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## ADVANCED ECONOMIES

**Sintra ECB Forum. Encouraging signals.** Global central bankers gathered in Sintra acknowledged with relief that both inflationary pressures and inflation expectations had come down in recent weeks. However, leading central bankers remain on their guard. Fed Chair Warsh reiterated his optimism about the productivity-lifting impact of AI but acknowledged it wasn't "policy-relevant" in the next 6-9 months and that for now the impact of AI was only visible on demand. ECB policy-makers sounded less sure about the need for more rate hikes, but didn't rule them out either (not in July though). During a panel on tokenization moderated by Piero Cippollone, both external speakers expressed doubts that a retail CBDC was needed or useful.

## EUROPEAN UNION

**Muscling up against China's exports.** Monday 29<sup>th</sup> June saw the launch of the EU-China Trade and Investment Consultation Mechanism, which resulted in a joint statement to cooperate on imbalances, market access, export controls and WTO reform, including the explicit ambition on the EU's side to reduce China's surplus by October. The next day, the EU announced the implementation of two non-China-specific measures but mostly aimed at it: a EUR 3 tax on small parcels replacing a de minimis exemption from customs duty; and sharply reduced steel quotas (by 47% in general and 31% for countries with an FTA with Europe), above which a 50% tariff applies (up from 25%).

**France: Sharp fall in inflation, mixed activity news.** Headline CPI inflation slowed from 2.4% to 1.8% (HICP at 2.0%, -0.8pp) in June, with all categories of the index contributing. June PMI revisions saw the manufacturing activity index revised higher (+0.5 pt to 51.2), but the services index revised further into contraction territory (46.8, -0.6pp), as was the composite index (to 47.2, still well above its May level of 44.9). New vehicle registrations dipped 2.6% m/m in June. The y/y cumulated number of **corporate bankruptcies declined slightly** in May for the first time since October 2025, primarily driven by microenterprises and the construction and transportation sectors. Meanwhile, business starts rebounded sharply. The OECD's latest economic survey of the French economy forecasts GDP growth at 0.7% in 2026 and 0.8% in 2027. The report stresses fiscal consolidation is "a priority" and recommends reducing public spending via better spending efficiency, lower ageing related outlays, and fewer tax breaks.

**Germany: Inflation drop, better activity and more structural reforms.** Headline HICP inflation fell 0.3pp to 2.4% y/y in June (vs. consensus: +2.6%), driven by lower energy prices (due to temporary tax cuts set to expire in July, suggesting a potential rebound). Core and services inflation were both steady at 2.5% and 3.1% respectively. The Final June PMIs were all revised higher with composite near exit from contraction territory at 49.5 (vs. flash: 48.0; +0.7pp m/m), manufacturing raised to 50.3 vs. 50.0), almost unchanged from May (50.1), and services contracting less (48.6 vs. flash 46.8; +0.5pp m/m). National **unemployment** rate held at 6.3% (same as May). New car registrations climbed +15.7% y/y in June (+5.8% y/y YTD). Battery EVs registrations up +78.2% (48% y/y YTD) while gasoline-powered car registrations fell 16.8% (-18.2% y/y YTD). In addition to the ambitious pension reform and income tax cuts previewed last week, the government has announced a broad package of **structural reforms** aimed at boosting the country's competitiveness including healthcare payments, sick-leave adjustments and bureaucracy reduction.

**Italy: Better all around. Inflation** slowed slightly in June at 3.1% y/y (-0.1pp from April), in line with market expectations. The June Composite PMI rose to 50.8 (+0.4pp from May), a four-month high, with services back in expansion at 50.2 (+0.8pp from May) for the first time since the beginning of the Iran war, and manufacturing still in expansion at 52.2 though a little slower than in May. The European Commission's **Economic Sentiment** Index increased significantly in June (+1.3pp), staying nonetheless under its long-term trend. Confidence improved in all sectors, but particularly in retail trade (+3.9pp) and construction (+2.4pp). However, consumer confidence decreased (-0.9pp). The **unemployment** rate decreased to 5% in May (-0.1pp from April), its lowest level ever, and among the lowest in the Eurozone. **Retail sales** increased in May by 2.2% y/y (+0.6pp) and 0.2% m/m (+0.2pp).

