Global Economic Weekly

Finding Memo

Global Letter: Finding Memo

The escalation in the Middle East reignites volatility in oil prices at a time when underlying US inflation continues to show signs of persistence, inflation expectations are ticking up, the labor market remains solid, financial conditions remain very accommodative, and the new Fed's monetary policy framework is still in the making. Given the importance of oil prices and US financial conditions for the global economy, an escalation of tensions in the Middle East could represent an underpriced risk. Given the wealth effect-driven consumption, a correction in equity markets could directly hit consumption dynamics.

US: A "summer of fun"

The World Cup continues to drive strong spending at restaurants and bars in the 11 US host cities. However, the World Cup tailwind is starting to fade. It roughly correlates with the number of games played per day, so it peaked around the end of the group stage. Meanwhile, the "holiday bump" in BAC card spending around July 4 was similar this year to the prior two years. This is true across both holiday-related services and goods. Bottom line: the consumer looks healthy, and that's unlikely to change in coming months.

Euro area: Tracking German stimulus, slippage & reform

Tracking fiscal impulse: spending progress seems ok. Construction data shows effects, but monetary policy hits the breaks. Tracking fiscal slippage: the new 2027 budget plan raises net borrowing needs, again. Tracking reform next: the reform package is good news. But it is unlikely to unfold a growth spurt like the 2002-05 reforms.

UK: Volat-oil

Recent escalation makes our call of unchanged rates this year a closer call. On balance, we think energy prices would need to move higher sustainably for the BoE to act, but risks of a hike are rising. We do a deep dive on the labour market, where lower effective slack and possible stalling of wage disinflation can imply restrictive rates for longer.

Asia: India – Monsoon off to a weak start; Jul-Aug critical

2026 southwest monsoon has started on a weak footing, with rainfall 17% below normal as of early July. While inflation risks could rise if weak rainfall coincides with stronger demand and higher commodity prices, July–August will be critical given their importance to the monsoon outcome.

Emerging EMEA: Hungary trip notes: EUR anchor firm

Our Budapest visit leaves us constructive. EUR convergence is increasingly a credibility anchor, with ERM2 potentially becoming a self-reinforcing fiscal and market story.

Latin America: DomRep – third time's the charm

Government approved a fiscal reform after two failed attempts (2020 and 2024). This is positive for fiscal accounts and it could be a potential positive development for ratings agencies. Higher revenues will help to compensate the increase in subsidies this year.

10 July 2026

Economics
Global

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Global Letter

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Finding Memo

The recent escalation in the Middle East reignites volatility in oil prices at a time when underlying US inflation continues to show signs of persistence, inflation expectations are ticking up, the labor market remains solid, financial conditions remain very accommodative, and the new Fed's monetary policy framework is still in the making.

Given the importance of oil prices and US financial conditions for the global economy, an escalation of tensions in the Middle East represents an underpriced risk for asset prices as positioning is becoming more stretched. The AI boom, combined with generalized fiscal excesses, continues to put pressure on long-term real rates. Given the wealth effect-driven consumption in many countries, a correction in equity markets could directly hit consumption dynamics.

Someone didn't receive the Memo

In our recently published Mid-Year review report (see Mid-Year review: Hydration Break), we highlighted that the US-Iran deal was very fragile in nature. Even though the signed Memorandum of Understanding dissipated immediate risks from the war in Iran, the risk of escalation remained top of mind.

Back then, we argued that not all parties may have the incentive to abide by the tentative deal, and reaching a final agreement in the next 60 days is all but certain. And in the case of a subsequent escalation, the global economy would no longer have the oil inventories buffer as it had in February. We expect the situation in the Middle East to remain fluid as all the relevant actors are not fully satisfied with the status quo.

Markets remain somewhat complacent that significant escalation can be avoided, but the risk to oil prices remain asymmetric. Moreover, even though gasoline prices are very flexible and the drop in oil prices post deal should help headline inflation, most prices of goods and services are downward sticky. In practice, this means that volatility in oil prices increase underlying inflation over time given the asymmetric impact of oil prices in markups (i.e. prices increase more oil rallies than they drop when oil sells off).

The combination of higher oil prices and tighter financial conditions in the US derived not only as a response to higher oil prices, constitutes a first order risk for the global economy given the increasing importance of wealth effects as drivers of consumption.

The US economy remains resilient and more balanced

One interesting aspect of the recent price action is in US front-end rates, which sold off with higher oil prices but are failing to rally with lower oil prices. A combination of factors explains this asymmetric behavior in comparison with the pre-war price action: a more robust labor market, a worsening of underlying inflation dynamics, in particular core services ex-housing, inflation expectations ticking up, and a more hawkish Fed.

This combination of factors takes place while overall financial conditions remain on the loose side, the stock market keeps making new highs, and the AI investment boom pressures long term interest rates while aggregate consumption remains robust.

Regarding consumption, one important dimension to highlight is that we are observing a more moderate K-shaped dynamic, with the gap between higher/meddle and lower income brackets shrinking for both income and consumption growth. This pattern is consistent with the observed improvement in the labor market, which favors lower income households relatively more.

US

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Double special: World Cup & America 250

- The World Cup continues to drive strong spending at restaurants and bars in the 11 US host cities.
- However, the World Cup tailwind is starting to fade. It roughly correlates with the number of games played per day, so it peaked around the end of the group stage.
- The "holiday bump" in BAC card spending around July 4 was similar this year to the prior two years. This is true across both holiday-related services and goods. Bottom line: the consumer looks healthy, and that's unlikely to change in coming months.

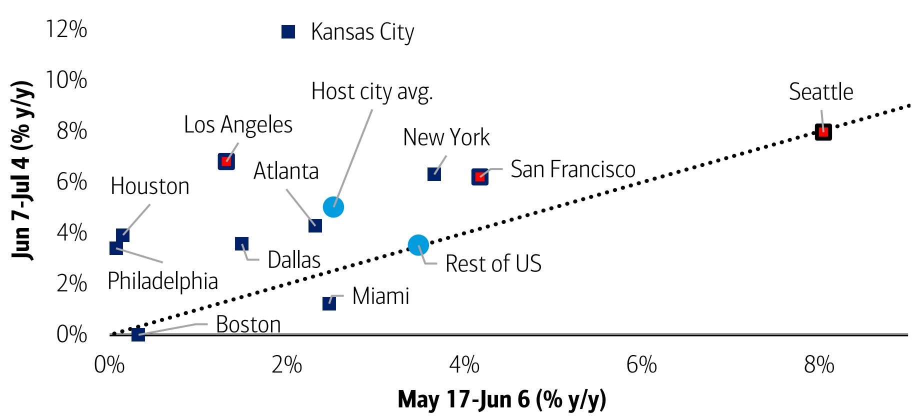
Complete report:* *US Economic Weekly: Double spending special: World Cup & America 250 10 July 2026

Soccer is a good excuse to eat out

Last week's BAC aggregated debit and credit card data give us a read on both the continued impact of the World Cup and spending related to July 4. Let's start with the World Cup, which continues to boost spending in the host cities. In the four weeks ending July 4, B&M spending at restaurants & bars was up 5.0% y/y, compared to 2.5% in the prior three weeks (Exhibit 1).

This acceleration is broad-based across most host cities. Meanwhile, brick-and-mortar spending at restaurants & bars in the rest of the US ran at the same y/y rate in the last four weeks as the prior three (3.5%). We also note that the cities that hosted the four US games through July 4 – Los Angeles (two games), Seattle and San Francisco – saw some of the strongest growth in restaurants & bar spending over the last four weeks.

Exhibit 1: The World Cup has driven strong spending at restaurants & bars in the US host cities
B&M spending at restaurants & bars, by US MSA, according to BAC aggregated credit and debit card data (%y/y change of the 28-day MA (vertical axis) or 21-day MA (horizontal axis) of spending levels)



Source: BAC internal data. Note: The cities that hosted USA games through Jul 4 are shown in red and blue. The data are classified by the MSA of the zip code of the point of sale. We have excluded transactions from the analysis that do not have a valid zip code

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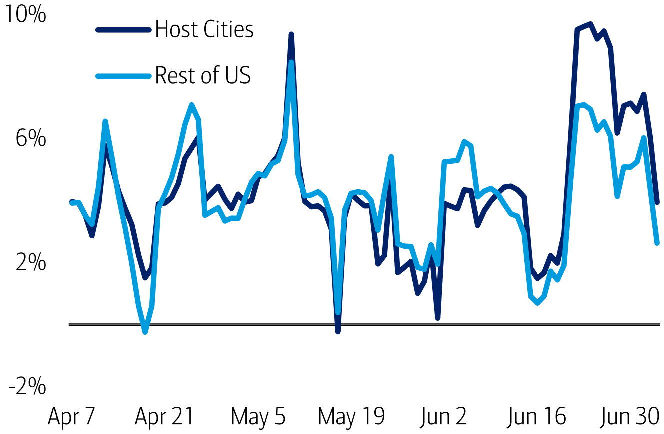
The "World Cup effect" has peaked

Zooming in on the last few days, we find that the gap between host cities and the rest of the US in y/y B&M spending at restaurants & bars has been closing (Exhibit 2). This gap correlates fairly well with the number of games played per day, which peaked at the end of the group stage (Jun 27, Exhibit 3). This is very intuitive: more games meant more opportunities for consumers to watch games at restaurants & bars, with greater engagement in the host cities than in the rest of the US.

Exhibit 2: The World Cup tailwind peaked around the end of the group stage

Brick-and-mortar spending at restaurants & bars (%y/y change of the seven-day MA of spending levels)



Source: BAC internal data. The data are classified by the MSA of the zip code of the point of sale. We have excluded transactions from the analysis that do not have a valid zip code

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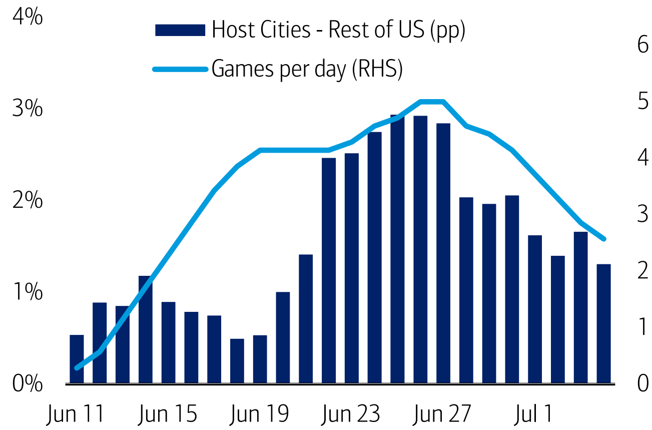
Exhibit 3: The World Cup tailwind roughly correlates with the number of games played per day

Difference between host cities & rest of US in y/y brick-and-mortar spending at restaurants & bars (difference in the %y/y change of the seven-day MA of spending levels), vs. games per day (seven-day MA)



Source: BAC internal data. Note: pp = percentage points. The data are classified by the MSA of the zip code of the point of sale. We have excluded transactions from the analysis that do not have a valid zip code

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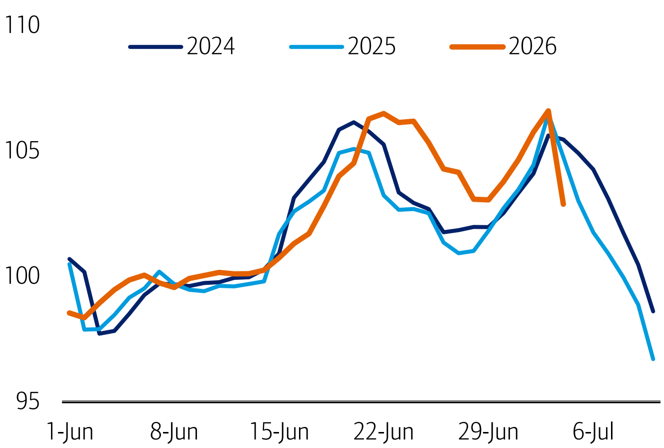
What about tourist spending?

