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## ADVANCED ECONOMIES

### CHINA / UNITED STATES

**Good understanding, but little concrete progress.** Following their meeting, President Xi Jinping described it as a “historic and significant” visit aimed at fostering a “constructive, strategic and stable relationship”, while Donald Trump spoke of “a great deal of positivity” and “fantastic trade deals” (although only a promise to purchase 200 Boeing aircraft has been mentioned so far). China is calling for the reopening of the Strait of Hormuz, while Mr Trump mentioned a share understanding regarding the necessity of preventing Iran from acquiring nuclear weapons. China has also issued a clear warning on the subject of Taiwan. A visit by Xi Jinping to the United States could take place in September.

### UNITED STATES

**CPI inflation is accelerating,** at +3.8% y/y in April (2.4% y/y in February) – a high not seen since May 2023 – primarily driven by fuel prices (+28.4% y/y). Core inflation reached +2.7% y/y (+2.5% in February), driven by services (+0.5% m/m, +0.3pp), particularly in transport. The rise in producer prices (+6.0% y/y, +1.7pp – the highest since late 2022) – is also reflected in the core figure (+4.4% y/y, +0.7pp), due to transport services. In April, retail sales rose again (+0.5% m/m, indicating consistent growth in 2026), driven by their core component (excluding petrol and motor vehicles). Industrial production (+0.7% m/m) was buoyed by aerospace, IT and a rebound in the automotive sector. During his Senate confirmation hearing, K. Warsh, confirmed by the narrowest majority since 1977 (54-45), expressed his desire for the Fed to stop publishing its policy rate forecasts (dot plots) and indicated that he would hold fewer press conferences than his predecessor. *Coming up: the FOMC minutes (Wednesday).*

### EUROPEAN UNION

**Measures relating to supply chains.** The Critical Medicines Act aims to boost production capacity in Europe, diversify supply chains and strengthen coordination between Member States for joint procurement. A draft directive seeks to broaden supply sources (chemicals, industrial machinery), by capping the share of purchases from any single supplier at between 30 and 40 per cent.

### EUROZONE

**Confirmation of the slowdown in GDP growth in Q1,** to 0.1% q/q (0.2% q/q in Q4), linked to a pullback in Ireland, where growth is highly volatile. Employment rose by 0.1% q/q in Q1. Industrial production grew by 0.2% m/m in March, bolstered by aerospace, IT and electronics. *Coming up: foreign trade (Tuesday), PMI and consumer confidence, Q1 labour costs (Thursday).*

**France: Exports and wages holding up well; unemployment rebounding.** Output growth is thought to have slowed in April according to the Banque de France (BdF), but aerospace deliveries rebounded (+20% y/y in April, after -17% y/y in Q1). Consequently, GDP growth is expected to reach 0.2% q/q in Q2, according to our nowcast. The unemployment rate rose to 8.1% in Q1 2026 (+0.2pp q/q), weighed down by a decrease in salaried employment (-0.1% q/q in Q1 in the private sector) and a decline in new apprenticeship contracts (-2.8% y/y in January-February). Hourly wages rose by 1.9% y/y in Q1 (compared with +1.7% in Q4), exceeding inflation (1.2% y/y in Q1). This trend is set to reverse in Q2 (we forecast +2.1% and +2.9% respectively), despite a 2.4% increase in the minimum wage on 1<sup>st</sup> June. Business insolvencies reached nearly 70,000 over the 12 months to the end of March, according to the Banque de France. In Q1, they rose by 8% y/y. This trend is comparable to that of business start-ups in Q1 (+14% y/y, of which +9% for companies), although the latter slowed in April.

In Q1, the economic impact of insolvencies increased slightly, accounting for 0.54% of bank loans (0.52% at the end of December). Furthermore, 68 large firms and mid-sized companies went into insolvency over the past 12 months (59 a year earlier). *Coming up: PMI (Thursday), INSEE business climate survey (Friday).*

**Germany: Economic expectations have stopped deteriorating, according to the ZEW.** There was an improvement in May (+7 points m/m to -10.2), while the index for the current situation fell (-4.1 points to -77.8; mid-2025 level). The rise in wholesale prices (+6.3% y/y in April compared with +4.3% in March) is primarily driven by petroleum products (+37.3%) and ores, metals and non-ferrous metal products (+40.2%). *Coming up: producer prices (Wednesday), PMI (Thursday), GfK consumer confidence, Ifo business climate and Q1 GDP (Friday).*

**Italy: Industrial production rose in March,** up 1.5% year-on-year (0.7% month-on-month), following a 0.4% year-on-year increase in February, driven by capital goods. *Coming up: foreign trade (Monday).*

