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ADVANCED ECONOMIES

UNITED STATES

Tariffs: see you on 1 August... but not really. Initially scheduled for 9 July, the expiry of the suspension of "reciprocal" tariffs has been postponed to 1 August to allow agreements to be reached by then. This deadline should mark the entry into force of the new tariffs (see below) and, in the absence of an agreement, the application of the tariffs decided on "Liberation Day" (2 April). At the sectoral level, 50% customs duties on copper imports, which have been exempt from additional tariffs until now, will apply. The US president has mentioned a one-year delay on pharmaceutical products (currently exempt) before the application of a very high tariff ("such as 200%"). At the national level, the most significant announcements concern the European Union (30%), Mexico (30%), Brazil (50%) and Japan (25%). An official letter has been sent to Canada threatening to increase the current tariff to 35% (+10pp). Additional tariffs (10% for BRICS countries and countries aligned with policies deemed "anti-American" by the White House; secondary tariffs of 100% on Russia) have also been mentioned. **Sentiment among small businesses is stabilising.** The NFIB optimism index fell marginally in June (98.6 vs. 98.8 previously). The uncertainty index dipped to 89 (-5 points) and price plans were revised slightly upwards (32 vs. 31). *Coming up: CPI inflation (Tuesday), PPI and industrial production (Wednesday), retail sales (Thursday), University of Michigan consumer sentiment index (Friday).*

EUROZONE

Progress on the European project: the Council of the European Union formally approved Bulgaria's accession to the Eurosystem on 1 January 2026. Following the remarks made by ECB President Christine Lagarde on strengthening the euro's role as a global reserve currency on 9 July in Brussels, Philip Lane, ECB's chief economist, called for an increase in the volume of safe assets denominated in euros. He also mentioned three proposals to this end: issuing more joint bonds to finance European public goods, using dedicated tax revenues for "blue bonds/red bonds" (joint bonds issued by Member States and backed by dedicated revenue streams), and pooling national bonds into "sovereign bond-backed securities". The European Commission has unveiled an action plan to support the European chemical industry, accompanied by an Omnibus package of administrative simplifications for the sector. Industrial production rebounded by 1.7% m/m in May, driven by the pharmaceutical sector. *To be published this week: final inflation figures (June). On 16 July, the European Commission will unveil the broad outlines of the next post-2027 multiannual financial framework.*

GERMANY

Trade balance rebounds despite decline in exports to the United States. The balance reached EUR 18.4 billion due to a sharper decline in imports than in exports. Amid ongoing trade tensions with Washington, exports to the United States recorded a second consecutive monthly decline, erasing the positive momentum seen in the first quarter. Over the first five months of the year, they fell by 2.2% compared to the same period in 2024. This trend is also weighing on trade with the European Union, which posted a month-on-month decline. Meanwhile, the trade deficit with China continues to widen. Industrial production rebounded by 1.2% m/m in May and the six-month average continued to rise, albeit marginally (+0.1% m/m). Final inflation figures for June confirmed preliminary estimates: harmonised inflation rose by 2% year-on-year. Parliament approved the private investment recovery plan, which provides for exceptional depreciation allowances until 2027 and a 5-point reduction in corporate tax from 2028 to 2032, with an estimated value of EUR 46 billion by 2029.

FRANCE

Uncertainty remains ahead of the announcement of the first budget decisions on 15 July. Several options for curbing public spending are reportedly being considered, including a freeze on social benefits or a decision not to index them. The current account deficit narrowed to EUR 3.1 billion in May (vs. EUR 6.6 billion in April) but widened to EUR 1 billion over 12 months. Unharmonised inflation in June was revised slightly upwards (by 0.1 percentage point, to +0.4% month-on-month and +1.0% year-on-year), as was harmonised inflation (+0.9% year-on-year). **The stabilisation of corporate bankruptcies appears to be confirmed** (67,000 in total between March and May 2025). The economic weight of bankrupt corporates (which is the annualised ratio of outstanding bank loans to newly bankrupt corporates to the average outstanding bank loans to healthy and bankrupt corporates over the period) fell to 0.52% (-2 bp m/m) and could stabilise soon. **New lending to households for house purchase (seasonally adjusted) fell significantly between April and May** to EUR 11.5 billion (-EUR 1.1 billion), ending three months of consecutive increases. The scenario of a forthcoming stabilisation in lending rates appears to be confirmed for housing and consumer loans (at 2.99% and 6.40% respectively in May, compared with 2.99% and 6.43% in April). **Growth in outstanding bank loans to non-financial corporates continued to slow** in May 2025 for the third consecutive month (2.1% year-on-year, -0.2% month-on-month). Outstanding debt securities rose slightly (+0.3% year-on-year). The cost of new bank and market financing continued to decline (3.56% and 3.31% in May, compared with 3.68% and 3.40% in April).

