Find out more in our scenario and forecasts

INTERNATIONAL TRADE

A presidential proclamation from the White House formalizes the introduction of additional customs tariffs of 10% on wood/framing and 25% on kitchen and bathroom furniture from 14 October. Separately, the European Commission is expected to propose on Tuesday to raise its customs duties on steel imports from 25% to 50%. The EU also plans to reduce import quotas beyond which these tariffs will apply by 50%.

ADVANCED ECONOMIES

UNITED STATES

First shutdown since 2018-2019 due to the lack of either a budget appropriation law for fiscal year 2026 (which began on 1 October) or a continuing resolution temporarily extending government funding. Non-essential activities have been halted, including the publication of official data (including the employment report). Access to healthcare (Medicaid, tax credits under the Affordable Care Act) is the point of disagreement between the Republican majority and the Democrats. Ending this shutdown would require the neutrality of seven Democratic senators. **Job losses:** Private sector employment fell by 32k in September according to the ADP survey (the third decline in four months). The August JOLTS survey confirmed the decline in the hiring rate (3.2%, the lowest since June 2024) and the low level of layoffs (1.1%). The shutdown could hurt employment: while the CBO estimates that 750,000 employees will be furloughed without pay (one-third of federal jobs), the White House has announced that permanent layoffs will be carried out during the shutdown. Perceptions of the labour market caused a decline in consumer confidence (Conference Board) in September (94.2, -3.6). **The non-manufacturing ISM fell sharply** to 50.0 (-2.0pp) in September, due to a drop in the 'business activity' (49.9, -5.1pp) and 'new orders' (50.4, -5.6pp) components. The ISM manufacturing index improved, to 49.1 (+0.4pp), driven by the production index (51.0, +3.3pp), despite a decline in new orders (48.9, -2.5pp), particularly in exports (43.0, -4.6pp). The prices paid subcomponent slowed for the third consecutive month (61.9, -1.8pp). *Coming up: August foreign trade (Tuesday), FOMC minutes (Wednesday), **speech by J. Powell (Thursday)**, University of Michigan consumer sentiment index (Friday).*

EUROZONE / EU

Slight rebound in inflation and unemployment, but outlook remains positive. The unemployment rate rose to 6.3% in August (+0.1pp m/m); however, the youth unemployment rate remained low (14.0%). Harmonised inflation rebounded from 2.0% to 2.2% (flash) in September, with core inflation rising from 2.3% to 2.4%. The September figure was driven by a base effect on energy prices (sharp decline in September 2024), but there is no cause for concern beyond that (producer prices fell by -0.6% y/y in August, linked to the 'energy' component). Coming up: August retail sales (Monday); September construction PMI (Monday).

France: Political shock against a backdrop of economic improvement. Faced with disagreement with Les Républicains (right) over the formation of a government, the Prime Minister resigned, leaving two options: either the appointment of a new Prime Minister or the dissolution of the National Assembly, which would lead to snap legislative elections. In any case, no draft budget is expected to be submitted to Parliament before 13 October (the deadline allowing the latter to have a constitutional deliberation period of 70 days). This should lead to the renewal of the 2025 budget in the first weeks of 2026 (as was the case in early 2025). According to our estimates, the rollover of the 2025 budget into 2026 would result in a public deficit of 5.6% of GDP (compared with 5.4% in 2025), mainly due to the expected increase in interest payments. The stock market and French debt are falling sharply in response to these developments, as is the euro. **The rebound in production is confirmed.** Manufacturing output, which fell in August (-0.7% m/m), recorded its third-best result of the year: its three-month average rose by 1.4% 3m/3m (+12% 3m/3m for aeronautics). Housing starts reached 269,000 units at the end of August (12-month total, +11,000 compared to the low point in November 2024). Harmonised inflation rose in September to 1.1% y/y (0.8% in August), which can only be explained by 'base effects' (fall in energy and telecommunications prices in September 2024).

Germany: Production up, consumption down. The manufacturing PMI was revised upwards by 1 point (49.5 vs. 48.5 in the preliminary estimate), driven by production (53). The opposite is true for the services PMI, which fell to 51.5 vs. 52.5. The composite PMI (52) reached a 16-month high. Retail sales declined in August (-0.2% m/m), as they have in four of the last five months. Harmonised inflation reached +2.4% y/y in September (+0.3 pp m/m), driven by services (+3.4% y/y, +0.3 pp m/m). *Coming up: August industrial orders (Tuesday); August industrial production index (Wednesday); August trade balance (Thursday).*

Italy: Mixed signals (ESI at 99, below its historical average, composite PMI in expansion territory at 51.7). The business climate was buoyed by services (52.5, +1pt m/m), but weighed down by industry (manufacturing PMI at 49.0; -1.4pt m/m). Household confidence has improved(+1.1pt m/m to -15.7) due to expectations of lower prices. The unemployment rate rose slightly in August (+0.1pp m/m to 6.0%), as did inflation (+0.2pp m/m to 1.8%; core inflation stable at 2.2%). The public deficit has been revised to 3% of GDP from 2025 (compared with 3.3% anticipated in April) thanks to an increase in tax revenues (+5% y/y between January and July). Italy should therefore exit the excessive deficit procedure. The 2026 finance bill is due to be presented to Parliament within three weeks. *Coming up: September construction PMI (Monday), August industrial production (Friday).*

Spain: Business confidence improved further in September (composite PMI at 53.8, +0.1pp m/m; ESI at 104.7, +3pts m/m), supported by services (PMI at 54.3; +1.1pt), with demand remaining strong. The manufacturing PMI slowed (51.5; -2.8pts m/m) from a very high level in August. Headline inflation rebounded (+0.3pp m/m to +3.0% y/y in September) and the underlying measure remained stable at 2.4%. The unemployment rate continued to fall (-0.1pp m/m to 10.3%). *Coming up: August industrial production (Monday).*

