INTESA SANPAOLO

Weekly Economic Monitor

Macro

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Weekly Note

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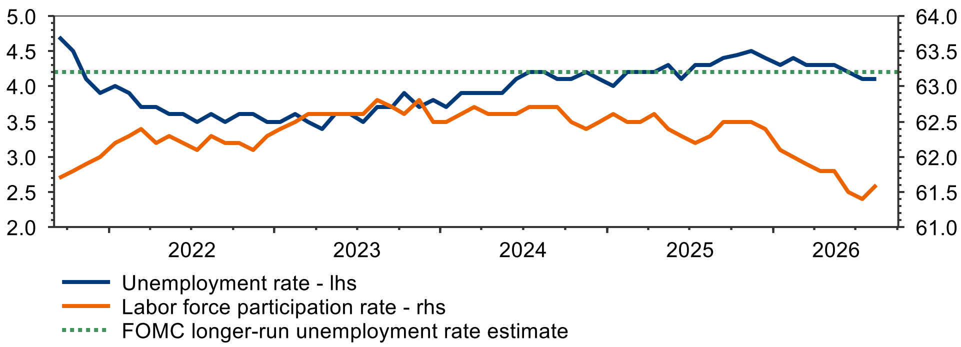
Viewpoint

The main implication for the macroeconomic outlook of the ongoing crisis in the Persian Gulf and the prospect of a slower-than-previously-expected rebalancing of the energy market (particularly for natural gas, also due to weather conditions) is an upward revision of consumer price estimates in the Eurozone. Against this backdrop, a rate hike by the ECB next week appears almost certain. There is greater uncertainty regarding the next monetary policy moves in the United States; however, we currently view the environment as favorable for a rate hike by the Federal Reserve as well by the end of the year; indeed, a rate rise as early as this month cannot be ruled out if, following the employment report, the August CPI and PPI figures also turn out to be higher than expected.

The Persian Gulf crisis remains unresolved: the gap between the United States and Iran in their negotiating positions remains very wide, and shipping through the Strait of Hormuz is still hampered by the dual blockade imposed by the U.S. and Iran. Official transit volumes have fallen to 7-8% of the pre-conflict average, while oil exports are estimated at less than 7 Mb/g on average, compared to 17.7 Mb/g before February 28. Although the economic damage caused by the naval blockade could eventually prompt Iran to scale back the concessions it demands in exchange for reopening the Strait, the standoff could last at least until the U.S. elections in November. Consequently, we now assume that the energy market will rebalance more slowly than we had anticipated in June. Furthermore, adverse weather conditions in the summer of 2026 have drastically worsened the situation in the European natural gas market as well, where storage levels are very low and may not play their usual stabilizing role during the fall months. Therefore, **we have revised our forecast for energy commodity prices upward. The revision is relatively modest for Brent** (from \$70 to \$77 per barrel for the average from the fourth quarter of 2026 to the third quarter of 2027) **and more significant for European natural gas** (from 53 to 70 euros per megawatt-hour in the fourth quarter of 2026, and from 32 to 47 euros on average for 2027). The revision makes the risks somewhat more symmetrical, although it does not fully rebalance them.

The main implication for the macroeconomic outlook is an **upward revision of inflation estimates in the Eurozone, in the range of two-tenths of a percentage point for the annual average,** both for 2026 (from 2.8% to 3%) and for 2027 (from 2.2% to 2.4%). The revision is more modest for the index excluding energy and fresh food (from 2.3% to 2.4% for the 2027 average), as August's consumer

In the United States, the unemployment rate in August remained below its long-term equilibrium level despite the rebound in labour force participation: if the CPI and PPI figures were higher than expected as well, this could signal an interest rate rise by the Fed



Source: Bureau of Labor Statistics, Intesa Sanpaolo price data - despite rising to 3.3% year-over-year - confirmed that not only are the second-round effects of the energy shock nonexistent, but the indirect effects are also very limited (food prices are falling, and while there are some price increases in non-energy goods, these appear to be driven by technology products); the peak for the HICP is now projected at 3.8% in December for the headline index and at 2.5% in April for the core index. However, **the risks in this regard - particularly on core inflation - appear to be tilted to the upside**, because the effects of rising gas prices are more spread out over time but also more pervasive and persistent than those of a shock focused more on oil. The effects of the revision in commodity prices are more limited on inflation in the United States.