The BAC card data would not capture spending by international tourists, since it only covers households with US addresses. That said, we'd expect a similar pattern in World Cup-related spending by tourists. We think it likely peaked during the group stage, since i) teams started to get eliminated thereafter, and ii) even for the teams that remained in the competition, it would have been easier for fans to plan to attend group-stage games, whose location was known in advance.

Exhibit 4: The July 4 bump in BAC card spending was similar to the last two years in holiday-related services…

Spending on lodging, restaurants & bars and entertainment (seven-day MA, Index, Jun 1-14 of each year = 100)



Source: BAC internal data

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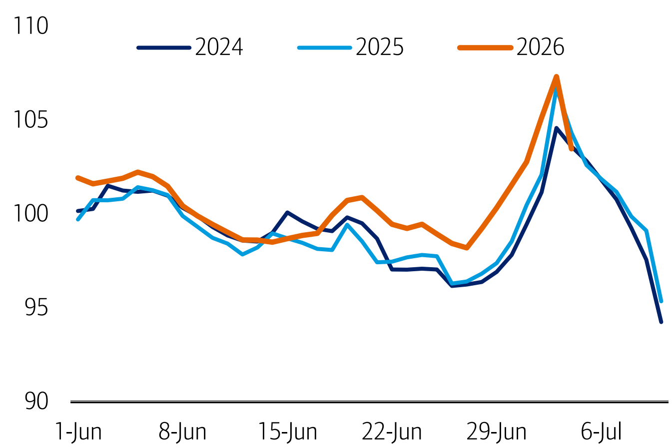
Exhibit 5: … As well as goods

Spending on goods (seven-day MA, Index, Jun 1-14 of each year = 100)



Source: BAC internal data

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Another solid July 4 bump

Turning to America 250, we find that the pickup in BAC card spending around the July 4 holiday was similar to the prior two years. This is true across both holiday-related services (which we define as lodging, restaurants & bars and entertainment, see Exhibit 4) and goods (Exhibit 5). In both categories, there was a much larger pickup in the run-up to the holiday weekend, likely due to the World Cup.

Bottom line: the consumer is in good shape

The US consumer has had a strong start to the summer. Although spending might slow marginally after the World Cup, the broader picture is encouraging. With gas prices having fallen below $4/gallon, we expect consumer momentum to continue in coming months.

Disclaimer

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households (HHs) only. Spending from corporate cards is excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %y/y growth rate by matching calendar days (Jan 1, 2026 matched to Jan 1, 2025).

Euro area

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Germany: from tracking stimulus to tracking slippage

Complete report: Europe Economic Weekly: Budgets and Barrels 10 July 2026

- Tracking fiscal impulse: spending progress seems ok. Construction data shows effects, but monetary policy hits the breaks.
- Tracking fiscal slippage: the new 2027 budget plan raises net borrowing needs, again, in spite of underlying tightening.
- Tracking reform next: the reform package is good news. But it is unlikely to unfold a growth spurt like the 2002-05 reforms.

The narrative vs the data

Tracking fiscal stimulus has long been on our to-do list, so here we are. The popular narrative seems to be that the money isn't spent. We disagree. Spending is not meaningfully behind plan at this stage. But suboptimal quality paired with unhelpful monetary policy probably dilutes the impact of infrastructure spending, in particular. Construction sector data shows surprisingly clear evidence of the drag from ECB policy rates recently.

Tracking fiscal slippage is becoming a feature of Germany-watching, too. The government's latest 2027 and medium-term budget plan includes yet another c EUR 10bn increase in funding needs per year vs the last update in April. This isn't stimulus, it is slippage. Suboptimal spending, unfortunate exogenous shocks and consequently weak growth are the culprits here, and a quick fix isn't in sight.

Tracking structural reform will be next. The structural reform package announced 10 days ago is good news, at least vs our very low expectations. If implemented on time and in full, it may help the medium-term outlook, or at least make it a little bit less grim for 2028 and beyond. But comparisons to the labour market reforms in the early 2000s seem far-fetched, to our mind. We will work through details over coming weeks.

Tracking fiscal stimulus

Back to basics: what is the fiscal stimulus in the first place?

The wait for Germany's 2025 fiscal stimulus innovations to have an effect on the aggregate economy is becoming long. As a reminder, here are the fiscal innovations:

- Infrastructure envelope of EUR 500bn for 12 years starting in 2025 (SVIK, *Sondervermoegen fuer Infrastruktur und Klimaneutralitaet*)
- Defence spending north of 1% of GDP is exempt from the constitutionally enshrined fiscal rule, basically allowing the overall budget to grow in tandem with the planned increase in defence spending to 3.5% of GDP by 2029.
- Federal states are given leeway in the fiscal rule implementation, possibly allowing an additional 0.35% of GDP in fiscal wiggle room.

Impact infrastructure: spending looks ok, but monetary policy dampens effects

2025/26 should have seen the biggest fiscal impulse from the infrastructure envelope on paper. In 2025, SVIK spending of c EUR 24bn (0.5% of GDP) only came through in 4Q25 due to post-election budget planning delays. This year's plan foresees an increase to c EUR 59bn (1.3%) across government levels, ie a fiscal impulse of 0.8% of GDP on a yoy comparison.

Spending progress: 31-43% of plan half-way through the calendar year

The finance ministry reports monthly on funding progress. At federal level, funding is equal to disbursement. There is more opacity on KTF disbursements. And the transfer to states occurs only after bills for the local spending have come in (Exhibit 6).

Long story short, half-way through the calendar year, total disbursement stands between 26% if we assume the KTF itself has disbursed nothing yet and 43% if we assume full KTF disbursement. Put differently, spending seems to be slightly behind schedule, but not shockingly so given the German track record over past decades. We had worked under the assumption of a c 70% delivery rate on spending excl the KTF (ie like in 2025), so our base case seems on track so far.

Exhibit 6: Progress report on disbursement of the SVIK – not perfect, but still ok, we think
SVIK spending in 2025 vs 2026 plans and actual disbursement by end-June, in EUR(bn)

	2025 actual	2026 Plan	Disbursed (30.6.)	Progress in %	Planning stage	Impl. stage
Total across government levels	**24.0**	**59.4**	**25.5**	**42.9%**		
Federal total	13.95	39.7	15.0	37.7%	6.7	8.3
Construction and housing	0.04	0.5	0.0	4.4%	0.0	0.0
Education, childcare and science infrastructure	0	1.2	0.0	0.4%	0.0	0.0
Digitalisation	1.4	6.0	0.7	11.5%	0.0	0.6
Energy infrastructure	0.4	2.1	0.4	19.1%	0.0	0.2
R&D	0.2	1.1	0.2	16.2%	0.2	0.0
Hospital infrastructure	1.5	6.0	6.0	100.0%	6.0	0.0
Sport	0.01	0.8	0.5	59.8%	0.5	0.0
Transport infrastructure	10.4	22.0	7.4	33.5%	0.0	7.4
Climate and Transformation Fund (KTF)	10	10	10			
State level total	0	9.6	0.5			

Source: BofA Global Research, Bundesfinanzministerium

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Activity check: construction shows impact, but monetary policy doesn't help

Construction sector data is arguably starting to show signs of positive effects. Public sector infrastructure-exposed activity data show tentative signs of strengthening momentum since late-2025 in trend-break tests.

At face value, private sector momentum looks weak, but that may mask positive spillovers from fiscal spending fully offset by (too) tight monetary policy.

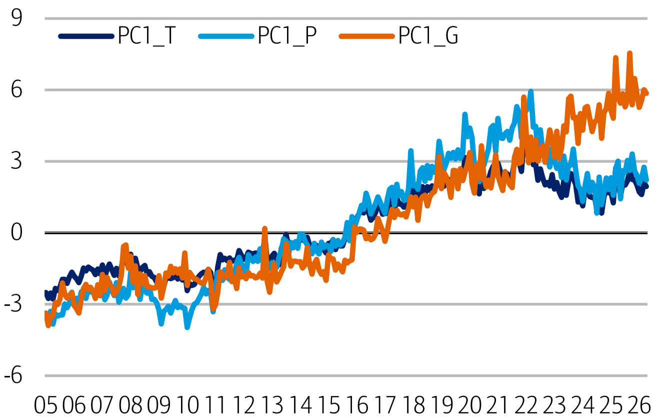
How do we come to this conclusion? We look at 60 construction activity-related monthly time series, including permits, orders, number of companies, employment, pay, hours worked, turnover, production and capacity utilisation. We split the series into "total", "private" and "public" construction activity. The latter comprises civil engineering, or if explicitly available, road and railway construction data. The definition is still too broad to capture public infrastructure only, but is the best proxy available to us.

The first principal component of each "total", private" and "public" construction activity used to co-move closely. But the public sector component has progressed on a steady upward trend lately, while the private sector component has deteriorated significantly since 2022, coinciding with the energy crisis and monetary policy tightening (Exhibit 7). We doubt this is crowding out of private capex by public investment.

We tentatively correct for monetary policy effects using a simple ordinary least squares regression of the principal component on a 2-year lag of the ECB policy rate. Policy rates seem to have a negligible impact on the public sector proxy, which makes sense. Meanwhile, private sector activity shows a statistically robust negative reaction to policy rates: roughly a third of the variance in the series can be explained by policy rates alone – not perfect but decent for the goal of this exercise.

More importantly, we find that the "residual" of the private sector activity principal component and ECB policy rates shows a significant improvement starting 2Q25, shortly after the fiscal policy announcements of last year (Exhibit 8). Fiscal policy may have supported the private sector via a boost to sentiment, but any positive impulse may have been offset by (too) tight monetary policy (and tentatively confirming our view that this is not a crowding out phenomenon).

Exhibit 7: Public sector exposed construction activity signals have progressed in line with trend, private sector activity is weak
First principle components (PC1) of total (T), private (P) or public sector (G) exposed construction sector activity data



Source: BofA Global Research

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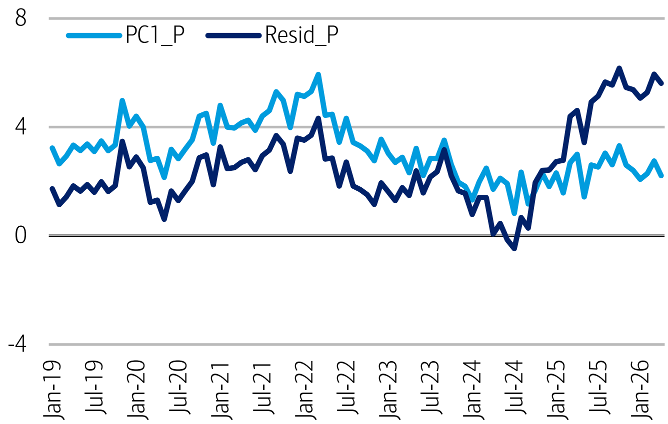
Exhibit 8: Private sector construction activity might have improved much more if monetary policy wasn't so tight
First principle component of private sector construction activity data (PC1_P), and its residual when regressed the ECB deposit rate (2y lag)



Source: BofA Global Research

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Defence: spending on track, activity effect showing more gradually

Defence spending currently appears to be running slightly behind schedule, at least compared to the calendar year. Between January and May 2026, EUR 6.5bn was raised for the SPV Bundeswehr, vs EUR 25.5bn planned for the whole year. Defence expenditure in the federal budget stood at EUR 26.7bn by May, vs EUR 93.5bn planned in the 2026 budget. Across both envelopes, defence spending is supposed to increase by c EUR 27bn this year (0.6% of GDP) compared to actual spending in 2025.

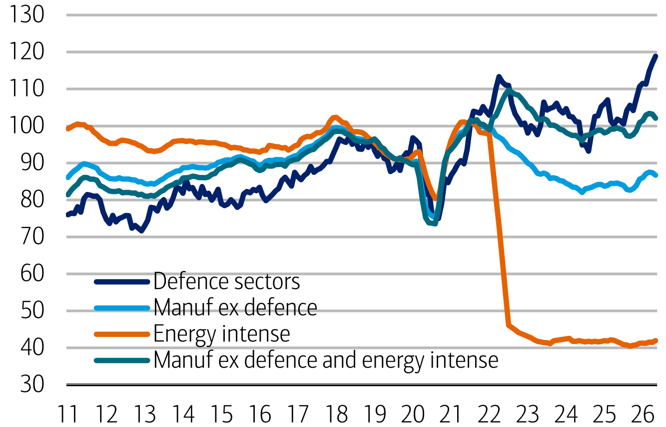
Defence spending was fully in line with plans in 2025, so we had expected the same for this year. It would probably be unfair to expect a very linear spending pattern throughout the budget year, but a bit closer monitoring into 2H26 may be warranted.

