ECONEWS

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INTERNATIONAL TRADE

- Agreement between the United States and several Asian countries (including Japan, South Korea, Singapore, Australia and Israel) on AI. It aims to secure supply chains for critical materials in a market **controlled by China to nearly 70%.**

- Mexico has increased its customs duties (from 5% to 50% on more than 1,400 products) on imports from countries with which it has not signed a trade agreement, including China, India and South Korea, as of 1 January.

- The EU will levy a EUR 3 tax on parcels worth less than EUR 150 (previously exempt), the volume of which doubled between 2023 and 2024 and 91% of which come from China, from 1 July 2026.

ADVANCED ECONOMIES

UNITED STATES

FOMC: Expected rate cut and dissents; resumption of the balance sheet expansion; and surprise unanimous reappointment of Regional Fed presidents. Fed Funds target range was lowered by 25 basis points to +3.75% (upper limit). Two regional Fed presidents (A. Goolsbee, Chicago; J. Schmid, Kansas City) voted for holding the policy rate steady, joined by four other non-voting members, whereas one governor (S. Miran) voted in favour of a 50bp cut. The median projections of the committee members have been revised upwards for growth (+2.3%, +0.5pp) and down for inflation (+2.4%, -0.2pp) for Q4 2026 (y/y); the forecast of a single rate cut during the year is maintained, with significant disparities. According to J. Powell, a 'meeting-by-meeting' approach should prevail as monetary policy has been 'well (re)positioned' in the face of the rebalancing of risks and should help to 'stabilise the labour market'. The market probability of a rate cut in January is 25%. The Fed has been expanding its balance sheet again since 12 December in order to inject liquidity back into the financial system and ensure the smooth transmission of its monetary policy. Its net purchases of T-bills (USD 40 bn in the first month, in addition to USD 15 bn in reinvestment of MBS debt maturities) are expected to continue until at least April 2026. Finally, the Board of Governors voted unanimously to reappoint (for five years) the 11 regional Fed presidents who wished to continue in their roles during the five-year review. *Coming up: October and November Employment situation (Tuesday), November CPI inflation (Thursday), October retail sales (Tuesday).*

EUROPEAN UNION

The European Commission continues to roll out its simplification agenda with the presentation of an 'environmental' omnibus package and a 'European networks' package aimed at unifying the European electricity network. An annual Eurostat survey indicates that 20% of EU companies with at least 10 employees now use AI in their activities, compared with 13.5% in 2024. *Coming up: industrial production (Monday), PMI and trade balance (Tuesday), final inflation estimate (Wednesday), ECB meeting and new macroeconomic projections (Thursday), current account (Friday).*

- France: Sustained growth in Q4 driven by defence, aerospace and nuclear. According to the national central bank (Banque de France, BdF), GDP growth is expected to reach 0.2% q/q in Q4 (upward revision of +0.1pp), a figure identical to our nowcast. The industrial capacity utilisation rate rose by 0.4pp m/m and nearly 1pp in six months, to 76.7% in November (historical average 77.1%), driven by electronic and optical goods. According to the BdF, business failures remained stable at a high level (for nearly six months) in October. The increase slowed in services (+1.3% 3m/3m, compared with more than 2% previously), while failures remained stable in trade and construction. **Good credit momentum**: Outstanding home loans were stable in October (+0.1% y/y), as was the average rate on new loans (3.0%). Growth in outstanding consumer loans remained strong despite high rates (up 3.9% year-on-year and 6.1% respectively). Outstanding corporate investment loans increased by 4.1% y/y, driven by equipment and real estate for large companies. The average rate for new loans remained virtually stable for the third consecutive month (~3.4%). **The National Assembly has adopted the social security budget**, which increases the overall public deficit by nearly EUR 7 billion (EUR 2.5 billion for the social security deficit and EUR 4.5 billion in additional State contributions to the social security budget). As for the Central government budget, it is unlikely to be adopted before 31 December; the 2025 budget is therefore expected to be extended into 2026 (special law), with the aim of a new one being presented to Parliament in early 2026. The spread between the French 10-year yield and its German equivalent reached a low since the end of August at 71 bps on 10 December. *Coming up: PMI (Tuesday), INSEE business climate (Thursday), business start-ups (Friday).*

- Germany: First effects of accelerated defence and infrastructure spending on industrial production and construction. The latter rose by 3.3% m/m in October, supported by civil engineering and specialised construction work. Industrial production rose by 1.5% m/m, supported by IT, electronics and optics (+3.9% m/m) and machinery and equipment (+2.8% m/m). The federal government and the Länders have presented a modernisation agenda running until the end of the legislative term, which aims to reduce bureaucracy, speed up procedures and improve the efficiency of state structures. These measures should help to reduce the obstacles to infrastructure modernisation. The first provisions will come into force in 2026. *Coming up: PMI (Tuesday) and IFO business climate (Wednesday), Gfk consumer confidence (Friday).*

- Italy: Industrial production deteriorated by -0.3% y/y and -0.9% q/q in October, due to the automotive sector (-15.1% q/q; lowest since September 2024). *Coming up: October industrial sales (Friday).*

JAPAN

Coming up: Q4 TANKAN survey (Monday), December PMI (Tuesday), BoJ rate decision (Friday).

UNITED KINGDOM

GDP contraction in October (-0.1% m/m, +1.1% y/y). The rebound in manufacturing (+0.5% m/m) was more than offset by declines in services (-0.3% m/m) and construction (-0.7% m/m). The goods trade deficit reached GBP 22.54 billion (the highest deficit since January 2022), due to a sharp decline in exports to non-EU countries (-3.0%). *Coming up: Labour market and PMI (Tuesday), inflation (Wednesday), monetary policy decision (Thursday), retail sales (Friday).*

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EMERGING ECONOMIES

AFRICA & MIDDLE EAST

- Kenya: Policy interest rate cut by 25bp to 9%. In November, inflation slowed down slightly to 4.5% y/y. The 225bp cut in the key interest rate since the beginning of the year has supported credit growth in the private sector (+6.3% y/y in November, compared with -2.9% y/y in January).

