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INTERNATIONAL TRADE

US-EU trade agreement under an ultimatum. The imposition of 25% US tariffs on European cars, as indicated by Donald Trump, has been postponed until 4 July, contingent on the EU's ability to implement the agreement. Meanwhile, the US International Trade Court has ruled that the 10% tariffs imposed under Section 122 are unlawful, but this ruling only applies to two specific cases and does not invalidate the measure in its entirety. Furthermore, Brussels has announced the cessation of subsidies granted to Chinese suppliers of photovoltaic inverters, effective as of 1 November, which it has described as "one of the most pressing threats" to the EU's critical infrastructure (risk of power cuts).

ADVANCED ECONOMIES

UNITED STATES

A buoyant labour market and deteriorating household sentiment. Payroll employment rose by 115,000 in April (a cumulative increase of 304,000 in 2026, compared with 116,000 in 2025). The growth was mainly driven by education and healthcare (+46,000), but also by transport (+60,000). The unemployment rate remained stable (4.3%) but the labour force participation rate fell again (-0.1pp to 61.8%). Q1 2026 saw hourly productivity grow by +0.8% on an annualised basis (+1.6% in Q4 2025). The non-manufacturing ISM index held steady in April (-0.4 m/m to 53.6) despite a slowdown in new orders; pressures on prices and supply lead times persist. Consumer sentiment (Michigan) hit a record low of 48.2 (-1.6 m/m) in May. The US trade deficit widened slightly in March (USD 88.7bn compared with USD 84.6bn in February), but the 12-month smoothed deficit is at its lowest since 2021, largely due to the rise in energy exports. March's industrial orders confirm the strength of investment: the core measure (capital goods excluding defence) jumped by 3.4% m/m (the sharpest rise since 2017), following a 1.5% m/m increase in February. *Coming up: CPI inflation (Tuesday), producer prices (Wednesday), retail sales (Thursday).*

EUROZONE

Weaker services sector (primarily in tourism and transport). In April, 1/ the composite PMI fell to 48.8 (-1.9 m/m), dragged down by services; 2/ sectoral PMIs indicate that this decline was largely due to the tourism and leisure sector as well as transport services, while the automotive sector PMI improved; 3/ the construction PMI deteriorated (-2.6 m/m to 41.7). Retail sales fell by 0.1% m/m in March. The ECB's wage tracker remains stable. The index (excluding bonuses) is projected to rise by 2.6% y/y in the second half of 2026. According to producer prices, the inflationary shock was confined to energy in March: the core PPI (excluding energy and construction) rose by 0.4% m/m and 1.4% y/y. *Coming up: Q1 GDP and employment, industrial production (Wednesday).*

- **France: Industry and exports holding up well; deterioration in services.** Manufacturing output rose by 1.2% m/m in March, bolstered by aerospace, electronics and refining. The current account deficit remained contained in March (EUR 1.2bn, totalling 8.2bn over 12 months), despite oil prices (the fall in import volumes offset the rise in prices). The robust growth in goods exports was confirmed (+€5bn y/y according to customs figures for Q1 2026), mainly within the EU (including +€2bn to Germany). Car registrations stabilised in April.

The share of electric vehicles has grown (27% in January-April) but could decline with the end of the second social leasing scheme (a third is planned for this summer). The composite PMI contracted to 47.6 in April (-1.2 m/m), dragged down by services (46.5; -2.3 m/m), particularly in retail, transport and temporary employment. The government estimates the cost of overseas military operations at EUR 2.4 billion in 2026 (EUR 1 billion over the budgeted provision for 2026). *Coming up: business insolvencies (Monday), Banque de France business survey, unemployment, labour costs and business start-ups (Wednesday).*

- **Germany: Rising demand in industry.** New industrial orders rose by 5% m/m in March and by 6.5% on average over the last six months (compared with the previous six months), driven by the aerospace sector, while the manufacturing PMI remained in expansionary territory in April (51.4; +0.2 m/m): positive developments against the backdrop of a 0.8% m/m decline in industrial production in March. Construction output rose by 1.9% m/m in March.

