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INTERNATIONAL TRADE

Reciprocal tariffs soon to be heard by the Supreme Court. The Trump administration is challenging the Federal Court of Appeals' ruling confirming the illegality of "reciprocal" tariffs and those related to opioids before the Supreme Court. The administration wants the case to be heard quickly, with hearings scheduled to begin in November. In addition, the US-Japan agreement announced in July has been formalised by a White House executive order. It reiterates the tariff conditions (15% on US imports from Japan, including vehicles) and Japan's promise to invest USD 550 billion in the United States within 45 days (investments "selected by the US government").

The European Commission has officially proposed the adoption of the free trade agreement with Mercosur, as well as a modernisation of the trade agreement with Mexico. The former includes a safeguard clause to regulate imports of sensitive products, particularly agri-food products. China, for its part, has announced temporary tariffs of up to 62% on pork imports from the EU.

ADVANCED ECONOMIES

UNITED STATES

The sharp slowdown in the labour market is confirmed, paving the way for a series of rate cuts (see "The gloomy summer for employment will push the Fed to act"). Nonfarm payrolls slowed and surprised on the downside in August, at +22k compared with +79k in July, while the labour force participation rate rose for the first time since April (62.3%, +0.1pp), bringing the unemployment rate to +4.3% (+0.1pp). Revisions for June and July removed a total of 21k jobs from the payroll, with a negative balance in June.

The ISM indices confirm the weakness of employment and the risk of rising inflation. The ISM manufacturing index improved to 48.7 (+0.7pp) despite the contraction in production (47.8, -3.6pp). New orders expanded (51.4, +4.3pp) for the first time in 2025. The non-manufacturing ISM reached its highest level since February (52.0, +1.9pp) thanks to an acceleration in business activity (55.0, +2.4pp) and new orders (56.0, +5.7pp). Sub-surveys indicate that hiring is contracting, and prices paid were rising. *Coming up: CPI inflation (Thursday), NFIB small business confidence (Tuesday), PPI (Wednesday), University of Michigan Index of consumer sentiment (Friday).*

EUROZONE

Unemployment falls and credit flows rebound. The unemployment rate dipped to 6.2% in July, a historic low already reached in November 2024, driven by further declines in Italy (-0.2 pp to 6.0%), Portugal (-0.3 pp to 5.8%) and Greece (-1.0 pp to 8.0%). Inflation remains under control but is on the rise, at 2.1% in August (2.0% in July) according to Eurostat. Producer prices (excluding construction) slowed to 0.2% y/y in July. The Eurozone's economic sentiment index fell slightly in August (-0.5 points to 95.2) and household confidence slipped to its lowest level since April. Retail sales dropped by 0.5% m/m in July but continued to rise, by 2.2% y/y.

Outstanding loans to non-financial corporations (NFCs) rose by 2.5% y/y in July 2025 (compared with +2.4% in June), supported by strong new lending flows, including investment loans (up +10.5% and +15.2% y/y respectively), while the average cost of credit to NFCs stabilised (-0.05% in July 2025 to 3.43%). Outstanding loans to households also grew, more strongly for consumption (+4.5% y/y) than for housing (+2.2%). The growth in new home loans is unprecedented since April 2016 (cumulated over one year, +28.7% y/y), while rates remained stable at 3.3%. *Coming up: ECB monetary policy meeting and new macroeconomic projections (11 September).*

Germany: monthly decline in new industrial orders. While the August services PMI index was revised downwards (49.3 points, vs. 50.1 in the first estimate and 50.6 in July), the composite PMI remained slightly in expansion territory (50.5), driven by manufacturing output. New industrial orders fell by 2.9% m/m in July, due to a sharp decline in orders for transport equipment; however, the trend since the beginning of the year has been stable.

France: improvement in exports. According to customs data, exports of goods rose by EUR 1.8 billion in July y/y, following a decline of EUR 2.3 billion in H1 and EUR 9.5 billion in 2024 (exports of services are increasing more steadily according to the Banque de France,+ 9.4 billion y/y in January-July 2025 and+ 25.6 billion y/y in 2024). The rebound in aeronautical exports is accelerating (against a backdrop of a rebound in production). Exports to Germany began to grow again in July after nearly two years of decline. *Coming up: confidence vote on 8 September (if the vote is negative, the government will fall), July industrial production (9 September).*

JAPAN

Growth and wages on the rise. Q2 GDP growth has been revised upwards to +0.5% q/q (+2.2% AR). This is a sharp acceleration compared to Q1 (+0.1% q/q), against +0.3% q/q according to the initial estimate, thanks to better-than-expected private consumption (+0.4% q/q against +0.2% initially). Nominal wage growth reached +4.1% y/y in July, its highest level since December 2024; this development points to a further rate cut by the BoJ before the end of the year. Real wage growth was positive (+0.5%, +1.3pp) for the first time in 2025.

