

[Find out more in our scenario and forecasts](#)

ADVANCED ECONOMIES

GLOBAL OUTLOOK

IMF Updated Global Outlook: Little has Changed. The IMF's [July 2026 WEO Update](#) forecasts global GDP growth 3.0% in 2026 and 3.4% in 2027, down from an average of 3.5% in 2024–25 and broadly unchanged from the April forecasts. US growth is projected at 2.3% in 2026 and 2.2 % in 2027, virtually unchanged from April. In the Eurozone, growth is projected at 0.9% in 2026 (-0.2 pp from April) and 1.2% in 2027. France is seen growing at 0.6% (-0.3pp) and 0.9% and Germany 0.7% (-0.1pp) and 1% (-0.2pp) in 2026 and 2027 respectively. Global headline inflation is expected to increase from 4.1% in 2025 to 4.7% in 2026 before declining to 3.9% in 2027. Risks to the outlook are more balanced than in April but still tilted to the downside. A possible correction in technology-driven expectations adds to downside risks, whereas eroded policy buffers can amplify them.

EUROPEAN UNION

New Joint Debt Proposal, tariffs on Chinese tires, and Innovation Scoreboard. Spain presented a new [proposal](#) to the Eurogroup, aiming to centralize some national debt issuance at the EU level in a European Sovereign Facility in order to reduce collectively interest costs and accelerate the generation of a meaningful stock of safe assets to support the international role of the euro. The proposal includes safeguards to limit moral hazard. It was reportedly met with skepticism by the usual "frugal" countries and even France, and is unlikely to get political traction on this side of the French elections; however, Eurogroup President Kyriakos Pierrakakis said the proposal would be considered, with talks due to continue at a technical level.

Anti-dumping duties on imports of vehicle tires from China (28% market share in 2024) ranging from 4.3% to 45.3% were imposed by the European Commission on 7 July 2026, on grounds that they are causing injury to the EU's tire industry, which employs over 80,000 people across 14 EU countries.

EU innovation performance is improving but remains hampered by low business R&D. Significant intra-EU divergence and a large gap with global leaders persist. The European Commission's 2026 [European Innovation Scoreboard](#) showed the EU's innovation score rising +1.7pp from 2025, extending a steady improvement since 2019. Sweden, Denmark and the Netherlands retain the top spots. Among neighbouring economies, Switzerland extended its nine-year lead, with the UK, Norway and Iceland also outperforming the EU. South Korea remained the top performer globally. The US and China continue to outspend the EU heavily on business R&D.

EUROZONE

Retail sales rebound. Sales bounced back 0.2% m/m in May, led by a solid rebound in Germany (+1.1% m/m). According to the ECB, the households debt-to-disposable income ratio dipped to 81% in Q1 (-0.2pp), the lowest since Q2 2004. The savings ratio edged lower at 14.26% of disposable income (14.30% in Q4 2025).

Energy shock is pushing producer prices up. Headline producer prices rose by 5.9% y/y (+0.9 pp) in May, as energy inflation accelerated to 14.0% (+1.5pp). The core PPI excluding energy rose more moderately (2.8% y/y, +0.5pp).

- France: Recession avoided, creation destruction underway. The Banque de France raised its Q2 GDP estimate to +0.2% q/q, up from a prior forecast of stagnation, following improvement across all sectors in June and a Q1 contraction. Airbus deliveries increased by 40% y/y in Q2 (after a disappointing Q1 at -16% y/y). Overall, goods exports were stable y/y in May despite fewer working days and increased over Jan-May by 4% y/y, driven mainly by aeronautics, metals, electronics and pharmaceuticals, mostly to EU destinations (Germany and Italy). **Business insolvencies and new creations are both rising to record levels.** Business insolvencies increased in H1 2026 by 4.1% y/y according to The National Council of Insolvency Practitioners (CNAIJM), while the Banque de France reports a 7.6% y/y increase (over January – May). In parallel, according to INSEE, business creations increased by 12.1% y/y during the same period. In both cases, three-quarters of the increase is attributable to services. Separately, the government lowered its 2026 growth forecast to 0.7% (-0.2pp) and announced **new spending cuts** (EUR 3bn) adding to the EUR 6bn announced in April.

