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## INTERNATIONAL

**Reciprocal tariffs suspended pending Supreme Court ruling.** A US Court of Appeals decision has upheld the Court of International trade's ruling that the tariffs imposed by Donald Trump under the International Emergency Economic Powers Act (IEEPA) are illegal. This applies to "reciprocal" tariffs and those related to opioids. Tariffs remain in effect until 14 October to give the Administration time to appeal to the Supreme Court.

## ADVANCED ECONOMIES

### UNITED STATES

**New tensions surrounding the Fed and rise in core inflation.** President Trump announced the immediate dismissal of Fed Governor L. Cook (whose term expires in 2038) following reports of possible misconduct involving real estate loans. This is the first attempt by a US president to dismiss a Fed governor, an institution whose independence is guaranteed by law, as recently reiterated by the Supreme Court. Replacing L. Cook would result in a majority of members appointed by D. Trump on the Board of Governors. L. Cook has taken legal action against this decision, asking the court to allow her to continue to perform her duties until a decision on the merits is made. This legal case will ultimately be decided by the Supreme Court, where it will set an important precedent on the limits of the Fed's independence. Inflation, as measured by the PCE, was stable in July at +2.6% y/y overall and rose to +2.9% y/y for the core measure. GDP growth in Q2 has been revised to +3.5% annualised from +3.0% initially (and -0.5% in Q1), due to residential investment (+5.5% annualised from +1.9% previously). According to the Conference Board's monthly survey, the labour differential (the balance of opinions judging jobs to be easy and difficult to find) deteriorated for the eighth consecutive month, and inflation expectations (1 year) rose again (6.2%, +0.5pp). *Coming up: Employment situation (Friday), ISM manufacturing (Tuesday) and non-manufacturing (Thursday).*

### EUROZONE

**A step forward towards formalising the trade agreement with the United States.** The European Commission has submitted its proposal to co-legislators to remove its tariffs on US industrial goods, in accordance with the terms of the joint communiqué with the United States dated 21 August. This step should trigger a reduction in US tariffs on European automobile from 27.5% to 15%, retroactive to 1 August. The European Commission's Economic Sentiment Indicator (ESI) fell in August (-0.5 points to 95.2) due to consumer, industrial and construction confidence, while the services index improved. According to the minutes of the ECB's latest monetary policy meeting (23-24 July), the majority of Committee members consider the risks to inflation to be "broadly balanced" and the monetary status quo to be preferable for "managing shocks and two-sided inflation risks". According to the ECB, median household inflation expectations remained stable in July over a one-year horizon (2.6%) and five-year horizon (2.1%).

**Germany: Inflation and economic sentiment rose slightly to 2.1% y/y in August** (from 1.8% in July), supported by a rebound in goods inflation (1.3%, the highest figure since December 2024). The Ifo business climate index continued to rise in August, reaching 89 (+0.4 pts m/m), its highest level since May 2024. Business expectations for the coming months improved (91.6 vs. 90.7), while the assessment of the current situation remained stable. The manufacturing PMI reached 49.8 in August, its highest level in more than three years. The GfK index of household sentiment for September fell (to -23.6, compared with -21.7 in August). Retail sales fell by 1.5% m/m in July, a trend that affected all categories of goods.

**France: Positive data (business start-ups, labour market, purchasing power) but confidence is down.** Business start-ups reached a new record in July. On a steady upward trend since April, there were nearly 100,000 creations in July, compared with an average of around 95,000 previously. The manufacturing PMI recovered to 50.4 in August (48.2 in July), moving into expansion territory for the first time since January 2023. Job creation was observed (+50k), mainly in market services, in Q2 after two quarters of job losses. Purchasing power rose by 0.4% q/q in Q2 (+0.1% in Q1), supported by faster wage growth than price growth. Nevertheless, consumption stagnated in Q2, leading to a further increase in the savings rate to 18.9% (compared with 18.6% in Q1). Harmonised inflation fell from 0.9% y/y in July to 0.8% in August, due to a more moderate rise in service prices. Household confidence fell to 87 in August from 88 in July, penalised by a further deterioration in perceptions of living standards (down 3 points for the past and 2 points for the future). However, the intention to purchase a home within two years rebounded (9% of households in August, compared with 8% in July and 6.5% three months ago). The Prime Minister announced a vote of confidence on 8 September. A negative response from the majority of MPs (abstentions will not be counted) seems likely, according to statements from the various parties. This would lead to the fall of the government, raising the risk of delaying the budget process. Reflecting renewed market concerns, the spread between the French 10-year rate and its German equivalent has risen to nearly 80 bp, compared with 70 bp before the announcement.

