The pressures are being further exacerbated through the energy channel. The temporary disruption of LNG shipments from Qatar has significantly reduced nitrogen production across parts of South Asia. At the same time, higher gas prices are making for cost pressure on North African producers. In Europe, the surge in gas prices is once again raising the spectre of production cut-backs in ammonia and downstream products. Export restrictions imposed by key suppliers – among them Turkey (urea), Russia (ammonium nitrate) and China (urea and phosphates) – are tightening the global supply situation still further. As a result, prices for nitrogen and phosphate fertilizers rose considerably more sharply in the first quarter of 2026 than those for agricultural commodities. Nitrogen fertilizers saw the strongest price increases, while at the same time a notable decline in demand is expected – one of the most severe contractions since 2022. Phosphate markets remain structurally tight, as input costs for intermediate products such as ammonia and sulphur stay high; elevated price levels are therefore likely to persist beyond 2027. Potash fertilizers have so far proven comparatively stable, but they are indirectly under pressure due to the overall limited affordability. By and large, the risk of demand destruction is increasing: farmers are reducing fertilizer applications, postponing purchases, or adjusting their crop rotations.

Chart: Shipping transits through the Strait of Hormuz



Sources: International Monetary Fund, Macrobond, NORD/LB Macro Research

Impacts of the oil price shock on global agricultural markets

For agricultural markets, the direct impact on production in the 2026 harvest year remains limited for the time being. In many regions of the northern hemisphere, inputs were contracted before the conflict escalated. Moreover, global grain and oilseed markets continue to be characterized by comparatively high stock levels and generally favourable yield expectations, particularly in Brazil and the United States. Against this backdrop, the potential for sustained rallies driven by the oil price shock appears fundamentally limited in the near term. Over the medium term, however, looking ahead to the 2027 harvest year, the risks are mounting. Persistently high fertilizer prices are increasing the likelihood of yield losses stemming from reduced nutrient application, structural shifts in crop rotation away from heavily nitrogen-intensive crops, and greater volatility in global food prices. Should the blockade of the Strait of Hormuz persist for an extended period, or geopolitical uncertainty continue to intensify, the effects could feed through more forcefully into global food supply. Particularly vulnerable are developing countries and lower-income emerging markets, where fertilizers account for an above-average share of production costs, while government subsidy systems and financial buffers are often limited. Rising prices and constrained availability increase the risk of under-fertilization, lower yields and, consequently, supply pressures. Developed nations, by contrast, are better positioned to absorb short-term price shocks, although affordability is becoming an increasingly significant concern even there. In Europe, dependence on imports from the Middle East is limited in terms of volume, but price exposure is high. Since the closure of the Strait of Hormuz, European prices for urea have risen by around 40–50 percent, for nitrates by 15–20 percent, and for ammonia by about 12 percent. Policy measures such as temporary tariff suspensions can only partially cushion the impact. The structural dependence on gas prices and import logistics remains, putting renewed pressure on the competitiveness of European fertilizer production. For agricultural enterprises, the question of affordability is moving sharply to the fore, with corresponding consequences for planting decisions and investment. From a capital markets perspective, several key conclusions stand out. First, persistently elevated volatility can be expected in the prices of fertilizers, energy, and agricultural commodities. Second, the cost base along the agricultural value chain is likely to see an upward trend in structural terms. Third, downside risks to earnings and margins in the agriculture and food sector are set to intensify from 2027 onward. At the same time, the strategic importance of diversification, inventory management and regional production is set to gain further weight. Even in the event of a political détente, a rapid normalization is unlikely, as markets are now pricing in a permanently higher geopolitical risk.

Conclusion

The Iran war and the blockade of the Strait of Hormuz are acting as a substantial exogenous shock to global fertilizer markets, and remain a central risk factor for the medium- to long-term stability of agricultural and food production. In the short term, however, buffers still exist in the form of inventories and forward contracts, while the most acute risks are shifting to 2027 and beyond. For investors, banks and businesses, the environment continues to be defined by heightened uncertainty and rising input costs – while at the same time creating incentives for strategic adaptation and greater supply chain resilience.

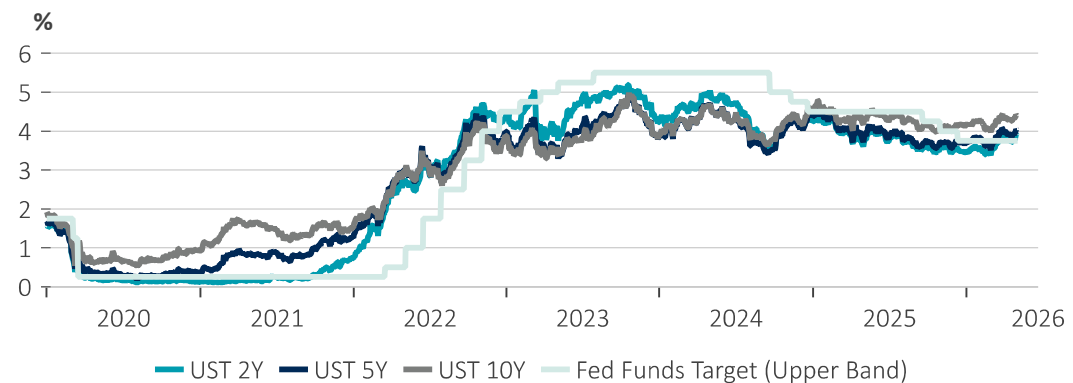
USA: The Iran conflict takes centre stage

Analysts: Tobias Basse // Constantin Lürer

The Iran conflict takes centre stage

The recent revision of America's GDP figures makes one thing abundantly clear: economic activity in the fourth quarter of 2025 was severely and lastingly impaired by the government shutdown. Growth, at an annualized rate of just 0.5 percent, is in the meantime hovering only marginally above zero. And now the Iran conflict is taking centre stage. The situation in the oil market has immediate implications for inflation trends in the United States. Elevated petrol prices drove consumer prices up by a marked 0.9 percent month-on-month in March, catapulting the annual rate to 3.3 percent. In April, there is little prospect of any meaningful improvement in the annual rate – if anything, the reverse. On the producer price side, however, the increase was almost surprisingly moderate, with a month-on-month change rate of 0.5 percent. Nevertheless, the inflation trend will weigh on consumer behaviour in the United States. So far, though, the surge in expenditure on petrol in March has not yet led to any major dampening effects on retail sales excluding petrol stations. On the contrary, the control group of retail sales has posted unexpectedly strong gains of late. Overall, however, a certain degree of consumer restraint due to energy prices can still be expected in the USA going forward, which will weigh on economic growth. In this context, however, it must also be borne in mind that a sustained period of elevated oil prices would relatively quickly prompt an expansion of production in the United States, which would in turn gradually lend support to GDP.