Impact on defence-exposed sectors shows in factory orders

We started laying out a way to track defence-exposed industry orders and output in April (Euro Area Viewpoint: Germany: defence gain vs energy pain 17 April 2026). By May, defence-exposed sectors had reported a close to 20% increase vs Oct-25 levels, and still rising. The impact on output is less obvious: defence-exposed sectors have been on a positive trend since 2016, which steepened in 2022 with the Russian invasion of Ukraine. But so far, it is hard to detect any signs that the 2025 policy innovations have had an additional effect on sector output, especially compared to the same sectors in the Euro area (green line in Exhibit 10).

Exhibit 9: Factory orders benefit from substantial defence order gains since late 2025

Weighted average of factory order subsectors. Defence sectors are for c 15% of the total index, vs 22% for energy-intensive sectors, 2019=100, 6mma



Source: BofA Global Research

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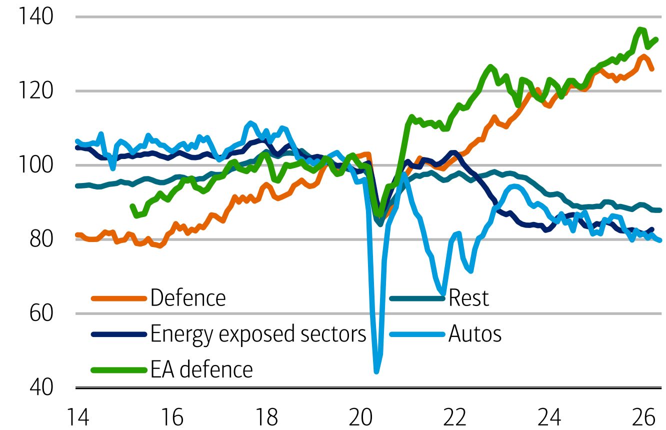
Exhibit 10: Manufacturing output in defence-exposed sectors did well for a while, but there has been no clear acceleration since 2025

Weighted average of manufacturing sub-sectors, 2019=100, 3mma



Source: BofA Global Research

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GDP effects: more theory than data evidence so far

On paper, fiscal stimulus should be close to 1.5% of GDP this year (0.8% via the SVIK, 0.6% via defence and c 0.3% via fiscal rule easing for states). We would expect fiscal multipliers on defence spending to remain very low at this stage, ie in the 0-0.2 range. Given doubts on the quality of additional deficit spending on infrastructure, we would assume standard fiscal multipliers of 0.5-0.6 here. In light of our assumption of c 70% delivery of federal SVIK spending plans this year, this should imply a fiscal contribution of c 0.4-0.6ppt to annual GDP growth. We work under the assumption that most of that will show in 2H26.

The 2027 budget plan currently foresees a similar SVIK run-rate to this year (or even a EUR 3bn decline yoy). Defence spending is supposed to increase by another EUR 33bn yoy, ie 0.8% of GDP. Under similar fiscal multiplier assumptions, fiscal stimulus to the economy via 2025 innovations would at least halve, while the rest of the budget would deliver moderate tightening.

By 2028, the SVIK will no long provide extra stimulus. While defence spending in the federal budget will rise by EUR 44bn, the defence SPV run rate will fall from EUR 30bn to zero, and non-defence spending in the regular budget will reduce by EUR 10bn. Put differently, extra fiscal stimulus will be back to zero, so we would need to see an improvement in the quality of defence spending for it to still support growth then.

That is part of our GDP growth forecasts of 0.8%, 1.2% and 0.9% for 2026-28, although evidence of actual GDP impact currently still remains elusive.

Tracking deficit slippage:

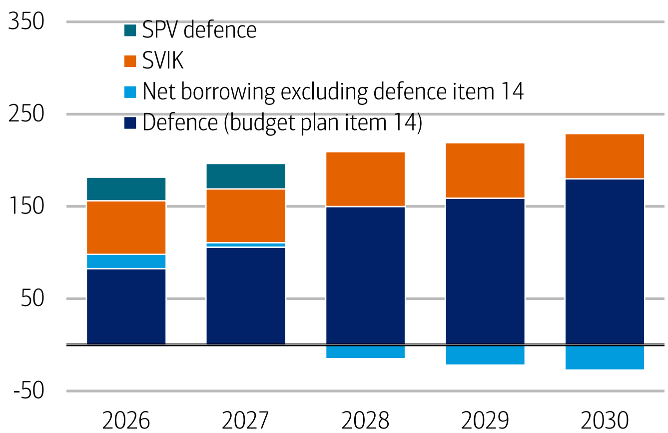
Fiscal slippage is becoming a standard feature of public finances in Germany. The updated 2027 and medium-term budget plan includes an increase in net borrowing needs across the federal budget and SPVs to EUR 204bn, up EUR 7bn for 2027, rising to EUR 220bn by 2030, up EUR 18bn vs plans published in April (Liquid Insight: German 2027 draft budget – regular procedures, irregular budgets 06 May 2026). Compared to a year ago, net borrowing needs for 2027-29 have increased by cumulatively EUR 51bn, of which EUR 32bn can be attributed to defence.

To be clear; we don't view the new borrowing plans as unambitious – a lot has to go right for deficits not to turn out larger than planned. New debt created over the coming years essentially stems from the SVIK and defence spending. Meanwhile, the "regular budget" excluding all defence spending (ie even the 1% of GDP that matter for the debt brake calculation), is supposed to go back into surplus (Exhibit 11).

But it is also true that the surplus on “the rest” of the budget is now smaller than intended a year ago by a little more than EUR 10bn in 2027 and c EUR 4bn in 2028/29. Tax reforms announced last week should only drive a small part of that. For 2028 alone, a budget hole of EUR 22bn still need to be tackled. Corrective action has, as customary in other Euro area states, too, been pushed in the distant future.

We have been asked a few times how persistent upward revisions in borrowing needs can be compatible with the national debt brake. Cyclical rather than structural arguments are at play here. As a rule of thumb, every 1% GDP growth loss for cyclical reasons increases the nominal deficit room by c EUR 10bn under the debt brake (the administration works with a semi-elasticity of c 0.2 in its budget planning). The cumulative deterioration in the outlook vs last year can thereby explain a large part of the increase in the “non-SPV and non-defence” elements of the deficit.

Exhibit 11: Germany’s net borrowing needs are a function of defence and infrastructure ramp up (although the definitions are very broad)
Draft 2027 and medium term budget plan – net borrowing needs (EURbn)



Source: BofA Global Research, Federal Finance Ministry

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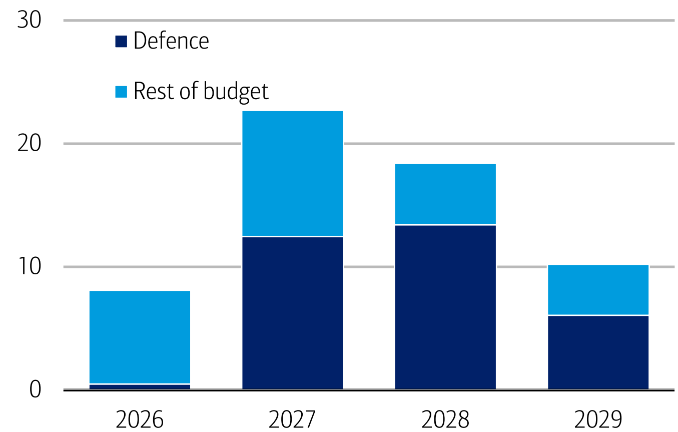
Exhibit 12: The deterioration in net borrowing needs for 2026-29 vs last summer’s plans are due to defence spending, but also cyclical slippage
Increase in net borrowing needs vs the 2026 and mediuim term budget plan released last year (EURbn)



Source: BofA Global Research, Federal Finance Ministry

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Next on the to-do list: tracking reforms

The announcement of a structural reform deal last week was good news, especially as we had expected almost nothing would get done. The package is vast – the document includes 34 reform items, in an attempt to modify a lot of parameters in the economy somewhat. Some come with a fair amount of detail and timelines (income tax reform or more flexibility for term contract use, for example), while others are vague (redefining the foreign affairs strategy). We will work through the full list carefully for next week.

The reform package featured in some of our client conversations this week – some questioning if the impact is underestimated. We would caution against reading this as an “agenda 2010 moment”, however. The 2002-05 labour market reforms (as the name suggests) zoomed in on the labour market, in a bid to enhance cost competitiveness and export driven growth. The global growth backdrop helped substantially back then.

Today’s environment is very different. To our mind, the reforms may help to slow structural deterioration from here. Demographic ageing is kicking in, leading to shrinking labour supply and elevated pressure on social welfare systems (including health care and pensions, in particular). The external growth backdrop cannot deliver a growth kick to help domestic demand. The reform package, though broader in scale, is also much less aggressive and ambitious.

UK

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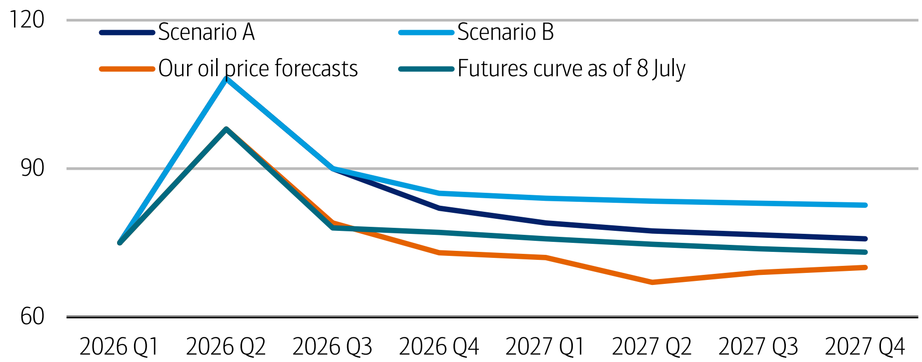
Link to the full report: ***UK Viewpoint: Labour market: Underneath the softening 08 July 2026***

Recent escalation makes BoE on hold a closer call

The recent escalation makes our call of unchanged rates this year a closer call. On balance, we still think that energy prices would need to move higher than current levels sustainably or strong second round effects emerge for the BoE to hike. Even with the recent rise, oil prices are lower than BoE's Scenario A and much lower than the peak. Remember in Scenario A, the BoE had medium-term inflation below 2%, with market pricing roughly 40bps of hikes. Moreover, commentary from the majority of the committee remains dovish with focus on soft labour market/ economy and the fact that rates are restrictive. The BoE looks willing to tolerate above target inflation as long as it doesn't become entrenched.

Exhibit 13: Even with the recent rise, oil prices are lower than the BoE's Scenario A
Oil price forecasts ($/barrel)



Source: ONS, BoE, BofA Global Research

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Having said that it has become a closer call and risks of a hike are rising. Recent escalation keeps risks alive that energy prices could move higher sustainably and the shock could become prolonged or clear strong evidence emerges on second round effects. This is especially given UK's susceptibility to inflation persistence and elevated inflation expectations. September and November remain live meetings.

But the cut to our terminal of 3.5% (which we expect in November 2027) is unlikely to be easy. The BoE would want to wait for clear evidence that underlying inflation is slowing, especially 2027 wage settlements where contacts suggest pace of wage disinflation can slow due to the conflict, before cutting rates. While the labour market is soft, we think there is less effective slack than traditional measures indicate. Moreover, we think further wage disinflation is not guaranteed. Lower effective slack and a possible stalling of wage disinflation can imply that the BoE may need to keep rates restrictive for longer.

Labour market: Underneath the softening

The UK labour market has softened over the past year. Unemployment has picked up by 60bps since H2 2024, vacancies eased, payrolls declined and wage growth has softened.

