ECONEWS

INTERNATIONAL TRADE

Find out more in our scenario and forecasts

United States/United Kingdom Trade Deal: the United Kingdom has obtained an exemption from customs duties on aluminium and steel, provided that it meets the United States' economic-security requirements in their supply chains. A quota of 100,000 cars (i.e. the vast majority of exported vehicles) will see their customs duties reduced to 10%, compared with the 25% previously announced. For its part, the United Kingdom is expected to increase its aircraft purchases. Other negotiations, mainly concerning digital services, the film industry and the pharmaceutical industry, are expected to follow.

United Kingdom/India Free Trade Deal: this agreement enacts a reduction in customs duties on certain UK exports, including beverages and cars, and authorises UK companies to take part in public procurement. It does not cover the Indian services market. India will benefit from a reduction in tariffs on most of the goods it exports.

China-United States negotiations: tariff cuts. The United States is suspending for 90 days the additional tariffs imposed on China since 2 April, with the exception of 10%. The tariffs of 20% imposed by the Trump administration before 2 April remain in force. Meanwhile, China is also reducing its additional tariffs to 10% for the next 90 days. It is also putting an end to non-tariff measures, including the ban on sales of critical minerals to the United States. Bilateral negotiations are due to continue over the next three months.

AVANCED ECONOMIES

UNITED STATES

No Fed rates cut once again. The FOMC meeting (6-7 May) resulted in the Fed Funds rate target being kept as it is for the third time in a row, at +4.25% to +4.50%. While the Committee acknowledged the contraction in GDP in Q1, forecasts of rising imported inflation and the associated risk of expectations becoming unanchored provided grounds to hold the key rate steady, while the strength of the labour market made a cut less necessary. Jerome Powell reiterated that monetary policy was well positioned and that the Committee would wait for uncertainty to dissipate before making any interest rate movements. **Resilience in services:** in April, the business climate improved in services. The ISM Non-Manufacturing index rose to 51.6 (+0.6 pp), surpassing expectations (consensus: 50.2). Improving new orders and less contraction in employment offset the slowdown in business growth (53.7, -2.2 pp). The prices paid index (62.4) hit its highest level since January 2023. *This week will see figures for CPI inflation (Tuesday), the NFIB (Tuesday) and industrial production and retail sales (Thursday) published, as well as results for the University of Michigan's consumer sentiment survey for May (Friday).*

EUROZONE

Positive trends in prices and household consumption. The volume of retail sales rose by 1.5% y/y in March. Between February and March, industrial producer prices decelerated (from 3.0% to 1.9% y/y), driven by the slowdown in energy prices. The composite PMI fell to 50.4 in April (vs.- 50.9 in March), weighed down by the services PMI (50.1; -0.9 points m/m). The manufacturing PMI is still in contraction territory but has returned to its highest level for 32 months (49.0; +0.4 points m/m). **The European Commission has published a list of EUR 95 billion worth of US products that would be taxed if trade negotiations were to fail**, including chemicals/plastics, machinery and equipment, aircraft and cars.

GERMANY

Mixed signs. The construction PMI hit its highest level for over two years (45.1, +4.8 m/m). New factory orders did not increase (their 6-month moving average fell by 0.3 points to 86.1). Industrial production barely rose from its lowest level (excluding Covid) since 2010, reached in March (91.5), with a gain of 0.4 points to 91.9. Following a difficult vote to become chancellor in the Bundestag on Tuesday 6 May, Friedrich Merz began travelling abroad, ostensibly focusing on European cooperation.

FRANCE

Rebound in industry, sluggish consumption, resilient employment. Manufacturing output continued to rebound in March (+0.6% m/m), buoyed in particular by aeronautical production (+3.8% m/m), which returned to a level not seen since December 2023. Car registrations continued to fall in April 2025, with the 12-month cumulative total down by 8% y/y. Private-sector salaried employment rose by 9,000 jobs in the first quarter, according to INSEE, following net job losses of 68,000 in the fourth quarter. Job losses are continuing in construction, but employment is stabilising in industry and services. *The Banque de France business survey will be published on 13 May.*

ITALY

Significant improvement in industrial activity. The composite PMI rose in April (52.1; +1.6 points m/m) on the back of a rebound in the manufacturing PMI (49.3; +2.7 points m/m). Industrial production rose by 0.5% in Q1 q/q. The services sector also improved (52.9; +0.9 points), driven by a rise in new orders. However, new export orders were still in negative territory and dipped in April (-0.3 points m/m). Retail sales contracted by 0.6% in Q1 q/q, and were at their lowest level since Q1 2021.

SPAIN

Private sector activity decelerates slightly. The composite PMI fell to 52.5 (-1.5 points m/m) in April. This is caused by both the manufacturing PMI (48.1; -1.4 points m/m) and the services PMI (53.4; -1.3 points m/m), as a result of very sharp slowdowns in the "new business starts" (-3.9 points m/m) and "new export orders" (-2.8 points m/m) components.

