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ADVANCED ECONOMIES

In brief. Data releases confirmed resilient to strong growth and above-forecast inflation in most advanced economies, with France lagging behind and earning a rating outlook downgrade from Fitch as a result. Fed, ECB and BoJ remained on hold, as expected, and on track for December hikes. Oil continues to fluctuate between escalation fears and hopes for a return to the negotiating table. The tech sell-off in equity markets intensified despite strong earnings, as markets balk at large capex plans. This helped bond yields ease from recent highs.

EUROZONE

Resilience confirmed despite tightening credit. GDP expanded by a stronger-than-expected 0.4% q/q in Q3 (0.2% ex-Ireland), with Spain, Germany and the Netherlands contributing to the bulk of non-Irish growth. We increase our growth forecast to 1.6% in 2027 (+0.1pp), driven by further improving sentiment in manufacturing. Bank lending conditions tightened further in Q3 for businesses, especially SMEs, driven by France and Germany, while corporate and housing-loan demand weakened. The ECB kept its deposit rate at 2.5% and signaled it was firmly on track for a (likely final) December hike. President Lagarde also confirmed she would step down early, on February 7, setting off the succession race. EU leaders are expected to decide jointly on the three Board members departing between January and May (President, chief economist, and market operations), likely at their mid-December meeting. Official candidates to succeed Lagarde are BIS Head Pablo Hernandez de Cos and former Dutch central bank Governor Klaas Knot.

To watch next week: October flash CPI (Wednesday).

France: Another growth setback, with silver linings

GDP contracted by 0.1% q/q in Q3 as a sharp drop in aeronautical production hit exports and investment. However, services output grew by a robust 0.3% q/q, and household consumption also grew more strongly than forecasted (+0.4%). While 2026 will inevitably be knocked down (to 0.3%), we forecast 0.8% for 2027. Nevertheless, Fitch issued an unscheduled rating outlook downgrade to negative territory, on grounds that fiscal, growth and adjustment prospects have deteriorated since its August review. A new review could be concluded as early as February. Harmonised inflation accelerated to 3.8% y/y in October, with both energy and non-energy contributing. Meanwhile, producer price inflation accelerated to 8.2% y/y in September. Insee's index of household confidence fell to 80, matching its 2013 all-time low, driven by a decline in expectations of its own financial situation. Private payroll employment declined by 26,000 over Q3 (-0.1%). However, in previous quarters, the decline in payroll employment was more than offset by the increase in self-employment (not released until November 27).

To watch next week: September industrial production (Thursday); September foreign trade (Friday).

Germany: Growth holds up as inflation slows

GDP grew by 0.2% q/q in Q3, with consumption rising slightly but investment declining and export growth slowing. HICP inflation fell from 3.3% to 2.8% in October following energy-tax cuts and fuel discounts, but core inflation also slowed, to 2.1%. Business confidence (Ifo survey) reached its highest level in more than three years, led by manufacturing, which is back in positive territory for the first time since 2023. By contrast, consumer confidence deteriorated to its lowest since May, due to growing concerns about inflation, which are weighing on consumers' spending intentions.

To watch next week: September retail sales (Monday); September factory orders (Thursday); September industrial production (Friday).

Italy: Stagnant growth meets energy-driven inflation surge

GDP was flat in Q3, missing expectations, as positive domestic demand was offset by net exports. Economic sentiment improved, but HICP inflation jumped from 4.2% to 5.6% in October, its highest level since September 2023, mainly because of regulated energy prices; core inflation also rose, to a more moderate 2%. More positively, economic sentiment rose to 100.2 in October 2026 (from 99.4 in September), despite the Eurozone decline. The improvement was driven by services and construction. The Italian cabinet approved a budget focused on middle-class tax cuts, financed partly by levies on banks, energy and gambling companies. x

UNITED KINGDOM

A cautious budget buys breathing space. The budget offered 98 small cost-of-living alleviation measures and £4.1 billion in household energy cost relief, while only modestly increasing taxes, including a temporary rise in the bank surcharge. Its short-term stance is slightly expansionary, while major structural decisions on defence, pensions and welfare have been postponed. The official budget watchdog, OBR, cut its 2027 growth forecast to 1%, and firms' inflation expectations continued to rise. UK gilts outperformed and equities advanced after the budget. GBP rose to a six-week high against the dollar and a 19-month high versus the euro as markets price a near-certain Bank of England rate hike (to 4%) at this week meeting. We agree but, unlike market pricing, we do not expect it to hike further.

To watch next week: Bank of England interest-rate decision (Thursday).

UNITED STATES

Fed awaiting more information despite strong growth. The Federal Reserve held its target range at 3.75–4.0%, with two members voting for a 25 bp increase, as Chair Warsh highlighted stronger growth, favourable employment conditions and inflation that remains too high. Q3 GDP accelerated to 3.4% annualised, powered by resilient consumption and a 12.7% jump in business investment. Despite jobless claims remaining near multi-decade lows, compensation costs adjusted for inflation declined 0.4%, marking the second consecutive quarter in which labour cost growth trailed price increases.