Slack potentially lower than traditional measures indicate

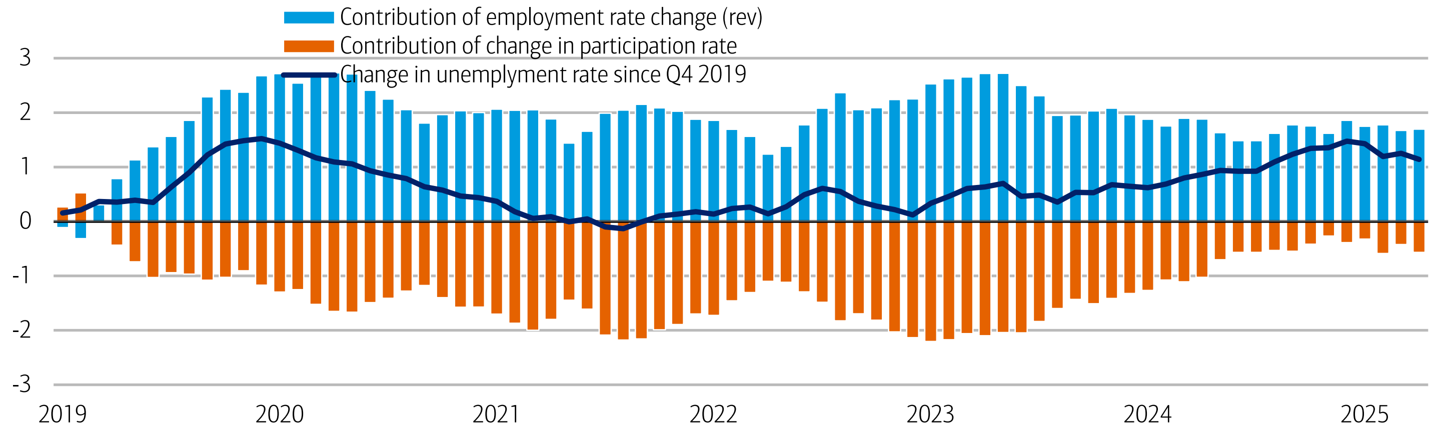
While the labour market is weak, we think that slack is potentially lower than traditional measures indicate. The labour market has loosened significantly compared to 2022. But comparisons to 2011 are not accurate either- we judge the state of the labour market to be in the middle of 2011 and 2022.

Participation driving a large part of the rise in unemployment

Moreover, much of the increase in unemployment over the past year has been driven by rising participation and being a smaller drag to unemployment, rather than a big fall in employment rate. We breakdown the change in unemployment rate from pre-pandemic levels (Q4 2019) into the contribution from change in employment rate and labour force participation rate in Exhibit 14. Positive blue bars imply lower employment rate vs 2019 Q4 (which raises unemployment) while negative orange bars imply lower participation vs 2019 Q4 (which lowers unemployment).

Exhibit 14: More workers entering the workforce is driving a large part of the recent pickup in unemployment, rather than a big fall in employment

Breakdown of the change in unemployment rate from pre-pandemic levels into contribution from employment rate and labour force participation rate



Source: ONS, BofA Global Research

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The unemployment rate is 1.1pp higher than pre-pandemic levels- lower employment rate vs. Q4 2019 contributes +1.7pp to the rise in unemployment while lower participation lowers unemployment rate by 0.6pp. But over the last year, a large part of the rise in unemployment rate has been driven by the fact that participation has been a smaller drag to the unemployment rate (i.e, participation rate has risen over past few months). This implies more workers entering the workforce is driving a large part of the recent pickup in unemployment, rather than a big fall in employment rate.

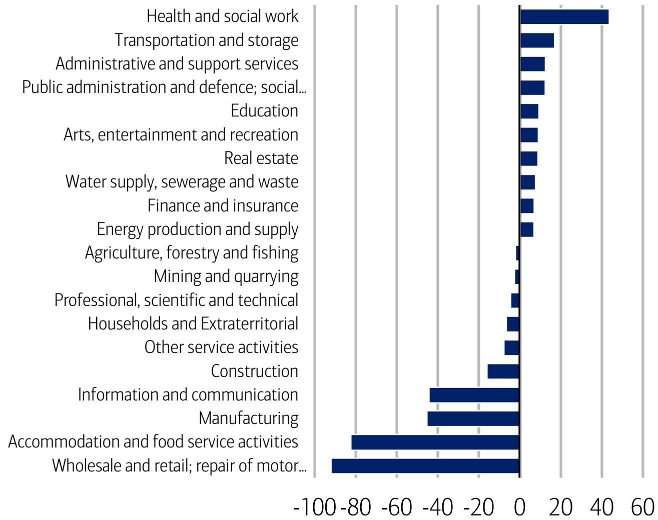
Payroll fall and unemployment pickup have not been broad based

At the same time, the fall in payrolls and pickup in unemployment in the past year have not been broad based across sectors. The softness has been concentrated in a few sectors which have likely experienced high labour costs. This likely reflects that the soft labour market is more a reflection of high labour costs rather than potentially a broad-based cyclical downturn.

Payrolled employees have decreased by 170K during December 2024 to May 2026. The decline in payrolls has been dominated by a few sectors namely 1) retail, 2) accommodation/food, 3) manufacturing and 4) information and communication 5) construction (Exhibit 15). These sectors account for 37% of total payrolls.

Retail and accommodation/ food are sectors which likely experienced a big jump in labour costs due to higher NICs and National Living Wage affecting these sectors to a greater extent. Information and communication may have an AI related component to it. Labour market exposure to AI in the UK is high- the IMF estimates that nearly 70% of UK employment is in high AI exposure occupations, with roughly half of these roles likely to benefit from AI augmentation and the remainder facing risks of reduced labour demand. At the same time, sectors where payrolls have risen vs. Dec 2024 account for 52% of total payrolls, while the rest have seen relatively small payroll falls.

Exhibit 15: Payroll falls dominated by retail, accommodation/food, manufacturing and information and communication
Change in payrolls in May 2026 vs. Dec 2024



Source: ONS, BofA Global Research

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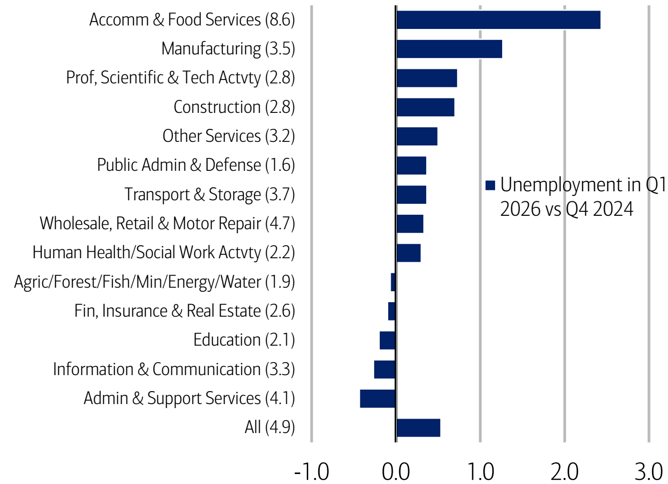
Exhibit 16: Biggest jump in unemployment vs. Q4 2024 has been in accommodation/food, manufacturing, professional, construction
Unemployment rate in Q1 2026 relative to Q4 2024, Unemployment rate in Q1 2026 in brackets



Source: ONS, BofA Global Research

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There are similarities and differences when comparing payrolls falls to unemployment by industry of last job (Exhibit 16). The biggest jump in unemployment in Q1 2026 vs. Q4 2024 was in 1) accommodation/food, 2) manufacturing and 3) construction, which correlate well with the fall in payrolls. But professional, scientific and tech activity has seen a pickup in unemployment but not a big fall in payrolls, perhaps reflecting a rise in labour supply in this sector driving some of the rise in unemployment. At the same time information and communication has seen a big fall in payrolls but a recent decline in unemployment rate, potentially reflecting labour supply in this sector has declined. In absolute levels, unemployment in accommodation and food services is the highest.

Rising labour costs could have caused a rise in NAIRU (non-accelerating inflation rate of unemployment) by weighing on labour demand for a given labour supply, along with health-related inactivity and skill mismatches which could imply a smaller degree of slack. Moreover, given the increased dispersion in sectoral unemployment, it is possible that workers are less able to move into available vacancies in other industries (with skill mismatches playing a role). Effective labour market slack which also reflects how easily unemployed workers can take up available jobs – may not be as high as indicated by the other measures of slack such as V/U ratio.

Limited risk of sharp labour market deterioration

Most survey indicators of employment growth point to some signs of stabilization, though the conflict poses another source of downside risk. So far indicators suggest limited risk of a broad-based and sharp labour market deterioration from the conflict. We expect the unemployment rate to peak at around 5.2% this year and don't expect a non-linear deterioration. Risks to the unemployment rate are balanced in our view.

Further wage disinflation is not guaranteed

Wage growth has slowed in the past few years but in our view, further wage disinflation is not guaranteed. Regular wage growth eased from 5.6% average in 2024 to 3.4%. Alternative measures point to somewhat higher wage growth, potentially due to compositional effects (Exhibit 17).

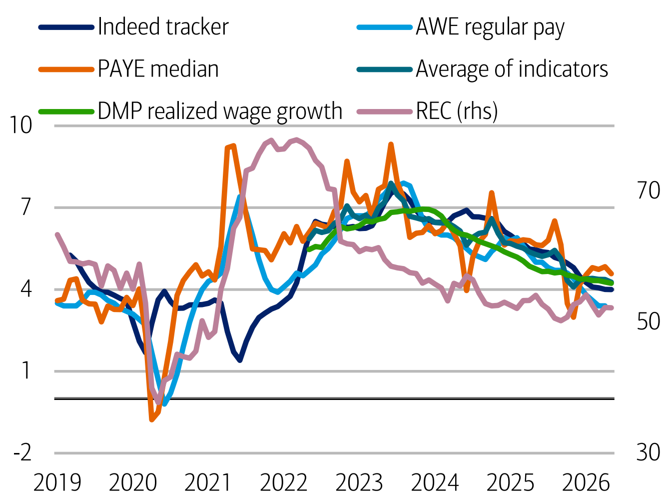
Looking at the sectoral breakdown, sectors covering 62% of employment still have wage growth above 3.5% and some of them still experience post Covid labour shortages. We calculate V/U ratios for each sector by using sectoral vacancies data along with unemployment by industry of last job. The sectors with wage growth of 3.5%+ have experienced limited declines in V/U ratio relative to pre-Covid averages (2013-19), barring wholesale and retail and real estate.

Moreover, some sectors (covering 40% of employment) are still experiencing post Covid shortages (i.e. V/U is higher than 2013-19 levels) such as public admin/ defence, admin and support services, transport and storage, human health/social work and manufacturing and have high wage growth (as shown in Exhibit 18).

Construction is one sector where there are still post Covid shortages, but wage growth is very subdued. At the same time, wholesale/retail is a sector which has experienced a decline in V/U but still experiences high wage growth. This potentially can be explained by the fact that the rise in National Living Wage potentially puts a wage floor in this sector and likely prevents a wage slowdown.

The sectors with wage growth less than 3.5% (covering 36% of employment) include construction, accommodation/food, professional, scientific and technical activities, financial and insurance activities, information and communication and manufacturing. These sectors have experienced a big decline in V/U relative to 2013-19 (barring construction and manufacturing).

