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INTERNATIONAL TRADE / WORLD

Trump doubles steel and aluminium tariffs. The tariffs on steel and aluminium imports have been increased to 50% from 4 June (compared with 25% since 12 March). The executive order highlights the need to protect the economy and national security. The legal basis for the decision, i.e. Section 232 of the Trade Expansion Act (1962), is not affected by the dispute with the Court of International Trade. As a result of the trade agreement signed at the beginning of May, the UK has until 9 July to negotiate with Washington (the tariff applied remains 25%). **EU countries have voted to ban Chinese medical device manufacturers from public procurement** contracts worth more than EUR 5 million. This is the first decision taken by the EU through the "International Public Procurement Instrument" (IMPI) created in 2022. New negotiations between China and the United States began in London on 9 June.

ADVANCED ECONOMIES

UNITED STATES

May less dynamic for employment and complicated for activity. The Employment situation reported a slight decline (-8k to +139k) in nonfarm payrolls, accompanied by downward revisions (-95k in total) in March and April. The unemployment rate was stable (4.2%) and average hourly earnings were accelerating (+0.4% m/m, +0.2 pp). The participation rate fell (62.4%, -0.2pp). **The ISM May figures were in contraction territory:** the manufacturing index fell marginally to 48.5 (-0.2pp). The trade tensions were reflected in particularly deteriorated imports (39.9) and new export orders (40.1), while deliveries were slowing (56.1, +0.9pp, the highest since June 2022) and inventories were falling (50.8, -4.1pp). The ISM non-manufacturing index (at 49.9; -1.7pp) was in contraction territory for the first time since April 2024 on the back of a decline in new orders (46.4, -5.9pp); the prices paid sub-index was at its highest level (68.7) since November 2022. *Coming up: CPI inflation for May (Wednesday 11th), NFIB survey of small business optimism for May (Tuesday), University of Michigan index of consumer sentiment (preliminary data for June, Friday).*

EUROZONE / EU

End of the downward cycle? The ECB cut its key rates by 25 bp to 2% for the eighth time. The message delivered by C. Lagarde led to an upward recalibration of European bond yields and the EURUSD. The ECB has cut its inflation projections by 0.3 pp for 2025 (2.0%) and 2026 (1.6%). Disinflation continues: it eased to 1.9% in May (flash estimate), with services decelerating (-0.8 pp to 3.2% y/y, the lowest inflation in three years). Prices for energy (-3.6% y/y) and industrial goods excluding energy (0.6% y/y) were stable, while food inflation rose slightly (+0.1 pp to 2.3%). Producer prices also slowed in April (-1.2 pp to 0.7% y/y). GDP growth was revised upwards in Q1 (0.6% q/q) due to Ireland (revised from 3.2% q/q to 9.7% q/q with the rise in exports ahead of the new US tariffs). At 6.2% in April, the unemployment rate is back to its low points of late 2024. Business climate: slight deterioration in the composite PMI to 50.2 in May from 50.4 in April. Lending rates fall average interest rate of 3.79% in April, all maturities combined, for new bank loans to corporations (-14 bp) and the lowest since January 2023, and 3.25% for the average interest rate on new loans to households for house purchase, all maturities combined (-7 bp in April). *Coming on 13 May: foreign trade and industrial production figures for April.*

GERMANY

Weak industrial dynamism, but encouraging prospects of reforms. Industrial production (-1.4% m/m in April, after +2.3% in March) and industrial orders (+0.6% m/m in April, after +3.4% m/m in March) have been fluctuating around low, broadly stable, levels for almost a year. While orders for the domestic market are rising, those from abroad, particularly outside the European Union, are falling. **The government is speeding up the implementation of its coalition programme.** A bill to stimulate private investment has been presented, with the aim of passing it before the summer recess. One of the key measures is an exceptional bonus on investment in equipment (including electric vehicles) for the first few years. This would result in a reduction in taxable profits. This would be followed by a reduction in the rate of corporation tax from 2028, from 15% to 10% by 2032.

FRANCE

Exports to Germany stall again. Manufacturing output fell by 0.6% m/m in April, following a sharp rebound in February (+1.4% m/m) and March (+0.6% m/m). Exports to the United States remained stable in April 2025 (after+ EUR 800 millions in Q1 y/y). French exports to Germany fell the most in April (-EUR 500 bn and -1.1 bn y/y over the first 4 months of the year).

New loans to households for house purchase (excluding renegotiations) continue to rebound. In April 2025, it reached EUR 12.6 bn, still fueled by the fall (-7 bp m/m) in borrowing rates, which stood at 3.13%. While the 10-year OAT rate averaged 3.30% in April, the fall in borrowing rates could come to a halt in the coming weeks. New production is not enough to halt the year-on-year fall in outstanding home loans (-0.2%). Year-on-year growth in consumer credit outstandings remains buoyant (+3.7%); interest rates remain high (6.43%) despite a modest fall (-4 bp m/m). The HCSF plans to lift the sectoral systemic risk buffer (sSyRB) imposed in 2023 on large banks exposed to highly indebted companies, due to the fall in the associated risk. This buffer could reach 3% of the exposure in question if it exceeded 5% of the bank's CET1 capital.