Chart: Interest rate trend in the USA



Sources: Macrobond, NORD/LB Macro Research

The real estate market continues to suffer

While not directly affected, the Iran conflict is currently playing a significant role in the darkening mood across real estate markets. The US construction and real estate sector had appeared poised for a growth impulse, driven by mortgage conditions that had become relatively favourable again – with average 30-year mortgage rates dipping below the 6 percent threshold. Since the Strait of Hormuz was blocked, however, bond market yields have climbed once more, including those on 30-year US Treasuries, which move in close tandem with those mortgages. At the end of February, Treasuries were still sitting in the lower reaches of 4.6 percent; in the interim, though, long-term benchmark yields came close to breaching the 5 percent mark. Mortgage rates tracked a similar trajectory, with the 6.5 percent level coming back into focus for 30-year mortgages. While the real estate financing market follows somewhat different rules, it is not insulated from broader dynamics: higher inflation expectations push property lending rates up too. The NAHB Housing Market Index consequently saw the 50-point threshold – defined as the boundary between expansion and contraction – recede once again into the distance, a clear signal of the sector's continuing weakness. The number of construction starts did pick up somewhat of late, but here too, there is no real sign of a trend reversal. Until the

change of leadership at the Fed, the Fed funds target rate is unlikely to be touched — less on account of outgoing chair Powell himself than because of the challenging inflation environment.

Is the US dollar once again the safe haven in the FX market?

We expect a marked easing in consumer price dynamics, particularly over the course of Q4. As early as December, annual CPI rates in the region of 2.3 percent are not unlikely. In that case, even a Fed funds target rate of just 3.0 percent would once again translate into a positive real key-rate level. Corresponding key-rate cuts would also lower the level of capital market yields. The US dollar now appears to have regained its former status as a safe haven in the FX market, which, in times of greater investor risk appetite – for example, when equity prices are rising – should lead to marked downward pressure on the U.S. currency. Given the broadly expected easing of tensions in the Iran conflict and anticipated rate cuts by the Fed, an exchange rate in the region of 1.19 USD per euro is likely to come into view by year-end 2026.

Fundamental forecasts, USA

	2025	2026	2027
GDP	2.1	2.2	2.4
Private consumption	2.6	2.1	2.3
Govt. consumption	1.1	1.0	1.1
Fixed investment	2.0	2.7	3.1
Exports	1.6	2.0	2.1
Imports	2.7	-0.9	2.0
Inflation	2.7	3.0	2.4
Unemployment rate ¹	4.3	4.4	4.3
Budget balance ²	-5.4	-6.3	-6.4
Current acct. balance ²	-3.8	-3.3	-3.0

Change vs previous year as percentage; ¹ as percentage of the labour force; ² as percentage of GDP

Sources: Macrobond, NORDB/LB Macro Research

Quarterly forecasts, USA

	II/25	III/25	IV/25	I/26	II/26
GDP qoq ann.	3.8	4.4	0.5	1.7	2.4
GDP yoy	2.1	2.3	2.0	2.6	2.2
Inflation yoy	2.4	2.9	2.7	2.7	3.8

Change as percentage

Sources: Macrobond, NORDB/LB Macro Research

Interest and exchange rates, USA

	23.04.	3M	6M	12M
Fed funds target rate	3.75	3.75	3.50	3.00
3M rate	3.67	3.60	3.30	2.95
10Y Treasuries	4.32	4.15	4.00	3.80
Spread 10Y Bund	132	105	90	60
EUR in USD	1.17	1.18	1.19	1.19

Sources: Bloomberg, NORDB/LB Macro Research

Euroland: Energy prices drive inflation – ECB holds off for now

Analysts: Christian Lips, Chief Economist // Christian Reuter

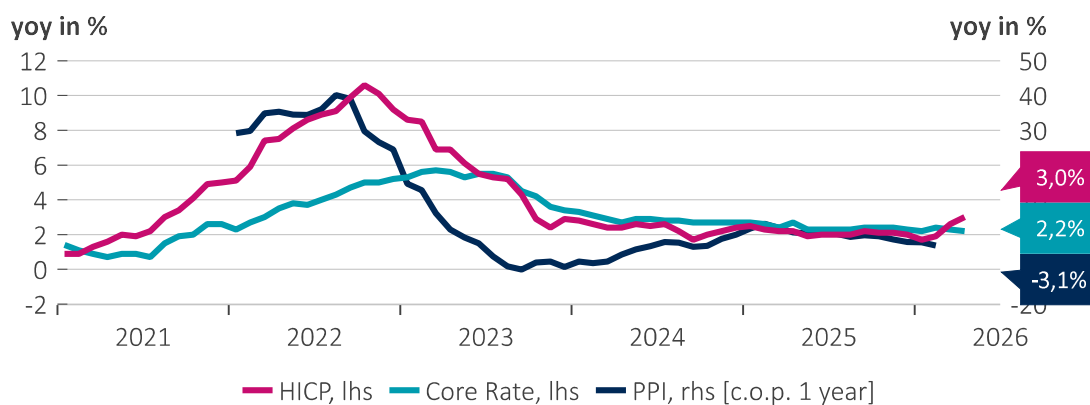
Headwinds for the economy in the summer half-year

The Iran war is having a markedly negative impact on the European economy as well. Despite the agreed ceasefire between the USA and Iran – which has since been extended once again – energy prices remain well above pre-war levels and, in our view, are set to stay higher than originally projected throughout the year. The economic consequences will depend to a large extent on the duration and further course of the Iran conflict. The longer frictions persist, the greater the likelihood of supply chain strains and spillover effects on industrial output.