- Germany: Multi-year highs in industrial orders, borrowing splurge ahead. New factory orders (May) hit their highest level since July 2021 (+6.3% y/y). Sector highlights: "Other transport equipment" soars +35% y/y and +85% m/m — driven by military equipment orders. Textiles reached their highest level since November 2025. Metals and machinery/equipment hit peaks since September 2023. Industrial output (May) rose 0.9% m/m for a 2nd straight month, reaching its highest level since November 2025. Manufacturing hits a 2026 high, with transport equipment (+2.4% m/m) driving gains. All sectors (except textiles/furniture) rebound to year-to-date peak levels. Exports reached EUR 137.9 billion (+6.1% y/y) in May. Over January – May, exports primarily grew to the EU (+7.3% YTD) and the UK (+5.0% YTD) but declined to China (-13.0%) and the US (-7.0%). Imports stood at EUR 118.8 billion (+6.9% y/y) in May and EUR 587.8 billion (+3.7% y/y YTD) between January – May. Over this period, imports notably increased from France (+13.0% YTD), China (+7.6% YTD), and the US (+7.0% YTD).

The draft budget for 2027 and the medium-term financial framework to 2030 foresee higher spending and borrowing: Expenditure is planned at 555.4 bn euros in 2027 (up 30 bn in 2026); Borrowing at EUR 230.6 bn (up 12.5% y/y): of which EUR 54.9 bn via the infrastructure fund and EUR 30 bn via the defence fund. The debt-to-GDP ratio will reach 69.5% in 2027 and the deficit 4.3%. Between 2027 and 2030, Germany plans to borrow EUR 838.2 bn through the special infrastructure fund and the defence fund. The Ministry of Finance forecasts that defence spending will rise from 2.8% of GDP in 2026 to 3.5% in 2029.

UNITED KINGDOM

Lower capital requirements on the way. In its Financial Stability Review, the Bank of England proposed a series of measures to further ease capital requirements, after lowering the T1 capital requirements it judged appropriate for UK lenders from 14% to 13% of RWA (equivalent to a CET1 ratio of 11%) in December 2025. This new package is intended to enhance the usability and releasability of capital buffers, as well as improving the functioning of the leverage ratio and leverage buffers. The leverage requirement for large UK banks could be reduced by around 20 bp in aggregate. Additional work is expected in 2026 H2.



[Find out more in our scenario and forecasts](#)

UNITED STATES

Buoyant activity, Fed reform launched and inflation in focus. The Non-Manufacturing ISM softened slightly to 54.0 in June (-0.5pp). **Fed Reform Task Forces Launched:** Fed Chairman Kevin Warsh [announced](#) the leaders of the five new task forces due to advise on Fed communications, balance sheet strategy, data sourcing, productivity and jobs, and inflation frameworks. They include former central bank governors (Arminio Fraga, Mervyn King, Ragu Rajan), former Fed officials, academic economists (including Nobel laureate T. Sargent) and CEOs—all highly credentialed individuals, mostly elderly men of conservative, Warsh-aligned, leanings.

Inflation in focus. The minutes of the last FOMC meeting confirmed the committee is now squarely focused on inflation risks, with differences of opinion related entirely to what it will take to bring it down. Dovish-leaning NY Fed Chair John Williams said in a speech this week that inflation remains "far too high," with risks skewed to the upside, and that AI-driven demand is now his primary inflation concern — potentially warranting rate hikes if sustained.