This upward revision to inflation estimates in the Eurozone, however, is not accompanied by a downward revision to growth estimates; on the contrary, our forecasts are now higher than a few weeks ago, mainly due to upward surprises from spring GDP data, as well as from confidence surveys covering the summer months. While the improvement in the July surveys may have benefited from the optimism following the conclusion of the MoU in late June, the August results show that the resurgence of geopolitical tensions has not undermined the recovery in sentiment: both the PMIs and the European Commission's ESI index, as well as the main national surveys (IFO, INSEE, Istat) have now made up for the ground lost in the spring, returning to levels consistent with GDP growth close to potential in the summer quarter; even the leading indicators offer encouraging signs for the coming months. In light of a first half of the year that was stronger than expected, we have therefore revised our growth estimate for 2026 upward to 0.8%, while confirming the 2027 estimate at 1.2%; this scenario incorporates a slowdown in consumer spending around the turn of the year. The extreme heat waves that have hit Europe in recent months could shave off about one-tenth of growth in the third quarter, but these effects are expected to be offset in the following months, leaving the growth profile for the 2026-27 period virtually unchanged.

Stronger-than-expected data in the first half of the year have led to **upward revisions of the 2026 forecasts even in the region's major economies, with the exception of France. The most significant adjustments concern Germany and Italy**, at 1% and 0.9%, respectively (in both cases, this represents a revision of four-tenths compared to the estimate from three months ago). In these two economies, however, the composition of growth differed: in Germany, exports were the key driver, against a backdrop of still-weak domestic demand, while in Italy, both consumption and investment showed more favorable trends, which we believe will remain positive in the second half of the year as well (net of the aforementioned slowdown in consumption around the turn of the year, when households will more fully incorporate the effects of the energy shock on their electricity and gas bills). **Our forecasts for average growth in 2027, however, remain unchanged** at 1.3% for Germany and 0.8% for Italy. We have also revised our forecast for Spain upward, to 2.5% from 2.2%, while **France stands as the exception**: the downward revision of the first-half national accounts released by INSEE last week entails a mechanical reduction in expected growth for 2026, to 0.4% from a previous 0.6%; furthermore, the fiscal and political risks – also in light of next year's presidential election – may act as a headwind on growth for the coming years as well.

Next week, investors' attention will focus primarily on the ECB Governing Council meeting, which will almost certainly decide on a second rate hike following the one in June, in line with inflation that remains above target and risks linked primarily to the persistence of the energy shock. In our baseline scenario, the partial normalization of energy prices over the coming months prevents a significant spillover of price increases to non-energy goods and services, which are not driven by excess demand. Against a backdrop of core inflation peaking between the first and second quarters of 2027 and moderate growth in line with potential, the ECB would have no reason to continue tightening financing conditions, and the September rate hike could prove to be the last in the cycle. However, the uncertainties in this scenario are such that it would be unwise to rule out the possibility of a third rate hike to 2.75% (the prevailing indication from the portfolio of monetary policy rules based on our central projections or the ECB staff's June projections), even - if necessary - as a precautionary measure or to prevent adverse scenarios from materializing.

Next week will also see the release of **July industrial production data for the four major euro area economies**, following June figures that showed stability in the Eurozone aggregate (and in France), alongside growth - albeit modest - for the third consecutive month in Germany and, conversely, a contraction for the second month in a row in Italy. The heat wave and drought may have slowed activity during the month, although confidence indicators continue to provide encouraging signs regarding output trends. In **Germany**, low water levels in the Rhine - a major artery for industrial transport - may have subtracted, according to our estimates, about half a percentage point from production growth in July and up to one percentage point in August; the construction sector also reported operational difficulties linked to weather conditions. However, signals from the IFO and PMI surveys remain consistent with an expansion in production (at least excluding the automotive sector, where VDA data indicate a correction following the strong growth of the previous month). In summary, we expect a slowdown to 0.1% m/m. In **Italy**, a rebound (we estimate 0.3% m/m) is possible following the -1% m/m decline in the previous month, but signals from confidence surveys (particularly the manufacturing PMI's return to contractionary territory in August) do not suggest that the period of weakness in industrial activity has ended.