### JAPAN

**Long-term interest rates have risen amid concerns over the budget deficit and inflation.** Prime Minister S. Takaichi has called for a supplementary budget to be drawn up to tackle rising prices; this could be financed through new debt issuance. Long-term rates have risen, particularly the 10-year rate (2.74% on 18 May; up 23bp in a week), against a backdrop of producer price inflation reaching its highest level since 2014 in April (+4.9% y/y). The war in Iran has delayed the key interest rate hike, as highlighted in the ‘Summary of Opinions’ from the BoJ’s April meeting. However, a hike could occur “as early as the next meeting”, “even if the situation in the Middle East remains unclear”. Household consumption expenditure contracted by 2.9% y/y in March. *Coming up: Q1 GDP (Tuesday); BNPP forecast at +0.5% q/q, PMI (Thursday), CPI inflation (Friday).*

### UNITED KINGDOM

**Strong GDP growth in Q1, but a rise in long-term rates.** Growth reached 0.6% q/q in Q1 (+0.2% q/q in Q4 2025), driven by private and public consumption. Industrial production rose by 0.8% q/q in Q1. In March, the trade deficit hit a record high of GBP 27.2bn (driven by increased imports of fuel, machinery and transport equipment). Keir Starmer’s position as leader of the government remains uncertain, despite his refusal to resign: long-term rates are approaching record levels, at 5.15% for the 10-year and 5.81% for the 30-year on Monday 18 May. The legislative agenda set out in the King’s Speech (including strengthening ties with Europe, reforming the National Health Service, and establishing a law on energy independence) remains on hold. *Coming up: unemployment and wages (Tuesday), inflation (Wednesday), PMI (Thursday), GfK consumer confidence, retail sales (Friday).*

## EMERGING ECONOMIES

### AFRICA & MIDDLE EAST

**Saudi Arabia: The rise in prices remain moderate.** In April, inflation slowed slightly to 1.7% y/y (compared with 1.8% in March). The rise in food prices remained modest (+0.6% year-on-year), as was the increase in transport costs (+1%).

**South Africa: The markets showed minimal reaction following the reopening of impeachment proceedings against President Ramaphosa.** Last week, the South African rand remained stable against the US dollar, while the average yield on 10-year government bonds rose by just 11bp. An inquiry committee is set to determine whether to recommend the President’s impeachment. If so, the impeachment motion will need to be ap-



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proved by a two-thirds majority in Parliament, where the ANC (President Ramaphosa's party) holds 40% of the seats.

## ASIA

**China: Slowdown in April.** Following a stronger-than-expected first quarter, economic activity fell short of expectations in April. Industrial production growth slowed to +4.1% y/y in real terms (down from +5.7% in March), while growth in the services sector slowed to +4.3% (+5% in March). On the demand side, goods exports remained robust, but investment and private consumption saw a significant decline. Retail sales posted a slight drop in volume, with car sales particularly affected, mainly due to the reduction in government subsidies for electric vehicle purchases. The contraction continues in construction-related sectors, such as cement and steel, while certain industries also seem to have been affected by the ongoing conflict in the Persian Gulf (oil refineries, chemicals).

**India: As external accounts are under pressure, the government is raising taxes and prices.** With the regional elections now over, the Prime Minister has announced a sharp rise in import duties on gold and silver (from 6% to 15%) to ease pressure on the external accounts and the rupee (-5.0% against the dollar since the start of the conflict in the Middle East). Furthermore, to lessen the financial burden on state-owned oil companies and to curb demand, petrol and diesel prices have been increased (+3%) – a modest rise compared to the surge in international oil prices, yet one that could lead to further hikes. The acceleration in producer price inflation (+8.3% y/y in April) and the downward pressure on the rupee could prompt the monetary authorities to raise key interest rates. The deterioration in the external accounts reflects the widening trade deficit, which is linked to rising energy prices, but also significant outflows of foreign capital over the past two months.

**Indonesia: MSCI has announced the removal of several major Indonesian companies from its indices** (which account for 17% of the Indonesian index) as the US firm considers that certain market capitalisations are not sufficiently attractive for institutional investors, given the high concentration of share ownership. MSCI had previously announced in January that it was reviewing the overall status of the Indonesian market, with the possibility of downgrading it from an emerging market to a frontier market. The removal of these major companies from the index has exacerbated downward pressure on the rupiah.

**Malaysia: Growth has stalled compared with the previous quarter.** In Q1 2026, year-on-year growth remained robust (+5.4%), but real GDP showed no change from the previous quarter. All demand components have slowed, including exports.

**Thailand: Robust growth in Q1.** Growth exceeded expectations (+2.8% y/y), driven in particular by a rebound in investment (+2.3% y/y). Exports continued to perform well; however, the rise in investment led to a sharp increase in imports, leading to a negative contribution from net exports to overall growth. For 2026 as a whole, the national statistics agency expects growth to range between 1.5% and 2.5%. Thailand has already seen a decline in tourist arrivals due to the conflict in the Middle East and rising energy prices (-3.4% y/y over the first four months of the year).