But even if a swift agreement between the United States and Iran were reached and the Strait of Hormuz reliably reopened, it could take weeks or even months before shipping traffic through the waterway returns to normal. The damage inflicted on infrastructure during the war also points to longer-lasting knock-on effects and corresponding drag on the global economy, and a particularly close eye needs to be kept on the potential risks of supply chain problems.

In principle, we do expect the eurozone to maintain its relatively resilient economic trajectory. However, growth in the currency bloc will fall short of earlier projections as a consequence of the Iran war. We have revised our forecast downward, particularly for the summer half of 2026. For the year as a whole, we now project real GDP growth of 0.8 percent in 2026, rising to 1.2 percent in 2027. Potential disruptions to value chains currently represent what is probably the single greatest downside risk to our economic outlook – though they are also extremely difficult to predict.

Chart: Energy price surge causes inflation to rise sharply in March



Sources: Eurostat, Macrobond, NORD/LB Macro Research

Inflation surges to 2.6 percent in March – no critical shift in inflation expectations yet

Energy prices have remained well above pre-war levels since the outbreak of the Iran conflict. This was already reflected in a sharp rise in the inflation rate to 2.6 percent year-on-year in March. The primary driver was a massive upsurge in energy prices, where the annual rate leapt from -3.1 percent yoy the previous month to 5.1 percent yoy. The core rate, by contrast, edged down slightly to 2.3 percent yoy.

Inflation will remain at markedly elevated levels for the time being, even if tensions in the Middle East ease – not least because the impact extends beyond oil prices to other key energy and industrial commodities. The ECB's priority must now be to prevent second-round effects from taking hold. Available indicators do not yet point to an imminent de-anchoring of inflation expectations. Market-based inflation expectations, as measured by the 5Y5Y forward rate, remain largely unchanged and close to the 2 percent stability target. However, consumer and business surveys are already showing the familiar pattern whereby higher current energy prices feed through into rising price expectations for the period ahead.

ECB: Growing divergence in sentiment within the Governing Council – April rate hike unlikely

According to ECB President Lagarde, the conflict's trajectory to date suggests that the current situation is tracking somewhere between the baseline scenario and the adverse scenario outlined in early March. That said, even the adverse scenario was not severe enough to warrant drawing fresh conclusions about the next monetary policy decisions. On the contrary, the high degree of uncertainty is likely to be the decisive argument for waiting until the June projections before taking any interest rate decision. We consider an ECB rate rise as early as April unlikely in light of the uncertain data environment.

The monetary policymakers continue to search for the best response to the dilemma posed by higher inflation on one side and mounting risks to growth on the other. As the conflict drags on, a somewhat more divided picture is emerging within the Governing Council. Alongside inflation risks, several council members have recently placed greater emphasis on the risks to the economic outlook. Among financial market experts as well as in the markets themselves, expectations of rising short-term interest rates this year are becoming more entrenched. However, markets have largely scaled back their previously highly aggressive expectations for rate hikes. At their peak, markets had priced in a good four rate increases for 2026. We do not currently expect a series of rate increases; rather, we anticipate an initial one-off, precautionary hike in June. Central bank rhetoric is nonetheless likely to remain hawkish for the time being, with the aim of nipping any potential second-round effects in the bud as early as possible. In this environment, there is, for the time being, little leeway for capital market rates – specifically 10-year German Bund yields – to decline markedly below the mark of 3 percent.

Fundamental forecasts, Euroland

	2025	2026	2027
GDP	1.5	0.8	1.2
Private consumption	1.5	0.8	1.1
Govt. consumption	1.6	2.1	1.4
Fixed investment	3.1	1.6	3.2
Net exports ¹	-0.6	-0.5	-0.4
Inflation	2.1	2.8	2.2
Unemployment rate ²	6.3	6.2	6.1
Budget balance ³	-3.2	-3.3	-3.4
Current account balance ³	1.7	0.9	1.5

Change vs previous year as percentage, ¹ as contribution to GDP growth; ² as percentage of the labour force; ³ as percentage of GDP

Sources: Macrobond, NORD/LB Macro Research

Quarterly forecasts, Euroland

	II/25	III/25	IV/25	I/26	II/26
GDP sa qoq	0.1	0.3	0.2	0.2	0.0
GDP sa yoy	1.6	1.4	1.2	0.9	0.8
Inflation yoy	2.0	2.1	2.1	2.0	2.8

Change as percentage

Sources: Macrobond, NORD/LB Macro Research

Interest rates, Euroland

	23.04.	3M	6M	12M
Repo rate ECB	2.00	2.25	2.25	2.50
3M rate	2.17	2.40	2.40	2.60
10Y Bund	3.01	3.10	3.10	3.20

Sources: Bloomberg, NORD/LB Macro Research

Germany: Iran war fallout overshadows fiscal impulse

Analysts: Christian Lips, Chief Economist // Christian Reuter

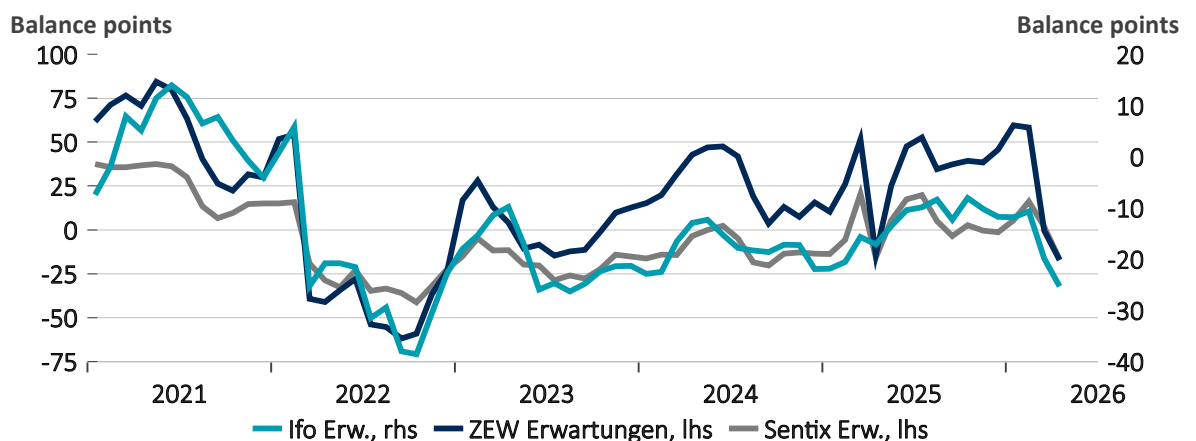
Iran war fallout dampens growth expectations

The economic fallout from the Iran war, the unexpected scale of the conflict, and the deep uncertainty surrounding further developments in the Gulf region are all weighing on the economic outlook. In Germany, the sharp rises in fossil fuel and industrial commodity prices — compounded by growing concerns over potential shortages — are overshadowing the positive fiscal impulse this year and increasingly dampening growth expectations. Higher energy costs are driving up production costs. Rising inflation is also eroding households' real disposable income and will feed through into weaker real private consumption.