- **Italy: Business sentiment rebounds.** The services PMI rose in April to 49.8 (+1 m/m), bolstered by a slight increase in new orders. The composite PMI returned to expansionary territory, at 50.5 (+1.3 m/m). However, the rise in input prices reached its highest level in three and a half years. Retail sales accelerated in March (+3.7% y/y; +0.8% m/m), driven mainly by food. *Coming up: industrial production (Monday).*

- **Spain: A sharp decline in confidence indices.** The composite PMI contracted in April to 48.7 (-3.7 m/m), dragged down by the services sector (47.9; -5.4 m/m, the lowest level since July 2022), particularly in tourism. The labour market remains buoyant: the number of unemployed fell by more than 62,000 in April (to 2.4 million, a level not seen since June 2008).

JAPAN

Foreign exchange market interventions and wage growth. The Japanese authorities are reported to have continued to prop up the yen (JPY) with an estimated total of USD 64 billion. This intervention allowed the USD/JPY exchange rate to hover around 156.5 (compared with around 160 at the time of the first intervention on 30 April). Wage growth slowed to +2.7% y/y (-0.7pp) in March 2026 due to reduced bonus payouts, but the underlying measure of scheduled contractual wages held steady (+3.2% y/y, or -0.2pp). At the same time, the real wage index remains in positive territory (+1.0% y/y) but is slowing in the face of rising inflation (-1.0pp compared with February). *Coming up: industrial production (Friday).*

UNITED KINGDOM

Long-term rates tested by political risk. Long-term rates, which hit record highs on 5 May (5.78% for the 30-year and 5.08% for the 10-year) ahead of the local elections, have since fallen following Keir Starmer's pledge to remain in office. The composite PMI rebounded in April (52.6; +2.3 m/m), bolstered by services (52.7; +2.2 m/m), particularly digital services. Conversely, the construction PMI contracted to 39.7 points (-5.9 m/m). *Coming up: Q1 GDP, industrial production and foreign trade (Thursday).*



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EMERGING ECONOMIES

AFRICA & MIDDLE EAST

The war has had a significant but unequal impact on the Gulf economies. In April, PMI indices remained below 50 in Kuwait (46.6) and Qatar (46.4), indicating a contraction in non-oil activities for the second consecutive month. In contrast, the PMI rebounded in Saudi Arabia to 51.5 from 48.8 in March, while it reached 52.1 in the United Arab Emirates. For both countries, robust domestic demand is partly offsetting the deterioration in the external environment.

Saudi Arabia: Deterioration in public finances in Q1. The budget deficit reached USD 33bn in Q1 2026, marking the highest level since 2018 (more than double that of Q1 2025). The majority of the deficit increase is attributed to higher expenditure (+20% y/y), particularly in subsidies (+170%). Investment expenditure also rose sharply (+56%). In contrast, revenue held up well (down just 1% despite the closure of the Strait of Hormuz).

ASIA

Inflation accelerated in April. Rising international energy prices are feeding through to inflation in Thailand, Vietnam and the Philippines. Prices rose by +2.9%, +5.5% and +7.2% y/y respectively. In Indonesia, price rises remain contained (+2.4%) as the government has kept fuel prices stable.

China: Inflation is rising, and export growth remains robust ahead of the China-US summit. Producer price inflation reached +2.8% y/y in April, its highest level since August 2022. CPI inflation continued to accelerate (to +1.2% year-on-year), driven by petrol prices (+17.4%). A price regulation mechanism is mitigating the impact of the global energy shock on consumers. Goods exports rose by +14.1% y/y in April (following +17.4% in Q1 2026), attributed to a sharp rise in volumes and a smaller fall in prices. Imports rose by 25.3% y/y in April (22.5% in Q1), due in particular to the rise in hydrocarbon prices. With Presidents Donald Trump and Xi Jinping due to meet on 14 and 15 May in Beijing, trade between China and the US increased in April (Chinese exports to the US rose by +11.3% y/y, following a -13.3% decline in Q1, while Chinese imports of US goods increased by +4.9%, following a -19.6% decline in Q1). According to Chinese statistics, the bilateral trade surplus for the first four months of 2026 has decreased compared with the same period in 2025. The international context is also expected to strengthen Beijing's negotiating stance with Washington.

