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ADVANCED ECONOMIES

UNITED STATES

The Supreme Court overturns reciprocal tariffs, and the Trump administration replaces them with a uniform tariff of 10% for 150 days.

The Court ruled that the International Emergency Economic Powers Act (IEEPA) of 1977 does not empower the US President to impose customs tariffs, as this prerogative belongs to Congress. The ruling targets customs duties related to drug trafficking (involving Canada, Mexico and China) and reciprocal tariffs. The decision could call into question the viability of existing bilateral agreements, particularly those signed with the European Union, Japan and Vietnam in 2025. Furthermore, it paves the way for a possible reimbursement of customs revenues collected by the United States, estimated at around USD 160 billion, and the replacement of reciprocal tariffs with an increase in sectoral tariffs. In the meantime, the White House has formalized temporary 10% customs duties, effective from 24 February – President Trump has further announced that they would eventually stand at 15, applicable to all countries for 150 days (with Congressional approval required for continuation beyond that date), and is maintaining the same sectoral exemptions.

Growth, hampered by the shutdown, disappoints in Q4 2025 and inflation fears remain. GDP growth slowed to +1.4% annualised quarter-on-quarter (+4.4% in Q3), adversely affected by the public sector (contributing -0.9pp due to the shutdown) and consumer spending (+1.6% annualised rate, or AR, -0.7pp). Investment remains strong (+2.6% AR), bolstered by AI-related components (+7.4% AR for intellectual property, +36.1% for information processing equipment), while other components are down, including residential real estate (-1.5% AR). Growth reached 2.2% in 2025 compared with +2.9% in 2024, resulting in a gain of +1.0 pp for 2026. The trade deficit reached -4.6% of GDP in 2025 compared with -4.4% in 2024. The minutes from the latest FOMC meeting (27–28 January) indicate that the Fed's dual mandate will place greater emphasis on price stability, with several members warning against further easing in a context of high inflation. Consequently, core PCE inflation, which is the Fed's preferred metric, reached +3.0% y/y in January 2026, marking its highest level since December 2024. At the same time, industrial production strengthened (+0.7% m/m; +0.5pp) to reach its highest post-pandemic level. *Coming up: annual State of the Union address (Tuesday), Conference Board consumer confidence report (Tuesday) and the PPI (Friday) for January, in addition to speeches from Fed governors (M. Bowman, L. Cook, C. Waller).*

EUROZONE / EUROPEAN UNION

The upturn in economic indicators continues. The composite PMI gained 0.6 points (51.9), with the manufacturing index at its highest since June 2022 (50.8), while the services index gained 0.2 points (51.8). Household confidence, as reported by the European Commission, reached its highest level since November 2024 in February (+0.2 points to -12.2). Negotiated wage growth accelerated to 3.0% y/y in Q4 (1.9% y/y in Q3). The current account surplus fell sharply by EUR 150 billion to EUR 261 billion in 2025: the primary balance, which mainly includes income from foreign investments, fell by EUR 103 billion, resulting in a deficit of EUR 60 billion for the first time since 2008. The surplus in services fell by EUR 43 billion to EUR 135 billion, while the surplus in goods rose very slightly (+EUR 7 billion to EUR 368 billion), demonstrating the resilience of exports in the face of trade tensions. *Coming up: car registrations (Tuesday), inflation data (Wednesday), monthly and quarterly surveys from the European Commission (Thursday).*

- Germany: Economic activity continues to improve. The manufacturing PMI returned to expansion territory in February for the first time in over three and a half years (50.7; +1.6 pts), while the composite PMI (53.1; +1.1 pts m/m) and services PMI (53.4; +1 pt) reached a four-month high in February. New orders are up, especially in industry. The Ifo business climate index rose in February (88.6; +1 pt), bolstered by construction and services. The current situation and outlook have improved (+1 pt to 86.7 and +0.9 pts to 90.5 respectively). The federal law aimed at expediting planning and procurement for the Bundeswehr, which came into force on 14 February, should continue to support industry. Producer prices continue to fall (-3% y/y in January; -0.5pt m/m). *Coming up: Chancellor Merz's visit to China (Tuesday), reports on consumer confidence and Q4 GDP (Wednesday), February unemployment rate and inflation figures (Friday).*

