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ADVANCED ECONOMIES

UNITED STATES

Inflation rises, job creation revised downwards again. Inflation, as measured by the CPI, rose by+2.9% y/y in August (+0.2pp, +0.4% m/m). Core inflation was stable at +0.3% m/m and +3.1% y/y. The difference can be explained by the acceleration in energy and food inflation. The core component rose for goods (due to the automotive sector) and remained stable for services. Conversely, producer prices fell by -0.1% m/m, bringing the PPI to +2.6% y/y (-0.5pp vs. July) and the Core PPI to +2.8% (-0.7pp). Regarding the labour market, preliminary annual revisions by the BLS have adjusted the number of payroll employees for the period April 2024 to March 2025 downwards (-911k) (-598k in 2024), the largest downard revision on record. *Coming up: court ruling on Fed Governor Lisa Cook;* ***FOMC rate decision and summary of projections*** *(Wednesday), retail sales and industrial production (Tuesday), building permits and housing starts (Wednesday).*

EUROZONE

The European Central Bank reinforces its message of 'good positioning'. As expected, the ECB kept its key interest rates unchanged. Christine Lagarde said that the 'disinflationary process is over' and risks to growth 'are more balanced'. The new growth projections have been revised upwards for 2025 compared with the June forecasts (+0.3pp to 1.2%) and downwards for 2026 (-0.1pp to 1.0%). For 2027, they remain stable (1.3%). Inflation projections have been revised upwards by 0.1 pp for this year and 2026, due to higher energy prices. *Coming up: July trade balance and industrial production (15 and 16 September), final August inflation figures (17 September).*

Germany: Intra-EU trade up. The trade surplus fell slightly in July (-4.3% m/m) to EUR 14.7 billion, with exports (-0.6% m/m) falling more sharply than imports (-0.1% m/m). Intra-EU trade increased, while trade with non-EU countries declined. Exports to the United States fell for the fourth consecutive month, reaching their lowest level since December 2021. The trade deficit with China widened. *Coming up: producer prices.*

France: Q3 growth remains on the higher trajectory observed in Q2. Manufacturing output fell by 1.5% m/m in July, after rising by 3.5% m/m in June. Production in July therefore remains high, particularly in the aerospace industry, where July's production figure is the second highest (after June) since before Covid: it exceeds the average observed between January 2024 and May 2025 by +8.5%. Confirming a good start to the 3rd quarter, our nowcast, the INSEE forecast and the Banque de France nowcast suggest that growth will reach 0.3% q/q if it continues on this positive note throughout the quarter (after already +0.3% q/q in Q2 and +0.1% in Q1 2025). Transactions in the existing property market continued to rebound in Q2 (906,000 over 12 months, compared with 882,000 at the end of March and 832,000 at the low point in September 2024). Existing home prices fell by 0.6% q/q in Q2, but remain above their end-2024 level (+1% q/q in Q1). Despite increased political volatility, the France-Germany spread remains around the 80 bp threshold. Fitch downgraded France's sovereign rating from AA- to A+. It justified its decision by citing the prospect of an increase in public debt in the event of very limited fiscal consolidation in 2026-27 (the deficit would remain 'above 5% of GDP' after 5.4% in 2025). *Coming up: business start-ups (18 September), INSEE business climate (19 September).*

Italy: First increase in industrial production in two and a half years (+0.7% y/y in July vs. -0.7% in June), due to a smaller decline in automotive production (-3.3% vs. -27.2% on average over the first six months of the year). *Coming: trade balance (15 September), HICP, industrial production, labour cost index and wage growth (16 September), current account (18 September).*

