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ECONEWS

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ECONEWS OF 19 OCTOBER 2026

10/19/2026

To Watch This Week

- **Developed markets:** Flash PMIs for October (Friday)
- **Eurozone:** Germany September PPI and October ZEW (Tuesday) France Insee Business Climate (Thursday)
- **UK:** August Employment data (Tuesday), September CPI and PPI (Wednesday), September Retail Sales (Friday)
- **Japan:** September CPI and October PMI (Friday)

IMF ANNUAL MEETINGS

Resilience, but no relief. The IMF's latest global growth forecast is unchanged from a year ago and from April 2026 (at 3.1% in 2026 and 3.4% in 2027), despite the energy shock, however with a different geographical breakdown: many energy importers and war-exposed countries downgraded, and AI-exposed countries upgraded. Resilience was the buzzword of the meetings, however it appeared mostly in the rearview mirror. Looking ahead, buffers are running thin, fiscal policy needs urgent consolidation, and downside risks (from energy and AI exuberance) loom large. Global headline inflation is expected to rise to 4.7% in 2026, mainly due to energy and food, before easing back to 4.1% in 2027 (revised +0.2pp). Growth in advanced economies is revised up to 2.1% in 2026 (+0.4pp, driven by Germany), staying at 1.8% in 2027. Eurozone growth is upgraded to 1.1% in 2026 (+0.2pp) and 1.2% in 2027. US growth stays projected at 2.3% in 2026 and 2027 (+0.1pp). Germany sees the largest G7 upgrade, to 1.3% in 2026 (+0.6pp) and 1.1% in 2027 (+0.1pp). France is the only major advanced economy downgraded, to 0.4% in 2026 (-0.2pp) and 0.7% in 2027 (-0.2pp). *See my more detailed takeaways in [Substack](#) or in last week's [EcoWeek](#) editorial.*

ADVANCED ECONOMIES

EURO AREA

Moderate tightening does it. Multiple ECB Governing Council members, speaking from the IMF Meetings in Bangkok, re-underwrote their “moderate response” approach to the ongoing energy-driven inflation surge. Accordingly, they signaled that additional rate action was likely but not imminent, acknowledging that the rise in bond yields was doing part of the job, and that there were no signs yet of second round effects. Strengthening the case for moderation, the Eurozone industrial production fell in August for the second month running, by 0.5% m/m, pulled down by pharmaceutical output and motor vehicles. That said, production in Netherlands surged to a new high (2.5% m/m and 8.7% y/y), driven by AI machinery and equipment.

EUROPEAN UNION

Trade policy, competitiveness and budget agreements by year-end. EU leaders asked the Commission to propose by year-end an instrument allowing, in extreme cases, full closure of the single market to a rival deemed to be attacking the EU economy. It is designed as a "second-strike" deterrent against unfair practices and retaliation. The Commission is also exploring extending the hybrid-vehicle safeguards approach agreed with China last week to other sectors such as chemicals and machinery. On the "Made in Europe" label, vehicles would need to be assembled in Europe with at least 70% of component value (excluding batteries) sourced locally and with substantial R&D in the EU. The UK would be included, provided London aligns with EU trade defence measures. EU Council also called for decisive progress on the competitiveness agenda, with the single-market (including 26th regime) and simplification files to be wrapped up by year-end. On the multi-annual financial framework, the objective remains a deal by end-2026, so that legislation can be adopted in 2027.

France

Business starts booming, insolvencies are stable, growth outlook is downgraded. Business creations rose by 16% y/y in the 3rd quarter (+23% y/y in September), driven mainly by the digital sector and retail. In parallel, business bankruptcies stabilised in the 3rd quarter according to Altares, with a 0.5% increase y/y (compared with a 5.4% increase y/y in Q2), and their impact on employment declined: 50,510 jobs at risk in Q3, down 3% y/y (*see our recent [analysis](#)*). The Banque de France halved its estimate for Q3 GDP to 0.1% q/q (same as Insee) due to the manufacturing sector. Its monthly survey showed a sharp jump in business uncertainty in September, driven by fuel prices and economic deterioration (the most acute readings in industry and services since April). The OAT-bund spread was rangebound (137-142).