UNITED KINGDOM

Some BoE members are beginning to fear that inflation will persist (C. Mann). Nevertheless, businesses' inflation expectations remained stable in September at 3.5% in one year (DMP survey). The household savings rate rose to 10.7% of disposable income (10.5% in Q1). The property market remains mixed: +0.5% m/m on prices in September according to Nationwide, -0.7% m/m on home loans (excluding renegotiations) in August. *Coming up: September car sales (Monday); September Halifax index (Thursday); September RICS index (Thursday).*

JAPAN

Back to Abenomics? S. Takaichi, representative of the conservative wing of the Liberal Democratic Party (LDP) and minister on numerous occasions, notably under Abe, has been elected head of the LDP and is expected to become Prime Minister. Her political career and most recent statements suggest a bias towards accommodative fiscal policy and opposition to further monetary tightening. The Tankan survey shows sentiment remaining stable at a good level (10) and rising for large manufacturing companies (14, +1 pt) in Q3. Household confidence (35.3 in September, +0.4 pts) is supported by the outlook for durable goods purchases. The Summary of Opinions from the BoJ's latest meeting suggests a growing need to raise rates, but caution remains in view of the risk of a ‘surprise’ for the markets and uncertainty, particularly regarding US policy.

EMERGING ECONOMIES

Emerging economies: Good resilience of PMI indices in September (based on a sample of 14 countries). More than 64% of countries had a PMI below 50 (a level that indicates stable activity) in September, compared with 85% in Q2 2025. Furthermore, only 36% of countries saw the index continue to decline compared with Q2 (vs. 45% in June compared with Q1). With regard to new export orders, the indices are below 50 in just over 70% of countries. On the other hand, they are no longer deteriorating in 30% of them.

ASIA

ASEAN: Slowdown in exports in August. Manufacturing PMIs indicate a deterioration in activity in September in Malaysia and the Philippines, while they remain in expansion territory in Indonesia, Thailand and Vietnam. In August, export data showed clear signs of a slowdown. From growth of over 10% in H1 2025, export growth reached only 4-5% y/y in August, due to the fall in exports to the United States. Only Vietnam's export growth remained strong (+14.5% y/y).

China: Slight improvement in manufacturing PMIs at the end of Q3. The NBS PMI has been in contraction territory since April, but rose to 49.8 in September. The RatingDog (formerly Caixin) PMI also improved to 51.2 (from 50.5 in August). The slight recovery is mainly driven by resilient exports and the ‘new export orders’ sub-component (47.8 in the NBS PMI: this level is well into contraction territory, but is its highest since March). In services, PMIs deteriorated slightly in September but remained above 50.

CENTRAL & EASTERN EUROPE

Central Europe: Slight improvement in manufacturing PMIs. September figures point to a modest improvement in the manufacturing sector in Hungary, Poland and Romania. However, only Hungary's index crossed the 50 mark. The Czech Republic stands out with a continued decline in its manufacturing PMI (still below 50).

Czech Republic: General elections on 3 and 4 October. The ANO party (right-wing populist, led by Andrej Babis) came out on top with 34.5% of the vote (80 seats out of 200 in Parliament). Without a majority, the party has already initiated discussions with far-right parties. At this stage, two scenarios are emerging: either a coalition government made up of several parties, or a minority government with the support of several parties. The outgoing government party came second with only 23% of the vote. **Economic impact**: in the short term, fiscal policy is expected to ease and energy prices to fall, two key elements of the election promises.

LATAM

Colombia: Monetary status quo. The Central Bank left its key interest rate unchanged at 9.25% at its last monetary policy committee meeting. Inflation has been rising for two months and reached 5.1% in August.

MIDDLE EAST

Saudi Arabia: Upward revision of the budget deficit. The Ministry of Finance now expects a deficit of 5.3% of GDP this year, compared with the 2.3% initially forecast. Most of the slippage is due to an 8% drop in revenue, while spending is expected to stabilise. This revision is in line with our expectations. The goal of reducing the budget deficit to 3.3% of GDP in 2026 also appears ambitious given the strong downward pressure on global oil prices.

AFRICA

Region: The AGOA law has expired after 25 years. Exports from 32 African countries that benefited from preferential access to the US market will now be subject to most-favoured-nation rates, in addition to reciprocal tariffs imposed by Washington. Textile-exporting countries (Lesotho, Kenya, Madagascar) are the most vulnerable. However, according to the White House, a one-year extension of AGOA is possible.

Kenya: Robust GDP growth. Measured over four quarters, it reached 4.8% in Q2 2025 (+0.1pp compared to Q1). It is expected to accelerate and reach 5.2% in Q4, according to the Central Bank.

Morocco: Youth protest movement. The demands are mainly social, ranging from improvements to the healthcare system to the education system. They touch on one of the weaknesses of the Moroccan development model: despite solid economic growth (+5.2% in H1), the unemployment rate remains high (12.8% in Q2), particularly for 15-24 year-olds (35.8%). The proportion of underemployment is also significant.

COMMODITIES

OPEC+ is cautiously pursuing its policy of gaining market share. The cartel announced an increase in production of 137,000 b/d in November (the same as in October). This confirms the continuation of its policy initiated last April, but takes into account the growing risk of supply glut during the coming winter. On Monday morning, Brent crude recovered some of the ground lost over the past fortnight (-6.5%) (+1% to USD 65.2/b).