Exhibit 17: Alternative measures to somewhat higher wage growth vs official pay growth potentially due to compositional effects
Wage growth measures (%y/y)



Source: ONS, Indeed, BoE, BofA Global Research (Indeed Wage Tracker, PAYE Median, DMP: Realized wage growth over the past year, AWE regular pay growth, REC permanent salaries

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Exhibit 18: Sectors covering 62% of employment have wage growth above 3.5% and experienced limited V/U declines
Wage growth (%y/y, 3mma, latest), V/U and change in V/U ratios since 2013-19 by sector

	Sector weight	Wage growth	V/U	
			Change since 2013-19	V/U
Construction	4.8	-0.8	0.2	0.6
Accommodation and Food Services	7.8	1.0	-0.3	0.4
Prof/Scientific/Technical Actvs	8.2	2.2	-0.4	0.9
Financial/Insurance Activities	3.4	2.5	-0.3	0.7
Information and Communication	4.3	2.7	-0.3	0.8
Manufacturing	7.4	3.2	0.0	0.5
Administrative/Support Service	7.9	3.5	0.1	0.8
Public Administration	4.9	4.2	0.2	0.6
Education	9.8	4.6	-0.1	0.6
Transport and Storage	4.7	4.7	0.0	0.6
Arts/Entertainment/Recreation	2.3	4.8		
Wholesale & Retail Trd, Repair of Motor Vehicles	14.1	5.0	-0.2	0.5
Other Service Activities	1.9	5.7	0.0	0.4
Health & Social Work Activities	14.3	5.8	0.1	1.1
Real Estate Activities	1.9	6.5	-0.3	0.7

Source: ONS, BofA Global Research

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We also look at the decline in wage growth vs 2024 average. Four sectors representing 28% of employment are responsible for majority of wage slowdown since 2024 namely accommodation/food, admin and support services, construction and manufacturing (Exhibit 19).

But there is not a strong correlation between the drop in payrolls and the corresponding softening in wage growth at a sectoral level since 2024. The sector with the largest drop in payrolls- wholesale and retail trade has in fact experienced a small rise in wage growth vs 2024, potentially, because the National Living Wage presents a wage floor and likely prevents a wage slowdown. At the same time, sectors with notable wage softening i.e. admin and support services and construction have seen a relatively mild drop in payrolls. Accommodation and food services and manufacturing are sectors where the drop in payrolls has matched wage declines.

Exhibit 19: Four sectors representing 28% of employment are responsible for majority of wage slowdown since 2024

Contribution to change in wage growth since 2024 and payroll change since Dec 2024 by sector

		Wage growth (%y/y)			Payrolls change since Dec 2024
	Sector weights	Contribution to change in wage growth vs 2024 average	Change in wage growth vs 2024 average	Latest wage growth	
Accommodation and Food Services	7.8	-0.6	-7.2	1.0	-82.4
Administrative/Support Service	7.9	-0.3	-4.3	3.5	12.4
Construction	4.8	-0.2	-5.1	-0.8	-16.0
Manufacturing	7.4	-0.2	-3.0	3.2	-45.3
Prof/Scientific/Technical Actvs	8.2	-0.1	-1.8	2.2	-4.5
Health & Social Work Activities	14.3	-0.1	-0.8	5.8	43.6
Education	9.8	-0.1	-1.2	4.6	9.3
Transport and Storage	4.7	-0.1	-1.9	4.7	16.9
Arts/Entertainment/Recreation	2.3	-0.1	-3.7	4.8	9.0
Information and Communication	4.3	-0.1	-1.3	2.7	-44.3
Financial/Insurance Activities	3.4	-0.1	-1.7	2.5	7.0
Other Service Activities	1.9	0.0	-2.0	5.7	-7.8
Public Administration	4.9	0.0	-0.5	4.2	12.4
Real Estate Activities	1.9	0.0	1.1	6.5	8.8
Wholesale & Retail Trd, Repair of Motor Vehicles	14.1	0.0	0.2	5.0	-92.1

Source: ONS, BofA Global Research

BofA GLOBAL RESEARCH

Overall sectors covering 62% of employment still have wage growth above 3.5% and some of them still experience post Covid labour shortages. Wage slowdown since 2024 has been driven by a few sectors. Four sectors representing 28% of employment are responsible for majority of wage slowdown since 2024. But there is not a strong correlation between the drop in payrolls and corresponding softening in wage growth.

Further declines in wage growth will likely rest on broadening of labour market slowdown beyond certain sectors (esp, if NLW puts a floor to wage slowdown in some sectors, even with payroll falls), which is not guaranteed especially if post Covid shortages persist in some sectors. We also think there is a risk that the energy shock stalls the pace of wage disinflation going into next year and delays the return of inflation to target sustainably. Wage settlements data for 2026 has already been largely fixed before the shock occurred. But BoE Agents have highlighted the risk that the pace of wage disinflation in 2027 settlements may slow to reflect the higher inflation outlook, but they are set against weaker demand and a looser labour market.

Restrictive rates could persist for longer

A soft labour market can help limit strong second round effects from the energy shock as long as energy prices don't move much higher and lead to a prolonged shock. This would likely allow the BoE to keep rates unchanged this year. So far wage expectations from the DMP have not picked up materially and household expectations are edging down, though they are still above pre-conflict levels. But risks are still titled to a hike if there is a material reescalation or strong second round effects emerge. Inflation outturns and expectations in the second half of the year would be important for judging the strength of second round effects on wages.

At the same time, potentially lower effective slack and a possible stalling of wage disinflation can imply that the BoE may need to keep rates restrictive for longer. The BoE would want to wait for clear evidence that underlying inflation is slowing, especially 2027 wage settlements before cutting rates. As discussed above, we think there is a risk that wage disinflation stalls and return of inflation to target is sustainably delayed. We expect a cut to our terminal of 3.5% in November 2027 but the cut isn't easy or guaranteed, we think.

Asia

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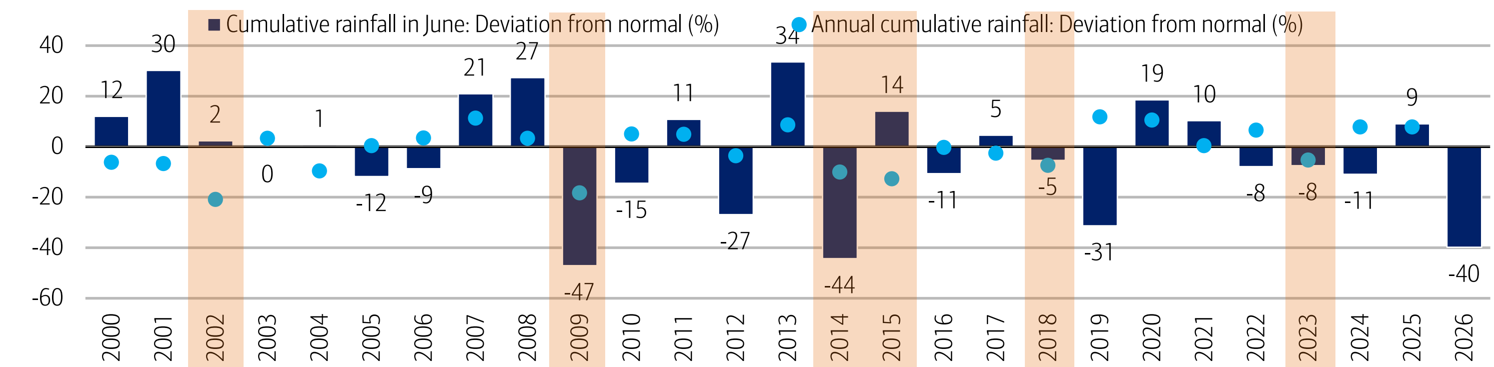
Weakest start to monsoons in 12 yrs; Jun sees 40% deficit

See complete report: ***Asia Economic Weekly: Tourism recovery in Asia; India's weakest monsoon start in 12 years 10 July 2026***

Six weeks into the monsoon season, we see the fears of a poor monsoon are being slowly realized. So far, between 1 June – 7 July, the rainfall has been 17% below normal levels, largely thanks to a weak start in June- one of the driest June since 1901 (at -40% below normal). With the slightly delayed onset- all key regions are reporting deficit rains so far, barring central India, which is now in surplus (1% above normal rainfall) owing to excess rains in July so far.

Exhibit 20: Historical cumulative rainfall in June: deviation from normal (%)
June 2026 saw the weakest cumulative rainfall since 2014 and 2009



Highlighted years are bad monsoon/ drought years; Source: BofA Global Research, IMD, CEIC

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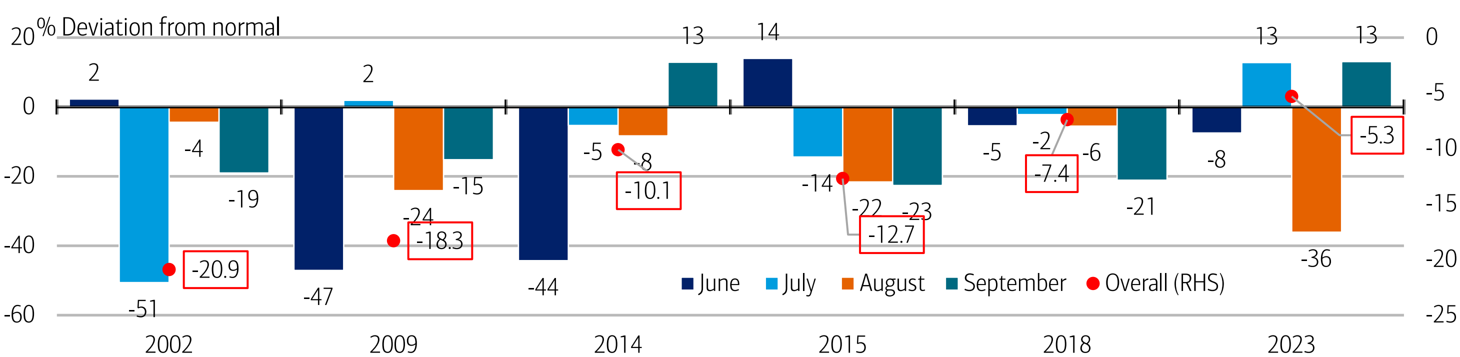
July & August are critical monsoon months

July and August typically accounts for ~60-65% of India's cumulative June–September rainfall and tend to make or break the monsoon cycle, as this is also the time when typically, most of sowing activity and reservoir replenishment takes place. As such, we believe a close to normal rainfall condition in July-August can still salvage the year, so it needs to be closely watched. IMD itself is projecting July rainfall to be 6% below normal, which if realized will still see overall shortage improve. This would further corroborate with our view that El Niño type conditions do not automatically mean a weak monsoon cycle by itself, and resiliency of India's food production to weather shocks is growing.

Exhibit 21: Monthly deviation from normal across years of below normal rains over the last two decades
A relatively bad July-August more critical vs a slow start to the monsoon



Source: BofA Global Research, IMD, CEIC

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Exhibit 22: Growth-inflation trends pre and post bad monsoon years (% yoy over the defined period)

Agriculture GDP has seen the most impact in a bad monsoon year while food inflation is also influenced by other factors

Bad Monsoon years		2002	2009	2014	2015	2018	2023	Average
IMD's April forecast (% of LPA)		101	96	95	93	97	96	
Actual rainfall (% of LPA)		81	78	88	86	91	95	
Headline inflation (% yoy)	**Pre-monsoon (1Q avg.)**	1.8	8.4	7.8	5.1	4.8	4.6	5.4
	Post-monsoon (3Q avg.)	4.8	11.7	4.8	5.4	2.7	5.1	5.8
Food inflation (% yoy)	**Pre-monsoon (1Q avg.)**	1.7	12.2	8.5	5.4	3.1	4.1	5.8
	Post-monsoon (3Q avg.)	1.6	16.4	5.2	6.2	0.2	7.8	6.2
Veggie inflation (% yoy)	**Pre-monsoon (1Q avg.)**		16.4	9.8	5.5	7.7	-5.0	6.9
	Post-monsoon (3Q avg.)		16.4	2.3	5.4	-5.5	24.3	8.6
Cereals inflation (% yoy)	**Pre-monsoon (1Q avg.)**	-1.8	10.5	7.6	2.1	2.7	13.1	5.7
	Post-monsoon (3Q avg.)	3.2	13.8	3.0	2.3	1.3	9.0	5.4
GDP growth (% yoy)	**Pre-monsoon (2Q avg.)**	5.5	4.9	6.0	6.5	7.0	6.8	6.1
	Post-monsoon (2Q avg.)	1.4	8.6	5.9	7.4	4.9	7.2	5.9
Agriculture GDP (% yoy)	**Pre-monsoon (2Q avg.)**	3.8	1.1	4.1	0.6	6.3	7.0	3.8
	Post-monsoon (2Q avg.)	-10.2	0.7	-2.2	-0.5	0.3	2.1	-1.6

Source: BofA Global Research, IMD, CEIC, Haver

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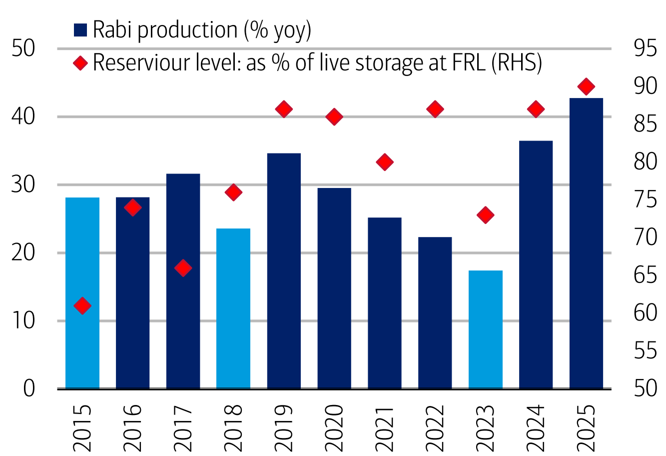
Is 2026 worse than previous bad monsoon years?