UNITED KINGDOM

Further decline in activity. Monthly GDP contracted for the second consecutive month in May (-0.1% m/m). Industrial production fell by 0.9% m/m. The trade deficit narrowed slightly over the month but reached a new record high over the year (GBP 239.4 billion). The RICS survey points to a stabilisation in real estate activity, with opinion balances close to equilibrium. The Franco-British summit resulted in cooperation agreements on migration and defence (Lancaster 2.0). *Coming up this week: June inflation and the labour market report.*



EMERGING ECONOMIES

BRAZIL

US Tariff Threats: between Political Pushback and Market Jitters. In response to the US threat of tariff hikes announced on July 9, President Lula stated that Brazil stands ready to implement equivalent retaliatory measures, if necessary, in line with the reciprocity law passed by Congress in April 2025. Following the July 9 announcement, the Brazilian real fell by 2% against the US dollar, while the stock market declined by 2.5% (through July 15). Markets fear not only the impact of the new measures on Brazilian exporters—particularly the 50% tariff on copper announced simultaneously—but also anticipate a deterioration in relations between the two countries.

CHINA

Very slight acceleration in underlying inflation. Consumer price inflation returned to positive territory in June (+0.1% year-on-year, compared with -0.1% in the previous three months). Core inflation continued its slow rise (+0.7% year-on-year, compared with +0.6% in May and +0.5% in April), driven in particular by a slight upturn in household consumption. However, food and fuel prices continued to fall (down 0.3% and 10.8% year-on-year, respectively). Producer price deflation also continued (-3.6% year-on-year), driven by lower raw material costs. **Growth slowdown more moderate than expected in Q2 2025.** Real GDP growth stood at +5.2% year-on-year (compared with +5.4% in Q1) and + 1.1% quarter-on-quarter (compared with +1.2% in Q1). Exports did not slow as expected in Q2, thanks in particular to a slight recovery in June (+5.8% year-on-year in current dollars) due to the truce between Beijing and Washington. This supported industrial production (+6.8% year-on-year in June, compared with +5.8% in May and +6.1% in April). However, the outlook for exports remains bleak and is weighing on investment. Growth in services remained close to 6% year-on-year in June, and the further slowdown in retail sales in June (+4.7% year-on-year in volume terms, compared with +6.5% in May) reflects weak household demand.

MALAYSIA

The last country in Southeast Asia to begin a cycle of monetary easing. The Central Bank of Malaysia lowered its key rate by 25 basis points to 2.75%. The last rate cut was during the pandemic. The Central Bank's decision reflects its concern about the slowdown in global trade, falling commodity prices and rising US tariffs. The country has still not reached an agreement with the Trump administration.

SOUTH KOREA

The Bank of Korea kept its key interest rate at 2.5% on 10 July. Its statement suggests that rates will continue to be lowered gradually between now and the end of the year in order to support growth, which has been weakened in the long term, particularly by the direct and indirect effects of US tariffs. The government is continuing negotiations with the US administration. The immediate objective is to support the effect of recent government measures aimed at containing household debt, which rose again to 92% of GDP in Q1 after eight consecutive quarters of decline. Thanks to these measures, the Seoul property market appears to be stabilising, but household property loans continue to rise rapidly (+ 10% year-on-year in April).

COMMODITIES

Copper prices remain close to their historic highs (above USD 12,000 per metric tonne) on the US market, following the announcement of 50% tariffs on US copper imports. The widening gap with the London market price (around 25-30%) suggests that traders are anticipating a number of exemptions to this decision, particularly depending on the type of product concerned. It should be noted that US copper consumption is around 45% dependent on imports, and that the prospects for increasing production capacity (ore and refined) are limited in the short term. **The International Energy Agency forecasts a slowdown in oil demand in 2025,** with a downward revision of its global demand growth forecast to 700 kb/d, the lowest growth since 2009 (excluding the pandemic period). Oil demand from emerging countries was particularly weak in Q2 2025. The forecast for 2026 is only slightly higher (+720 kb/d). Unsurprisingly, following the recent OPEC+ announcement, production growth forecasts have been revised upwards for 2025 (+2.1 mb/d) and 2026 (+1.3 mb/d).