Shigeru Ishiba, Prime Minister since 1 October 2024 and president of the Liberal Democratic Party (LDP), announced his resignation on Sunday 7 September. His decision comes ahead of an internal LDP confidence vote. The next LDP president and likely Prime Minister will be elected on 4 October. This renewed instability weighed on the yen and long-term bond yields when markets reopened.

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UNITED KINGDOM

Activity is expanding significantly in services, but difficulties remain in industry. The composite PMI index rebounded in August (+2 points to 53.5), reaching its highest level since April 2024, driven by services (+2.4 points to 54.2). However, the manufacturing index fell (-1 pt to 47.0). It has been in contraction territory for eleven months. New vehicle registrations were down 2.0% y/y in August, as were retail sales (-0.5% m/m in July). According to the BoE's latest Decision Maker Panel survey, companies anticipate inflation and wages to plateau at a high level in 2026 (3.3% and 3.6% respectively) and limited employment growth (+0.2%). *Coming up: the BRC retail sales index for August (9 September), the RICS index for real estate for August (12 September), monthly GDP, industrial production and the trade balance for July (12 September).*

EMERGING ECONOMIES

PMI indices proved resilient in August, although they remained below 50 in the vast majority of emerging countries. In August, the overall index and the sub-index for export order book prospects showed a deterioration compared with the first half of the year in only 30% and 40% of cases, respectively, out of a sample of some 15 emerging economies.

Central Europe: In Hungary, the Czech Republic and Poland, manufacturing activity remained sluggish. The index returned to contraction territory in Hungary (to 48.9 after 50.5 in July). In Poland, it remained below 50 but improved slightly. In addition, several economic indicators (retail sales, consumer confidence, intentions to purchase durable goods) have improved.

Asia: Manufacturing PMIs rose slightly in August. Confidence survey results point to a rebound in activity in Indonesia, the Philippines and Thailand. In Vietnam, the PMI remains in expansionary territory, but is deteriorating and the "new export orders" sub-component is below 50. In Taiwan and South Korea, the PMIs and the "new export orders" sub-component point to a deterioration in activity.

Gulf countries: Non-oil activity remains strong: PMI indices for August were up and remained above 50. Kuwait is the exception: the index was down slightly from July but, at 53, the signal remained positive. Robust domestic demand continues to support growth across the region.

Latin America: The signals remain mixed for the three countries covered. The manufacturing index continued to rise in Colombia (to 55.3 after 51.9 in July). New orders and the employment component increased too. In Mexico, the manufacturing index barely recovered (to 50.2), while in Brazil it continued to deteriorate (to 47.7). The deterioration in the employment components in both countries continued.

CHINA

Moderate slowdown in export growth in August. Exports of goods rose by 4.4% y/y in USD, vs. 7.2% in July. Exports to the US fell by 33% (after -22% in July). This decline was offset by an increase in sales to the rest of the world (ASEAN: +23% y/y in July; EU: +10%). Imports of goods rose by only 1.3% y/y. The trade surplus over the last 12 months reached a record USD 1,166 bn.

INDIA

VAT reform to support growth. From 22 September, goods taxed at 28% will be taxed at 18% and those taxed at 12% will now be taxed at only 5%. This measure will support household consumption and partially offset the impact of US tariff increases on economic growth. See India: fiscal policy to support growth.

POLAND

Further monetary easing. In line with expectations, the Central Bank cut its key rate by 25 basis points to 4.75% at its last meeting (a cumulative reduction of 100 basis points since last May). The return of inflation to its target since July undoubtedly weighed on the monetary authorities' decision. Nevertheless, prudent easing is expected in the short term due to persistent wage pressures (+8.9% y/y on average in Q2). Similarly, some volatility in the foreign exchange market cannot be ruled out in the event of a presidential veto on the 2026 budget.

THAILAND/INDONESIA

Political tensions. Thailand has changed government for the third time since the summer of 2023. Following the dismissal of Paetongtarn Shinawatra on 29 August by the Constitutional Court, general elections are expected to be held in early 2026. **In Indonesia, protests could weaken the Prabowo government.** The social tensions of recent weeks have so far had limited repercussions on the stock markets and the currency. Even if the government could be forced to increase social spending to meet the protesters' demands, the impact on public finances would be limited.

COMMODITIES

OPEC+ members have announced the possibility of increasing oil production by 1.37 mb/d in October. This would be a continuation of their policy of gaining market share. The announcement could lead to an additional 1.66 mb/d being brought to market over the coming quarters, subject to favourable market conditions. The increase in production is expected to weigh on prices in Q4, but the gap between the announced additional volume and what will actually be brought to market may mitigate the impact.