## EUROZONE

**Inflation relief and other better news.** Headline inflation slowed more than expected to 2.8% in June (from 3.2% in May), pulled down by France and Germany. Core inflation (2.4%, -0.2 pp), energy (8.7%, -2.2 pp) and food/alcohol/tobacco (1.6%, -0.3 pp) all fell. Price increase intentions indices in the EC survey fell across nearly all sectors (manufacturing, services, retail, construction). The jobless rate stabilised at a record 6.2% in May. Household unemployment expectations remain, in May, close to their post-Covid high, however major purchase intentions recovered further. The composite PMI for June was revised higher to 50.0, marking exit from contraction. The housing market remains buoyant: house prices climbed by 1.0% q/q in Q1 and 4.7% y/y, led by Portugal (+17.8% y/y).

## UNITED KINGDOM

**Strong activity despite services contraction.** GDP expanded by 0.6% in Q1 2026. Fixed capital formation increased by +0.4%, compared to earlier estimations of -0.1. The manufacturing PMI was revised down to 52.5 in June (flash of 53.1, (-1.4 pp m/m). Industrial output accelerated to its highest level in 21 months. Services and Composite PMIs were confirmed lower at 48.8 (-0.5 pp m/m), and 49.3 (-0.4 pp m/m) respectively. Firms' expectations for year-ahead CPI inflation fell to 3.3% in June, from 3.7% in May, while plans to raise own prices remain unchanged at 4% in the coming year (BOE Decision Maker Panel survey).

## UNITED STATES

**Decent economic data, Fed independence ring-fenced, Presidential powers boosted.** Nonfarm payrolls grew by a well below expectations 57k in June (consensus: 114k), down from 129k in May, with gains primarily driven by healthcare; April-May payrolls were revised down by a cumulative 74k. This pace remains well above 2025's and is sufficient in our view to keep the unemployment rate trending down. Indeed, it unexpectedly fell to 4.2% amid a decline in participation. Manufacturing activity is still expanding but more slowly: the ISM index slipped to 53.3 in June (-0.7pp). Consumer confidence (Conference Board) rose slightly (91.2, up 0.6pt). Encouragingly for the Fed, the prices-paid gauge fell but stayed elevated (73.0, -9.1pp).

**The Supreme Court blocked Governor Cook's dismissal with a 5-4 majority, on procedural grounds.** But it also noted that upholding the President's decision would "in effect transform the Fed's for-cause protection into at-will employment", which effectively means it reserves the right to determine what constitutes "cause".



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Donald Trump vowed to “take immediate action”. Other Executive Agencies’ Heads hitherto considered to benefit from “for cause” employment protection (such as the Federal Trade Commission) were not so lucky. In a 6-3 decision, the Court ruled unconstitutional that protection, overturning a 91-year-old precedent (Humphrey’s Executor).

**USMCA: Negotiations to continue after US declines to renew the agreement.** Mexico, Canada, and the US were unable to reach an agreement to renew the USMCA by the July 1<sup>st</sup> deadline. Discussions are ongoing and are expected to focus on rules of origin, the automotive sector and critical minerals. In the absence of a joint agreement, the treaty remains in effect under its current terms until 2036 but will now be subject to annual reviews.

#### JAPAN

**Bullish business, strong wage growth, fragile yen.** In Q2, the TANKAN headline index (all enterprises, all industries) held steady at 18 despite the Iran war shock. Large-manufacturer sentiment surprised sharply higher (+22, highest since 2018 and up from 17 in Q1, while expectations were for a decrease to 16). Large enterprises revised their FY 2026 CapEx growth forecasts to 11.2% (up from 3.3%). Firms also lifted their output-price projections at every horizon (up 0.6pp to 3.7% at one year, up 0.5pp to 6.1% at five years). Wage growth will top 5% for the 3<sup>rd</sup> year in a row following the conclusion of the annual Rengo negotiation round. After climbing to a near 40-year high of 162.63 on Tuesday 30, the USD/JPY exchange rate ended the week at 161.02 (vs. 161.73 the prior Friday), following growing expectations of additional FX intervention by the Ministry of Finance.