- France: The composite PMI rebounded in February. It approached the 50-point mark (+0.8 points to 49.9), bolstered by services (+1.2 points to 49.6). Conversely, the manufacturing PMI declined (-1.3 points to 49.9), but its three-month average (50.6) remains the highest since the end of 2022. The Court of Auditors estimates that the public deficit will have fallen to 5.4% of GDP in 2025, in line with the government's target. This decline is mainly due to an increase in compulsory levies. *Coming up: INSEE business climate report (Tuesday) and consumer confidence report (Wednesday), inflation, Q4 GDP, Q4 employment data (Friday).*

- Italy: Increase in trade surplus and subsidies for carbon-based energy. In 2025, the trade surplus reached EUR 50.7 billion (+5.1% y/y, 2.3% of GDP). Exports rose by 3.3%, including +4.2% to Europe and +7.2% to the United States, but fell by 6.6% to China. In addition, the government approved a decree allocating EUR 3 billion to gas-fired power plants to offset the cost of carbon allowances imposed by the European Emissions Trading System. The aim is to reduce electricity bills, potentially at the expense of suppliers' and producers' margins. *Coming up: February economic sentiment and consumer confidence reports (Thursday), December industrial sales (Friday).*

JAPAN

Inflation down and activity up. In January 2026, inflation reached its lowest level since early 2022: the drop in fresh food prices (-6.9% y/y), which was disrupted in 2024/2025 by a significant rise in rice prices, allowed the overall index to fall to +1.5% y/y (-0.6pp). The index that excludes fresh food and energy (New Core index) also declined (-0.1% m/m and +2.6% y/y, the lowest since February 2025). The manufacturing PMI reached 52.8 in February (+1.3pp, marking the fourth consecutive month of improvement). New export orders are buoyant (54.1, +2.0pp), the PMI index for services remains high (53.8, +0.1pp) and the composite index reached its highest level since Q2 2023 (53.8, +0.7pp). *Coming up: industrial production and retail sales (Friday).*

UNITED KINGDOM

The reduction in inflation coupled with the rise in unemployment strengthens the likelihood of a key rate cut at the next MPC meeting. Inflation fell to 3% y/y in January (-0.4 pp compared with December) due to food and transport prices; core inflation fell to 3.1% y/y (-0.1 pp compared with December). Private wage growth reached its lowest level since 2021 (+3.4% y/y). The unemployment rate reached a five-year high in December (5.2%), while salaried employment declined (-11,000 m/m in January).



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The composite PMI rose to 53.9 in February (highest since April 2024). Strong activity led to a record budget surplus in January, pushing the 10-year yield down to its lowest level in over a year (4.35%). Retail sales rose sharply in January (+1.8% m/m; +4.5% y/y). Prime Minister Keir Starmer wants to expedite the timetable for increasing defence spending and does not rule out reaching the target of 3% of GDP by 2029. *Coming up: consumer confidence, car production and the Nationwide house price index (Friday).*

EMERGING ECONOMIES

Record capital inflows in January. According to estimates from the Institute of International Finance, non-resident portfolio investments totalled USD 98.8 billion, matching the previous record set in November 2020. China took the lion's share with USD 30 billion received, following significant outflows in H2 2025. Even excluding China, investments still reached a record high of nearly USD 70 billion in January, compared with an average of USD 30 billion per month in 2025, which was a very good year. This estimate confirms the renewed appeal of emerging financial centres since the beginning of the year. The Bloomberg index, which aggregates the performance of four asset classes and is believed to be correlated with non-resident portfolio investments, has reached a record high. This is especially evident in the Bloomberg carry trade index for emerging market currencies, which is one of its components.

AFRICA & MIDDLE EAST

Ivory Coast: The government issues a USD 1.3 billion Eurobond. This new issue, with a maturity of 15 years, attracted strong investor appetite (USD 6.3 billion in bids). The average interest rate on this Eurobond, once currency hedging is taken into account, is only 5.4%, the lowest level for a sub-Saharan African country in the last five years.