The government's ad hoc measures (relief bonus, fuel rebate in May and June) provide a degree of cushioning. Experience with the fuel duty cut of 2022 shows that the bulk of the relief, between 85 and 100 percent, was indeed passed on in the form of lower pump prices. The fading of the price-dampening effect observed at the time, particularly for diesel fuel, was attributable to a one-off factor: problems arising from low water levels on the Rhine. Should the reduction of approximately €0.17 per litre again be passed on in large part to consumers, a temporary easing of the inflation rate can be expected in May and June — likely in the region of 0.3 percentage points. Both measures should thus provide some stabilization of private consumption, though they cannot offset the broader loss of financial wellbeing across the economy as a whole.

Despite this exogenous shock, the more expansionary fiscal policy stance suggests that the German economy can at least shake off stagnation. Assuming no further escalations in the Iran war and an early resolution thereof, we forecast real GDP growth of 0.7 percent in 2026 and 1.4 percent in 2027. This outlook is naturally contingent on how the conflict unfolds, with downside risks to the forecast prevailing. That said, the positive market reaction to the brief reopening of the Strait of Hormuz on 17 April offered a foretaste of what a resolution of the conflict could deliver — at least in terms of a shift in sentiment.

Chart: Iran conflict makes for a significant downturn in sentiment



Sources: ifo, ZEW, sentix, Macrobond, NORD/LB Macro Research

Iran conflict takes increasing toll on economic sentiment

Economic sentiment deteriorated further in April, weighed down by the Iran conflict and the looming economic consequences. The ZEW institute's monthly survey of financial market experts showed a marked increase in pessimism on both the current situation and the outlook for the next six months, with economic expectations falling to -17.2 balance points, the lowest reading since late 2022. These results of the ZEW survey are thus consistent with the equally sharp deterioration in the overall assessment registered in the sentix survey.

Sentiment among German businesses has also darkened considerably, however. The latest survey data from the ifo Institute reveal a veritable slump: the ifo Business Climate Index has fallen to 84.4 points, its lowest level since May 2020. The assessment of the current business situation has also worsened, coming in at 85.4 points — with the April pullback dragging this sub-index back roughly to where it stood at the start of the year. Far more pronounced, however, has been the business leaders' downward revision to their business expectations. With an index level of 83.3 points, companies are viewing the next six months with a degree of pessimism last seen in mid-2023.

At the sectoral level, scepticism about the months ahead is particularly pronounced in energy-intensive industries such as chemicals. While the current situation in that sector is assessed somewhat more favourably, there are already early signs of growing supply problems with intermediate inputs. Within the services sector, logistics is bearing the brunt in the current environment. The — at least temporary — loss of purchasing power, combined with concerns over interest rates, is also weighing on sentiment across the broader services sector, in retail, and in construction.

Energy prices flip the inflation picture

Germany's inflation rose sharply in March, climbing to 2.7 percent year-on-year — or 2.8 percent on the HICP measure. As expected, the surge was driven by fuel and heating oil prices. Those of fuel rose 15.6 percent, with diesel particularly hard hit at 22.6 percent yoy. Light heating oil posted an even steeper increase of 43.2 percent yoy. Consumers also paid significantly more for air travel and package holidays, up 10.0 percent and 4.4 percent yoy respectively. These increases, however, were largely seasonal in nature in March, driven by the Easter period. Upward pressure was also again visible in services, which account for a substantial share of the consumption basket and point to persistent underlying domestic price pressures. While the fuel duty cut will provide temporary relief in May and June, consumers must brace for significantly elevated inflation throughout the year — and the peak was in any case not yet been reached in March.

Fundamental forecasts, Germany

	2025	2026	2027
GDP	0.2	0.7	1.4
Private consumption	1.6	0.8	0.9
Govt. consumption	1.3	3.3	2.6
Fixed investment	-0.2	1.5	4.4
Exports	-0.4	-0.2	2.0
Imports	3.6	2.6	3.7
Net exports ¹	-1.5	-1.1	-0.6
Inflation ²	2.3	2.9	2.2
Unemployment rate ³	6.3	6.4	6.3
Budget balance ⁴	-2.7	-3.5	-3.7
Current account balance ⁴	4.5	3.2	2.9

Change vs previous year as percentage, ¹as contribution to GDP growth; ²HICP; ³as percentage of the civil labour force (Federal Employment Office definition); ⁴as percentage of GDP

Sources: Macrobond, NORDB/LB Macro Research

Quarterly forecasts, Germany

	II/25	III/25	IV/25	I/26	II/26
GDP sa qoq	-0.2	0.0	0.3	0.0	0.0
GDP nsa qoq	0.0	0.3	0.6	0.1	0.3
Inflation yoy	2.1	2.1	2.3	2.3	3.0

Change as percentage

Sources: Macrobond, NORDB/LB Macro Research

Switzerland: Growing economic concerns

Analyst: Christian Reuter

Tariff shock and Iran war leave their mark

The Swiss economy is heading for a cyclical slowdown. The trade dispute with the United States has yet to be absorbed, and the war with Iran has now added to the strain. Growth is likely to have slowed markedly in the first quarter of 2026, and the outlook for the second quarter is darkening as well. Data available to date point to a clear and continued deterioration in foreign trade. Exports fell 4.2 percent quarter-on-quarter in seasonally adjusted nominal terms, dropping to their lowest level since Q3/2021. Imports declined by 4.7 percent qoq. The trade surplus narrowed to CHF 11 billion, its lowest level in five quarters. Also notable is the accelerating decline in the weekly economic activity index. This high-frequency indicator turned negative in mid-February; its three-month moving average is unambiguously trending downward and has most recently fallen to its lowest point since 2020. This points to a further loss of momentum in Q2. The Iran war has also weighed heavily on sentiment among economic agents. Consumer sentiment fell in March to its lowest level since December 2023. Expectations for both economic conditions and personal finances deteriorated sharply, while consumers also anticipated stronger price increases over the coming twelve months. The KOF Economic Barometer fell from 103.3 to 96.1 points in March, a drop of more than two standard deviations. The outlook thus darkened on both the output and demand sides, with components related to manufacturing and export industries under particular pressure.