Trade Deficit Widens: The US goods and services trade deficit widened by 42.2% month-on-month in May to \$77.6 billion — the largest since March 2025 — as exports fell by 3.2% and imports rose by 3.3%. *Coming up: June CPI and Fed Chair Warsh Testimony to Congress (Tuesday-Wednesday), June PPI (Wednesday), June Retail Sales (Thursday), June Industrial production (Friday).*

JAPAN

Finance Minister Urges Pension Funds to Buy Domestic Assets. Finance Minister Satsuki Katayama called on Japan's pension funds — including the world's largest, the GPIF — to increase investments in domestic financial assets. The announcement triggered a sharp rally in JGBs and the yen on Friday, and if followed through could also put upward pressure on US and European yields over time.

EMERGING ECONOMIES

Portfolio flows remained negative in June at -\$17.8 billion, after -\$25.2 billion in May. Debt inflows accelerated to \$28.3 billion, while equity outflows deepened to -\$46.1 billion. Asia again accounted for more than the full EM outflow, with equity selling offsetting stronger regional debt inflows. China shifted from equity support to equity drag, while China debt remained in outflow (source: IIF).

ASIA

China: Lowflation returns, car exports jump, RMB strengthens. CPI inflation eased more than expected to 1% y/y in June. The energy shock has led to a slight rebound in Chinese inflation (+1.1% y/y in average in Q2, vs. +0.8% in Jan-Feb 2026), driven by fuel prices (+15.3% in Q2), while food prices decreased (-1.6%). Producer prices rose by +3.6% y/y in Q2. The rise in inflation may not last, however, as it is not supported by stronger domestic demand. Core inflation has, in fact, slowed slightly (+1.1% y/y in June vs. 1.2% in Dec 2025). Meanwhile, auto exports are up 75% in the first half of 2026 even as domestic auto sales fell 20%. Total auto exports in June topped 1 million in one month for the first time, according to the China Association of Automobile Manufacturers. EVs drove much of the increase, with shipments surging 160% to 523,000 units. PBOC set the USD/RMB fixing at 6.7989 — below 6.80 for the first time since 2023. *Coming up: Trade balance (Tuesday), GDP and retail sales, industrial production (Wednesday).*

Mixed but moderate June inflation data overall. In **Indonesia**, CPI inflation rose to a still moderate 3.3% y/y from 3.1% in May while producer prices increased more rapidly (6.5% in June vs. 5.8% in May). In **Taiwan**, CPI inflation accelerated to an above-target 2.6% from 2.2% in May. In **Thailand**, CPI inflation declined (2.4% y/y vs. 2.8%); it stayed positive for the 3rd consecutive month after one year of deflation.

EMERGING EUROPE

Poland and Romania: Monetary policy status quo. As expected, both central banks kept their policy rate on hold (Poland: 3.75%; Romania: 6.5%). In Poland, inflation has been receding, reaching 2.5% y/y in June.

LATIN AMERICA

Mixed inflation trends. Inflation eased in Brazil (4.6%) and Mexico (3.4%), was stable in Peru (4%), and accelerated in Chile (4.3%) and Colombia (6.1%).

ENERGY

In the most serious escalation since the MoU, Iran and US have exchanged a round of attacks over the weekend. On Monday, at the opening of markets, the price of Brent oil rose by 3.7% from Friday close to 79\$/b and that of TTF (European LNG reference) rose by 3.8%, breaching 50€/MWh for the first time in two months.

US SPR release continues to be sustained (-6.2 mb w/w in the week ending 03/07).

Renewed tensions on diesel markets after Russia — the world's second largest exporter — introduced a ban on diesel exports until July 31 after drone attacks damaged key refineries. On Friday 10 July, Diesel premium over Brent exceeded 53\$/b, near the 2022 peak. **European gas prices (TTF) surged by 15% over the week** (49 €/MWh on Friday 10). This could constrain European efforts to fill gas inventories before winter (currently 51% full, vs 62% same time last year) given an unfavorable price curve (spot price is significantly higher than winter price). **Germany is set to establish a state-held strategic emergency gas reserve** equivalent to 10% of its total storage capacity. Purchases will be spread over 2-3 years starting in summer 2027, funded via a gas consumer tax.



BNP PARIBAS

The bank
for a changing
world