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WORLD/TRADE

Pending US announcements on tariffs. The 90-day suspension of reciprocal tariffs will expire on 9 July. D. Trump announced that tariffs applicable to several countries, ranging from 10% to 70%, would be notified from 4 July and would come into force on 1st August. Vietnam and the United States have reportedly reached a bilateral trade agreement: the "reciprocal" tariffs applied by the United States would amount to 20% on Vietnamese goods and 40% on "Made in China" goods transiting through Vietnam (the term "Made in China" has yet to be defined); and Vietnam would reduce its taxes to 0% on imports of US goods. The European Union is considering a trade agreement with the United States: it could accept a basic customs tariff of 10% on imports from the EU, in exchange for exemptions from sectoral tariffs (a position supported by Germany). China/EU: China has decided to impose anti-dumping duties on European brandy for a period of five years, a measure in line with the recent rise in tensions between the two economic blocs. There are exemptions for producers who commit to a minimum import price, including the main Cognac producers.

ADVANCED ECONOMIES

UNITED STATES

"Beautiful" budget bill and beautiful labour market. The One, Big, Beautiful Bill has been passed by Congress. The text expands the non-permanent provisions of the Tax Cuts and Jobs Act of 2017. The bill also includes cuts to Medicaid, the withdrawal of the tax credit for electric vehicles and the raising of the debt ceiling (+USD 5,000 bn). **Payroll job creation was well above expectations** (147k, consensus; + 111k) in June, but the monthly private sector result was the weakest since October. The unemployment rate fell to 4.1% (-0.1pp). ISM surveys rose in June. The manufacturing index reached 49.0 (+0.5pp) and the non-manufacturing index returned to the expansion zone (50.8, +0.9pp). The Atlanta Fed's GDP Now fell for Q2 (from +2.9% to +2.5% annualized). **Lower solvency requirements for the autumn:** The risk-weighted capital requirements of certain major US banks will fall from 1 October following the results of the Fed's latest stress tests. On average, the Common Equity Tier 1 requirement of the eight systemically important banks could fall by around 60 to 100bp depending on the methodology used, from 11.54% at present. The Fed will announce the final requirements by 31 August. *Coming up: NFIB (Tuesday).*

EUROZONE

Inflation remains under control. Consumer price inflation rose slightly in June to 2.0% (1.9% in May), while producer prices slowed from 0.6% y/y to 0.3% y/y in May. Median household inflation expectations fell to 2.8% in May. The unemployment rate rose in May (+0.1 pp to 6.3%), driven by a methodological revision in Italy. The debt ratios of households and non-financial companies fell again in Q1 2025 (to 81.7% of gross disposable income and 67.3% of GDP [consolidated terms] respectively). Retail sales fell by 0.7% m/m in May. In the run-up to the Sintra Forum (30 June-2 July), **the ECB unveiled an update on its monetary policy strategy (*see our Editorial*).** According to the minutes of the June monetary policy meeting, the members of the ECB Council all voted (with the exception of one Governor) to **cut key rates by 25 bp**. **Growth in outstanding bank loans is tending to stabilise in the Eurozone** (+2.8% year-on-year in May 2025). Loans to households rose in the lower range of historical trends (+2.0%). Outstanding housing loans accelerated slightly year-on-year (+2.0% in May 2025), while outstanding consumer loans, stable between April and May, remained dynamic year-on-year (+4.3%). Year-on-year growth in outstanding corporate loans fell slightly (+2.5%). Interest rates on loans to corporates and households generally fell in May, with the exception of certain long-term fixed rates.

GERMANY

Economic indicators continue to improve. Inflation stood at 2% y/y in June (compared with 2.1% in May). The unemployment rate remained stable in May, at 3.7%. The six-month average of industrial orders recovered slightly to reach its highest level since the start of the year, at 86.6. However, developments remain minimal in 2025: domestic demand in the Eurozone shows the most marked increase, while demand outside the Eurozone remains stable. At the same time, the Minimum Wage Commission has approved two increases in the minimum wage, from the current EUR 12.82 to EUR 13.90 in 2026, then to EUR 14.6 in 2027 (the coalition agreement targeted EUR 15 from 2026).

FRANCE

Manufacturing output contracted by 1% m/m in May 2025. This is probably due to a fall in hours worked (although the number of working days in May was close to that of 2024, the number of bridges was higher). New car registrations fell by 8% y/y in the first half of the year. The Cour des Comptes has published its annual report on public finances. It highlights the role of growth in public spending and over-optimistic assumptions in terms of economic growth and revenue in the gap between budget targets and implementation in 2023-24. It also warns of the risk of growth and revenue disappointing again in 2025, and of the fact that the adjustment relies mainly on increases in revenue (half of which are one-off), and that efforts in terms of spending are therefore still ahead of us.

