

GLOBAL ECONOMY

# Crisil Insights

March 2026

The Crisil Insights Global Economy series represents our outlook on the financial scenario across the world and provides a perspective into its shape in the near future.

## Holding up

- Real gross domestic product (GDP) growth in the United States (US) eased sharply to an annualized 0.7% in the fourth quarter of 2025 from 4.4% in the third quarter
- Real GDP growth in the Eurozone was revised down to 0.2% on-quarter (seasonally adjusted) in the fourth quarter of 2025 from 0.3%
- Japan's headline inflation dropped to 1.5% in January, below the Bank of Japan's target of 2% for the first time since March 2022, from 2.1% in December

In calendar 2025, major global economies such as the US, the United Kingdom (UK), the Eurozone and China beat growth forecasts of March that year. Earlier in January 2026, the International Monetary Fund had forecast global growth at 3.3% for 2025, same as in 2024.

However, the final quarter of 2025 saw growth softening, including in the US, Eurozone and China, while Japan saw an improvement.

## GDP heat map

GDP growth (q-o-q SA annualized %)

	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25
US	3.6	3.3	1.9	-0.6	3.8	4.4	0.7
UK#	0.6	0.2	0.3	0.7	0.2	0.1	0.1
EA#	0.2	0.4	0.4	0.6	0.1	0.3	0.2
Japan	0.7	2.7	1.9	1.0	2.1	-2.6	1.3
China*	4.7	4.6	5.4	5.4	5.2	4.8	4.5

Note: #q-o-q, not annualized \*y-o-y

Source: Statistical bureau, respective countries

Improvement	Declined	Unchanged
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## US economy

Manufacturing weaker, energy inflation rises

## Eurozone economy

Manufacturing expands, inflation picks up

### Growth softens in the US

Real GDP growth in the US eased sharply in the fourth quarter of 2025 to an annualized 0.7% from 4.4% in the third quarter. The decline was driven by a significant contraction in exports, government consumption expenditure and gross investment. For the full year, real GDP growth was softer at 2.1% compared with 2.8% in 2024. Data from the Purchasing Managers' Index (PMI) indicated the pace of expansion in the US manufacturing and services sectors slowed in February. The S&P Global US Manufacturing PMI softened to 51.6 from 52.4 in January, albeit remaining in the expansionary zone for seven months. The services PMI fell to 51.7 from 52.7.

Non-farm payroll employment fell by 92,000 in February compared with a rise of 126,000 in January. Inflation based on the Consumer Price Index (CPI) was steady at 2.4% on-year in February. Food and beverage inflation increased to 3% from 2.8%, while energy inflation rose to 0.5% from -0.1%. The trade deficit (goods and services) narrowed on-month to \$54.5 billion in January 2026 from \$72.9 billion in December 2025 as exports increased 5.5% and imports fell 0.7%.

### Eurozone growth estimate lowered

Growth in the Eurozone was revised down to 0.2% on-quarter (seasonally adjusted) from 0.3% due to a contraction in exports (-0.4% vs 0.8%) and a softer growth in gross fixed capital formation (0.6% vs 1.3%) and government final consumption expenditure (0.5% vs 0.7%). But household final consumption expenditure grew faster at 0.4% from 0.2%. For the full year, growth accelerated to 1.4% from 0.9%. The HCOB Eurozone Manufacturing PMI entered the expansion zone in February for the first time since August 2025, rising to 50.8 from January's 49.5 due to an upturn in new orders. The HCOB Eurozone Services PMI Business Activity Index rose a tad to 51.9 from 51.6.

Inflation picked up to 1.9% in February from 1.7% in January, according to the flash estimate, as core inflation (excluding energy, food, alcohol and tobacco) increased to 2.4% from 2.2%. The rise was on account of an improvement in services (3.4% vs 3.2%) and non-energy industrial goods (0.7% vs 0.4%). The pace of deflation in energy prices slowed (-3.2% vs -4%).

### The UK records a trade surplus

In 2025, the UK's real GDP expanded 1.3%, according to the first estimate, higher than the 1.1% growth in 2024. The S&P Global UK Manufacturing PMI was broadly steady at 51.7 in February, compared with 51.8 in January, on the back of new orders and steady output. The consumer goods sector saw the strongest output growth, supported by rising new orders and export business. Investment goods saw a decrease in new orders. The S&P Global UK Services PMI was stable at 53.9 vs 54. However, new order growth slowed. CPI-based inflation eased to a 10-month low of 3% in January from 3.4% in December due to softer inflation in food and non-alcoholic beverage (3.6% vs 4.5%) and transport (2.7% vs 4%). The UK's trade balance switched to a surplus of £3.92 billion in January from a deficit of £4.34 billion in December.