SNB under no pressure to act – exchange rate remains the focus of attention

Inflation in Switzerland remains substantially lower than in any other developed economy, yet the cost-push pressures generated by the war with Iran are making themselves felt even in the Alpine republic. March saw consumer prices 0.3 percent higher than a year earlier, and 0.2 percent higher than the previous month. The main price drivers were imported goods, the prices of which rose by 1.8 percent mom – the sharpest increase since March 2022. From a monetary policy perspective, however, this is not entirely unwelcome news: the Swiss National Bank's concerns about a deflationary drift have, for now, receded. Whether this makes interest rate rises an imminent prospect is far from as certain as financial markets had been pricing in. The SNB will be placing increasing weight on the economy and growth outlook, and its attention remains firmly trained on the exchange rate. At their most recent meeting in March, the central bankers had in this context signalled a heightened readiness to intervene in FX markets. In April, the franc indeed appeared to lose some of its appeal as a safe-haven currency – though this only applied relative to the euro and the US dollar. The trade-weighted real exchange rate against its most important trading partners hit new all-time highs. It is therefore quite possible that the yield curve merely steepens for now, while the short end remains anchored at zero.

Fundamental forecasts*, Switzerland

	2025	2026	2027
GDP	1.4	0.8	1.5
Inflation (CPI)	0.2	0.5	0.2
Unemployment rate ¹	2.9	3.0	2.9
Budget balance ²	0.6	-0.2	-0.3
Current account balance ²	7.1	4.3	3.8

* Change vs previous year as percentage; ¹ as percentage of the labour force, ² as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, Switzerland

	23.04.	3M	6M	12M
SNB policy rate	0.00	0.00	0.00	0.00
3M rate	-0.04	0.00	0.01	0.10
10Y	0.39	0.42	0.42	0.50
Spread 10Y Bund	-262	-268	-268	-270
EUR in CHF	0.92	0.92	0.92	0.93

Japan: Monetary policy and the Iran conflict

Analyst: Tobias Basse

Monetary policy and the Iran conflict

Japan's monetary policymakers are facing a difficult task to begin with. They will have to undertake a further increase in the policy rate level – in principle, against the wishes of the new head of government. For a variety of reasons, the Bank of Japan will be looking to proceed with a great deal of caution in doing so. The Iran conflict will undoubtedly make the work of the central bankers in Tokyo even more challenging. On one hand, higher energy prices will almost certainly become a problem with a lasting impact on inflation rates in the Land of the Rising Sun. On the other hand, the conflict in the Persian Gulf is likely to weigh on economic growth across Asia. Tokyo's central bankers thus find themselves confronted with what is almost a classic dilemma.

Bank of Japan will likely hold back in April

In this challenging environment, the Bank of Japan will likely be rather inclined to hold back on a further interest rate hike in April. That said, verbal groundwork laying the prospect of future action by Tokyo's central bankers is not out of the question. Should the worst come to the worst, however, they will seek to remain sufficiently non-committal. After all, the monetary policymakers will be keen to avoid putting themselves under any unnecessary pressure to act – something that would be incompatible with their overarching strategy of proceeding with fundamental caution. Japan's benchmark interest rate will nevertheless need to rise further over the course of 2026. At first glance, the inflation trend in the Land of the Rising Sun appears to give the central bank some leeway to hold back, but distortions caused by economic policy measures need to be taken into account in this context. In February, the government's energy subsidies were still feeding through in full. Since then, however, rising petrol prices driven by the Iran conflict are increasingly becoming a problem on which both central bankers and international financial markets will now need to keep a very close eye.

The yen remains weak

Japan's currency remains weak, hovering against the US dollar within sight of the almost totemic level of 160.00 JPY per USD. Higher interest rates could certainly help strengthen the yen. Causing rapid moves in the FX market would, however, undoubtedly require the element of surprise – something the Bank of Japan will have no desire to deliver. Viewed from a fundamental perspective, the yen is in all likelihood undervalued. This suggests that at least a degree of appreciation can be expected over time. Nevertheless, FX market participants would be unwise to anticipate any overly rapid recovery tendencies.

Fundamental forecasts*, Japan

	2025	2026	2027
GDP	1.2	0.8	1.0
Inflation	3.2	2.1	2.0
Unemployment rate ¹	2.5	2.5	2.4
Budget balance ²	-1.4	-3.0	-3.0
Current account balance ²	4.8	4.5	4.3

* Change vs previous year as percentage;

¹ as percentage of the labour force; ² as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, Japan

	23.04.	3M	6M	12M
Key rate	0.75	0.75	1.00	1.25
3M rate	1.25	1.15	1.20	1.30
10Y	2.43	2.15	2.15	2.15
Spread 10Y Bund	-58	-95	-95	-105
EUR in JPY	187	185	182	176
USD in JPY	160	157	153	148

China: A promising start to the New Year – for now

Analyst: Tobias Basse

China's economy off to a strong start into 2026

The economy of the Middle Kingdom has, by all appearances, got off to a strong start into 2026, expanding by a solid 5.0 percent year-on-year in real terms in Q1. Drilling down into the details, industrial output emerges as a particular bright spot – with overseas demand clearly providing helpful tailwinds. The upturn in industrial output in March – following data for January and February that was already far from discouraging – surprised on the upside, posting a year-on-year gain of 5.7 percent. That said, sentiment among manufacturing firms has begun to cloud over of late. The RataningDog Manufacturing PMI slipped to 50.8 in March, leaving it only narrowly above the psychologically significant threshold of 50 points. The Iran conflict is, at this point, an unmistakable drag on sentiment. The purchasing managers at the firms surveyed are growing increasingly uneasy about the geopolitical environment. Moreover, domestic demand, meanwhile, is already showing signs of strain – retail sales rose by just 1.7 percent year-on-year in March, a reading that many observers appear to have taken as a surprise on the downside. Q2 is now likely to feel the tangible weight of the Iran conflict. Asia, broadly speaking, is heavily dependent on energy supplies from the Persian Gulf – and the headwinds now building are serious enough that even Chinese GDP will not escape unscathed.

