



NEW ZEALAND
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Manatū Aorere

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Impact of the Iran conflict on EU markets

MARKET INTELLIGENCE REPORT

Key points

- Given the global nature of the Iran conflict, EU economies are increasingly feeling the impacts with flow-on effects to New Zealand exporters operating in the EU market.
- Anecdotal evidence from New Zealand exporters point to increased input costs, logistical challenges, and some delayed orders and demand softening.
- Across New Zealand's key EU markets growth forecasts are falling, inflation is rising and business and consumer confidence is weakening.
- Much will depend on how long the conflict really lasts. The economic consequences appear to be manageable for now, but some flow-on effects have yet to materialise, particularly in complex international supply chains.
- The NZ-EU Free Trade Agreement provides New Zealand exporters options with good access to the EU market should other export markets slow due to the conflict.

Report

The Iran conflict is increasingly impacting on EU economies, with growth forecasts being lowered, inflation rising, and business and consumer confidence weakening. The European Central Bank has revised its economic growth forecast for the Eurozone from 1.2 to 0.9 percent this year, while inflation across the entire EU rose to 2.8 percent in March, up from about 2.1 percent in February.

The eventual severity and persistence of the economic shock depends largely on how quickly and to what extent the conflict is contained. While impacts remain manageable for now, the full flow-on effects across value chains have yet to fully materialise. Anecdotal evidence from Kiwi exporters point to increased input cost, logistical challenges, some delayed orders and demand softening.

The following provides brief economic updates for New Zealand's leading markets in the EU.

Germany

Economic forecasts have been reduced by 1.3 to 0.5-0.6 percent ([here](#) and [here](#)), although this is still a higher rate than last year's. Inflation has gone up from 1.9 to 2.9 percent. [Business confidence](#) is down to the level seen in 2020 during COVID, with eight in ten firms [reporting adverse effects](#). Half of those surveyed are planning price adjustments and more than a third are considering delaying current projects and investment. Consumer confidence has dropped to the lowest level since 2023. A regular [consumer survey](#) observes that the propensity to buy is decreasing again, as is anticipated income. Another survey found consumers reporting reduced spending in their daily lives.

France

The government has trimmed its 2026 [growth forecast](#) slightly from 1 to 0.9 percent. Growth was already flat in the first quarter, driven by sluggish domestic demand and weak export figures. [Inflation](#) rose to 2.2 percent in April, up from 1.7 percent in March. Business investment was down 0.4 percent in Q1, as [business sentiment](#) deteriorated significantly to the level of mid-2024 (after the dissolution of the French Parliament). Firms report delayed decisions, weaker demand expectations and price pressures. [Household confidence](#) registered its steepest decline since early 2022 and the start of the war in Ukraine, with consumers more reluctant to spend, especially on major purchases.

Netherlands

GDP growth [forecasts](#) for 2026 have been revised slightly downward to around 1.4 percent. [Inflation](#) has increased from 2.4 to 2.8 percent. [Business sentiment](#) remains cautious despite strong industry growth, due to rising input costs, ongoing supply chain uncertainty and concerns that overstocking could later trigger a slowdown in production if demand weakens. [Consumer confidence](#) fell sharply from March to April (one of the largest monthly declines on record). Nevertheless, [household spending](#) has remained relatively stable, with spending holding up, supported by wage growth and resilient disposable incomes.

Italy

The [growth outlook](#) has deteriorated, reflecting higher energy costs, rising inflationary pressures and increased economic uncertainty. According to a [study](#), if the conflict were to persist until next February, GDP growth could slow to 0.3 percent this year, particularly if interest rates were raised. [Inflation](#) has risen to 2.8 percent. Business and [consumer confidence](#) have also declined. Rising costs are placing additional pressure on households.

Belgium

The growth outlook has softened slightly. Before the conflict, the economy was [projected](#) to grow by 1.1 percent in 2026 but bank analysts' [expectations](#) are now that this will be around 0.6 percent. Inflation spiked sharply in April to [4 percent](#) (up from 1.45 percent in February). Consumer and business confidence have fallen since late February, with [surveys](#) showing households delaying discretionary spending (travel, hospitality) and firms pausing investment amid uncertainty.

Ireland

The economy is still growing, but more slowly than expected before the conflict. The [Department of Finance](#) expects domestic spending will grow by just over 2 percent in 2026. Prices are rising, with inflation expecting to average about 3.3 percent. According to the [Central Bank](#), consumers are being cautious, saving more, and cutting on non-essential spending.

Spain

Spain remains the fastest-growing major Eurozone economy, although the IMF has downgraded its [GDP growth forecast](#) from 2.3 to 2.1 percent. [Inflation](#) accelerated to 3.4 percent in March, up from 2.3 percent in February. [Consumer confidence](#) has fallen to its lowest level since late 2022, consistent with more cautious household behaviour.

Denmark

Growth is now [projected](#) at 1.8 percent for 2026, down from 2.3 percent, [Consumer prices](#) rose 1.2 percent in March, up from 0.7 percent in February. [Surveys](#) reporting on business confidence surprisingly rose slightly in April. Conversely, Statistics Denmark's [consumer expectations survey](#) for April recorded a pronounced deterioration, down to the lowest level in seven months.

Poland

The Iran conflict has dented the 2026 growth outlook, with [National Bank](#) projections reduced from 3.7 percent to 2.9 percent. [Inflation](#) rose from 2.1 percent in February to about 3 percent in March. [Business sentiment](#) stabilised or improved in April but remains below long-term averages. Consumer confidence has deteriorated, with households more pessimistic and less inclined to buy.

Sweden

In its latest outlook, the Finance Ministry's projection for 2026 growth was reduced from 2.8 to 2.3 percent, with [Swedbank](#) also cutting down its forecast from 2.6 to 1.8 percent. Inflation has recently come down again, from 1.6 percent in March to 0.8 percent in April, partly due reduced VAT on food. Sweden's [economic tendency index](#) has fallen to the lowest level in seven months.

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