## EMERGING ECONOMIES

### EMERGING MARKETS

**Broadly positive activity picture from June PMIs.** In China, PMIs indicated a slight improvement in activity in both manufacturing and services in June: official PMIs rose a tad and stood just above 50 (manufacturing PMI at 50.3 and services PMI at 50.4), whereas PMIs released by RatingDog decreased slightly but remained in expansionary zone (manufacturing PMI at 51.7 and services PMI at 54.1). **In Malaysia, Thailand and the Philippines,** manufacturing PMIs improved and were higher than 50. **In Taiwan and South Korea,** PMIs declined slightly but remained well above 50. **Indonesia** was the only major Asian country where the manufacturing PMI both fell and was below 50. **In CEMEA,** the picture is mixed, with activity in expansion and improving in **Czech Rep. and Hungary,** and the reverse in **Poland, Romania and Türkiye.** In the Gulf, PMIs fell in the UAE but remained slightly above 50 and continued to improve for Saudi Arabia. **Brazil and Mexico** both saw manufacturing PMIs improve and exceed 50 (in Mexico for the first time since August 2025).

### EUROPE - MIDDLE EAST - AFRICA

**Poland: Inflation falls further.** June’s inflation came in at 2.5% y/y (vs. 3.1% y/y in May). Going forward, an uptick in inflation is not ruled out following the end of temporary measures on fuel prices in June.

**Ethiopia: Government reaches debt restructuring deal with holders of its USD 1 bn Eurobond.** It implies a 12% principal haircut, which is moderate compared to previous African sovereign debt restructurings.

### ASIA

**Vietnam: Q2 2026 GDP data show no sign of the energy shock.** Real GDP growth accelerated from a revised 7.9% y/y in Q1 to 8.4% in Q2, supported by strong industrial production (+10.3% y/y in Q2).

### LATIN AMERICA

**Argentina: Decline in activity in April and rise in poverty.** The monthly GDP proxy contracted by 1.5% in April after a short-lived rebound in March, underscoring a trend of uneven growth more than halfway through President Javier Milei’s term. Growth remains concentrated in a few competitive tradable sectors, notably agriculture. Besides, the poverty rate in Buenos Aires rose to 21% in Q1 2026, after five quarters of decline.

**Colombia: Central bank resumes tightening cycle,** raising its key rate by 75bp to 12%. Inflation rose to 5.8% y/y in May. President-elect A. de la Espriella vowed to respect central bank independence.

**Peru: Conservative candidate Keiko Fujimori was elected president,** with 50.1% of the vote. Fujimori’s victory was widely expected and did not trigger any reaction in the financial markets. However, the political situation is likely to remain extremely tense in the short term.

### COMMODITIES

**Energy. Significant but incomplete relief.** Oil prices remained near pre-war levels this week (approx. 72 USD/b) as traffic through the Strait of Hormuz has been progressively recovering. However, it remains far below pre-war level (30-60 per day vs. 130 on av). Accelerating the decline in price are buffers that remain in place, Chinese oil imports have not yet recovered, and US Strategic Petroleum Reserves continue to register a significant weekly decline (by 5.5 mb/d during the week of 26 June). Meanwhile, European spot gas prices (TTF) rebounded to 45 EUR/MWh on Friday, a 43% increase since February 27<sup>th</sup>. Prices are supported by the ongoing European inventory rebuilds (48% full vs. 56% a year before) and the heatwave in Europe.

OPEC+ members announced another rise in quotas of production to be implemented in August 2026. This modest rise (0.188 mb/d compared to a total required production of 31 mb/d) remains theoretical as long as the traffic in the Strait of Hormuz remains constrained.

