Central banks : fears of rising inflation expectations

Next week, four of the world's major central banks will hold their monetary policy meetings: the Fed, the ECB, the BoE and the BoJ. While no change in policy rates is expected in April, their statements will be closely scrutinized amid renewed uncertainty. The war in the Middle East has indeed revived concerns about energy prices, and with them a crucial question for central bankers: could this shock de-anchor inflation expectations, at a time when the 2022–2023 inflationary episode remains very present in people's minds ?

The key role of inflation expectations

The war in the Middle East has already triggered a marked rise in energy prices, visible in the first inflation data for March. Taken in isolation, this shock is a priori viewed as transitory : as long as its magnitude and duration remain limited, its direct impact on inflation should fade over time. In theory, this is precisely the type of exogenous shock that central banks can—and should—look through beyond its short-term effects, avoiding excessive reactions to a temporary increase in prices.

However, this reasoning runs up against a particular context. The global economy has barely emerged from an inflationary episode of unprecedented scale in several decades, with cumulative consumer price increases close to 20% between 2021 and 2023 in many advanced economies. This episode has left a deep mark on households and firms. The memory of inflation remains vivid, and confidence in its control has not been fully restored. Yet inflation is a phenomenon that is inherently dependent on expectations: what economic agents fear tomorrow directly influences their behavior today, whether in terms of wage demands, pricing policies or investment decisions. Thus, the risk does not lie in the one-off rise in energy prices, but in their potential diffusion into wages and service prices, which explains the vigilance of central banks.

Inflation expectations : what we are observing

The various measures of expectations point in the same direction, even if their magnitude differs. First, on the household side, surveys show a marked rise in short-term inflation expectations, reflecting a strong sensitivity to energy prices, particularly gasoline. Indeed, households primarily base their reasoning on the inflation they observe in their daily lives, which makes their expectations especially reactive to visible and immediate shocks.

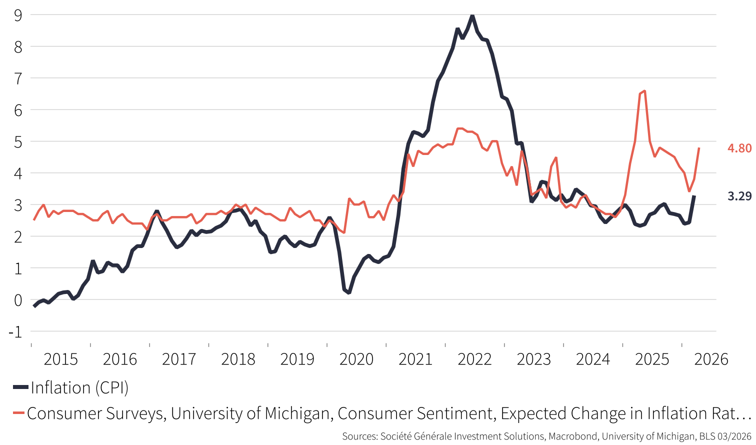
At the same time, financial markets are sending a more moderate signal: inflation breakeven indicators have risen, particularly at the one- to two-year horizon. Nevertheless, investors do not anticipate a return to very high or persistent inflation. Finally, from the economists' consensus perspective, inflation forecasts have been revised upward mainly for the year 2026, but not beyond.

Monetary tightening in sight

In this context, central banks should maintain a cautious bias. This does not necessarily mean raising rates, but rather maintaining a vigilant communication clearly oriented toward preventing second-round effects. The objective is explicit: to prevent this geopolitical shock, exogenous by nature, from turning into an endogenous inflationary shock via expectations. It should be noted that this strategy is not without risk: this vigilant stance is already being transmitted to market interest rates, with the longer-term risk of weighing on economies that are already weakened by the energy shock.