Benchmarking against previous weak monsoon years, namely 2002, 2009, 2014-15, 2018 and 2023 to see how various macroeconomic indicators reacted to a bad rainfall cycle, assessing the points and drivers of weakness, and generally find that while agriculture growth does weaken in response to a bad monsoon, the impact on inflation is less clear. This may be a function of starting points, as the availability of buffer food stocks, and water in reservoirs, and the starting level of food inflation itself. The impact of a weak monsoon is not confined to the kharif season. Lower reservoir levels and inadequate groundwater recharge can adversely affect the subsequent rabi (winter) crop, prolonging the drag on agricultural activity and rural incomes well beyond the monsoon months.

Exhibit 23: Rabi production (% yoy) and reservoir levels

Second order impact in form of a weak winter crop coincides with a weak monsoon



Here reservoir levels refer to levels at the end of Sep; Source: BofA Global Research, IMD, CEIC, Haver

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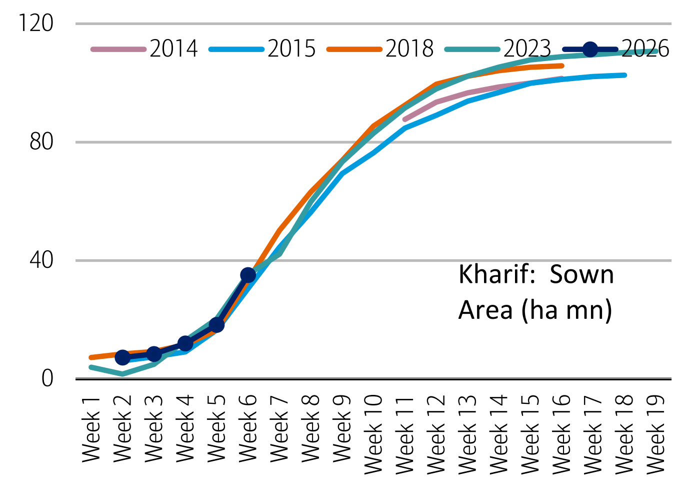
Exhibit 24: Kharif sowing progress

2026 sowing is only below 2023 levels vs the past weak monsoon years



Source: BofA Global Research, IMD, CEIC, Haver

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Exhibit 25: Vegetable price cycles tend to rise and fall sharply
In previous bad monsoon years, vegetable prices can rise sharply

Up Cycle	% increase	length of cycle (months)	Down cycle	% decline	Length of the cycle (months)
Apr'15 - Sep'15	26.1	5	Oct'15 - Mar'16	-20.0	6
Apr'16 - Jul'16	27.4	4	Aug'16 - Jan'17	-27.8	7
Feb'17 - Nov'17	45.4	9	Dec'17 - Apr'18	-23.7	5
May'18 - Aug'18	18.1	4	Sep'18 - Feb'19	-15.3	7
Mar'19 - Dec'19	63.7	9	Jan'20 - May'20	-30.5	5
Jun'20 - Nov'20	52.9	6	Dec'20 - Apr'21	-37.5	5
May'21 - Nov'21	38.2	7	Dec'21 - Apr'22	-16.6	5
May'22 - Oct'22	20.2	6	Nov'22 - Feb'23	-24.8	4
Mar'23 - Jul'23	66.7	5	Aug'23 - Sep'23	-20.7	2
Oct'23 - Nov'23	8.6	2	Dec'23 - Feb'24	-9.0	4
Mar'24 - Oct'24	48.9	6	Nov'24 - May'25	-39.4	7
June'25 - Aug'25	26.1	3	Sep'25	-3.6	1
Oct'25 - Nov'26	2.5	2	Dec'25-Apr'26	-17.7	5
May'26 - current	3.1	1			

Highlighted are the bad monsoon years; Source: BofA Global Research, Haver

BofA GLOBAL RESEARCH

Vegetable prices vulnerable; Rural growth offers a buffer

Vegetable price cycles while generally shorter, are more vulnerable to weather related anomalies in rainfall and temperatures like heatwaves and cold waves. As per the RBI study, the average impact turns out to be around 1.2 and 1.30 percentage points to the CPI-Vegetables momentum from rainfall and temperature anomalies, respectively. While the refrigerated CPI index show limited pressures with decline in crude prices, we see some price build up in vegetables. Rural high frequency indicators have been resilient over the last year and the healthy starting points guard against the likely impact of a weak monsoon this year. We may revisit the implications depending on how the monsoon evolves over the next few weeks.

Emerging EMEA

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Hungary Trip notes – EUR anchor firm, fiscal test ahead

Complete report: Hungary Watch: Trip notes – EUR anchor firm, fiscal test ahead 09 July 2026

EUR commitment clearer, ERM2 ambition anchors policy

Our Budapest visit leaves us constructive. EUR convergence is increasingly a credibility anchor, with ERM2 potentially becoming a self-reinforcing fiscal and market story. The EUR commitment is solid across the new administration, and the intention is to enter ERM2 as soon as conditions allow, pending credible fiscal steps. The strategic direction is clearer than the execution plan: fiscal consolidation is the necessary condition, and ERM2 the mechanism that can reinforce consolidation through lower yields. The consensus in Budapest sees ERM2 as feasible in 2028, though this timing is a bit tight and could be delayed to 2029. In any case, we think 2028-29 timeline is not fully priced in Hungarian assets, but any more concrete policy signals will not come until the fall.

Fiscal reset starts from 2027

The latest budget news should not change the investment case. The 2026 no-policy-change deficit is now seen at 7.5% of GDP vs FinMin's previous guidance of 6.8%, but the more important figure in our view is the 2027 starting point: c.6% of GDP, which is likely close to market expectations of the underlying fiscal situation. With the government announcing additional 2026 measures at end-August and a 2027 budget outline by end-October, the market focus should shift from the size of this year's miss to the credibility of the medium-term fiscal path. We think investors would be comfortable with a 2027 deficit in the low 5s, but to solidify the EUR thesis, a sub-5% target would be better.

Front-loading bias, limited detail

Policymakers' bias is for front-loaded fiscal adjustment, but not a conventional austerity programme. The available measures have been well flagged, including tighter control of spending, better use of EU funds, lower interest costs and more targeted fulfilment of election promises. The key risk is that market expectations are already high while the government has deliberately kept the precise mix and timing of measures open.

Inflation target adds convergence signal

The NBH's inflation-target review could become another convergence signal. Our reading is that a year-end announcement, with any target change applying from 2028, is plausible if fiscal and EUR vision are credible. This would fit a broader strategy of reducing Hungary's high-beta profile ahead of ERM2 and allow time for domestic expectations to adjust gradually without mechanically forcing tighter policy. We keep our YE2027 policy rate forecast at 4.5% but see some downside risks if fiscal delivers.

Yield compression is the prize

The authorities understand that euro-entry signals have had a powerful effect on bond yields, which is critical given debt-servicing costs of over 4% of GDP. Protecting the local yield curve is thus likely central to fiscal strategy, not just debt management. A credible ERM2 path could support further policy rate/yield compression versus peers.

Latin America

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DomRep – Third time's the charm

Complete report: Emerging Insight: Dominican Republic: Third time's the charm 07 July 2026

Economic relief and fiscal reform plan is approved

On June 18, the congress approved the economic and fiscal plan that seeks to increase fiscal revenues by about 0.5-0.6 pp of GDP. The legislation received urgency status and was approved a week after it was submitted to congress. President Abinader signed the legislation the same day it was approved. This is positive for fiscal accounts and it could be a potential positive development for ratings agencies. The government approved fiscal reform after two failed attempts (2020 and 2024).

The reform includes measures to support the economy

Among the measures approved in the economic and fiscal reform, the government included measures to support the economy given the oil shock impact. The news highlights the following changes: capital investments deductions (100% on machinery), a reduction in the real estate sales tax to 10% from 25% previously, estate tax to 3% from 25% previously. The wages that are exempted from the income tax increased to about US$680 per month vs US$600 previously. There are more deductions for education expenditures and for small businesses there are less estimated or advanced payments.

The fiscal changes could add up to 0.6pp of GDP of tax revenues

The reform also seeks to strengthen tax collection. The Minister of Finance Magin Diaz highlighted that 90% of the new revenues will come from the top 1% income firms and individuals making the reform progressive.

Exhibit 26: Tax revenues to increase 0.5-0.6pp of GDP with the tax reform
Tax revenues could total 15.0% of GDP in 2027

	2025	2026F	2027F	2028F
Income Tax	5.3	5.4	5.5	5.5
ITBIS	2.7	2.7	2.7	2.7
Excise taxes	1.8	1.8	1.9	1.9
Financial transactions	0.3	0.3	0.4	0.4
Departure tax	0.2	0.3	0.3	0.3
Other	4.0	4.0	4.1	4.1
Tax revenues, % GDP	**14.4**	**14.6**	**15.0**	**15.0**
Tax revenues, without reform	**14.4**	**14.4**	**14.5**	**14.5**

Source: BofA Global Research, DomRep FinMin
Note estimates for tax revenues without the reform come from the 2026 Medium Term Fiscal Framework

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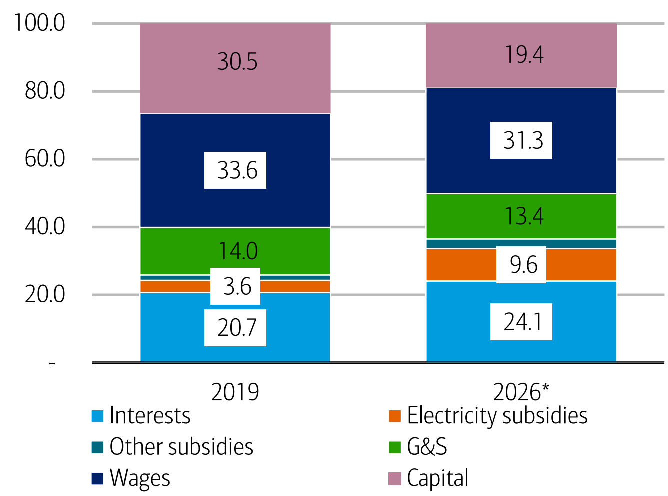
Exhibit 27: Public expenditure as a share of tax revenues, %
Relative to revenues, government spend less on wages, investment and goods and services but increased expenditure in interests and subsidies



Source: BofA Global Research, DomRep FinMin

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The main measures include a temporary increase in the income tax rate for companies with gross revenues above DOP 1bn per year. There is an increase in the tax on financial transactions to 0.2%. The reform includes an increase in the departure tax of US$10, excise taxes to vaping products and gambling.

Finally, the reform includes a tax amnesty that will be in place for the rest of 2026 for tax payers that have pending payments to the revenues service.

Some pending tasks to improve fiscal

Subsidies to the electricity sector remain a drag for fiscal with a fiscal cost of 1.4pp of GDP per year. Further actions to alleviate the losses of electricity distributors would allow the government to redirect resources to other areas such as education or infrastructure. Subsidies to the electricity sector rose 31% yoy in Jan-Apr.

