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GLOBAL ECONOMY

INTERNATIONAL MONETARY FUND

IMF meetings: the IMF acknowledges the resilience of global growth in its forecasts (revised up by 0.4pp compared with April, to 3.2% for 2025 and 0.1pp to 3.1% for 2026). Relative stability is also expected to prevail in 2026 for the Eurozone (1.2% in 2025 and 1.1% in 2026, with growth accelerating in Germany (from 0.2% to 0.9%), the United States (2.0% then 2.1%) and the United Kingdom (1.3%).

IMF economic growth forecasts for emerging countries: growth in emerging and developing economies is expected to slow from 4.3% in 2024 to 4.2% in 2025 and 4.0% in 2026. However, compared to April, the IMF has revised its forecasts upwards (+0.5 pp for 2025 and +0.1 pp for 2026). **In China**, growth, although slowing slightly, has been revised upwards compared to April due to resilience in the first half of 2025 and fiscal policy support that would offset the impact of the trade war with the US. **For other Asian economies**, growth is expected to slow, particularly due to the impact of higher US tariffs on ASEAN countries. **For emerging European economies**, forecasts show good resilience thanks to Polish and Turkish growth, which are expected to continue to outperform. However, other countries would experience a pronounced slowdown, particularly Slovakia. Overall growth in **South American countries** would slow only moderately, reflecting lower average tariffs than in other regions. Brazil, on the other hand, which is hit by some of the highest tariffs, is an exception, with a downward revision of growth for 2026. Finally, the IMF is rather optimistic **for Africa and the Middle East**: growth is not expected to slow, even for oil-exporting countries.

GFSR: the IMF's latest report on financial stability (Global Financial Stability Report, October 2025: Shifting Ground beneath the Calm) identifies several sources of increased vulnerability (*Chapter 1*), including 1/the overvaluation of risky assets, which increases the likelihood of disorderly corrections in the event of negative shocks; 2/widening fiscal deficits, which are putting increasing pressure on sovereign debt markets; 3/the increased role of non-bank financial institutions and their closer links with banks, which present risks of contagion and amplification of shocks. Certain structural changes in the foreign exchange markets (*Chapter 2*) and emerging market sovereign bond markets (*Chapter 3*) pose new risks to these markets.

INTERNATIONAL TRADE

Prospects for détente between Washington and Beijing after renewed tensions. S. Bessent has opened the door to an extension of the truce expiring on 9 November. A bilateral meeting before the end of October remains on the agenda. D. Trump expects China to be more cooperative (on rare earth exports and opioids, as well as increased purchases of soybeans). **The United States continues to indirectly target Russia**, asking Japan and India to stop buying Russian hydrocarbons. **The new tariffs on heavy goods vehicles** (25% from 1 November) are accompanied by an extension of the tariff exemption for domestic vehicle manufacturers in the United States.

ADVANCED ECONOMIES

UNITED STATES

Deteriorating employment and rate cut in sight for the Federal Reserve. J. Powell reiterated that inflation is "*above target and appears to be continuing to rise*" and mentioned "*significant downside risks*" to employment. This situation suggests a further rate cut (-25 bp) at the 28-29 October meeting. The end of the balance sheet reduction process is also on the horizon. Indeed, the Fed "*could approach the point*" that would justify it in the coming months. Finally, J. Powell reiterated the role of interest on reserve balances (IORB) in the conduct of monetary policy, while the Senate rejected an amendment to remove this prerogative from the Fed. **Optimism among small businesses declined in September** according to the NFIB (98.8, down 2.0 points) and was accompanied by an increase in plans to raise prices within three months (31%, up 6pp). Sentiment in the construction sector (NAHB) reached its highest level (37) since April.

EUROZONE / EUROPEAN UNION

Industrial production fell by 1.2% m/m in August, heavily penalised by the automotive sector, particularly in Germany and Italy. The European Commission unveiled an updated roadmap for the European defence programme Readiness 2030, which includes a target for joint purchases of defence equipment (40% by 2027). German Chancellor F. Merz called for the creation of a European stock market so that "successful companies do not have to list on the New York Stock Exchange", as well as for the unification of market supervision within a single entity. *Coming up: October flash consumer confidence index (Thursday), October flash PMI indicators (Friday).*

- **France: The freeze on pension reform allows budget discussions to begin in Parliament.** The new government has tabled a finance bill similar to the document submitted to the High Council of Public Finance ([see our description](#)): with a deficit of 4.7% of GDP, EUR 14 billion in new revenues and 17 billion in spending savings ([see the HCFP's opinion](#)). In addition to this bill, S. Lecornu announced that the retirement age would be frozen at 62 years and 9 months until 1 January 2028 (costing EUR 0.4 billion in 2026 and EUR 1.8 billion in 2027 according to the government), confirmed that he would waive Article 49.3 (which allows a bill to be passed without a vote) and offered moderate leeway on the deficit. The deficit should remain "*below 5% of GDP*" at the end of the budget debate. These concessions led to the rejection of the two motions of no confidence tabled against the government, but prompted S&P to downgrade the sovereign rating from AA- to A+ due to "*uncertainty over public finances*". Parliament now has 70 days (until 23 December) to make a decision. The spread between the German 10-year rate and its