Gulf countries: Inflationary pressures remain contained. In January, inflation reached 1.4% y/y in Oman, 2.3% in Qatar, and 1.8% in Saudi Arabia. In Saudi Arabia, housing continues to be the primary driver of inflation but continues to moderate (+5.2% in January compared with over 10% at the start of 2025) thanks to measures implemented by the authorities to stabilise property prices.

LATIN AMERICA

Colombia: Growth slowed sharply in Q4 to 0.1% q/q (compared with 1.3% q/q in Q3). For 2025 as a whole, growth reached 2.6%, which is below the Ministry of Finance's forecast of 3%. It was driven by household consumption (+3.6%) and government spending (+7.1%), while fixed investment increased by just 1.3%. The growth in imports significantly outpaced that of exports, resulting in a marked deterioration in the trade deficit, which reached 3.6% of GDP (compared to 2.3% of GDP in 2024).

Peru: Interim president removed from office. Congress voted to remove José Jéri from office following allegations of influence peddling. A new interim president, José Balcazar, was appointed on 18 February and will serve until the next president takes office in July, with the first round of elections scheduled for 12 April. Growth is holding up fairly well. The monthly activity indicator rose by 3.8% year-on-year in December, after 1.5% in November, representing estimated real GDP growth of 3.4% for 2025.

ASIA

A positive effect of the new US tariff decisions? The new tariffs announced by President Donald Trump (10% in effect from 24 February, but 15% is being considered), under "Section 122" of the Trade Act of 1974, will replace reciprocal tariffs and will last for 150 days for the time being. The sectors that were exempt from tariffs remain unchanged, including electronics, pharmaceuticals, critical minerals and agricultural products. China could emerge as a winner, as the new tax would replace the existing tax structure that includes reciprocal tariffs (10%, with exemptions) and the so-called "fentanyl" tariffs (10%, without exemptions). For other Asian countries, reciprocal customs duties stood at 10% (e.g. for Singapore), 15% (e.g. for South Korea) or 18%-20% (e.g. for Vietnam and India) as of 20 February. A majority of countries could therefore benefit from lower tariffs, but the disparity with the tariffs imposed on China will, on average, narrow.

India: World Artificial Intelligence Summit. With this important summit being held in New Delhi during the week of 16 February, Prime Minister Narendra Modi hopes to showcase India's ambitions in the field of AI (India is seeking to develop its own models to expedite its implementation across the country) and attract investment.

EMERGING EUROPE

Central Europe: Slight rise in inflation in Slovakia and disinflation in the rest of the region. In January, inflation in Slovakia rose for the third consecutive month to 4.0% y/y. This increase is attributed to the rising prices for housing, food and energy. In Poland, Hungary and the Czech Republic, inflation continued to ease, reaching 2.2% y/y, 2.1% and 1.6% respectively in January. In these three countries, inflation has already aligned with the central bank's target. Additionally, Romania is experiencing gradual disinflation (9.6% y/y in January, down from 9.7% in December 2025) following a period of inflationary pressure due to the VAT rate increase.

Romania: Prolonged monetary pause. The Central Bank kept its key rate at 6.50% at its last monetary policy meeting. This rate has remained unchanged since August 2024. In the short term, it is unlikely that the monetary authorities will take action, as inflationary pressures remain high. However, the key rate could be lowered by the end of 2026. The impact of the VAT rate increase should dissipate in the latter half of the year.

COMMODITIES

The price of Brent crude oil has risen above USD 70 per barrel, its highest level since last August, due to increased US military pressure on Iran.

The price of European carbon allowances (EU ETS) recovered slightly this week after a decline. The fall was induced by comments from German Chancellor Friedrich Merz, who mentioned a possible revision or partial postponement of the system aimed at supporting the competitiveness of European industries. On 20 February, the quota was trading at EUR 73/t CO₂, down 20% from its mid-January 2026 high.