Tax revenues experienced an improvement in the past years but the revenue gains were used to pay a higher interest bill and more subsidies to electricity sector (Exhibit 27). Moreover, the government has spent less money on wages and goods and services items and has also cut capital expenditure.

Stable fiscal deficit in 2026

The overall balance of the non-financial public sector came at -3.3% of GDP in April (12m sum), same as Dec 2025. While total subsidies rose 27% yoy in the first four months of the year, the government cut current and capital expenditure to compensate. Expenditures on goods and services fell 4.5% in Jan-Apr and capital transfers declined 12%.

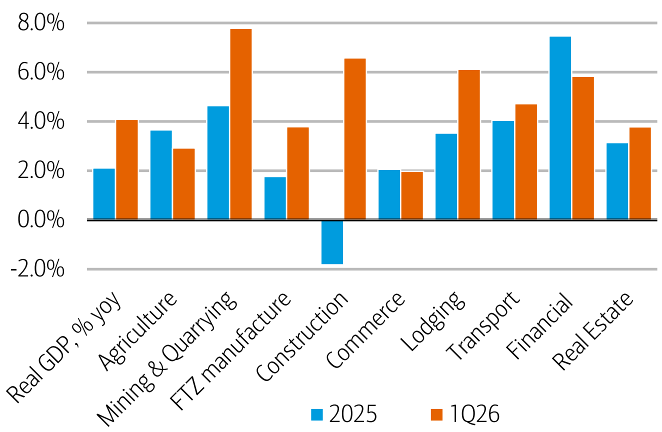
All in all, we expect the primary balance at -0.1% of GDP this year (vs +0.1% in 2025) and then we expect the primary balance to improve to +0.4% of GDP in 2027 and 2028.

Mining and external sector pulling up growth

We revised to the upside our GDP growth forecast and now expect growth at 3.5% this year (vs 2.7% previously). Real GDP growth came at 4.1% yoy in 1Q26 on the back of strong mining activity, construction and lodging services.

Tourism activity, the main growth engine in DomRep, has recovered after a weak 2025. The tourism arrivals increased 8% yoy in the Jan-May period, considering both air and sea arrivals (Exhibit 29). According to the tourism sector authorities, tourism activity affects about 20% of GDP in the country considering indirect effects.

Exhibit 28: Growth has recovered after a weak 2025
Mining, construction and lodging services are pulling up growth in 2026



Source: BofA Global Research, Central Bank BCRD

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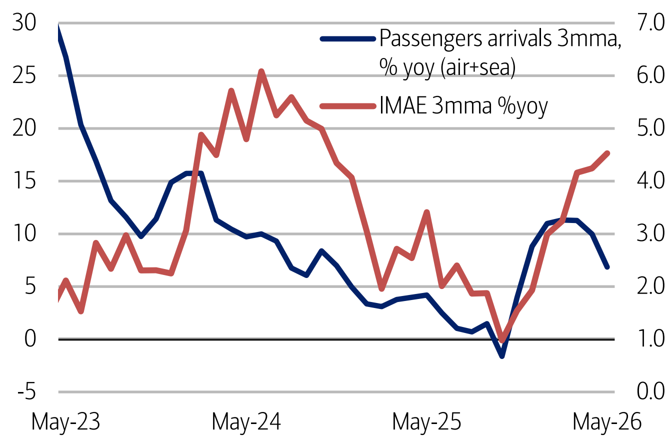
Exhibit 29: Monthly economic activity indicator and tourism arrivals
Tourism sector recovering after a weak 2025



Source: BofA Global Research, Central Bank BCRD

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Moreover, the monthly activity indicator rose 4.2% in Jan-May. Mining and exports will be supportive of growth this year. Total exports increased 14% yoy in the Jan-May period while gold exports rose about 80% in the first five months of the year. Our commodities team expect average gold prices to moderate in 2027 and 2028 but expected higher production could help to compensate for the price effect.

Key forecasts

Exhibit 30: Economic forecasts

GDP growth, inflation and policy rate forecasts for the major economies

	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	2025	2026F	2027F	2028F
Global and Regional Aggregates, %											
United States											
Real GDP growth [1]	2.5	2.5	2.4	2.2	2.2	2.1	2.0	2.1	2.2	2.2	1.9
CPI inflation	3.9	3.2	2.9	2.1	1.7	2.1	2.5	2.7	3.2	2.1	2.5
Policy Rate (EoP)	3.63	3.88	4.38	4.38	4.38	4.38	4.38	3.63	4.38	4.38	4.38
Euro area											
Real GDP growth [1]	0.6	1.4	1.5	1.3	1.2	1.1	1.1	1.5	0.5	1.3	1.1
CPI inflation	3.0	2.8	2.6	2.2	1.4	1.5	1.5	2.1	2.6	1.7	1.8
Policy Rate (EoP)	2.25	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.50	2.00	1.50
China											
Real GDP growth [2]	4.6	4.5	4.4	4.3	4.4	4.6	4.5	5.0	4.5	4.5	4.3
CPI inflation [3]	1.3	1.3	0.8	0.9	0.4	0.6	0.7	0.0	1.0	0.6	1.2
Policy Rate (EoP)	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Japan											
Real GDP growth [1]	0.7	0.4	0.6	0.5	1.4	0.6	0.8	1.1	0.6	0.7	0.7
CPI inflation	1.5	1.8	2.2	3.1	1.2	0.8	0.1	3.2	1.7	1.3	1.4
Policy Rate (EoP)	1.00	1.00	1.25	1.50	1.50	1.50	1.75	0.75	1.25	1.75	1.75
Global Aggregate [4]											
Real GDP growth								3.5	3.2	3.5	3.3
CPI inflation								2.5	3.0	2.4	2.5
Policy Rate (EoP)								3.74	3.98	3.81	3.65
Emerging Markets Aggregate [4]											
Real GDP growth								4.8	4.4	4.6	4.4
Real GDP growth (ex-China)								4.6	4.4	4.7	4.5
CPI inflation								2.6	2.8	1.9	2.1
Policy Rate (EoP)								4.42	4.45	4.24	4.07

Notes: 1. Quarterly values are % q/q annualized | 2. Quarterly values are % y/y. | 3. Quarterly values are period averages. | 4. Due to reporting limitations, Global and EM aggregate are annual only.

Source: BofA Global Research

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Exhibit 31: Markets forecasts

Forecasts for FX, interest rates, commodities and equities

	spot	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	4Q28
Exchange Rates (EoP)								
EUR/USD	1.14	1.12	1.15	1.16	1.18	1.19	1.20	1.22
USD/JPY	162	156.00	152.00	150.00	148.00	146.00	145.00	145.00
USD/CNY	6.81	6.80	6.70	6.70	6.70	6.60	6.60	6.60
GBP/USD	1.32	1.32	1.37	1.38	1.40	1.43	1.45	1.47
Interest rates (% EoP)								
US 10yr	4.39	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany 10-year	2.87	2.90	2.90	2.75	2.70	2.70	2.60	2.50
Japan 10yr	2.68	2.65	2.85	3.00	2.95	2.90	3.00	2.80
Commodities [1]								
Oil - WTI ($/bbl)	70.3	75.0	69.0	68.0	63.0	65.0	66.0	NA
Oil - Brent ($/bbl)	73.2	79.0	73.0	72.0	67.0	69.0	70.0	NA
Gold ($/oz)	3990	5250	5750	5200	5000	5000	4500	4000
Equities (EoP)								
S&P 500	7358						7100	
Stoxx 600	635		530				565	

Source: BofA Global Research

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Detailed forecasts

Global economic forecasts

Exhibit 32: Global Economic Forecasts

Global GDP growth expected at 3.2% in 2026, 3.5% in 2027 and 3.3% in 2028

	GDP growth, %				CPI inflation*, %				Short term interest rates**, %			
	2025	2026F	2027F	2028F	2025	2026F	2027F	2028F	Current	2026F	2027F	2028F
Global and regional aggregates												
Global	3.5	3.2	3.5	3.3	2.5	3.0	2.4	2.5	3.78	4.0	3.8	3.6
Global ex US	3.8	3.4	3.7	3.6	2.4	3.0	2.4	2.5	3.81	3.9	3.7	3.5
Global ex China	3.1	2.8	3.2	3.0	3.2	3.7	3.0	2.9	4.48	4.8	4.5	4.3
Developed Markets	1.7	1.3	1.7	1.5	2.6	2.8	1.9	2.1	2.83	3.3	3.1	2.9
Emerging Markets	4.8	4.4	4.6	4.4	2.4	3.2	2.7	2.7	4.41	4.4	4.2	4.1
Emerging Markets ex China	4.6	4.4	4.7	4.5	4.0	4.6	4.1	3.7	6.25	6.3	6.0	5.7
Europe, Middle East and Africa (EMEA)	2.2	1.3	2.3	2.0	4.6	4.0	3.0	2.8	4.66	4.8	4.1	3.6
European Union	1.6	0.7	1.5	1.3	2.5	2.7	1.9	1.9	2.58	2.8	2.3	1.8
Emerging EMEA	3.5	2.6	4.0	3.2	9.7	7.2	5.6	4.8	8.51	8.4	7.3	6.7
Emerging Asia	5.5	5.2	5.2	5.1	0.9	2.3	2.0	2.3	2.76	2.9	2.9	2.9
ASEAN	5.0	4.7	4.6	5.0	1.6	3.5	2.8	2.6	3.95	4.1	3.9	3.5
Latin America	2.4	2.2	2.2	2.1	3.7	4.8	4.1	3.5	8.42	8.4	8.0	7.4
G6												
US	2.1	2.2	2.2	1.9	2.7	3.2	2.1	2.5	3.63	4.4	4.4	4.4
Euro area	1.5	0.5	1.3	1.1	2.1	2.6	1.7	1.8	2.25	2.5	2.0	1.5
Japan	1.1	0.6	0.7	0.7	3.2	1.7	1.3	1.4	1.00	1.3	1.8	1.8
UK	1.4	1.1	1.3	1.5	3.4	3.1	2.3	2.1	3.75	3.8	3.5	3.5
Canada	1.9	0.6	1.5	2.1	2.1	2.8	2.2	2.0	2.25	2.3	2.3	2.8
Australia	2.0	1.8	1.7	2.0	2.9	4.0	2.3	2.5	4.35	4.4	3.9	3.6
Euro area												
Germany	0.3	0.8	1.2	0.9	2.3	2.8	2.0	2.0	2.25	2.5	2.0	1.5
France	0.9	0.6	1.1	1.0	0.9	2.0	1.4	1.5	2.25	2.5	2.0	1.5
Italy	0.7	0.6	0.7	0.8	1.6	2.5	1.5	1.6	2.25	2.5	2.0	1.5
Spain	2.8	2.3	1.7	1.5	2.7	2.8	2.0	2.1	2.25	2.5	2.0	1.5
Netherlands	1.8	1.0	1.2	1.3	3.0	2.6	1.8	1.9	2.25	2.5	2.0	1.5
Belgium	1.0	0.7	1.2	1.0	3.0	3.1	1.5	1.7	2.25	2.5	2.0	1.5
Austria	1.0	0.9	1.4	1.5	3.6	3.0	2.1	2.2	2.25	2.5	2.0	1.5
Greece	2.2	1.7	1.8	1.7	2.9	3.9	2.5	2.2	2.25	2.5	2.0	1.5
Portugal	1.9	1.7	1.8	1.8	2.2	2.8	1.8	1.8	2.25	2.5	2.0	1.5
Ireland	12.4	-12.9	3.7	2.3	2.1	3.2	1.8	1.9	2.25	2.5	2.0	1.5
Finland	0.8	1.2	1.2	1.3	1.8	2.5	1.4	1.8	2.25	2.5	2.0	1.5
Other developed economies												
New Zealand	0.2	1.5	2.1	2.5	2.8	3.4	2.3	2.0	2.50	2.8	2.8	3.0
Switzerland	1.4	1.0	1.4	1.6	0.2	0.5	0.7	0.7	0.0	0.0	0.0	0.0
Norway	1.7	0.8	0.7	1.2	3.0	3.2	2.6	2.4	4.25	4.3	3.8	0.0
Sweden	1.7	1.9	2.2	2.0	2.6	1.0	1.7	2.6	1.75	2.0	2.0	2.0
Emerging Asia												
China	5.0	4.5	4.5	4.3	0.0	1.0	0.6	1.2	1.40	1.4	1.4	1.4
India	7.5	7.0	7.5	7.5	2.1	4.2	4.8	4.5	5.25	5.5	5.8	6.0
Indonesia	5.1	5.3	5.4	5.8	1.9	3.3	2.9	2.8	5.75	6.0	5.5	4.5
Korea	1.0	3.1	2.2	2.0	2.1	2.6	2.1	2.0	2.50	3.0	3.3	3.3
Taiwan	8.8	12.0	7.0	5.0	1.7	2.0	1.7	1.8	2.00	2.3	2.4	2.4
Thailand	2.4	2.1	2.2	2.0	-0.1	2.4	0.1	0.7	1.00	1.0	1.0	1.0
Malaysia	5.2	4.6	4.5	4.5	1.4	2.0	2.2	2.0	2.75	2.8	2.8	2.8
Philippines	4.4	2.5	3.5	4.5	1.7	6.7	4.9	3.5	4.75	5.0	5.0	4.3
Singapore	5.0	3.4	2.3	2.7	0.9	2.0	2.2	1.7				
Hong Kong	3.5	3.5	3.0	2.6	1.4	2.1	2.0	2.0	4.00	4.0	3.5	3.5
Vietnam	8.0	8.0	7.0	7.2	3.3	4.8	4.5	4.0	4.50	4.5	4.5	4.5