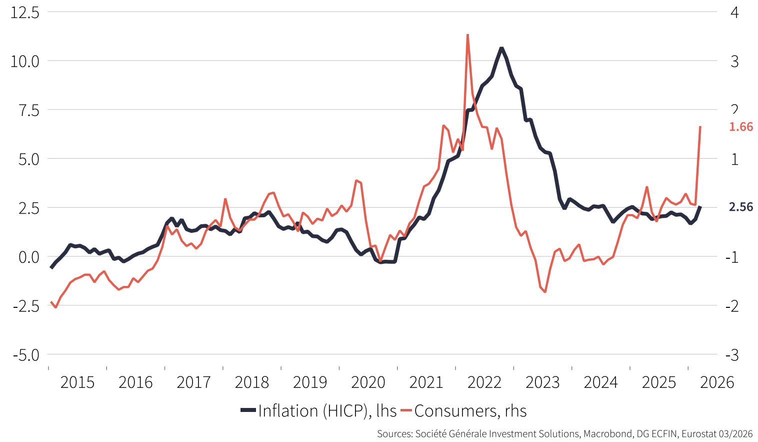
UNITED STATES : EXPECTED INFLATION (CONSUMERS)

In %



EURO AREA : EXPECTED INFLATION (CONSUMERS)

In %



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OUR MACRO COMMENTS

Events of the week

HEARING OF KEVIN WARSH : INFLATION, THE BALANCE SHEET, AND FED GOVERNANCE

The Senate Banking Committee held a hearing with Kevin Warsh, who is seen as a potential successor to Jerome Powell as Chair of the Federal Reserve. During the hearing, K. Warsh reaffirmed the importance of the fight against inflation for the Fed, as well as its independence from political authorities. He would like to adjust the inflation indicator favored by the Fed by placing greater emphasis on a trimmed mean inflation measure, that is, one that excludes extreme values. From an institutional perspective, he argues for less frequent communication by the Fed, potentially involving a reduction in the number of meetings. In addition, K. Warsh supports a gradual reduction of the Fed's balance sheet, carried out in coordination with the Treasury, in order to improve the transmission of monetary policy. He believes that the current size of the balance sheet primarily benefits financial markets at the expense of the real economy.

Finally, regarding employment, K. Warsh considers that the United States is close to full employment and believes that artificial intelligence will boost productivity and therefore contribute to easing inflationary pressures. The succession process nonetheless remains uncertain as long as the legal proceedings against Jerome Powell are ongoing. Powell has indicated that he would remain at the head of the Fed until the official appointment of a successor.

EURO AREA ACTIVITY INDICATORS CONTRACT IN APRIL

The business climate index (PMI) entered contraction territory in the euro area in April, falling to 48.6 (from 50.7 in March). France remains in contraction, while Germany has slipped back below the 50 threshold, at 48 in both countries. Somewhat surprisingly at first glance, the deterioration is driven by the services sector, which is usually less sensitive to energy price shocks, while the manufacturing sector index remains in growth, rising from 51.9 in March to 52.2 in April. However, this increase in manufacturing appears to be explained by restocking amid fears of higher prices. Indeed, input costs are rising sharply, driven by higher energy prices, and have reached a roughly three-year high of around 77.

In the United Kingdom, the economy appears to remain in expansion, with the composite index rising to 52, supported mainly by services but also by a rebound in manufacturing. In the United States, the index also remains favorable (composite index at 52), with industry likewise supported by restocking, alongside clear upward pressure on prices.