- Oman: Fitch Ratings has upgraded the country's rating to BBB-. Thanks to the fiscal consolidation policy of recent years, the debt ratio has been reduced to 36% of GDP in 2025, down from a peak of 68% in 2020. The fall in oil prices is expected to push the budget balance back into the red in 2026, but the deficit should be contained, close to 1% of GDP. Oman is now rated investment grade by the three main rating agencies.

ASIA

- China: Authorities remain confident despite the slowdown in activity. Industrial production growth fell from +4.9% y/y in October to +4.8% in November (+6% y/y for the first eleven months of 2025). The slowdown was more pronounced in services, where growth eased from +4.6% y/y in October to +4.2% in November (+5.6% y/y for the first eleven months of 2025). While exports picked up in November, domestic demand continued to lose momentum. Retail sales growth softened to just +1.3% y/y in value terms in November (compared with +4.3% y/y over the first ten months of 2025), and total investment contracted by -2.6% y/y in value terms over the first eleven months of 2025. This contraction was driven by lower investment in real estate and weaker investment in public infrastructure and manufacturing. The latter is being penalised by the deterioration in demand prospects and by the anti-involution campaign, which has also probably helped to reduce deflationary pressures. **In November, consumer price inflation accelerated** to +0.7% y/y (from +0.2% in October); food prices rose slightly (+0.2% y/y) after a year of decline, and core inflation stabilised at +1.2%. **According to the Central Economic Work Conference, held on 10-11 December, the authorities will maintain a 'broadly accommodative' economic policy in 2026,** but new support measures are expected to be more modest than in 2025. They are therefore ignoring the recommendations reiterated by the IMF (at the end of the annual macroeconomic surveillance discussions) regarding the importance for China and the rest of the world of strengthening private consumption to rebalance its growth model.

- Taiwan: New record growth in merchandise exports. They rose by +56% y/y in current dollars in November, and by +34% y/y over the first eleven months of 2025. The strong boost in sales of Taiwanese semiconductors and other electronic products is accompanying the AI boom. Exports to the United States (30% of Taiwanese exports in 2025, compared with 23% in 2024), Asian countries and Mexico have posted some of the highest growth rates since the beginning of the year.

- Thailand: Dissolution of Parliament. Anutin Charnvirakui, in office since September 2025, has dissolved the House of Representatives in order to prepare for early general elections, which must be held within 45 to 60 days.

EMERGING EUROPE

Hungary: Fitch maintains its sovereign rating at BBB but changes its outlook from stable to negative. This relates to the pre-election budget, which is expected to widen the budget deficit. In addition, further measures cannot be ruled out as the 2026 elections approach (S&P: BBB- with negative outlook; Moody's: Baa2 with negative outlook). In November, inflation (3.8% y/y) returned to its target range of 2-4%.

LATIN AMERICA

- Argentina: Inflation picks up again. In November, monthly consumer price inflation stood at 2.5% after 2.3% in October. Year-on-year, disinflation came to a halt at 31.4% (compared with 31.3% in October). However, the peso has been stable against the dollar since October. The acceleration is the result of a real increase in transport and energy prices.

- Chile: Ultra-conservative candidate José Antonio Kast won a landslide victory (over 58% of the vote) in the second round of the presidential election. The candidate highlighted his proposals on illegal immigration and insecurity. The details of his economic proposals are not yet known. No party has an absolute majority in either the Senate or the Assembly.

- Colombia: Fiscal consolidation threatened by the rejection of tax reform from the Congress. The tax reform bill included, among other things, the creation of a wealth tax, a new tax on initial sales of oil and coal, and a surtax on the financial sector (the tax rate would have risen from 35% to 50%). The financing of the 2026 budget, adopted in October, was partly based on this reform, which was expected to bring in an additional COP 16.3 trillion (0.9% of GDP) to the public coffers. Without such reform, the government will have to choose between cutting spending to bring the budget deficit back to its official target (6.2% of GDP in 2026) or maintaining the deficit at around 7% of GDP.

- Mexico: Industrial production fell in October for the seventh consecutive month (-0.4% y/y after -2.3% in September). Production in the mining and manufacturing sectors continues to contract. Meanwhile, inflation accelerated in November (to +3.8% y/y after +3.6% in October), driven partly by the rise in core inflation (+4.4% in November, after +4.3% in October).

COMMODITIES

Oil supply surplus expected in 2026, except according to OPEC. The International Energy Agency (IEA) continues to forecast a very high production surplus in 2026, although it has been revised slightly downwards (-0.2 mb/d to 3.8 mb/d), given an upward revision in global demand growth (+0.86 mb/d expected in 2026) and a confirmation by OPEC+ members to maintain the growth in production on hold in Q1 2026. The surplus for 2025 has also been revised downwards to 2.4 mb/d, taking into account the impact of sanctions affecting production in Russia and Venezuela. Due to a lack of export destinations for these countries, oil on water continues to grow.

The US Energy Information Administration has left its forecasts for 2026 virtually unchanged: oil demand is expected to grow by 1.3 mb/d, pushing the price of Brent down to USD 55/bbl in Q1 2026, where it is expected to remain at this level throughout 2026 (USD 55.1/bbl on average for the year). **However, OPEC is maintaining its forecast for crude oil demand growth of 1.3 mb/d in 2026** and leaving unchanged the call on OPEC+ at 43 mb/d (42.4 mb/d forecast for 2025). According to OPEC, this should help to balance the market.