Source: BofA Global Research

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Exhibit 33: Global Economic Forecasts (continued)

Global GDP growth expected at 3.2% in 2026, 3.5% in 2027 and 3.3% in 2028

	GDP growth, %				CPI inflation*, %				Short term interest rates**, %			
	2025	2026F	2027F	2028F	2025	2026F	2027F	2028F	Current	2026F	2027F	2028F
Latin America												
Brazil	2.3	2.3	1.3	1.0	4.3	5.5	4.7	3.5	14.25	14.25	13.25	12.25
Mexico	0.7	0.8	1.5	1.3	3.7	4.0	4.0	4.2	6.50	6.50	6.50	6.50
Argentina	4.4	3.0	3.5	3.5	31.5	31.4	17.4	12.0				
Colombia	2.6	2.5	2.9	3.1	5.1	6.5	4.6	3.6	12.00	12.00	11.00	9.00
Chile	2.5	1.4	3.0	3.0	3.4	4.0	3.2	3.0	4.50	4.50	5.00	5.00
Peru	3.4	3.5	4.4	4.5	1.5	4.1	2.6	2.0	4.25	4.25	4.25	4.25
Ecuador	3.7	3.2	2.7	3.0	1.9	2.4	2.3	2.0		0.00	0.00	0.00
Uruguay	1.8	1.5	2.0	2.5	3.7	3.9	4.5	4.6	5.75	6.00	7.00	7.00
Costa Rica	4.6	3.7	4.0	3.8	-1.2	2.5	3.5	3.0	3.25	3.25	3.25	3.25
Dominican Republic	2.1	3.5	3.9	3.5	5.0	6.0	4.8	4.0	5.25	5.25	5.25	5.25
Panama	4.4	4.2	5.0	4.5	0.4	2.8	2.3	2.0				
El Salvador	3.9	3.2	3.2	3.2	0.9	2.5	1.8	1.5				
Guatemala	4.3	3.9	3.7	3.8	1.7	2.9	2.7	2.8	3.50	3.50	3.50	3.50
EEMEA												
Türkiye	3.7	2.8	4.2	3.3	34.9	31.2	27.1	30.0	37.00	36.00	31.00	34.00
Nigeria	4.0	4.1	4.3	4.0	23.0	16.0	12.0	10.0	26.50	26.50	22.00	19.00
Egypt	4.4	4.4	4.5	4.5	20.4	13.2	10.0	8.0	19.50	19.00	16.00	14.00
Poland	3.7	3.2	2.8	2.5	3.6	2.7	2.5	2.5	3.75	3.75	3.75	3.25
South Africa	1.1	1.3	1.5	1.7	3.2	4.1	4.0	4.0	7.00	7.25	6.25	6.00
Romania	0.6	0.0	2.5	2.5	7.3	8.0	4.3	3.5	6.50	6.50	5.75	5.25
Czech Republic	2.6	2.0	2.4	2.0	2.5	2.0	2.4	2.0	3.75	4.00	4.00	3.50
Israel	2.9	3.6	4.5	4.0	3.0	2.0	1.9	2.0	3.50	3.75	3.25	3.25
Hungary	0.4	1.9	3.0	2.5	4.4	2.0	2.5	2.5	6.00	5.25	4.50	3.50
Saudi Arabia	4.5	0.6	6.1	2.9	2.0	2.4	2.0	2.0	4.25	3.50	3.50	5.00

Source: BofA Global Research

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Exhibit 34: Real GDP growth, qoq annualized %

Global GDP growth expected at 3.2% in 2026, 3.5% in 2027 and 3.3% in 2028

	2Q 26	3Q 26	4Q 26	1Q 27	2Q 27	3Q 27	4Q 27	2025	2026	2027	2028
Developed Markets											
US	2.5	2.5	2.4	2.2	2.2	2.1	2.0	2.1	2.2	2.2	1.9
Euro area	0.6	1.4	1.5	1.3	1.2	1.1	1.1	1.5	0.5	1.3	1.1
Japan	0.7	0.4	0.6	0.5	1.4	0.6	0.8	1.1	0.6	0.7	0.7
UK	0.6	0.6	1.0	1.6	1.8	1.4	1.4	1.4	1.1	1.3	1.5
Canada	1.8	1.6	1.2	1.5	1.5	1.5	1.5	1.9	0.6	1.5	2.1
Australia	0.8	1.2	2.0	1.6	1.6	2.0	2.0	2.0	1.8	1.7	1.7
G6 Aggregate	1.5	1.8	1.8	1.7	1.7	1.6	1.5	1.7	1.3	1.7	1.5
Emerging Markets											
China	3.8	3.9	4.5	4.9	4.5	4.4	4.3	5.0	4.5	4.5	4.3
India	-1.2	15.9	7.7	8.1	0.8	13.6	6.8	7.5	7.0	7.5	7.5
Indonesia	4.3	4.1	6.2	5.3	6.6	3.2	7.0	5.1	5.3	5.4	5.8
South Korea	1.5	2.0	2.0	2.6	2.3	2.3	2.3	1.0	3.1	2.2	2.0
Thailand	-3.1	1.2	7.1	3.3	1.0	-4.9	8.9	2.4	2.1	2.2	2.0
Singapore	2.0	-1.6	-1.6	5.7	3.2	3.2	3.2	5.0	3.4	2.3	2.7
Hong Kong	-16.3	11.4	15.2	0.8	1.5	-2.1	-2.1	3.5	3.5	3.0	2.6
Brazil	2.5	0.8	1.7	0.9	1.7	1.8	-0.1	2.3	2.3	1.3	1.0
Mexico	2.5	1.7	1.4	1.6	1.7	1.0	1.0	0.7	0.8	1.5	1.3
Colombia	2.4	3.6	3.6	2.4	2.4	2.8	2.8	2.6	2.5	2.9	3.1
Chile	4.2	3.6	3.6	2.4	2.4	2.4	2.4	2.5	1.4	3.0	3.0
Peru	2.4	4.9	4.9	4.1	4.5	4.5	4.5	3.4	3.5	4.4	4.5
Türkiye	2.4	4.2	4.5	4.5	4.1	4.1	4.1	3.7	2.8	4.2	3.3
South Africa	1.2	1.2	1.4	1.9	1.7	2.0	1.8	1.1	1.3	1.5	1.7

Source: BofA Global Research

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Monetary policy forecasts

Exhibit 35: Monetary policy forecasts

End of period

Central Banks	Current	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27
Developed Markets													
Fed (upper bound)	3.75	3.75	3.75	4.00	4.25	4.25	4.50	4.50	4.50	4.50	4.50	4.50	4.50
ECB (deposit rate)	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25	2.25	2.00
BoJ	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.50	1.50
BoE	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
BoC	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Riksbank	1.75	1.75	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norges Bank	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.00	4.00	4.00	3.75
RBA	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
RBNZ	2.50	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Emerging Asia													
China 7d reverse repo*	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
India	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.50	5.75	5.75	5.75	5.75	5.75
South Korea	2.50	2.75	2.75	2.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.25	3.25
Taiwan	2.00	2.00	2.00	2.125	2.125	2.125	2.25	2.25	2.25	2.375	2.375	2.375	2.375
Thailand	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Philippines	4.75	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Latin America													
Brazil	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
Chile	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	4.75	5.00
Colombia	12.00	12.00	12.00	12.00	12.00	12.00	12.00	11.75	11.75	11.75	11.50	11.50	11.50
Mexico	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Peru	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Emerging EMEA													
Czech Republic	3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Hungary	6.00	5.75	5.50	5.50	5.50	5.50	5.25	5.00	5.00	4.75	4.50	4.50	4.50
Israel	3.50	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
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
Türkiye	37.00	37.00	37.00	37.00	36.00	36.00	36.00	36.00	36.00	35.00	34.00	34.00	33.00

Source: BofA Global Research

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FX, rates and commodity forecasts

Exhibit 36: Quarterly forecasts
End of period

	Spot	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Dec-28
FX forecasts								
G6								
EUR-USD	1.14	1.12	1.15	1.16	1.18	1.19	1.20	1.22
USD-JPY	162	156	152	150	148	146	145	145
EUR-JPY	186	175	175	174	175	174	174	177
GBP-USD	1.34	1.32	1.37	1.38	1.40	1.43	1.45	1.47
USD-CAD	1.42	1.44	1.43	1.42	1.40	1.38	1.38	1.36
AUD-USD	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73
Asia								
USD-CNY	6.79	6.80	6.70	6.70	6.70	6.60	6.60	6.60
USD-INR	95.4	97.0	98.0	98.5	99.0	99.0	99.0	99.0
USD-IDR	18084	17900	18000	18100	18200	18200	18200	18200
USD-KRW	1512	1550	1560	1540	1520	1500	1500	1500
Latin America								
USD-BRL	5.12	5.00	5.00	5.00	5.00	5.00	5.00	5.00
USD-MXN	17.54	17.50	17.50	17.75	18.00	18.25	18.50	19.00
Emerging Europe								
EUR-PLN	4.33	4.33	4.28	4.25	4.22	4.18	4.15	4.10
USD-TRY	46.96	49.30	51.70	53.80	55.90	57.90	60.00	73.20
USD-ZAR	16.33	16.80	16.50	16.30	16.00	15.80	15.60	15.30
Rates forecasts								
2yr								
US 2-year	4.17	4.50	4.50	4.40	4.35	4.30	4.25	4.00
Germany 2-year	2.65	2.60	2.55	2.25	2.15	2.10	2.05	1.85
Japan 2-year	1.45	1.40	1.65	1.85	1.83	1.80	2.00	1.95
UK 2-year	4.24	4.15	4.05	3.95	3.85	3.75	3.60	3.60
Canada 2-year	2.81	2.75	2.75	2.85	2.90	2.95	3.00	3.00
10yr								
US 10-year	4.55	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany 10-year	3.08	2.90	2.90	2.75	2.70	2.70	2.60	2.50
Japan 10-year	2.86	2.65	2.85	3.00	2.95	2.90	3.00	2.80
UK 10-year	4.90	5.00	5.00	4.85	4.75	4.60	4.50	4.50
Canada 10-year	3.52	3.50	3.50	3.55	3.60	3.60	3.65	3.75
Commodities forecasts								
WTI Crude Oil - $/bbl	71.9	75.0	69.0	68.0	63.0	65.0	66.0	NA
Brent Crude Oil - $/bbl	76.1	79.0	73.0	72.0	67.0	69.0	70.0	NA
Gold $/oz	4131	3900	4250	4750	5000	5000	4500	4000

Note: Spot exchange rate as of day of publishing. The left of the currency pair is the denominator of the exchange rate. Currency forecasts are for end of period.
Source: BofA Global Research, Bloomberg.

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