Germany

Producer prices are rising. Wholesale prices rose 8.7% y/y (vs. 6.8% in August) due to higher wholesale prices for energy products and intermediate goods, particularly metals.

UNITED KINGDOM

Summer outperformance and kudos from IMF. Monthly GDP defied expectations in August and posted a 0.1% m/m against a -0.1% consensus. This marked a slowdown from July (0.4% m/m), but also a fourth consecutive month of expansion. Industrial production underpinned the advance: it accelerated to 0.8% m/m (consensus: -0.1%, prior: 0.3%) thanks to pharmaceuticals. The IMF sees growth accelerating to 1.3% in 2026 (+0.3 pp since July) and 1.2% in 2027. It also singled out the UK among advanced economies for its efforts and progress in putting its fiscal house in order.

UNITED STATES

Inflation heats up, manufacturing accelerates, but an October hike is unlikely. CPI inflation exceeded expectations at 0.65% m/m in September (up 0.2pp), the fastest monthly pace since April. Accordingly, the y/y rate climbed to 3.7% (up 0.3pp). The biggest upside surprise, however, came from the core CPI: at 0.33% m/m (consensus: 0.2%, prior: 0.3%) and 2.6% y/y (consensus: 2.5%, prior: 2.4%); as services remained sticky while goods accelerated to 0.3% m/m on autos and AI-related items. Producer prices too rose well above expectations to 1.3% m/m (consensus: 0.6%, prior: 0.5%) – the largest monthly increase since March 2022 – and 6.3% y/y (consensus: 5.3%, prior: 5.6%). Industrial production accelerated in September to 0.7% m/m (up 0.6pp) thanks to utilities. Manufacturing returned to growth (0.3% m/m, up 0.5pp) with

gains broadening beyond the AI-related and aerospace sectors. Retail sales excl. autos and gasoline, by contrast, slowed sharply to 0.2% m/m (down 0.9pp). During his speech at the IMF Meetings after the hotter than expected inflation prints, Chair Warsh declined to hint at an imminent rate hike. We continue to expect the next rate hike to occur in December.

JAPAN

Producer price inflation eases. Producer prices fell for a second month in a row in September, down a further 0.5% m/m, while the yearly rate slowed for the first time since February (-0.8pp), though it remains firm at 6.8%. The IMF forecasts growth at 0.7% in both 2026 and 2027, broadly unchanged. The yen weakened past 158 per dollar again after reports that the BOJ is leaning against a back-to-back October rate hike.

EMERGING ECONOMIES

China

Explosive export growth, subdued inflation and credit growth. In September, export value growth surged to 36.3% y/y from 25% in August, driven by semiconductors, computer equipment and other AI goods, as well as green technologies. Export prices surged, especially for semiconductors, while total export volumes remained robust. Import value growth also accelerated to 31% y/y from 28.2% in August, boosted by both rising volume and rapidly increasing prices. The trade surplus hit a new monthly record of USD134bn in September. CPI inflation edged up to 0.9% y/y in September, mainly because of a 14.9% rise in vehicle fuel prices. Food prices continued to fall (-1.7% y/y) and core inflation was stable at 1%. Producer price inflation accelerated to 5% (the highest since 2022) due to rising commodity prices. Growth in total domestic credit outstanding ("social financing") continued to slow down, reaching a record low of 7.1% y/y in September. Bank loans to households declined (-2% y/y) for the seventh consecutive month.

In Q3 2026, real GDP growth rebounded to 4.5% y/y (1.2% q/q) from 4.3% y/y (0.9% q/q), primarily led by industrial production (which rose by 5.1% y/y on average in Q3 vs. 4.6% in Q2). On the demand side, exports were the key driver while fixed-asset investment continued to contract. Retail sales posted a small pickup in September but remained flat in real terms in Q3 as a whole. With growth reaching 4.6% y/y year-to-date, China needs only a 4.2% growth in Q4 to meet the official target of 4.5%-5% for this year – which seems easily feasible. The IMF trimmed its growth forecast by 0.1pp to 4.5% in 2026 and 4% in 2027.