French equivalent narrowed to 77bp (from a peak of 88bp following the resignation of S. Lecornu on 6 October). *Coming up: business climate (INSEE) and PMI, quarterly surveys in industry, real estate development and public works (Thursday), household survey (INSEE), Moody's decision on sovereign rating (Friday).*

- **Germany: The Bundesbank suggests that GDP stagnated in Q3.** Production and exports continued to contract in industry, while a slight increase in household consumption prevented a further decline in GDP (-0.3% q/q in Q2). *Coming up: PMI survey (Friday).*

- **Greece: The Greek Parliament has passed a law allowing a working day to be extended to 13 hours** for the same employer (on a voluntary basis for employees), in return for a 40% pay rise, up to a limit of 37 days per year.

- **Italy: Initial details on the 2026 budget.** The Italian Treasury has announced a package of fiscal measures for the period 2026-2028, at a total cost of EUR 18 billion, largely financed through spending controls and supported by a potential contribution from banks and insurance companies (with an estimated levy of EUR 4.5 billion). The flagship measure is a reduction in income tax rate for the middle class (households with incomes between EUR 28,000 and EUR 50,000) from 35% to 33%, at an estimated cost of EUR 9 billion. DBRS Morningstar has upgraded Italy's rating from BBB high to A low (its highest level since 2017) on the grounds that "the cumulative reduction in vulnerabilities in its banking sector and the improvement in its external sector have resulted in a more resilient economy" and "its fiscal consolidation will continue and contribute at least to stabilising the public debt ratio in the medium term". *Coming up: August current account (Monday).*

UNITED KINGDOM

Activity remains sluggish, unemployment rises again. The unemployment rate reached 4.8% in August (three-month average), its highest level since April 2021. Private sector wage growth (excluding bonuses) remains strong but has reached its lowest level since 2021 (4.3% y/y). GDP growth was limited in August (+0.1% m/m). Industrial production rose (+0.4% m/m, after -0.4% in July), driven by the pharmaceutical sector (+3% m/m). Activity remained sluggish in services (+0.1% m/m) and declined in agriculture (-0.4% m/m). The trade deficit reached a record high in August (-GBP 23.3 billion, twelve-month moving total), due to a decline in goods exports to the European Union (-4% m/m). *Coming up: September inflation (Wednesday), September public sector net borrowing (PSNB-ex) (Tuesday), October GfK consumer confidence index, September retail sales and October PMI (Friday).*

JAPAN

Change of partner for the LDP. The Liberal Democratic Party (LDP), which has a relative majority in the Diet (196/465), is expected to reach an agreement with Ishin (right-wing, 35 seats), a more conservative party on budgetary issues, allowing S. Taikaichi to become Prime Minister. This new coalition agreement follows the break with Komeito (centre, 24 seats) due to disagreements over party financing and political orientation. *Coming up: September CPI inflation and October manufacturing/services PMI (Friday).*

EMERGING ECONOMIES

China: Slowdown in Q3 2025. Real GDP growth slowed from +5.2% y/y in Q2 to +4.8% in Q3. It remained above 1% on a quarterly basis (+1.1%). Growth in both industry and services slowed (from +6.2% y/y in Q2 to +5.8% in Q3 for the former, and from +6.1% to +5.7% for the latter), but industrial activity picked up at the end of the quarter, buoyed by strong export performance. On the other hand, household consumption continued to lose momentum: retail sales growth reached +3.5% in volume terms y/y in September, vs. an estimated +6.5% in May. Total investment contracted in Q3, falling by -0.5% y/y in value terms over the first nine months of 2025. This decline was due to the crisis in the real estate sector and the slowdown in investment in public infrastructure and the manufacturing sector. **In September, the consumer price index continued to fall** (-0.3% y/y), mainly due to lower food prices (-4.4%). On the other hand, core inflation continued to recover slightly (+1%) and producer price deflation eased further (-2.3%). **Fourth Plenum from 20 to 23 October:** Chinese officials are meeting in Beijing to define the 15th five-year plan for 2026-2030. A communiqué is expected on the closing day of the plenum and the five-year plan will be officially adopted at the People's Assembly in early 2026.

COMMODITIES

Record oil overproduction expected in 2026 according to the latest report from the International Energy Agency: The agency has revised its production forecasts for 2026 upwards (108.5 mb/d), which would bring the supply/demand gap to 4.1 mb/d in 2026 (2.4 mb/d forecast for 2025). The increase is spread equally between OPEC+ and non-OPEC+ countries. In an early sign of possible overproduction in the market, the volume of oil circulating at sea (oil on water) reached its highest level since the pandemic in September.

