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GLOBAL TRADE

Tariffs, Europe once again in the US's sights. US President Donald Trump has announced additional tariffs for eight countries (Germany, Denmark, Finland, France, Norway, the Netherlands, the United Kingdom, and Sweden) in the absence of an agreement for the "total and complete acquisition" of Greenland by the United States. These tariffs, which would be added to existing ones (notably 15% for the EU), would be 10% from February and 25% from June. This would call into question the trade agreements signed in 2025 by the United Kingdom and the EU with the United States. The EU is prepared to implement retaliatory measures, which could include new tariffs and/or the unprecedented use of "anti-coercion instruments" that could limit US access to the single market and export restrictions. Under these circumstances, the upcoming US Supreme Court ruling on reciprocal tariffs takes on added importance for European economies.

In addition, the European Commission has proposed to introduce a minimum price for Chinese electric vehicles sold in the EU in order to factor in Chinese state aid. This could lead to the lifting of the additional tariffs decided in 2024 and Chinese retaliatory measures (e.g. beverages).

New tariffs on semiconductors but US/Taiwan agreement. Previously exempt, certain products containing semiconductors (notably from NVIDIA and AMD) will be subject to additional tariffs of 25% (excluding imported chips used in the United States). In addition, an agreement has been signed with Taiwan: the tariff has been revised to 15% (-5 pp, the same level as Japan and Korea), sectoral tariffs are capped at this level, and certain products are exempt (e.g., electronic goods, generic pharmaceuticals, natural resources unavailable in the US); in return for investments in the United States (USD 250 billion) in semiconductors, energy, AI, and innovation. The Taiwanese parliament, controlled by the opposition, has yet to approve the agreement. Finally, Donald Trump announced on social media new secondary tariffs of 25% for countries trading with Iran. These tariffs, which have not been formalized, would primarily affect China and the United Arab Emirates. *Coming up: the US Supreme Court's deliberation on reciprocal tariffs.*

ADVANCED ECONOMIES

UNITED STATES

Pass-through of tariffs to domestic inflation remains moderate and hard data is sending positive signals. In December, headline CPI inflation was stable (+2.7% y/y) as was core inflation (+2.6% y/y). The stability (m/m) of non-energy goods prices indicates that the pass-through of tariffs to the end consumer remains moderate, but inflationary pressures persist in food and energy. In November, producer prices rose by +0.2% m/m (+0.1% in October after +0.6% in September), due to the energy component (+4.6% m/m), and retail sales showed fairly robust household consumption: the total result rose again (+0.6% m/m, +0.7pp) thanks to the automotive sector. In December, manufacturing output rebounded (+0.2% m/m, -0.1pp) for the second consecutive month, despite a further decline in the automotive sector, while existing home sales reached 4.35 million (annualized, +5.1% m/m), the highest since the end of 2022. The Fed's Beige Book confirms the improvement in activity but also highlights a divergence between high and low incomes, weak hiring, and persistent price pressures that are less easy to absorb. Furthermore, while the market probability of a rate cut is 6% in January, J. Williams (New York Fed) considered the current monetary policy to be "well positioned" after the rate cuts in H2 2025. *Coming up: Trump's speech at the WEF (Wednesday), new Q3 2025 GDP estimate (Thursday), November PCE inflation (Thursday).*

EUROPEAN UNION

Progress on rearmament funding. The European Commission (EC) has approved EUR 38 billion in funding (for Belgium, Bulgaria, Denmark, Spain, Croatia, Cyprus, Portugal, and Romania) as part of the SAFE (rearmament) plan. The EC has specified the terms of the loan to support Ukraine: EUR 90 billion for 2026–2027, including EUR 60 billion in military assistance and EUR 30 billion in budgetary support, with a first disbursement in the second quarter of 2026.

EUROZONE

Industrial production rose 0.7% MoM (+2.5% year-on-year) in November, driven by capital goods (+2.8% MoM) and energy (+2.2% MoM). The household savings rate fell from 15.4% in Q2 to 15.1% of gross disposable income (GDI) in Q3, which remains high. The household debt ratio is stable at 81.5% of GDI, while the corporate debt ratio is at its lowest level since 2007 (66% of GDP in consolidated terms). *Coming up: November current account (Tuesday), PMI (Friday).*

- **France: The government is maintaining its deficit target at 5% of GDP and is additional spending for households financed by higher corporate tax for large companies.** Additional spending has been announced (notably an activity bonus) in order to avoid a no-confidence vote, enabling the budget to be adopted through Article 49.3. The corporate tax surcharge would be raised to its 2025 level (EUR 8 bn) in order to maintain the 5% public deficit target in 2026. In parallel, the Bank of France confirmed its estimate of 0.2% growth in the fourth quarter, supported by industry. *Coming up: INSEE business climate and PMI (Friday).*

- **Germany: Growth rebounds in Q4.** Growth rebounded to 0.3% in 2025 (after two years of contraction), driven by public spending and household consumption and penalized by exports and private sector investment. Growth for Q4 2025 will be released on January 30; we estimate it at +0.3% q/q (based on quarterly figures published up to Q3 and the annual figure for 2025), after stagnating in Q3. It is thought to have been supported by a rebound in industrial production (capital goods) and construction (infrastructure). *Coming up: PMI (Friday).*

- **Italy: Industrial production improved** by +1% q/q in November (highest since June 2022), supported by communications and electrical equipment.

