Find out more in our scenario and forecasts

IN BRIEF

A week richer in geopolitical and market developments than macroeconomic ones:

19 November

While President Trump held warm meetings with Presidents Xi and Putin in China (bilaterally and trilaterally, with no deliverables announced), 30+ country leaders gathered in Berlin at the Coalition of the Willing Summit, hosted by German Chancellor Merz and co-chaired with French President Macron and UK Prime Minister Burnham — to pledge continued support to Ukraine, financial and otherwise.

20 November

The EU and UK had a successful Brexit reset summit yielding concrete steps toward a closer economic relationship. Tech stocks led global markets into a tailspin. The S&P 500 is down more than 10% from its peak, and the Nasdaq more than 20%, implying negative returns year to date. It lost $4tn of market capitalisation over the week, of which half on Friday alone.

These moves, should they be sustained, let alone worsen, could call into question the picture of economic strength and hawkish central banks that has prevailed until now (including in the write-up below).

ADVANCED ECONOMIES

EUROZONE

Tame wage growth confirms rate outlook; new ECB leadership package set. Negotiated wages rose 2.6% y/y in Q3. The labour cost index grew faster (3.4%), but this partly reflects higher employment during the period, which is a positive development. That said, ECB officials' statements increasingly converged on the need for further tightening as October inflation was confirmed at 4% y/y, and core at 2.6%. Germany nominated Princeton academic Markus Brunnermeier to succeed Philip Lane as ECB chief economist, while France nominated former Europe Minister Laurence Boone to succeed Isabel Schnabel. EU leaders should formally endorse them, along with Pablo Hernández de Cos as President, at their Summit next week. For a commentary on what this means and the priorities that await them, see Isabelle Mateos y Lago's Substack and Editorial).

France

Mixed economic data, a surprise budget golden rule proposal, and 2027 electoral map starting to take shape. The INSEE business climate index fell from 97 in October to 95 in November, with accommodation, catering and retail particularly affected following the October riots. Manufacturing proved more resilient, with its index at 104, above both its 2026 and long-term average. Business creations were up 14% y/y in October and 16.5% over the latest three months. Growth in bank and market financing to businesses slowed respectively to 4.4% and 3.6% y/y in September (with the average cost of market financing exceeding that of bank financing by 60 bps, the most since December 2022).

On Sunday 22 November, President Macron surprised by announcing a plan to convene the National Assembly and Senate in a special session in early January, to vote on a constitutional reform initiated in 2011 that would require to balance the budget over time. This would require a special majority of 3/5ths of the Congress, which arithmetically exists based on parties that have recently proposed a fiscal rule. However, success is far from assured given political dynamics. The passage of this reform would go a long way to appease market fears over the direction of French fiscal policy beyond the 2027 elections. Meanwhile, Budget Minister Amiel said on Nov. 20 that France must find at least €6 billion of additional savings in the 2027 budget after growth slumped and the government made additional spending pledges. This is consistent with the latest European Commission forecast that France's budget deficit will reach 5.5% of GDP in 2026, exceeding the revised 5.4% target, and will barely narrow in 2027.

On the election front, with five months to go before the first round, 3 of the 4 leading candidates of the right and centre (David Lisnard, Bruno Retailleau and Gabriel Attal) have opened discussions on a possible right-and-centre primary election at the end of January. Édouard Philippe has ruled out taking part in it. Meanwhile, the National Rally (Rassemblement national) has presented its long-awaited proposals for pension reform. They include Marine Le Pen's long-made promise to lower the legal retirement age to 62, but with several measures aimed at containing the costs of the reform. Also included is the creation of a mandatory capitalisation pillar. Despite these mitigating steps, most analysts (ourselves included) expect the measures to have a net negative impact on fiscal sustainability. For a synthetic primer on the candidates' fiscal and pension proposals, see our Focus.

Upcoming: INSEE household confidence (Wednesday); November HICP inflation flash estimate, Q3 employment and final Q3 GDP (Friday).

Germany

Sentiment rebounds, but producer-price pressures accelerate sharply. The ZEW economic confidence index jumped 7.5 points to 35.6 in November, its highest since February 2026, while the assessment of current conditions also improved, albeit remaining deeply negative. Producer prices, meanwhile, surged 8.1% y/y and 1.4% m/m in October, their fastest annual increase since February 2023, driven primarily by energy and energy-intensive sectors.

Upcoming: November Ifo Business Survey (Tuesday); Q3 National Accounts (Wednesday); November GfK Consumer Sentiment (Thursday).

Italy

Energy pushes inflation to a three-year high. Harmonised inflation reached 5.6% y/y in October, the highest since September 2023, although core inflation was considerably more contained, at 2.3%. Energy inflation reached 31.8%, while goods prices rose 7.6% against 3.0% for services.

UNITED KINGDOM

Consumers perk up even as inflation and labour-market strains persist. Payroll employment fell by 34,000 in October, extending the 12-month decline to 95,000, and vacancies dropped to 690,000, their lowest since 2014. The LFS measure was more encouraging, showing employment up 156,000 in the three months to September and unemployment edging down to 4.6%. Inflation accelerated slightly to 3.6% y/y, while GfK consumer confidence recovered two points to -22 and October retail-sales volumes rebounded 0.7% m/m after falling 0.6% in September.