Emerging markets

Asia's outlook upgraded, other regions downgraded. The IMF upgraded its Asia growth forecast to 4.8% in 2026 and 4.4% in 2027. The largest upgrades are for economies well integrated into the AI supply chain, notably Taiwan (+5.5pp to 10.7%), South Korea (+0.7pp to 3.3%), Singapore, Vietnam, Malaysia and to some extent Thailand. India is forecast to grow 7% in both 2026 and 2027 (fiscal year basis), up 0.6 and 0.3pp from July on robust domestic demand.

Central Europe's GDP growth is projected at 2.1% in 2026, slightly lower than April's forecast. In 2027, it remains unchanged at 2.3%. Growth paths are diverse within the region.

In the **Middle East & North Africa**, GDP is expected to contract by 2% in 2026. GCC real GDP should fall by 4.8% with only Oman expected to post positive growth (4.1%). A marked rebound is expected for 2027 (MENA: 7%; GCC: 9.1%).

The growth outlook for **Latin America** remains subdued, revised down to 2.3% in 2026 (from 2.4%) and 2.5% in 2027 (from 2.7%). However, in its "International Trade Outlook 2026" published on 15 October, the Economic Commission for Latin America and the Caribbean (ECLAC) expects the region to experience a trade boom in 2026: goods exports are projected to surge by 20% in value terms (11% from price increases and 9% from volume growth), with trade to Asia (excluding China) soaring by 32%, while intraregional trade growth lags behind at 8%. Yet, these export gains are concentrated in commodities and low-value-added manufacturing, limiting their spillover to broader growth. Stronger trade is thus providing only a modest boost to the economy.

Indonesia

MSCI launched a consultation on reclassifying the country from Emerging Market to Standalone Market status, with a final decision due by end-June 2027, citing opaque shareholding structures and suspected coordinating trading. Since January 2026, MSCI had frozen Index adjustments and threatened only a downgrade to Frontier market status (like Pakistan), but market participants argued that a Frontier reclassification would not properly reflect the extent of the market's problems. Over the medium term, the risk is heavy foreign capital outflows at a time when net FDI no longer covers the current account deficit. This leaves Indonesia reliant on foreign portfolio inflows and the rupiah exposed to a reversal in sentiment. On the day of this announcement, the Jakarta Composite Index fell by 11.6%, its steepest drop since January 1998. Among Asian emerging markets, Indonesia has posted the worst stock market performance since the beginning of the year (-40.7%).

COMMODITIES

Iran/Oil. More of the same. Brent oil prices have remained broadly stable this week (0.5% at 107\$/b on Monday). Renewed Iranian attacks on tankers in the Strait and intensification of Houthis' attack over the Saudi territory feed the geopolitical risk premium on barrel prices. But IEA announcement of an accelerated 100 mb oil release (above the March initial target of 400mb) and reports that the US may lift sanctions on the Russian and Iranian shadow fleets have contributed to crude price stability. The spread with physical barrel (Dated Brent) has declined (6.7\$/b on Oct 16th). Trump administration's various attempts to lower diesel prices have had a limited impact for now. European gas prices (TTF) recorded another weekly rise (4.7% w/w to 88.4 €/MWh, the highest level since Dec 22nd, 2022) on the back of the rising number of attacks on vessels in the Gulf and persisting disruption in the Strait. However, EU gas inventories reached 74% of full capacities on October 16th (i.e., almost at the 80% month-end target), which should reduce support for TTF prices going forward.

THE ECONOMISTS WHO PARTICIPATED IN THIS ARTICLE

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MARKETS OVERVIEW OF 19 OCTOBER 2026

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ECONOMIC RESEARCH

Three teams of economists (OECD economies, emerging economies and country risk, banking economics) form the BNP Paribas Economic Research Department. This web site presents their analyses.

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