

[Find out more in our scenario and forecasts](#)

ADVANCED ECONOMIES

G7: Back to life. The Evian G7 Leaders' Meeting far succeeded in keeping President Trump engaged for its entire 2-day duration and delivering common statements on no fewer than 9 issues, including greater support for Ukraine and pressure on Russia, the importance of coordinated action to reduce global imbalances (with specific policy changes identified), and securing supply chains for critical minerals. The communiqués are full of references to multilateral institutions, notably IMF, World Bank and OECD but also the WTO. Thus, contrary to premature reports, the G7 is not dead, and neither is multilateral cooperation.

UNITED STATES

United States: Hawkish Fed hold, mixed data. As expected, the FOMC kept interest rates unchanged; but the Committee, now chaired by President Trump's appointee Kevin Warsh, delivered a dramatic shift in outlook, with a shift from 12 members in March expecting a rate cut by year-end, to 9 expecting at least one rate hike and only one expecting a cut (not Warsh, as he declined to submit a forecast). While under Jerome Powell the FOMC and its chair strove never to refer to one side of the Fed's dual mandate without mentioning the other, this time both the statement and the Chair strikingly singled out price stability. Whilst an immediate confrontation between Warsh and the FOMC had been a risk, Warsh was at pains to emphasize the quality and collegiality of the discussions and to praise Fed staff's work. He announced a wide change agenda (notably on communications, balance-sheet policy, inflation frameworks, and data sources), but to be introduced only after 5 expert task-forces have done their work rather than by edict. Data was mixed. Industrial production growth slowed to 0.1% m/m in May (from 0.9% in April), weighed down by a contraction in nondurable manufacturing. However, AI-related, aerospace, and auto sectors expanded. Retail sales ex-autos and gas grew steadily at 0.5% m/m in nominal terms. Housing starts disappointed with a -15.4% m/m fall. The dollar strengthened on the Fed pivot.

EUROZONE

Resilient exports, inflation concerns. Overall Eurozone exports (both intra- and extra-EU) recorded a strong increase in April (+2.5% m/m), with both intra-EU and extra-EU exports rising (+2.4% m/m and +2.6% m/m, respectively). The final inflation estimates confirm May headline at 3.2% (above 3% for the 1st time since 2023) while core accelerated more than expected to 2.6%. Several ECB speakers voiced concern about price increases extending to food and services. Encouragingly for inflation risks going forward, industrial activity remains weaker than at end-2025 despite growing in April (+0.1% m/m and +0.4% y/y), with a rebound in the Netherlands and Ireland offset by flatlining in Germany and France. And basic wage growth (excluding one-off payments), is expected to stabilize at 2.5% in the second half of 2026 and 2.6% on average in 2026, compared to 3.8% in 2025, according to the ECB's wage tracker.

EUROPEAN UNION

Moving forward, cautiously, on China, Banking Regulations and Ukraine. EU Leaders decided to postpone confrontation with China and instead asked the European Commission to "continue engaging in a constructive dialogue", while also developing new tools in the area of trade defence (including tariffs and quotas) and industrial policy, notably to compel corporates to diversify their sources of critical inputs. Importantly, Chancellor Merz joined the hawks' camp, having earlier (at the G7) raised the possibility of countering China's exchange rate weakness with trade measures. On bank regulation, the EBA issued a report proposing a simplification of overlapping capital requirements, which could in some cases result in lowering them, albeit that is explicitly not the goal. In parallel, several media report that the upcoming EC report on bank competitiveness will propose enabling banks to meet liquidity and capital requirements at parent level, which should reduce fragmentation. The report would otherwise fall short of major easing of regulations. Lastly, Ukraine's membership negotiations have officially been launched; however, member states are divided on the speed, with a majority for now favouring a slow pace.

France: Boom in business starts amid forecast confusion. Business starts increased sharply in May 2026 (+15.4% y/y; +12.1% y/y YtD) to reach an all-time high (110000 in May; 3% above the previous peak). The main increases came from information & communication (+68% y/y; +42% y/y YtD) and business services (+27% y/y; +21% y/y YtD). Meanwhile, the Banque de France marked down sharply its growth forecast from 0.9% to 0.5% in 2026 (and 0.9% +0.1pp in 2027). This forecast does not take into account the MoU between the US and Iran, nor, we believe, a number of one-off factors. By contrast, INSEE revised up its Q2 GDP growth forecast from 0.2% q/q to 0.3%, driven by exports (high Airbus deliveries in Q2 after a low Q1); resilient manufacturing (momentum in aeronautics, defense spending / chemicals and oil refineries). The 2026 GDP growth forecast (published for the first time) is 0.7%, with the higher inflation environment expected to have a negative impact on both consumer spending and corporate investment.

Germany: Surge in ZEW expectations and producer prices. The ZEW June survey showed economic expectations surging by 20.7pts to 10.5 – the highest since the start of the Middle East conflict – on war optimism (versus consensus expectations for -6). Banks, insurance, telecoms, IT and utilities saw the largest upgrades in sentiment. Chemicals, automotive, and electronics recovered a little from deep May declines. Construction was the only sector deepening its contraction. Meanwhile, the May PPI rose by +2.2% y/y (vs. +1.7% in April), the fastest level since May 2023, but below expectations. It was mainly driven by higher prices for intermediate goods (+4.2% vs. +2.6% in April) and energy.

Italy: Export strength. The trade balance recorded a surplus of EUR +4.3 million in April, (EUR +9.5 mbillion excluding energy). Exports grew by 8.8% y/y, both for EU and non-EU countries, and imports by 5.5%.