To watch next week: Midterm elections (Tuesday); October ISM manufacturing (Monday) and non-manufacturing (Wednesday); Q3 non-farm productivity (Thursday); October non-farm payrolls (Friday).

JAPAN

BoJ on hold with underlying inflation "consistent with the 2% target". The Bank of Japan kept its policy rate at 1.25%, with one dissent in favour of a hike. Its outlook judged underlying inflation to be consistent with the 2% target, a major shift in its assessment, although Governor Ueda mentioned risks on both sides in his remarks, stressing in particular the risk of inflation overshooting the target. It signals continued gradual monetary adjustment, with a next hike expected in December. Alongside the rate hold, the BOJ announced it would nearly triple the pace of ETF sales starting in January, to approximately JPY 860 billion per year. Japanese equities shrugged off the announcement.

To watch next week: Minutes of the September Bank of Japan meeting (Thursday); September wage growth (Friday).

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EMERGING ECONOMIES

ASIA

China: Monetary policy reform and no growth signals

The PBOC disclosed a 1.25% overnight reverse-repo rate and announced that the overnight rate would become its principal policy lever, starting 2nd November. It also pledged to develop cross-border renminbi payments and introduced a liquidity backstop for non-bank financial institutions. The 5th Plenum of the 20th Central Committee of the CCP focused on party discipline and crackdown on corrupt cadres, without broader policy signals. Chinese equities had their worst month since 2016, falling 8.5% in October, as doubts over AI earnings deepened investor pessimism. The PMIs published on 30th October suggest economic activity is losing momentum; in the manufacturing sector, the RatingDog PMI fell slightly to 52 (from 52.1) while the official PMI fell more sharply and dropped below 50 (49.3 *vs.* 50.1 in the previous month).

South Korea and Taiwan: AI boom lifts growth even higher

In Korea, GDP grew by 1.0% q/q and 3.4% y/y in Q3, supported by booming semiconductor exports linked to global AI demand. The expansion was uneven, however, as private-consumption growth slowed markedly. In Taiwan, GDP surged by 3.2% q/q and 14.4% y/y in Q3, beating expectations and accelerating from the previous quarter as technology firms expanded capacity to meet strong demand.

EMEA

Poland: Lower inflation gives monetary policy some room

Headline inflation declined from 4.0% to 3.5% in October as electricity, gas and transport fuel prices rose more slowly, helped by a temporary fuel-price cap. Rates are likely to remain unchanged in the near term, although renewed zloty weakness means a hike cannot be ruled out.

Saudi Arabia: Reserves fall as regional pressures intensify

Official reserve assets declined by 4.4% m/m in September to SAR 1.75 tn, their lowest level since December, with foreign-currency assets recording particularly sharp monthly and annual declines.

Türkiye: Pressure on lira and FX reserves

The lira headed for its largest monthly fall in 15 months and central-bank reserves came under renewed pressure. This is the consequence of the warning by MSCI that Türkiye could lose its emerging-market status if measures to improve transparency and market supervision following the Fund scandal are deemed insufficient.

LATIN AMERICA

Brazil's post-election rout: stocks and real plunge, yields surge. Brazilian markets, expecting a Flavio Bolsonaro victory, sold off sharply after Luiz Inacio Lula da Silva won a fourth presidential term. The Ibovespa fell 14% Monday — its largest daily drop since COVID-19 — and ended the week down 18%. The real fell over 11% intraday and ended the week down 8% against the euro. Meanwhile the yield on Brazil's 10-year government bonds rose 250 bp to 15.5%, reaching its highest level in over a decade. The selloff reflects fiscal concerns over pledges to raise the minimum wage and Bolsa familia benefits and to offer free public transport on weekends and bank holidays. Finance Minister Dario Durigan's pledge to seek a higher 2027 primary surplus, without a new target, did little to reassure markets.

COMMODITIES

The oil market continues to fluctuate between escalation fears and hopes for a return to the negotiating table. Brent prices were down by 5% over the week, reaching USD 109/b on Monday. Tensions on physical supply continue to decline. Ditto for diesel crack spreads. On the back of geopolitical tensions, lower-than-requested EU stock level and speculation over a cold snap in Europe in November, European gas prices (TTF) recorded another strong weekly rise and have breached the EUR 100/MWh for the first time since Dec 2022). The Asian gas benchmark (JKM) is following the same trend but at a slower pace (4.6% w/w to USD 32 /MBtu, equivalent to around EUR 96.3 /MWh).

TO WATCH NEXT WEEK

Global: Manufacturing PMIs for EM and final DM prints (Monday); final services and composite PMIs (Wednesday).

y/y = year-on-year
m/m = month-on-month
bp = basis point
pp = percentage point
mb = million barrels
MBtu = Million British Thermal Units