Economic policy moves into focus

In this environment, the economic policymakers in Beijing are likely to find themselves under a certain degree of pressure to act. While the central bank will certainly warrant close attention in this context, it is fiscal policy that will likely prove of even more consequential relevance for the Middle Kingdom. There is arguably already further leeway for supportive measures to literally "shield" the Chinese economy's growth from the dampening effects radiating out of the Iran conflict.

Domestic demand

It is domestic demand, above all, that is likely to become the focus of the economic policymakers' attention at this juncture. The government's totemic 5-percent growth target has admittedly been somewhat relativized in recent times – yet Beijing will in all likelihood be looking to deliver additional fiscal stimulus, particularly if there are clear and unmistakable signs of deterioration in the employment situation. State-sponsored infrastructure programmes are, by all appearances, already of significant economic importance.

Fundamental forecasts*, China

	2025	2026	2027
GDP	5.0	4.4	4.1
Inflation	0.0	1.2	1.2
Unemployment rate ¹	5.2	5.1	5.0
Budget balance ²	-5.1	-5.7	-5.8
Current account balance ²	3.8	2.8	2.6

* Change vs previous year as percentage

¹ as percentage of the labour force, ² as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, China

	23.04.	3M	6M	12M
Deposit rate	1.50	1.50	1.50	1.50
3M SHIBOR	1.43	1.55	1.53	1.50
10Y	1.76	1.75	1.70	1.70
Spread 10Y Bund	-125	-135	-140	-150
EUR in CNY	7.98	8.06	8.13	8.09
USD in CNY	6.83	6.83	6.83	6.80

Britain: Starmer's political survival hangs by a thread

Analyst: Constantin Lüer

Starmer fights for political survival (once again)

Britain's sitting Prime Minister is entering treacherous waters. The Peter Mandelson affair – which had already forced Keir Starmer into a corner before the escalation in the Strait of Hormuz – is now crashing back with full force. Mandelson's appointment as Ambassador to the United States is facing intensifying scrutiny, and crucially, the criticism is coming from within Labour's own ranks. He stands accused of having shared insider knowledge from the British government with, among others, Jeffrey Epstein. Starmer may well have known – and if that proves true, it could bring his premiership to a premature end.

The interest rate path remains uncertain

The expectations around interest rate developments remain in flux. The easing path had appeared all but certain – but the Iran conflict has, as it were, thrown a spanner in the works for the Bank of England. At one point, discussion even turned to potential Bank Rate hikes, a scenario that, given the tentative signs of de-escalation between the warring parties, could prove to have been an overreaction. Still, one shouldn't count one's chickens before they hatch. Sufficient upside risks remain to keep inflation elevated over a longer horizon, which would inevitably force the central bank's hand. Broadly speaking, however, we expect a moderate price trend, which should still leave sufficient leeway for interest rate cuts in 2026.

Price developments in the United Kingdom

The UK's inflation reading for March came in at 0.7 percent month-on-month – a figure that was, on balance, almost a surprise on the upside. It undercut that of both the eurozone and the USA and thus came in below market expectations. At their most recent meeting in March, the Bank of England's Monetary Policy Committee struck a tone of cautious optimism. While they had already flagged a challenging market environment, conditions have so far proved more manageable than feared. That said, by the third quarter the MPC should be in a position to resume its easing cycle. This forecast, however, hinges critically on a resolution to the conflict in the Strait of Hormuz.

Fundamental forecasts*, Britain

	2025	2026	2027
GDP	1.4	0.9	1.3
Inflation	3.4	2.9	2.4
Unemployment rate ¹	4.8	5.3	5.1
Budget balance ²	-4.5	-3.8	-3.4
Current account balance ²	-2.4	-2.9	-2.5

* Change vs previous year as percentage

¹ as percentage of the labour force as per ILO concept

² as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, Britain

	23.04.	3M	6M	12M
Repo rate	3.75	3.75	3.50	3.25
3M rate	3.83	3.55	3.35	3.30
10Y	4.94	4.30	4.25	4.20
Spread 10Y Bund	193	120	115	100
EUR in GBP	0.87	0.88	0.88	0.88
GBP in USD	1.35	1.34	1.35	1.35

Portfolio strategies

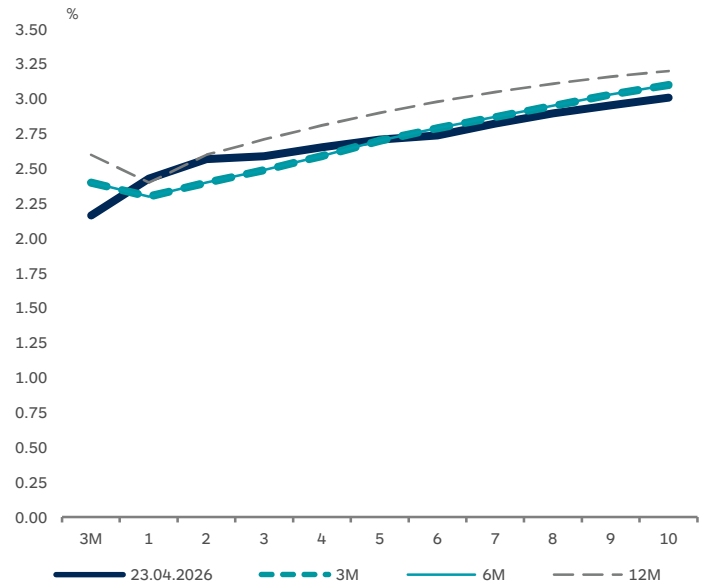
Yield curve, Euroland

Yields and forecasts (Bunds/Swap)