[Find out more in our scenario and forecasts](#)

JAPAN

BoJ hike brings rate to highest since 1995. As widely expected, the Bank of Japan raised its policy rate to 1% (up 25bp) at the 15-16 June MPM. Toichiro Asada, the only current board member appointed by PM Takaichi, dissented and preferred to hold. The generally hawkish tone points to another hike by year-end, possibly in October. However, the rate hike did not prevent the JPY from further weakening (USD/JPY at 161.3 on Friday 19, vs. 160.2 on Friday 12). As a result of the interim assessment of the JGB purchase reduction plan, the BoJ announced the end of tapering from Q2 2027. Meanwhile, government support measures help keep inflation below target. In May, Core CPI was steady at 1.4% y/y (in line with expectations).

UNITED KINGDOM

New PM on the way, BOE on hold, and good data. Keir Starmer announced, on Monday 22, his resignation as Prime Minister and leader of the Labour Party. He was facing a leadership crisis since several weeks. The current Greater Manchester Mayor Andy Burnham emerges as the favorite to replace Starmer at both positions by mid-July. Earlier, he won an election to Parliament in a bid to eventually challenge Starmer. The Bank of England's MPC voted 7-2 on 18 June to hold Bank Rate at 3.75% but maintained a somewhat hawkish bias. It slightly lowered its inflation forecasts, though still expects a rise to over 3.25% by year-end 2026 (down from April's 3.7%-3.8%) as energy costs filter through, while marginally improving growth outlook. Inflation held steady at 2.8% y/y in May, unchanged from April and below expectations. PPI showed continued upstream pressure but easing monthly momentum. The unemployment rate fell to 4.9% in the three months to April (from 5.0%), better than expected. But wage growth remained contained and unchanged compared to the previous month at 3.4%. We trimmed our forecast from 2 to 1 BoE rate hike this year, likely in September. The GfK consumer confidence index held steady in June, and next 12-months improved for the second month running. Retail sales surprised on the upside in May, rising 1.2% m/m both overall and core (i.e.) excluding automotive fuel.

EMERGING ECONOMIES

AFRICA & MIDDLE EAST

Gulf countries: Optimism prevails. The Dubai stock market gained 5.3% during the week and Abu Dhabi 3.1%. Gains were more marginal for Saudi Arabia, which was less affected by the conflict.

Saudi Arabia: Inflation reached +0.2% m/m in May (+1.8% y/y). Currency peg, energy subsidies, [KC3.1] and the flexibility of infrastructures have helped to contain inflationary pressures.

South Africa: Inflation print at +4.5% y/y in May was less than expected (+4.7%). Core inflation rose to 3.8% y/y but remained contained.

ASIA

China: Strong export growth, falling domestic demand. The K-shaped economic growth pattern continues. In May, industrial production growth accelerated slightly to 4.5% y/y from 4.1% in April, supported by solid exports. However, this is much slower than in 2025 (5.9%). Services production growth was also slow, at 4.4% y/y vs. 4.3% in April (5.5% in 2025), and domestic demand was weak. Retail sales value fell by 0.6% y/y, the first decline since China's zero-Covid policy in 2022.

Total investment value also contracted (-4.1% y/y), led by the investment fall in real estate, manufacturing and infrastructure. The government may be tempted to increase again fiscal spending in the coming months. Separately, the PBOC launched a yuan repo tool, another step in China's efforts to support greater international use of the RMB.

Indonesia: Policy rate hike. Following a 50bp rate hike at an extraordinary meeting last week, the Central bank raised rates by an additional 25bp to 5.75% on June 18. MSCI has decided to keep Indonesia in the "emerging markets" category. This decision should reassure investors and ease downward pressure on the currency. While the increase in consumer prices remains modest (+3.1% y/y in May), the more pronounced rise in producer prices raises concerns (+5.8% y/y).

EMERGING EUROPE

Czech Republic: Policy rate hike. For the first time in 4 years, the Central bank raised its policy rate by 25 bp to 3.75%. The decision was widely expected, given high nominal wage growth (8.1% y/y in Q1 2026), elevated prices in the housing market and high energy prices. Core inflation remains sticky (2.8% y/y in May). Headline inflation (calculated from HIPC index) has been increasing (1.8% y/y in May from 1.0% in February). More rate hikes are not ruled out this year.

LATIN AMERICA

Policy rate cut to 14.25% (-25 bp). However, inflation remains high (4.7% in May), and the tone of the Central bank's. We now expect the Central bank to adopt a cautious stop-start easing cycle over the rest of the year. Separately, polls point to Brazil resisting Latin America's rightward shift in October's election.

Chile: Central bank on hold. The policy rate was unchanged for the 4th consecutive time. Inflation remains high (3.9% in May after 4.0% in April), but the Board judged that inflationary risks were balanced.

COMMODITIES

The IEA now expects global oil demand to fall by 1.1 mb/d y/y in 2026 (about 0.7 mb/d less than in their May report), while global oil supply is projected to decline by 3.9 mb/d in 2026. In 2027, the supply side is set to recover faster than demand, surging by 8 mb/d, when demand is projected to increase by only 2 mb/d, leading to a supply glut. This surplus should enable countries to replenish their strategic stocks without stressing the oil market.

Stocks have been drawn down heavily to offset the loss of barrels from the Gulf, and OECD government oil inventories have fallen to their lowest level since December 1990. The US Strategic Petroleum Reserve (SPR) dropped by 8.9 mb/d during the week of 12 May, taking it to its lowest level since 1983 (driving total SPR to 340 million barrels).