UNITED KINGDOM

The UK economy stalled at the start of the third quarter and difficulties in industry persist. GDP stagnated in July (+0% m/m). However, activity is growing at a quarterly rate (+0.4% 3m/3m). Industrial production contracted again (-0.9% m/m), dragged down by the pharmaceutical sector (-4.5% m/m) and chemicals (-4.6% m/m), which reached its lowest level of activity in thirteen years. Services (+0.1% m/m) and construction (+0.2% m/m) offset the decline in industry. The trade balance in goods continued to deteriorate, with a record 12-month cumulative deficit of GBP 243.3 billion in July. Nevertheless, exports rose by +5.2% m/m in July, driven by a rebound in non-EU exports (+9.2% m/m). Property prices have slowed significantly since March. The balance of price changes (RICS survey) reached its lowest level in two years (-19) in August. *Coming: July labour market report (16 September), August inflation (17 September), September GfK consumer confidence index and August retail sales (19 September), BoE monetary policy meeting (18 September).*

EMERGING ECONOMIES

ASIA

China: Broad-based economic slowdown in August. Growth slowed in industry (5.2% y/y vs. 5.7% in July) and services (5.6% y/y vs. 5.8% in July). The contraction in housing sales worsened (-10% y/y), and growth in retail sales remained sluggish (3.4% y/y in value terms and 3.8% in volume terms). In a worrying sign of the slowdown, investment fell again year-on-year in August in the real estate, manufacturing and infrastructure sectors. Year-to-date, total investment growth reached +0.5%, the lowest rate ever recorded in China outside the Covid period. The economy is suffering from the combined effects of weak domestic demand, slowing merchandise exports and 'anti-involution' measures aimed at combating deflation and production overcapacity. **The CPI fell again in August** (-0.4% y/y vs. 0% in July), driven by falling food prices, but core inflation continued to accelerate slightly (+0.8%) and producer price deflation finally abated (-2.9%).

Indonesia: Risk of fiscal slippage. Finance Minister Sri Mulyani Indrawati, known for her sound management of public spending since 2016, has just been dismissed by President Prabowo. Although the new Prime Minister, Purbaya Yudhi Sadewa, has given assurances that he will not allow the budget deficit to exceed the 3% of GDP ceiling, this appointment increases the risk of public finances slipping. The government's fiscal room for manoeuvre to stimulate demand (and achieve the official growth target of 8%) is limited given the small tax base (12.9% of GDP) and the underdevelopment of domestic financial markets.

EUROPE

Turkiye: Continued monetary easing. The Central Bank lowered its main policy rate (the 7-day repo rate) from 43.5% to 40%. The monetary policy committee justified this decision by pointing to a slowdown in core inflation in August (33% year-on-year vs. 34.7% in July) and weak final domestic demand, with inventory building contributing significantly to strong GDP growth in the second quarter (1.6% q/q).

LATAM

Mexico: Proposed increase in tariffs. During the presentation of the budget, the government announced that it was considering imposing tariffs on countries that have not signed a free trade agreement with Mexico, notably China, India, South Korea and the ASEAN countries. Nearly 1,400 products are targeted. The tariffs are expected to range from 10% to 50%. **2026 budget: initially set for 2027, the target of reducing the deficit to 3% of GDP has been pushed back to 2028.** The government's highly optimistic assumptions (GDP growth of between 0.5% and 1.5% in 2025, 1.5% and 2.5% in 2026), the absence of major tax reform, the continued increase in spending (especially social spending) and the reaffirmed support for the oil company Pemex will make fiscal consolidation particularly complicated.

MIDDLE EAST

Qatar: No significant market reaction following Israeli strikes on Doha. The stock market and risk premiums on sovereign bonds remained relatively stable. The same was true for other Gulf countries. Saudi Arabia's national oil company, Aramco, raised USD 3 bn on the international financial markets under very favourable conditions. Oil prices also reacted little, closing the week slightly higher against a backdrop of fragile fundamentals.

AFRICA

South Africa: Rebound in activity in Q2. Real GDP grew by +0.8% q/q in Q2 2025, after +0.1% q/q in Q1 (year-on-year growth slowed from +0.8% in Q1 to +0.6% in Q2). The rebound was particularly marked in the agricultural and mining sectors. This good performance will help economic growth reach at least 1% in 2025, compared with 0.5% in 2024. However, downside risks remain, particularly due to new US tariffs.