JAPAN

Early general elections on February 8, following Prime Minister S. Takaichi's dissolution of the lower house of parliament, where her government has only a relative majority. Her program includes a two-year suspension of food consumption taxes. *Coming up: Bank of Japan meeting, December inflation and PMI (Friday).*

UNITED KINGDOM

Acceleration in GDP growth in November 2025 (+0.3% m/m), supported by industry (+1.1% m/m, rebound after the cyberattack on Jaguar Land Rover in September 2025). Activity contracted by 1.3% m/m in construction (delays linked to budget uncertainty). *Coming up: November employment (Tuesday), December inflation (CPI and PPI) (Wednesday), retail sales and PMI (Friday).*



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EMERGING ECONOMIES

A record year for non-resident investment flows in the bond markets of major emerging countries. According to estimates by the Institute for International Finance based on its monthly tracker, net portfolio investment flows in equities and bonds by non-residents in the financial markets of major emerging countries amounted to USD 266 billion in 2025. This is still significantly less than the records of over USD 300 billion recorded between 2017 and 2021. However, excluding China, where flows turned negative again (-USD 72 billion), 2025 was an exceptional year with USD 339 billion in investments in equities and bonds combined, and a record USD 386 billion in bonds alone.

AFRICA

Towards an extension of AGOA. The US House of Representatives has approved a three-year extension of the AGOA law, which expired on October 1. This extension will allow preferential access to the US market for a large number of African exports until the end of 2028. However, it should not replace reciprocal tariffs. The bill must be approved by the Senate, which could modify the list of beneficiary countries. South Africa could be removed from the list given the ongoing tensions with the United States.

ASIA

- China: Unsurprisingly, economic growth reached the official target of 5% in 2025. The weakness of domestic demand worsened in the last months of the year, while foreign trade performance remained very strong. Real GDP growth stood at 4.5% y/y in Q4 2025 (after 4.8% in Q3) and 1.2% q/q (after 1.1% in Q3). The contraction in investment worsened in Q4 (-3.8% in value terms for 2025 as a whole), affecting the real estate, infrastructure, and manufacturing sectors. Retail sales were almost flat in real terms in December. Meanwhile, foreign trade figures for December confirmed the trends seen in 2025: i) solid export growth (+6.6% y/y in USD in December and +5.5% in 2025), with a strong decline in sales to the United States and a sharp increase in sales to other regions of the world; ii) weak imports (+5.7% y/y in December and 0% in 2025); iii) record trade surplus: USD 114 billion in December and USD 1,190 bn for 2025 as a whole, up 20% compared to 2024 (compared to a trade surplus of USD 419 billion in 2019).

Announcement of interest rate cuts: in response to the slowdown in total social financing (+8.3% y/y at the end of 2025 vs. +8.9% in mid-2025), the authorities announced interest rate cuts of 25 bp on the Central Bank's relending facilities (which enable preferential rates for bank loans granted to targeted sectors such as agriculture, tech and small businesses).

- South Korea: Probable end of the monetary easing cycle. The key interest rate was kept at 2.5% for the 5th consecutive time. The central bank indicates that the high volatility of the exchange rate, rising real estate prices in the Seoul metropolitan area (+12% in 2025, compared with a rise of just under 1.5% for the national index) and persistent inflationary pressures (inflation stood at 2.3% year-on-year in December, above the 2% target for the 4th consecutive month) are the reasons for the status quo.

- Malaysia: Solid economic growth in Q4-2025. According to initial estimates, GDP accelerated by 5.7% y/y in Q4-2025, bringing full-year growth to 4.9% (vs. 5.1% in 2024). As in the rest of ASEAN, growth has been much more resilient than expected thanks in particular to strong exports of electronic products and, above all, semiconductors. Growth in 2026 is expected to slow to between 4% and 4.5% according to the government

EMERGING EUROPE

- Poland: Monetary status quo. As expected, the Central Bank kept its key rate unchanged at 4.00%. The cycle of monetary easing, which began last year, could soon come to an end. Two further 25 bp cuts are expected in the coming months (after a cumulative -175 bp in 2025). In December, inflation (+2.4% y/y) remained below the Central Bank's inflation target (2.5% ±1 pt), giving the monetary authorities some flexibility.

- Central Europe: Inflation data uneven in December, downward trend expected in coming months. December figures show a decline in Romania and Hungary, a slight acceleration in Slovakia, and relative stability in Poland and the Czech Republic (Slovakia: +3.9% y/y in December, Poland: 2.4%, Czech Republic: 2.1%, Hungary: 3.3%, Romania: 9.7%). Overall, the trend is toward a lower inflation. However, on average in 2025, Central European countries recorded a slight rise in inflation compared to 2024. There are several reasons for this: an increase in the VAT rate in Romania (July 2025) and Slovakia (January 2025), and a rise in food prices at the beginning of the year in the Czech Republic and Hungary. Notably, inflation in two countries (Poland and Hungary) was in line with the target at the end of December 2025. The Czech Republic is also expected to meet this target this year. In 2026, the decline is expected to continue.

LATIN AMERICA

Mexico: Temporary easing of tensions with the United States. President Trump and President Sheinbaum met on January 12 to discuss "security, trade, and investment." A call specifically dedicated to security, addressing in particular Mexico's relations with Cuba, is to be held on January 22.

COMMODITIES

The temporary decline in the risk of US military action in Iran has led to only a moderate drop in oil prices. The spread between US (WTI) and Brent prices is widening again (to around USD 4.5/b) as hopes for a rapid recovery in Venezuelan production fade. This spread had narrowed significantly (with WTI falling) following the capture of President Maduro.

Strong rebound in gas prices in Europe (TTF: +27% since January 8), returning to mid-2025 levels amid falling temperatures in Europe, relatively low European stocks, and risks to Turkish supplies in the event of a disruption to production in Iran.