The Brexit reset inches forward. At a Summit on Friday hailed as a reset of the UK-EU relationship, the two sides agreed on a series of measures aimed at easing food trade, linking carbon markets and facilitating youth mobility. The implementation plan will also include cooperation on the EU's "Made in Europe" initiative, potentially improving UK firms' access to EU procurement opportunities. UK Prime Minister Burnham is explicitly casting this agreement as the first step of a

Find out more in our scenario and forecasts

journey to reconsider Brexit. He intends to set out options that could include rejoining the customs union or single market or possibly the EU itself, although this is controversial even within his own party and would in any case only happen in the next Parliament.

UNITED STATES

Resilient activity, struggling housing market and more Fed hikes ahead. October headline activity data were soft, but the details held up better. Industrial production fell 0.4% m/m, largely because of a 4.3% drop in utilities, while manufacturing output rose 0.3% m/m and its annual growth reached 2.1%, the fastest since 2022. Retail sales slowed to 0.2% m/m, but the GDP-relevant control group accelerated to 0.6%. Housing remains the weak spot: starts rebounded 9.9% after three months of sharp declines, but permits fell 7.5% and the NAHB homebuilder index dropped to its lowest since 2012. Minutes from the 27-28 October FOMC meeting showed that "almost all participants" expected further tightening under their baseline outlook and FOMC members comments this week confirmed these views, albeit with disagreement over the pace and scale of extra tightening needed. We have added one rate hike in 2027 to our earlier forecast, to take the Fed Fund rate to 4.5-4.75% by mid-year.

Upcoming: Q3 GDP second estimate, Fed Beige Book, October PCE and core PCE inflation, October durable-goods orders and new-home sales (Wednesday).

JAPAN

Inflation moves further above target. Headline CPI rose 0.8% m/m and 2.3% y/y in October as energy prices increased for the first time since July. Underlying pressures strengthened as the new core measure excluding fresh food and energy accelerated to 0.5% m/m. BoJ Governor Kazuo Ueda expressed confidence that consumption would rebound after disappointing Q3 GDP and reiterated that raising the policy rate remained warranted.

TO WATCH NEXT WEEK

Major economies: Flash PMIs for November (Monday).

EMERGING ECONOMIES

ASIA

The AI-led equity market sell-off is spreading.

- Hong Kong Hang Seng Index: -5.2% between 13 November and 20 November;

- China CSI 300 Index: -1.5% between 13 November and 20 November (of which IT subindex: -5.5%);

- South Korea Kospi Index: -8% between 13 November and 20 November and -30.1% since 1 October;

- Taiwan TWSE: -17.5% between 13 November and 20 November and -25.5% since 1 October. The KRW and TWD have held up.

Southeast Asia is still one of the world's strongest growth spots. Over the first nine months of 2026, Vietnam led the region with 9% growth, followed by Singapore at 6% and Malaysia at 5.6%, while Thailand and the Philippines lagged with GDP growing at 2.8% and 2.5%. The divergence largely reflects the stronger boost from AI-related investment and semiconductor and electronics exports in the more technology-oriented economies.

LATIN AMERICA

Brazil

Slower activity and fiscal doubts put the *real* under renewed pressure. The central bank's activity index contracted 0.9% q/q in Q3 amid tight monetary conditions. The Senate approved a fiscal package expected to improve the primary balance by 0.2pp of GDP, but concerns about the public-debt trajectory persist. The real has depreciated 9% against the dollar since President Lula's re-election, prompting the central bank to intervene in the foreign-exchange market on 19 November.

EMERGING EUROPE

Central Europe

Hungary : Policy rate on hold. As expected, the Central bank maintained its policy rate on hold at 5.5% for the 3rd consecutive month. Whilst inflation is still contained (2% y/y in October), it has been rising and should pick up further in the coming months due to the end of fuel price caps and the possible end of food margin caps. Meanwhile, the future shift in the Central bank's inflation target to 2.5% ±1% in 2028 and the need to anchor inflation expectations suggest some caution ahead. In the meantime, Hungary's 10-year sovereign bond yield has fallen markedly since last April's elections (-143 bp). **In Poland**, currency and bond markets may be more prone to volatility due to increasing political tensions between the Central bank and the Constitutional court.

Türkiye

Inflation fears and investment fund scandal shake sentiment. On November 12, the Turkish central bank raised its end-2027 inflation forecast to 21% from 15%, citing the Iran war. Foreign currency deposits held by Turkish residents rose $5.2 billion in the week through November 13 — the biggest weekly increase since July.

COMMODITIES

Oil and gas. Prices fall as markets look through geopolitical risks. Despite a flare-up in attacks in the Strait of Hormuz and Saudi Arabia and renewed rumours of imminent US-Israeli massive strikes on Iran, Brent fell 0.5% over the week to $92/bbl as markets focused on the expected year-end crude surplus forecast by the IEA, and improving refined-product inventories. US commercial crude inventories increased another 3.4mb to 418mb, while SPR stocks fell 3.2mb. Diesel cracks declined 10% in the US and 8.5% in Europe. European gas prices rose by 11% to €94/MWh amid forecasts of cold temperatures for the next two weeks.

y/y = year-on-year
m/m = month-on-month
bp = basis point
pp = percentage point
mb = million barrels