

[Find out more in our scenario and forecasts](#)

ADVANCED ECONOMIES

UNITED STATES

Fed in 'risk management' mode. The Federal Reserve cut its target rate for the Fed Funds by 25 basis points to +4.0% - +4.25%. Only Governor S. Miran voted in favour of a 50 bp cut. According to the statement, this decision was prompted by a 'shift in the balance of risks', namely a labour market that is no longer described as "strong" despite an unemployment rate that 'remains low', and around which 'downside risks have increased'. The main lesson to be learned from the dot plots (two further cuts to 3.6% at the end of 2025, another to 3.4% at the end of 2026) relates to the massive division hidden by the median results, with 9 out of 19 FOMC members above the median in 2025 and 17 outside the median in 2026 (8 above, 9 below) ([see our Eco Flash on the subject](#)).

Solid retail sales and manufacturing output in August. Retail sales growth was stable at +0.6% m/m (vs. +0.2% expected). The underlying component (excluding automobiles and petrol) accelerated (+0.7% m/m). Consumption of meals and beverages outside the home (+0.7% m/m, +0.8pp), a barometer of discretionary spending, and online sales (+2.0% m/m, +1.4pp) are the drivers of the increase. Manufacturing output rose by +0.2% m/m (+0.3pp, consensus: -0.2%). Conversely, housing starts (-8.5% m/m) and building permits declined together (-3.6% m/m). *Coming up: Q2 GDP revision (Thursday), PCE inflation (Friday), home sales (Wednesday and Thursday), durable goods orders (Thursday).*

EUROZONE

Industrial activity stabilises, with some sectors picking up again. Production rebounded by 0.3% m/m in July, supported by machinery and equipment (+4.7% m/m) and computer and electronic equipment (+5.5% m/m). Automobile production (+0.5% m/m) reached its highest level in fifteen months. Eurozone exports stabilised in July and the slowdown observed after the Q1 surge remains limited at this stage. The ECB's wage tracker indicates that wages are expected to decelerate between now and the end of 2025 (+3.0% y/y), but that the rate of increase should gradually stabilise at around 2.5% y/y in spring 2026. The EU and Indonesia have finalised a trade agreement ([see below](#)).

Banks remain healthy: according to the latest prudential and supervisory statistics published by the ECB, the financial profitability of the largest banks in the eurozone remained at a historically high level in Q2 2025 (around 10% since Q1 2023) despite the continued, albeit moderate, decline in net interest margins (1.51% in Q2 2025 compared with 1.62% at its peak in Q1 2024). The cost of risk remains at a historically low level and is incomparable with the levels reached during the Covid-19 pandemic (0.46% in Q2 2025 compared with an average of 0.68% in 2020). The main solvency ratio continued to rise to an unprecedented level, well above regulatory requirements (16.11% in Q2 2025 for combined requirements of 11.2%). Finally, the liquidity coverage ratio (LCR) remained relatively stable at around 160% for a minimum requirement of 100%. *Coming up: September flash consumer confidence index (Monday), September flash PMI (Tuesday), August monetary aggregates (Thursday).*

Germany: The Bundestag adopted the 2025 budget, allowing the public investment plan to be implemented at the end of this year (debt-financed). Producer prices fell by 2.2% y/y in August for the sixth consecutive month, still driven down by energy prices. *Coming up: GfK consumer survey, Ifo and PMI indices.*

France: No concerns about Q3 growth, despite the INSEE business climate index remaining stable at 96 in September (since May, 100 on historical average). This indicator does not highlight an absence of growth, but rather its uneven distribution: the sectors that are supporting it (aeronautics, electronics in industry, information and communication in services) are continuing to perform well, while those that are holding it back show no signs of recovery (automotive, retail). Two moderate improvements are worth noting: construction (+2 points in two months) and wholesale trade (+4 points compared to May). **New record for business creations in August 2025,** at around 103,000 units (seasonally adjusted figures), up nearly +8% compared to December 2024. This increase is spread across most sectors.

Budget discussions continue: Stéphane Lecornu, the new Prime Minister, is still consulting with the various political parties to define the plans for his future government, a preliminary step before appointing the government and then presenting the 2026 draft finance law. *Coming up: PMI survey on 23 September, consumer confidence on 25 September.*

Italy: Exports to the United States remained strong in July. The trade surplus grew by 16% y/y, driven by strong exports of goods (+7.3%), mainly outside the EU and particularly to the United States (+24.1%). By product type, exports increased mainly in transport equipment excluding motor vehicles (+45.6% y/y) and pharmaceuticals (+28.5%).

Upgrade of ratings for Southern European countries: S&P raised Spain's sovereign rating by one notch (from A to A+; stable outlook) due to the strengthening of the country's external financial position. For its part, Fitch upgraded the sovereign ratings of Portugal and Italy to A and BBB+ (stable outlook) respectively, reflecting the improvements in public finances observed in both countries.