## EMERGING EUROPE

**Poland, Romania and Slovakia: Mixed economic performance in Q1.** The Polish economy remains the most dynamic in the region (+0.5% q/q; 3.4% y/y). The effects of the war in the Middle East are still barely noticeable, and growth is expected to remain resilient in 2026, bolstered by European funds (Recovery and Resilience Fund: 3.9% of GDP) allocated for this year. In Romania, GDP fell by 0.2% q/q (-1.7% y/y) following a decline of 1.8% q/q (-1.4% y/y) in Q4 2025. The breakdown of the components is not yet known, but all indications point to subdued consumption in Q1 due to high inflation. With a carry-over of -1.3% in Q1 for 2026, a recession is not ruled out. In Slovakia, GDP growth stood at +0.2% q/q (+0.9% y/y), primarily driven by household consumption and external demand, while investment declined.

**Romania: Double-digit inflation in April.** Inflation reached 10.7% y/y, up from 9.9% y/y in March, attributed to rising prices for food (+7.4% y/y), fuel (+15.7%) and services (+13%).

**Türkiye: Official inflation and budget deficit forecasts revised upward.** In its latest inflation report, the central bank revised its year-end inflation forecast upward from 16% to 24% for 2026 and from 9% to 15% for 2027. Finance Minister Simsek warned that the budget deficit could reach 4% compared to 2.9% in 2025. Since the start of the conflict in Iran, the CBRT has met the money market's liquidity needs through refinancing operations conducted at the upper end of the range, ensuring that the benchmark interest rate observed in money markets reached 40%, as the main policy rate has been maintained at 37% since January. Governor F. Karahan reaffirmed that "monetary authorities will maintain the restrictive monetary policy stance until price stability is achieved in line with the revised intermediate targets."

## LATIN AMERICA

**Argentina: Inflation is slowing.** The monthly rise in consumer prices slowed significantly in April, to 2.6% from 3.9% in March (and 2.8% in April 2025). This normalisation, following the sharp acceleration in March, was aided by the stability of the peso against the dollar since mid-February. Since the start of the year, the peso has appreciated by 4%. Year-on-year, the inflation rate stands at 32.4%.

**Brazil: The increase in prices continues.** Inflation stood at 4.4% y/y in April, compared with 4.1% in March. Although it is approaching the upper limit of the central bank's inflation target, the central bank could continue to cut its key interest rate in June, following two 25bp cuts since March.

**Colombia: Growth is accelerating slightly, but vulnerabilities remain.** In Q1 2026, growth reached 2.2% y/y (+0.1 percentage point compared to Q4 2025). On the demand side, it is once again being strongly driven by consumption, particularly government spending (+7.8%). Gross fixed capital formation rebounded sharply (+3.7%). On the supply side, growth was dragged down by the contraction in the mining and construction sectors. Growth is expected to slow in Q2, held back by monetary tightening and the erosion of fiscal margins.

**Peru: The central bank has kept its key interest rate at 4.25%** for the eighth consecutive month. Inflation reached 4% y/y in April, driven by core inflation (4.4%), but the central bank continues to expect inflation to return to 2% during 2027. On the political front, after a particularly close and contested vote count, the second candidate for the second round of the presidential election on 7 June has been confirmed. Keiko Fujimori, who received 17% of the vote in the first round, supports a pro-market stance that is favourable to investors, particularly foreign ones. She will face Roberto Sanchez, who received 12% of the vote, and is advocating for a larger role of the state, particularly in strategic sectors and social policies.

## COMMODITIES

**OPEC and the IEA (International Energy Agency) have once again revised their forecasts for global oil demand.** The IEA now predicts a further reduction in global demand of 0.33 mb/d compared with its April forecast, and a reduction of 1.3 mb/d compared with its pre-conflict forecast, with the annual forecast for 2026 now standing at 104 mb/d. For the first time since the start of the war, OPEC is also revising its global demand forecast downward by 0.2 mb/d, projecting it to reach 106.33 mb/d in 2026. In contrast, OPEC still anticipates a rise in global demand of 1.2 mb/d compared to 2025, while the IEA foresees a decrease of 0.42 mb/d for 2026, including a significant decline in Q2 2026 (-2.45 mb/d compared to Q2 2025).

The United States is maintaining high exports of crude and refined oil (averaging 13.1 mb/d in the week of 8 May, up 20% year-on-year), at the expense of stock levels (both commercial and Strategic Petroleum Reserve), which are under significant strain. These stock levels have returned to those seen in the same period in 2025 (-3.7% since the start of the conflict).