Growth held up in Indonesia in Q1 2026 but slowed in the Philippines. Growth in Indonesia reached its highest level since 2022 (+5.6% y/y). Details of the GDP components are not yet known, but economic indicators suggest that growth was driven by household consumption and an uptick in business investment, whilst exports slowed. Conversely, in the Philippines, the energy shock exacerbated the slowdown in growth (+2.8% y/y in Q1, compared with 3% in Q4 2025). Investment continued to decline while the growth in private consumption slowed. However, exports remained buoyant.

EMERGING EUROPE

Romania: Political crisis. On 5 May, the no-confidence vote against the government secured 281 votes (233 were required). The current government can serve in an interim capacity over the next few weeks pending the appointment of a new Prime Minister. In the financial markets, the Romanian currency is under significant pressure (-1.8% against the euro over the past week). This period of uncertainty is likely to weigh on economic activity. Furthermore, European funds earmarked for the country could be suspended if the continuation of the fiscal austerity policy is called into question.

Poland and the Czech Republic: Monetary policy on hold. Both central banks have kept their key interest rates unchanged, in line with expectations. This policy stance is likely to last several months, while the Central banks balance on the one hand, fresh inflationary pressures and, on the other, the risks of an economic slowdown. Key interest rate hikes are possible in the event of a sharp rise in inflation.

Czech Republic: Inflation accelerates. Inflation rose to 2.5% y/y in April, following 1.9% in March and 1.4% in February. It remains within the Central Bank's target range of 2% \pm 1 percentage point, leaving some room for manoeuvre in monetary policy.

LATIN AMERICA

Inflationary pressures increased in April, driven by the 'energy' and 'transport' components. In Peru, Chile and Colombia, prices rose by 3.7%, 4% and 5.7% y/y respectively. Chile is seeing a particularly sharp acceleration in inflation, mainly due to the end of fuel subsidies. Expectations for the coming months are largely on an upward trajectory. Nearly 30% of the Chilean CPI basket comprises indexed products (rents, financial charges, insurance), the prices of which have yet to be adjusted.

Mexico is currently the exception. Inflation slowed in April (4.4% y/y after 4.6% in March), mainly due to the fall in electricity prices and the slowdown in domestic demand. On 7 May, the Central Bank provided justification for a further cut in its key interest rate (-25 bp, to 6.5%) on the grounds of this slowdown in economic activity. It stated that "it would be appropriate to maintain the rate at its current level for an extended period". Headline inflation forecasts have been revised slightly upwards for the next two quarters, but core inflation forecasts remain unchanged, as does the convergence target of 3% for Q2 2027.

COMMODITIES

Markets took a breather last week amid the potential for progress towards a deal between the US and Iran. Consequently, Brent and TTF (European spot gas price) prices fell by 11.5% and 8.3% respectively. Despite this, the rise in prices since the start of the conflict remains significant: +44% for Brent at USD 104.5/b and +39% for TTF at EUR 44.5/MWh this morning. Nevertheless, in the oil market, the scale of current and future disruptions appears to be more accurately reflected. The spread between the price of a barrel of Dated Brent (the futures contract for the nearest physical delivery) and that of Brent (the contract maturing in July 2026) has narrowed in recent days (the spread is now less than \$5/b). Brent futures for December 2026 delivery are up (USD 88.7/b this morning) and remain close to their peak (USD 92/b on 4 May).

European imports of Russian LNG hit a record high in the first four months of 2026, up 18% compared with the same period in 2025. They account for around 7% of total European gas imports. These imports have been banned since 25 April 2026 for short-term contracts concluded before 17 June 2025. Meanwhile, **European LNG imports from the United States also hit a record high in Q1 2026** (accounting for 28% of total European gas imports). European demand for gas is expected to keep rising in the coming months due to the need to replenish stocks ahead of next winter.

US exports of petroleum products (both crude and refined) hit a record high this week, at 8.2 mb/d, according to the US Energy Information Administration.