**Spain: The business climate deteriorated but remained positive in August** (101.7; -2.6 points m/m). This was due to a sharp drop in confidence in the construction sector (-9.6 points m/m to 8.8; the worst level since March 2024), where declining new orders, financial constraints and labour shortages are limiting production. Industrial activity fell compared with the previous month (-1.3 pts m/m to -5.8): new orders are down, as are hiring expectations, and finished product inventories are rising significantly. Nevertheless, companies' expectations for production in the coming months are improving. Harmonised inflation remained stable at 2.7% y/y in August. *Coming up: Manufacturing PMI and unemployment rate (Monday), Composite and Services PMI (Wednesday), third estimate of real GDP (Friday).*

**Italy: Private sector activity deteriorated again in August** (ESI at 98.4; -1.0 pts m/m), mainly due to a fall in confidence in construction (-2.5 pts m/m to 1.0, the worst level since 2021). In industry, activity remains sluggish (-7.7; -0.6 pts m/m), but confidence remains close to the level observed over the last twelve months. The situation is better in the services sector (2.3; +1.3 pts m/m). Consumer confidence is improving (+0.2 pts to -16.8, the highest level since May). Harmonised inflation remained stable at 1.7% y/y in August. *Coming up: Manufacturing PMI and unemployment rate (Monday), composite and services PMI (Wednesday), third estimate of real GDP (Friday).*



**UNITED KINGDOM**

**New tensions on the bond market amid fears of stagflation.** On 27 August, 30-year rates briefly reached their highest level in four months.

**JAPAN**

**Positive news on employment.** While all four sub-components are improving, the highest results and growth are on the employment side. In July, retail sales (0.3% m/m, -1.6pp) and industrial production (-1.6% m/m, -3.7pp) fell short of expectations, while the unemployment rate dipped to 2.3% (-0.2pp). Consumer confidence improved in August, reaching 34.9, its highest level since January.

**EMERGING ECONOMIES****CHINA**

**Slight improvement in activity in August.** The manufacturing PMI published by RatingDog (formerly Caixin) is once again above 50 (standing at 50.5), while the official PMI rose from 49.3 in July to 49.4. The "production" sub-component of the official PMI rose to 50.8, but the "new orders", "new export orders" and "employment" sub-components remain below 50.

**INDIA**

**Faster-than-expected growth in the spring.** Real GDP growth accelerated to 7.8% y/y in the first quarter of the 2025/2026 fiscal year (April-June), compared with 7.4% in the previous quarter. Although probably overestimated due to a very low GDP deflator (+0.9% y/y), real GDP growth was driven by public and private domestic demand. However, it could slow sharply in the coming months if the 50% reciprocal tariffs imposed by the United States since 27 August are maintained.

**POLAND**

**Draft budget for 2026: minor consolidation.** For 2026, the government is forecasting a budget deficit of 6.5% of GDP (the official forecast for 2025 has been revised upwards by 0.6 p.p. to 6.9%) and public debt of 66.8% of GDP. Defence and health are among the main expenditure items (4.8% of GDP and around 6% of GDP respectively). According to government projections, financing requirements for next year remain high, estimated at PLN 423 billion (10.2% of GDP). It should be noted that the budget may be subject to a presidential veto.

**SOUTH KOREA**

**Extended pause in monetary easing.** For the second consecutive time, the Central Bank left its policy rate unchanged at 2.5% at its meeting on 28 August. On this occasion, the inflation forecast for 2025 was raised to 2% (from 1.9% previously) and the GDP growth forecast was revised to 0.9% (from 0.8%), which was confirmed by a slight increase in industrial production and retail sales in July. The statement specifies that the easing cycle may resume when export activity slows down as a result of US tariffs. For the time being, the Central Bank is giving priority to financial stability. Despite stricter regulations, mortgage lending growth has continued to accelerate, and fears of a property bubble persist.

**TURKIYE**

**Economic growth accelerated in Q2 2025** (+1.6% in CVS-CIO data after 0.7% in Q1). Year-on-year growth was 4.6%. Household consumption was the main support factor, rising by 5.1%, the strongest growth since Q2 2024.