KEY EVENTS NEXT WEEK

Tuesday

Japan	BoJ monetary policy meeting

Wednesday

United States	- Fed monetary policy meeting - Durable goods orders MARCH

Thursday

Germany **Italy**	Q1 GDP growth
France	- Q1 GDP growth - Inflation APRIL
United Kingdom	BoE monetary policy meeting
United States	Inflation (PCE) MARCH
Euro area	- ECB monetary policy meeting - Q1 GDP growth - Inflation APRIL

Friday

United States	ISM Manufacturing APRIL
Japan	Consumer confidence APRIL

EVENTS IN THE COMING MONTHS

- April 28 : BoJ monetary policy meeting
- April 29 : FED monetary policy meeting
- April 30 : BoE monetary policy meeting
- April 30 : ECB monetary polidy meeting

Source: Macrobond, April 24, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

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MARKET PERFORMANCES

Interbank rates

%	21/04/2026	24/03/2026	23/01/2026	01/01/2024	24/04/2025
US SOFR	3,644	3,66	3,70	5,34	4,35
Euro area €ster	1,932	1,93	1,93	3,88	2,17
UK SONIA	3,731	3,73	3,73	5,19	4,46
Switzerland SARON	-0,039	-0,05	-0,04	1,70	0,19
Japan TONAR	0,727	0,73	0,73	-0,04	0,48

10Y Government rates

%	23/04/2026	24/03/2026	23/01/2026	01/01/2024	24/04/2025
US Treasuries	4,34	4,39	4,24	3,88	4,32
France OAT	3,73	3,74	3,48	2,55	3,17
Germany Bund	3,01	3,01	2,86	2,02	2,44
Italy BTP	3,79	3,94	3,50	3,70	3,55
Spain Bonos	3,47	3,55	3,26	2,98	3,12
Switzerland	0,43	0,42	0,32	0,66	0,42
UK Gilts	4,95	4,95	4,56	3,60	4,50
Japan JGB	2,40	2,29	2,23	0,62	1,33

Credit

%	23/04/2026	24/03/2026	23/01/2026	01/01/2024	24/04/2025
United States IG	5,05	5,20	4,85	5,06	5,28
United States HY	6,94	7,41	6,62	7,59	7,91
Europe IG	3,75	3,92	3,39	3,72	3,36
Europe HY	5,85	6,37	5,14	6,80	6,01
Emerging FX	5,72	6,03	5,47	6,77	6,35

Equity indices

23/04/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-0,49	8,15	3,25	52,61	37,20
United States	-0,22	8,58	2,65	52,05	36,79
Euro area	-2,15	7,12	1,31	42,52	25,61
France	-2,14	6,53	1,64	17,36	16,01
Germany	-2,21	7,09	-2,23	40,21	12,37
United Kingdom	-1,80	5,67	3,80	44,72	29,33
Japan	-1,05	5,90	6,05	67,15	51,45
Emerging	0,40	9,86	7,34	69,60	51,66
China USD	-1,83	3,28	-7,59	50,77	18,28
India USD	-1,53	8,03	-1,59	6,77	-5,32
Latin America USD	-2,64	9,44	4,64	36,99	60,41

Foreign exchange rates

	23/04/2026	24/03/2026	23/01/2026	01/01/2024	24/04/2025
EUR/USD	1,17	1,16	1,18	1,11	1,14
GBP/USD	1,35	1,34	1,36	1,27	1,33
EUR/CHF	0,92	0,92	0,93	0,93	0,94
USD/JPY	159,39	158,92	158,13	141,03	142,58
USD/CNY	6,82	6,88	6,97	7,08	7,29

Commodity prices

	23/04/2026	24/03/2026	23/01/2026	01/01/2024	24/04/2025
Brent, USD/BL	106	99	66	77	66
Copper, USD/Metric ton	13 190	11 879	12 921	8 476	9 411
Gold, USD/Troy oz	4 719	4 414	4 946	2 078	3 315
Silver, USD/Troy oz	75	70	99	24	33
Palladium, USD/Troy oz	1 492	1 393	1 976	1 136	947
Platinium, USD/Troy oz	2 029	1 892	2 705	1 000	978

Source : Bloomberg on 24 April 2026, 1W = 1 week change, 3M = 3 month change, 12M = 12 mont change, YTD = year to date change, Equities; total return in local currency . Government bonds = 10 year returns. Figures are rounded..

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