SWITZERLAND

Total inflation has fallen to 0%, its lowest level for over 4 years: the appreciation of the Swiss franc is driving down the cost of imported goods, particularly energy and fuel. The core index slowed more than expected, falling to 0.6%. *We expect the SNB to cut its key rate from 0.25% to 0% at its June meeting.*

UNITED KINGDOM

The Bank of England cut its key rate by 25 basis points to 4.25%. Its growth forecast for 2025 has been raised to 1% (from 0.75%), while the 2026 forecast has been lowered to 1.25% (from 1.5%). The services PMI came in higher than expected (49 compared with 48.5 in the flash estimate), while the composite index remained in contraction territory, standing at 48.5. House prices (Halifax) rose in April (+0.3% m/m and 3.2% y/y). *Coming up this week: Q1 GDP growth, the trade balance and industrial production figures.*

JAPAN

Towards zero growth in Q1. Japan's first GDP estimate for Q1 2025 will be published on Friday 16 May. We expect GDP to stagnate.

EMERGING ECONOMIES

CHINA

Deflation. In April, the consumer price index (CPI) fell slightly (-0.1% y/y) for the third month in a row, and the drop in producer prices continued (-2.7% y/y). Core inflation remained stable (+0.5%). The price of fuel was the CPI sub-component that fell the most (-10.2%).

Monetary easing. Unsurprisingly, the monetary authorities have just announced a series of measures designed to stimulate credit. The reserve requirement ratio has been reduced by 50 bp, to 9% for large banks and 6% for medium-sized institutions, and the ratio for auto finance and leasing companies has been cut from 5% to 0%. The main policy rates will be cut slightly over the next few days (7-day reverse repo rate: -10 pp to 1.4%). Some refinancing facilities for banks with the PBOC will be increased to encourage the financing of activities that are already targeted (agricultural firms, SMEs and technological innovation) or newly targeted (services consumption and elderly care). The support plan for equity markets will be strengthened and major public institutions (including the Central Huijin investment fund) are expected to continue to play a stabilising role in the financial markets.

Exports are holding up well. In April 2025, total exports of Chinese goods increased by +8% y/y in current USD (after +5.2% y/y in Q1 2025). Exports to the United States fell less than expected (-21% after +3.8% in Q1); this fall was offset by rising exports to the rest of the world (European Union: +8% in April after +3.2% in Q1; ASEAN: +20.8% after +7.8% in Q1; Latin America: +17.3% after +9.2% in Q1). These figures show how quickly Chinese exporters can redirect their trade flows.

TAIWAN

Sudden appreciation of the Taiwanese dollar. The TWD has appreciated rapidly against the US dollar since the Trump administration's Liberation Day, after depreciating slightly for several months. The TWD/USD rate has risen by almost 10% since 2 April, with more than half the gains recorded in the first week of May. The appreciation is explained, in particular, by sales and repatriation of USD-denominated assets by residents, fuelled by rumours of an agreement between Taiwan and the United States (the exchange rate is said to be part of the negotiations). Asian currencies, notably the Korean won, the Singapore dollar, the Indonesian rupiah and the Thai baht, appreciated slightly following the TWD.

POLAND AND CZECH REPUBLIC

Key rate cut in Poland and the Czech Republic, in line with expectations. On 7 May, the Central Bank of Poland lowered its key rate by 50 bp to 5.25% for the first time since October 2023. The sharper fall in inflation since January 2025, slower wage growth and the resilience of the zloty provided the basis for the monetary authorities' decision. Monetary easing is likely to continue in the short term. In the Czech Republic, the key rate was cut by 25 bp to 3.50% following a similar reduction in February. Inflation was a positive surprise (1.8% y/y in April), as it has now fallen below the Central Bank's 2% target. There is still room for manoeuvre in the short term, but rising property prices are likely to encourage some caution.

BRAZIL

Interest rates hike. In response to the resilience of economic activity and the rebound of inflation since the start of the year - including its core component - the Central Bank of Brazil (BCB) once again raised its benchmark interest rate (SELIC) by 50 basis points at its May meeting. The SELIC, now at 14.75%, is back to levels not seen since 2006. Brazil's key rate expressed in real terms (ie adjusted for one-year ahead expected inflation) now ranks second highest in the world behind Türkiye. Even as the tightening cycle appears to be nearing its end (markets expect a terminal rate at 15% by year-end), the BCB has reaffirmed its commitment to maintaining a durably restrictive policy to bring inflation back to its target (two percentage point gap at the end of April.

COMMODITIES

The US Energy Information Administration (EIA) has once again revised down its oil price forecasts (Brent benchmark) for 2025 to 66 USD/b (-2 USD/b) and for 2026 to 59 USD/b (-2 USD/b). Growth forecasts for global oil demand have been revised slightly upwards, by 0.1 mb/d to +1 mb/d for 2025, and downwards, by 0.2 mb/d to +0.9 mb/d for 2026. Production growth forecasts are stable for 2025 (+1.3 mb/d) and have been revised slightly upwards for 2026, by 0.1 mb/d to 1.3 mb/d. It should be noted that these forecasts, published on 6 May, do not take into account the announcement of the OPEC+ production increase of 0.411 mb/d next June.

European decisions on the gas market. The European Commission has proposed an action plan under the RePower EU programme to put an end to energy imports from Russia by 2027. This proposal concerns gas (around 13% of total European gas imports in Q1 2025), oil (more effective detection of the Russian shadow fleet) and uranium (European dependence depends on the degree of enrichment: from 23% for raw uranium to 38% for enriched uranium). In addition, the EU has officially lowered the level of European gas stocks required on 1 November from 90% to 83%.