Also in Germany, on Sunday, in the elections in the eastern state of Saxony-Anhalt, the far-right AfD party could win more than 40% of the vote (at least according to the most recent opinion polls). If some parties fall below the 5% threshold required to enter the state parliament, **this result could be enough to secure an absolute majority of seats**. The other parties trail far behind, with the CDU at just over 20% and the SPD below 10%, while both the liberal FDP and the left-wing BSW risk being excluded from the state parliament. It should be noted that the AfD's main proposals - particularly regarding immigration and fiscal policy - are determined at the federal level, and that in the Bundesrat (the upper house representing the Länder), the party is not expected to wield significant influence in the decision-making process. Furthermore, Saxony-Anhalt, with just over two million inhabitants, is among the smallest German Länder and cannot be considered fully representative of the national political balance. In any case, **the vote would confirm the gradual loss of support for the governing parties, especially in the eastern part of the country**. Similar trends could emerge from the regional elections scheduled for the coming weeks: **ahead of the September 20 election in Mecklenburg-Western Pomerania, polls show the AfD leading the SPD (which heads the local government); in Berlin as well**, **the CDU and SPD are losing ground**, while Die Linke is the leading party and the AfD ranks third in the most recent polls. While these disappointing results for the CDU and SPD do not appear sufficient to jeopardize the stability of the ruling coalition, they could make further compromises within the majority more difficult and limit the government's ability to pass politically contentious structural reforms.

In the United States, the data released over the summer, along with the revision of expected energy commodity prices, lead us to make slight changes to our 2027 forecasts for GDP (from 2.3% to 2.1%) and the CPI (from 2.1% to 2.2%). However, the main revision we have made to our baseline scenario for the United States concerns monetary policy: the July PCE deflator figures, the remarks made by Warsh at Jackson Hole and the stronger-than-anticipated August employment report have fueled expectations of imminent rate hikes. In our view, uncertainty remains high. Yet, the portfolio of monetary policy rules we use in our forecasting process (based on eight different formulations of the Taylor rule, fed by our current forecasts for PCE deflators and the unemployment rate) yields values around 4% for official rates at the end of 2026, while the path for subsequent years points to a possible decline to around 3.5% by the end of 2027 and to around 3.25% by the end of 2028. Hence, we have chosen to adopt this profile as our new central scenario: **we now expect the Fed to raise rates by the end of the year** (the most likely timing, in our view, is December, although a move before that date cannot be ruled out), **followed - once**

there is evidence of a sustained easing of inflationary pressures - by a mini-cycle of rate cuts (three 25-basis-point cuts between September 2027 and March 2028); the Fed's terminal rate would be 3.25%, in line with our previous forecasts and with what was indicated as the long-term equilibrium rate in the June FOMC Summary of Economic Projections.

Next week, the most important data releases in the United States will be the August CPI and PPI. Both are expected to pick up again to 0.4% m/m, driven by energy, but the core indices could also post significant increases (0.3% for the PPI and 0.2% for the CPI, according to the consensus). It will be particularly important to analyze the components that carry the most weight in determining the PCE deflator. In our view, higher-than-expected CPI and PPI readings, particularly in the core components, may convince the Fed to end its hesitation and opt for a rate hike as early as this month.

Calendar of macroeconomic data and events

Calendar of macroeconomic data (7 – 11 September)