	Yields (in %)	NORD/LB forecasts for horizons...		
	23.04.2026	3M	6M	12M
3M	2.17	2.40	2.40	2.60
1Y	2.43	2.30	2.30	2.40
2Y	2.57	2.40	2.40	2.60
3Y	2.59	2.49	2.49	2.71
4Y	2.65	2.59	2.59	2.81
5Y	2.71	2.70	2.70	2.90
6Y	2.74	2.79	2.79	2.98
7Y	2.82	2.87	2.87	3.05
8Y	2.90	2.95	2.95	3.11
9Y	2.95	3.03	3.03	3.16
10Y	3.01	3.10	3.10	3.20
2Y (Swap)	2.74	2.55	2.55	2.78
5Y (Swap)	2.83	2.80	2.80	3.05
10Y (Swap)	3.04	3.10	3.10	3.25

Sources: Bloomberg, NORD/LB Macro Research

Yield curve forecasts (Bunds)



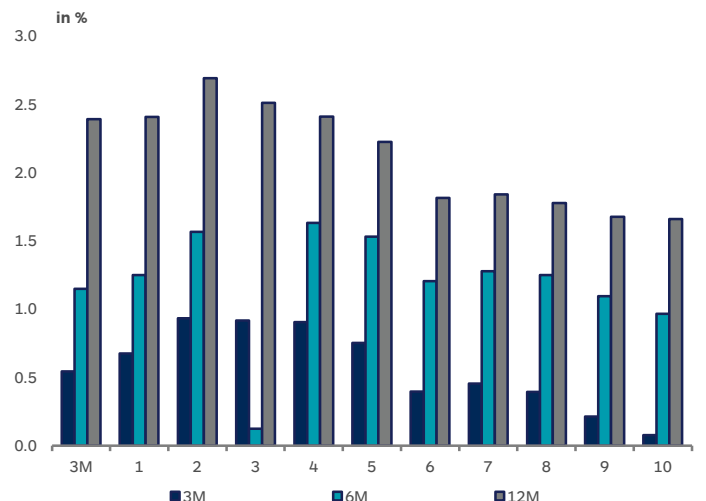
Sources: Bloomberg, NORD/LB Macro Research

Forecasts and total returns

	Total returns (in %) for horizons...		
	3M	6M	12M
3M	0.54	1.15	2.39
1Y	0.67	1.25	2.40
2Y	0.93	1.56	2.69
3Y	0.91	0.12	2.51
4Y	0.90	1.63	2.41
5Y	0.75	1.53	2.22
6Y	0.39	1.20	1.81
7Y	0.45	1.28	1.84
8Y	0.39	1.25	1.77
9Y	0.21	1.09	1.67
10Y	0.08	0.96	1.66

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns



Sources: Bloomberg, NORD/LB Macro Research

A total return is the absolute profit from an investment in the time period under consideration, with account being taken of the pro-rata yields plus the price gains or losses to be anticipated on the basis of the forecast yield curve change.

Portfolio strategies

International yield curve: 3-month & 12-month horizons

3-month horizon

	Expected total returns (as percentage) in euro				
	EUR	USD	GBP	JPY	CHF
1Y	0.7	0.2	0.0	1.2	0.0
2Y	0.9	0.4	0.8	1.6	0.0
3Y	0.9	0.5	1.4	2.1	0.1
4Y	0.9	0.7	1.7	2.7	0.1
5Y	0.7	0.8	2.2	2.9	0.2
6Y	0.4	1.6	2.6	4.1	0.3
7Y	0.5	1.5	3.4	4.3	0.2
8Y	0.4	1.5	4.2	4.0	0.4
9Y	0.2	1.6	4.3	4.5	0.5
10Y	0.1	1.7	4.7	4.5	0.1

Sources: Bloomberg, NORD/LB Macro Research

	Expected total returns (as percentage) in national currencies			
	USD	GBP	JPY	CHF
1Y	0.9	1.6	0.2	0.0
2Y	1.1	2.4	1.0	0.1
3Y	1.2	3.0	1.0	0.1
4Y	1.3	3.4	1.7	0.1
5Y	1.5	3.8	1.9	0.2
6Y	2.3	4.3	3.1	0.3
7Y	2.2	5.0	3.2	0.2
8Y	2.2	5.8	2.9	0.4
9Y	2.3	6.0	3.4	0.5
10Y	2.4	6.3	3.4	0.1

Sources: Bloomberg, NORD/LB Macro Research

12-month horizon

	Expected total returns (as percentage) in euro				
	EUR	USD	GBP	JPY	CHF
1Y	2.4	2.1	2.7	7.3	-1.0
2Y	2.7	3.1	3.7	7.7	-1.1
3Y	2.5	3.9	4.8	8.4	-1.2
4Y	2.4	4.8	5.4	9.4	-1.3
5Y	2.2	5.6	6.2	9.8	-1.3
6Y	1.8	6.9	6.7	11.1	-1.5
7Y	1.8	7.5	7.8	12.0	-1.5
8Y	1.8	7.8	9.1	11.8	-1.4
9Y	1.7	7.6	9.2	11.6	-1.2
10Y	1.7	7.8	9.4	11.8	-1.3

Sources: Bloomberg, NORD/LB Macro Research

	Expected total returns (as percentage) in national currencies			
	USD	GBP	JPY	CHF
1Y	3.7	4.3	1.0	0.0
2Y	4.6	5.4	1.5	0.0
3Y	5.5	6.5	2.1	-0.1
4Y	6.3	7.1	3.1	-0.2
5Y	7.2	7.9	3.4	-0.3
6Y	8.5	8.4	4.6	-0.4
7Y	9.1	9.5	5.5	-0.5
8Y	9.4	10.9	5.3	-0.3
9Y	9.2	10.9	5.1	-0.2
10Y	9.4	11.1	5.3	-0.3

Sources: Bloomberg, NORD/LB Macro Research

A total return is the absolute profit from an investment in the time period under consideration, with account being taken of the pro-rata yields plus the price gains or losses to be anticipated on the basis of the forecast yield curve and exchange rate change.