ITALY

The composite PMI remains in the expansion zone but slowed in June (51.1; -1.4 pt m/m): growth in activity in the services sector (52.1; -1.1 pt) is weaker and activity in industry (48.4; -0.8pt) is deteriorating. Harmonised inflation stabilised at 1.7% y/y in June, and core inflation at 1.9%. The unemployment rate rose in May (+0.4pp to 6.5%). The volume of retail sales deteriorated [-0.9% y/y and -0.5% m/m (compared with -0.1% y/y and +0.6% m/m in April)]. *Next: Industrial production for May (Thursday).*

SPAIN

Business sentiment improves again. The composite PMI rises in June (+0.7 pt to 52.1) due to an improvement in services (51.9; +0.6 pt) and industry (51.4; +0.9 pt). Preliminary inflation stood at 2.2% in June (+0.2pp m/m) due to a base effect on fuel prices and a rise in the price of the food component. Underlying inflation slowed to 2.1% (-0.1pp). The labour market is doing well, with the unemployment rate falling (10.8% in May; -0.1pp m/m) and the number of people registered with the social security system rising (+2.2% y/y in June; to 21.9 million).

UNITED KINGDOM

Tensions on the gilt market. Fears that Rachel Reeves might be ousted as Chancellor of the Exchequer sent the bond market into a tailspin on 2 June (+25bp on the 30-year, +16bp on the 10-year). Keith Starmer has since reaffirmed his support for his minister, leading to a partial fall in yields. The final composite PMI index came in above the flash level (52 compared with 50.3 in May), with an upward revision in services (52.8). The manufacturing indicator rose to 47.7 (46.4 in May). New car registrations rose by 6.7% y/y in June. The house price index fell by 0.8% m/m in June, but rose by 2.1% y/y according to Nationwide and 2.5% y/y according to Halifax. The volume of new home loans (excluding renegotiations) reached GBP 2.1 bn in May, up compared with April. *Coming up: the RICS property survey (July), the monthly estimates of GDP and industrial production for May, and the BoE's financial stability review.*

JAPAN

Resilient business climate. The Tankan survey was stable at the aggregate level in Q2. Sentiment and outlook of large manufacturing companies surprised on the upside (+ 1 point q/q) despite trade tensions. Strong investment plans offset lower overseas sales projections.

EMERGING ECONOMIES

Varied trends in manufacturing PMIs in June. The manufacturing PMI indices remain below the 50 threshold in 75% of cases for the overall index, and 80% for the new export orders sub-indices. The indices are holding up rather well in the main Asian countries, in contrast to Central Europe, Turkey and Latin America. There has been a sharp rise in the new export orders sub-index in India (from 56.9 in May to 60.6 in June), and a sharp deterioration in Poland (from 47.3 to 41.5) and Brazil (from 49.2 to 41.1).

In the ASEAN countries, the June manufacturing PMIs show a contraction in activity in Indonesia, Malaysia and Vietnam (PMIs at 46.9, 49.3 and 48.9 respectively), with orders still falling. Activity remained more robust in Thailand and the Philippines.

In the Gulf States, PMIs (non-oil activity) remained solid in June in Saudi Arabia (57.2) and the United Arab Emirates (53.5), despite the spike in regional tensions. Meanwhile, the index fell in Dubai to 51.8 (vs. 52.9 in May). Most of this fall was due to the drop in tourism activity, with the index falling back below 50 for the first time since March 2021. The ceasefire agreement could lead to a recovery in the coming months.

POLAND

Surprise policy rate cut. Against all expectations, the Polish central bank lowered its key rate by 25 bp to 5.00%, encouraged by the fall in inflation since the start of the year (to 4.1% y/y in June compared with 4.0% y/y in May and 4.9% y/y in Q1 2025). The Central Bank's inflation forecasts have been revised downwards for 2025 and 2026 and are closer to their target of 2.5% (with a fluctuation band of +/-1%). Further rate cuts are expected later this year.

THAILAND

The political situation remains unstable. Prime Minister Paetongtarn Shinawatra was suspended from office by the Constitutional Court on July 1 following a leaked phone call with former Cambodian leader Hun Sen. She has 15 days to prepare her defence. If the Constitutional Court rules against her, the Prime Minister will be permanently impeached. The ruling coalition has been weakened by the withdrawal of the Bhumjaithai party (following the revelations about the Prime Minister); it is now made up of only 245-250 reliable deputies out of the 500 in parliament. Political instability is weighing on economic reforms and foreign investment. In 2024, net FDI inflows in Thailand reached 1.9% of GDP (compared with 4.2% of GDP in Vietnam, for example).

COMMODITIES

Pessimism among US oil producers. According to a survey by the Dallas Fed, 47% of the Texas oil executives questioned (who account for around 50% of total US production) anticipate a reduction in the number of active wells in 2025. For 32%, an increase in steel tariffs (to 50%) would trigger a decline in active wells; for 70%, the stabilisation of the price of oil (WTI benchmark) at 60USD/b over the next 12 months (68USD/b on average since the start of the year) would mean a reduction in their production.

Market indifference to the announcement of a surprise increase in OPEC+ production for August. The cartel announced an increase in production by 548 kb/d (+411 kb/d in the 2 previous increases) in order to take advantage of favourable market conditions. Demand for oil is traditionally high during the summer months, and US crude stocks (excluding strategic reserves) are currently at their lowest level for 5 years at this time of year. The Brent crude oil price was virtually unchanged at the opening of markets on Monday. Bringing an equivalent quantity of crude onto the market in September would enable the cartel to conclude its scheduled increase in production a year ahead of schedule.