UNITED KINGDOM

The BoE slows its quantitative tightening. The BoE kept its key interest rate at 4% (7 votes in favour, 2 in favour of a 25 bp cut). It revised downwards the pace of its balance sheet reduction to GBP 70 billion for the next twelve months (October 2025-September 2026) from GBP 100 billion for the previous twelve months. The labour market is showing signs of stabilisation.

Stabilisation of unemployment and inflation: the unemployment rate remained at 4.7% in July (three-month average), while the number of job vacancies rose (+8,000 jobs m/m) for the first time since April 2022. Job losses slowed (-0.4% y/y), while salaries continued to grow but at a more moderate pace (+4.7% y/y). Headline inflation stabilised in August at 3.8% y/y. It slowed in services (+4.7% y/y) but rose in goods (+2.8% y/y), where it reached its highest level since October 2023. Core inflation slowed slightly to 3.6% (-0.1 pp). The Gfk household confidence indicator deteriorated (-2 points to -19), but retail sales in August rose slightly (+0.5% m/m, +0.7% y/y).

JAPAN

The BoJ kept its rate unchanged, but tightening is on the horizon. The key rate remained unchanged at +0.5%, but two governors voted for an immediate increase to +0.75% (expected by the end of the year). The BoJ also initiated a programme to sell ETFs (exchange-traded funds) from its balance sheet. Inflation is falling (both headline and core), at +2.7% y/y (-0.4pp). This is due to lower energy prices (-3.6% m/m against a backdrop of renewed subsidies) and falling rice prices (-2.3% m/m). The monthly acceleration in service prices (+0.5% m/m, +0.2pp, the highest since August 2024) reflects persistent inflationary pressures. *Coming up: PMI (Wednesday).*

EMERGING ECONOMIES

ASIA

China: The tech sector is once again at the heart of tensions with the United States. China has banned its companies from purchasing certain new models of electronic chips from the US supplier Nvidia, which are intended for AI and the Chinese market alone. This ban, a means of putting pressure on Washington, is also intended to encourage investment aimed at continuing the technological catch-up and self-sufficiency of Chinese companies.

Indonesia: Another rate cut. Against a backdrop of slowing economic activity (car sales fell again in August) and despite higher inflation since the start of the year (prices rose by 2.3% y/y in August), the Central Bank cut its key rate by 25 bp for the third consecutive month (to 4.75%). It has also announced – in line with the policy stance of the Ministry of Finance – that it will maintain an expansionary policy bias. **Free trade agreement:** With the aim of reducing the country's dependence on China, Indonesian officials have accelerated negotiations to sign a free trade agreement with the EU. An agreement should be finalised in the coming days. It will still need to be ratified by all EU Member States and could take effect in late 2026 or early 2027.

LATAM

Argentina: Contraction in activity, pressure on the peso and setback for President Milei in Parliament. Real GDP contracted slightly by 0.1% q/q in Q2 2025. The main cause was a sharp decline in household consumption (-1.1%) against a backdrop of a deteriorating labour market. The Central Bank had to intervene last week to support the peso, which had fallen below the lower limit of its fluctuation range. It is believed to have used around USD 1bn of its foreign exchange reserves (which stood at USD 39.8bn on 18/09) to do so. The sharp tensions on interbank rates have eased, with rates returning to around 40%, compared with over 70% during the summer. Finally, the Chamber of Deputies and the Senate rejected President Milei's vetoes on various spending increases in the 2026 budget.

MIDDLE EAST

Gulf countries: Monetary easing in an already buoyant economic environment. Given their currency pegs to the US dollar, the central banks of the six Gulf countries reacted immediately to the Fed's decision by also lowering their key interest rates by 25 basis points. In a region where inflation is contained, this monetary stimulus will reinforce the already strong momentum of bank lending to the private sector, particularly in the United Arab Emirates (+9.1% y/y) and Saudi Arabia (+13.7%). In the latter country, monetary easing should help finance the budget deficit, which is expected to exceed 5% of GDP this year due to lower oil revenues and the continuation of major infrastructure projects.

AFRICA

South Africa: monetary status quo. After announcing this summer that it was changing its inflation target from 3-6% to 3%, the Central Bank decided last week to leave its key interest rate unchanged at 7%. Inflation slowed to 3.3% in August but is expected to accelerate in the coming months.

COMMODITIES

Increased pressure on Russian hydrocarbon exports. Europeans could decide on a new set of measures to reduce Russian hydrocarbon imports. The most significant proposal is to bring forward by one year (January instead of the end of 2027) the end of European imports of Russian LNG (7% of total European gas imports and 14% of LNG imports). The increase in global LNG supply (particularly from the United States), expected from 2026 onwards, would help to cushion the impact on European gas supply. The price of gas on the European market (TTF benchmark) was down slightly last Friday.