ITALY

PMI indices show better trends. The composite reached 52.5 in May (the highest level since April 2024). Retail sales rose by 0.5% m/m in April, offsetting March's decline.

SPAIN

Industry shows resilience. The manufacturing PMI rose from 48.1 to 50.5 in May, returning to the expansion zone. This improvement is offset by a deterioration in services (53.4 to 51.3). The composite fell by 1.1 points to 51.4. In addition, industrial production fell by 0.9% m/m in April, but rose by 0.6% y/y. New car registrations continued to strengthen in May, rising by 18.6% y/y.



UNITED KINGDOM

Stronger defence spending. Prime Minister K. Starmer presented the Strategic Defence Review and plans to support NATO's new military spending target of 3.5% of GDP by 2032. **The business climate is improving.** The composite PMI returned to the expansion zone in May (from 48.5 to 50.3) thanks to the manufacturing PMI (+1 point to 46.4). The services index rose from 49 to 50.9. House prices rose by 0.5% m/m and 3.5% y/y in May according to Nationwide, and by 2.5% y/y according to Halifax. The number of mortgages granted fell more sharply in April (4.9% m/m), the month in which Stamp Duty rose. *Coming soon: labour market figures, monthly GDP, industrial production and foreign trade for April.*

EMERGING ECONOMIES

SOUTH AFRICA

Real GDP growth slowed to 0.1% q/q in Q1 2025 (0.4% in Q4 2024). The mining and manufacturing sectors contracted by 4% and 2% respectively. Only the agricultural sector grew strongly (+18% q/q) due to a base effect. On the demand side, gross fixed capital formation recorded a further contraction (-1.7% q/q).

ASIA

Manufacturing PMI indices up slightly in May, but still below 50. PMIs improved slightly in the majority of North Asian and Asean countries, thanks in particular to the (temporary) easing of Sino-US trade tensions at the beginning of May. Uncertainty over US trade policy and export prospects remains very high, and PMIs are still under 50 (South Korea: 47.7 in May; Taiwan: 48.6; Singapore: 49.7; Indonesia: 47.4; Vietnam: 49.8).

BULGARIA

Bulgaria is due to join the Eurozone on 1 January 2026. A member of the EU since 2007, Bulgaria has met the 4 convergence criteria required by the European Commission. This finally paves the way for Bulgaria to adopt the euro next year. Bulgaria's accession to the Eurozone will improve foreign investors' perception of risk and accelerate economic convergence. Major challenges remain: the political scene is fragmented and the country faced 7 elections in 4 years, which has led to delays in reforms.

CHINA

Deflation pressure and slowing export growth. Prices continued to fall in May. The CPI fell by -0.1% y/y, mainly due to lower energy and food prices. Core inflation rose very slightly to +0.6% y/y. The producer price index (PPI) declined by -3.3% y/y, driven by falling global commodity prices and weaker construction activity. Export growth slowed to +4.8% y/y in May (vs. + 8% in April). Exports to the US plunged by 34.5%, partially offset by growth in exports to the rest of the world.

SOUTH KOREA

Presidential election and slowing economic growth. On June 3rd, Lee Jae myung of the Democratic Party was elected in early elections. He has a majority in the assembly. The government takes office immediately and will face many challenges, including negotiations with the United States and China. Korea's industrial strategy will have to adapt to changes in US policy and growing Chinese competition in the semi-conductor and electric vehicle sectors. Last week, the Bank of Korea revised its GDP growth forecast for 2025 to 0.8% (1.5% in February).

CENTRAL EUROPE

Manufacturing PMI indices down in Poland, the Czech Republic and Hungary in May. Tariff uncertainties are weighing on business confidence. The deterioration in the index was significant in Poland (from 50.2 in April to 47.1 in May), mainly due to the "new orders", "production" and "employment" sub-components. In Hungary, the index is approaching the 50-threshold.

GULF

The PMI indices remained buoyant in May in Saudi Arabia (55.8) and the United Arab Emirates (53.3). Despite the global turbulence and the downturn in oil prices, strong domestic demand is supporting activity in the non-oil private sector. Surveys show a high level of business confidence for the months ahead.

INDIA

Monetary easing stepped up. At the 3rd monetary policy meeting of the year, the Reserve Bank of India (RBI) once again lowered its key rate. However, the cut was steeper than at previous meetings (-50 bp to 5.5%). The RBI reaffirmed its desire to support domestic demand against a backdrop of slowing growth and controlled inflationary pressures. CPI inflation was contained at 3.2% y/y in April (the target is 4% +/-2 pp) and the prospect of a favourable monsoon reduces the risk of food prices slipping.

TÜRKİYE

A pleasant surprise for inflation. In May, the month-on-month rise in consumer prices was down sharply in April (1.5% vs. 3% in April) thanks to a fall in food prices. The underlying inflation rate also fell, but remained above 2%. Over a year, the inflation rate continues to fall to 35.4%.