Portfolio strategies

Stock market strategy; 3-month, 6-month & 12-month horizons

Levels and performance

Index	Level as at	Status		Performance since	
	26.04.2026	Prev. month	Start of year	Prev. month	Start of year
DAX	24,128.98	22,680.04	24,490.41	6.39%	-1.48%
MDAX	30,249.93	28,150.78	30,617.67	7.46%	-1.20%
EuroSTOXX50	5,883.48	5,569.73	5,791.41	5.63%	1.59%
STOXX50	5,056.62	4,856.15	4,918.02	4.13%	2.82%
STOXX600	610.65	583.14	592.19	4.72%	3.12%
Dow Jones	49,310.32	46,341.51	48,063.29	6.41%	2.59%
S&P 500	7,108.40	6,528.52	6,845.50	8.88%	3.84%
Nikkei	59,716.18	51,063.72	50,339.48	16.94%	18.63%

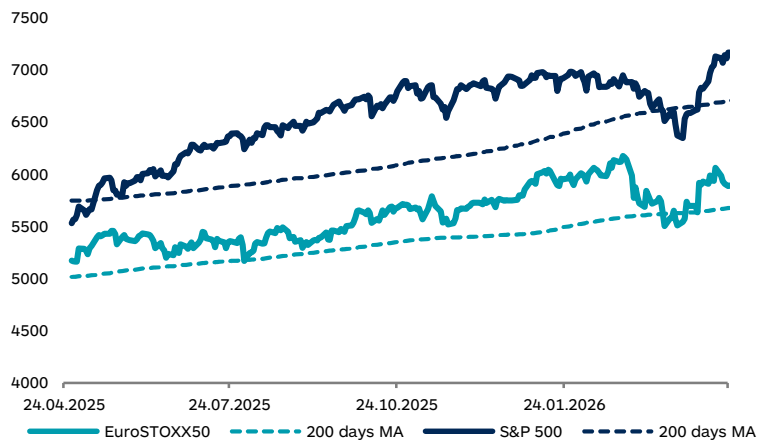
Sources: Bloomberg, NORD/LB Macro Research

Index forecasts

Index	NORD/LB forecast for the horizons ...		
	3M	6M	12M
DAX	24,800	25,500	26,800
MDAX	32,100	32,500	34,200
EuroSTOXX50	6,050	6,200	6,400
STOXX50	5,200	5,325	5,500
STOXX600	630	645	670
Dow Jones	49,900	50,700	52,000
S&P 500	7,200	7,300	7,475
Nikkei	54,500	59,000	62,500

Sources: Bloomberg, NORD/LB Macro Research

EuroSTOXX50 and S&P500



Sources: Bloomberg, NORD/LB Macro Research

Date of going to press for data, forecasts and texts was **Friday, 24 April 2026**

The next English issue of Economic Adviser will be appearing on **26 May 2026**.

Overview of forecasts

Fundamental forecasts

in %	GDP growth			Rate of inflation			Unemployment rate ¹			Budgetary balance ²		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
USA	2.1	2.2	2.4	2.7	3.0	2.4	4.3	4.4	4.3	-5.4	-6.3	-6.4
Euroland	1.5	0.8	1.2	2.1	2.8	2.2	6.3	6.2	6.1	-3.2	-3.3	-3.4
Germany	0.2	0.7	1.4	2.3	2.9	2.2	6.3	6.4	6.3	-2.7	-3.5	-3.7
Japan	1.2	0.8	1.0	3.2	2.1	2.0	2.5	2.5	2.4	-1.4	-3.0	-3.0
Britain	1.4	0.9	1.3	3.4	2.9	2.4	4.8	5.3	5.1	-4.5	-3.8	-3.4
Switzerland	1.4	0.8	1.5	0.2	0.5	0.2	2.9	3.0	2.9	0.6	-0.2	-0.3
China	5.0	4.4	4.1	0.0	1.2	1.2	5.2	5.1	5.0	-5.1	-5.7	-5.8

Change vs previous year as percentage; ¹ as percentage of the labour force (Germany: as per Federal Employment Office definition); ² as percentage of GDP

Sources: Macrobond, NORD/LB Macro Research

Key interest rates

In %	23.04.26	3M	6M	12M
USD	3.75	3.75	3.50	3.00
EUR	2.00	2.25	2.25	2.50
JPY	0.75	0.75	1.00	1.25
GBP	3.75	3.75	3.50	3.25
CHF	0.00	0.00	0.00	0.00
CNY	1.50	1.50	1.50	1.50

Sources: Bloomberg, NORD/LB Macro Research

Exchange rates

EUR in...	23.04.26	3M	6M	12M
USD	1.17	1.18	1.19	1.19
JPY	187	185	182	176
GBP	0.87	0.88	0.88	0.88
CHF	0.92	0.92	0.92	0.93
CNY	7.98	8.06	8.13	8.09

Interest rates (government bonds)

	3M rates				Yields 2Y				Yields 5Y				Yields 10Y			
	23.04.	3M	6M	12M	23.04.	3M	6M	12M	23.04.	3M	6M	12M	23.04.	3M	6M	12M
USD	3.67	3.60	3.30	2.95	3.83	3.70	3.25	2.90	3.96	3.80	3.45	3.10	4.32	4.15	4.00	3.80
EUR	2.17	2.40	2.40	2.60	2.57	2.40	2.40	2.60	2.71	2.70	2.70	2.90	3.01	3.10	3.10	3.20
JPY	1.25	1.15	1.20	1.30	1.36	1.25	1.25	1.30	1.84	1.55	1.55	1.60	2.43	2.15	2.15	2.15
GBP	3.83	3.55	3.35	3.30	4.37	3.60	3.40	3.30	4.46	3.85	3.66	3.65	4.94	4.30	4.25	4.20
CHF	-0.04	0.00	0.01	0.10	0.09	0.10	0.20	0.25	0.21	0.20	0.30	0.40	0.39	0.42	0.42	0.50

Sources: Bloomberg, NORD/LB Macro Research

Spreads (bp)

	3M EURIBOR				2Y Bund				5Y Bund				10Y Bund			
	23.04.	3M	6M	12M	23.04.	3M	6M	12M	23.04.	3M	6M	12M	23.04.	3M	6M	12M
USD	150	120	90	35	127	130	85	30	125	110	75	20	132	105	90	60
JPY	-92	-125	-120	-130	-120	-115	-115	-130	-87	-115	-115	-130	-58	-95	-95	-105
GBP	167	115	95	70	180	120	100	70	176	115	96	75	193	120	115	100
CHF	-221	-240	-239	-250	-248	-230	-220	-235	-249	-250	-240	-250	-262	-268	-268	-270

Sources: Bloomberg, NORD/LB Macro Research

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Editorial deadline: April 24th 2026, 16:03 h

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