### Consumer price inflation (y-o-y %)

	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
US	3.0	-	2.7	2.7	2.4	2.4
UK	3.8	3.6	3.2	3.4	3.0	-
EA	2.2	2.1	2.1	2.0	1.7	1.9
Japan	2.9	3.0	2.9	2.1	1.5	-
China	-0.3	0.2	0.7	0.8	0.2	1.3

Source: Statistical bureau, respective countries

### Policy interest rate (end of month %)

	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
US	4.0-4.25	3.75-4.0	3.75-4.0	3.5-3.75	3.5-3.75	3.5-3.75
UK	4.00	4.00	4.00	3.75	3.75	3.75
EA	2.00	2.00	2.00	2.00	2.00	2.00
Japan	0.50	0.50	0.50	0.75	0.75	0.75
China	1.40	1.40	1.40	1.40	1.40	1.40

Source: Central bank, respective countries

## Japan economy

GDP revised up, manufacturing expands

## China economy

Inflation accelerates, manufacturing PMI rises

### Inflation below the central bank line in Japan

Japan's GDP growth was revised up sharply to an annualized 1.3% in the fourth quarter of 2025, compared with the first preliminary estimate of 0.2%. Driven by a sharp acceleration in private residential investment growth and a smaller drag from exports, the number was a significant improvement over the 2.6% contraction in the third quarter.

The S&P Global Japan Manufacturing PMI increased to a 45-month high of 53 in February from 51.5 in January. Within sectors, investment and intermediate goods saw an improvement while consumer goods were stagnant. The S&P Global Japan Services PMI was broadly stable at 53.8 (vs 53.7) even as new order growth reach a 22-month high. Input costs rose sharply.

CPI-based inflation continued to ease and dropped below the Bank of Japan's target of 2% for the first time since March 2022. Headline inflation eased to 1.5% in January (vs 2.1% in December) on a sharper deflation in energy prices (-5.2% vs -3.1%) and a drop in food inflation (3.9% vs 5.1%). Core inflation, excluding fresh food, eased to 2% (vs 2.4%), its lowest level since March 2024.

### Growth remains steady in China

China's real GDP grew 5% in 2025, the same as the previous year, on the back of an expansion in the tertiary sector (5.4%), followed by the secondary (4.5%) and primary (3.9%) sectors. The S&P Global RatingDog China General Manufacturing PMI increased to its highest since December 2020, to 52.1 in February from 50.3 in January, driven by new export orders, which saw the fastest pace of expansion since September 2020. The RatingDog China General Services PMI climbed to a 33-month high of 56.7 from 52.3, with consumer demand strengthening.

Inflation based on the CPI accelerated sharply to 1.3% in February from 0.2% in January. Food inflation turned positive at 1.7% from -0.7%. Non-food inflation jumped to 1.3% from 0.4%. In February, the People's Bank of China kept policy rates unchanged for the ninth month. The one-year loan prime rate stood at 3%, while the seven-day reverse repo rate was 1.4%.

### Supply chains busier in Asia

In February, the GEP Global Supply Chain Volatility Index indicated a rise in activity in supply chains across key geographies, including Asia, Europe and the UK. The index for Asia rose to its highest since October 2022, to 0.4 in February from 0.12 in January. China, Japan, India, South Korea and Taiwan saw strong growth in purchasing activity.

The indices for Europe (0.05 vs -0.27) and the UK (-0.01 vs -0.17) also increased. The index was below 0 in the case of the UK, indicating spare capacities. Some bottlenecks have emerged due to the rise in procurement activity. In contrast, the index for North America fell to -0.26 from 0.06 as manufacturing weakened in the US.

### Commodity prices ease in February

According to World Bank data, commodity prices fell 0.5% in February after a sharp 8.2% rise in January. Non-energy prices fell 1.2% (vs an increase of 2.9% in January), while energy prices declined 0.5% (vs an increase of 12%). Beverages led the decline in non-energy prices, falling 15.6%, while metal and mineral prices (excluding precious metals) fell 1.7%.

Prices of precious metals continued to rise, but the pace softened relative to January (1.7% vs 17%). Gold prices rose 5.6% to \$5,020 per troy oz. But silver and platinum prices declined 11% (to \$47.7 per troy oz) and 12.2% (to \$2,137.3 per troy oz) after rising for two months.

The decline in energy prices was driven by natural gas. Following a spike of 78.4% in January, US natural gas prices fell 52.3% to \$3.6 per million British thermal units. European natural gas prices fell 4% (vs a rise of 24%) to \$11.8 per million British thermal units.

However, the prices of crude oil and coal hardened. Brent crude oil increased 3.1% to \$71.1 per barrel amid geopolitical uncertainties. Australian coal prices surged 7.8% to \$118.3 per tonne.

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