Date		Time	Country	Data release	*	Period	Previous		Consensus
Mon	9/7	08:00	GE	Industrial Production MoM (sa)	**	Jul	0.2	%	0.3
		10:00	CN	FX Reserves (Monthly)		Aug	3.419	Trn $	3.425
		11:00	EA	Eurozone Employment QoQ final		Q2	0.1	%	
		11:00	EA	GDP (YoY) final		Q2	prel 1.0	%	1.0
		11:00	EA	GDP (QoQ) final	*	Q2	prel 0.4	%	0.4
Tue	9/8	01:50	JP	Gross Domestic Product (QoQ) final	*	Q2	prel 0.3	%	0.4
		01:50	JP	GDP Annualized final	*	Q2	prel 1.1	%	1.6
		08:00	GE	Trade Balance SA		Jul	15.4	Bn €	
Wed	9/9	03:30	CN	CPI (MoM)		Aug	-0.1	%	0.3
		03:30	CN	PPI (YoY)	*	Aug	3.5	%	3.7
		03:30	CN	CPI (YoY)	*	Aug	0.5	%	0.8
		08:45	FR	Industrial Production (MoM)	*	Jul	0.1	%	
Thu	9/10	08:00	GE	CPI - EU Harmonised (YoY) final		Aug	prel 2.9	%	2.9
		08:00	GE	CPI - EU Harmonised (MoM) final	*	Aug	prel 0.2	%	
		08:00	GE	Consumer Price Index (MoM) final	*	Aug	prel 0.2	%	
		08:00	GE	Consumer Price Index (YoY) final		Aug	prel 2.9	%	2.9
		09:00	SP	Industrial Production YoY (cal. adj.nsa)		Jul	1.1	%	
		10:00	IT	Industrial Production sa (MoM)	**	Jul	-1.0	%	
		10:00	CN	M2 Money Supply (YoY)	*	Aug	7.7	%	7.7
		10:00	CN	Total Social Financing	*	Aug	1410	Bn CN ¥	2095
		10:00	CN	New Yuan Loans	*	Aug	-340	Bn CN ¥	480
		14:30	US	Initial Jobless Claims	*	weekly	206	k	
		14:30	US	Continued Jobless Claims	*	weekly	1.779	M	
		14:30	US	Producer Price Index (MoM)		Aug	0.0	%	0.3
		14:30	US	PPI Ex Food & Energy (MoM)	*	Aug	0.2	%	0.3
		16:00	US	Existing Home Sales		Aug	4.06	M	4.03
Fri	9/11	08:00	GB	Total Trade Balance (GBP/Mln)		Jul	-23.0	Bn £	
		08:00	GB	Trade Balance Non-EU (GBP/Mn)		Jul	-10.4	Bn £	
		08:00	GB	Industrial Production sa (MoM)	*	Jul	-0.2	%	-0.2
		14:30	US	CPI Ex Food & Energy (MoM)	**	Aug	0.2	%	0.2
		14:30	US	Consumer Price Index (MoM)	*	Aug	0.1	%	0.4
		14:30	US	CPI Ex Food & Energy (YoY)		Aug	2.5	%	
		14:30	US	Consumer Price Index (YoY)		Aug	3.4	%	
		16:00	US	U. of Michigan Confidence flash		Sep	51.7		

Note: (?) First likely date; (**) very important; (*) important. Source: Research Department – Intesa Sanpaolo S.p.A.

Calendar of events (7 – 11 September)

Date		Time	Country	*	Event
Wed	9/9	19:00	EA		ECB's Nagel Speaks in Berlin
Thu	9/10	14:15	EA	**	ECB Rate Decision (ISP forecast: depo rate +0.25% at 2.50%)
		14:45	EA	**	ECB President Christine Lagarde Holds Press Conference
Fri	10/9	00:00	JP		BoJ Board Member Masu Speaks in Fukui
		19:00	EA		ECB's Lane Speaks in Wexford, Ireland
Sat	9/12	09:30	EA	*	ECB's Lagarde Speaks in Épreville-en-Lieuvin, France
Fri	9/11	--	IR	*	Ireland Sovereign Debt to be Rated by DBRS
		--	SP	*	Spain Sovereign Debt to be Rated by S&P
		--	SP	*	Spain Sovereign Debt to be Rated by Fitch
		--	IT	*	Italy Sovereign Debt to be Rated by Fitch

Note: (**) very important; (*) important
Source: Research Department – Intesa Sanpaolo S.p.A.

The week in review

United States

Data release	Period	Previous			Consensus	Effective
Markit US Manuf. PMI final	Aug	53.2				53.9
ISM Manufacturing	Aug	55.6			55.2	54.6
Construction Spending MoM	Jul	0.0	~~(-0.1)~~	%		-0.5
ADP Employment Change	Aug	46	~~(44)~~	k	48	38
Factory Orders	Jul	-0.2	~~(-0.3)~~	%	0.6	0.9
Durable Goods Orders final	Jul	1.1		%		1.1
Durables Ex Transp final	Jul	0.4		%		0.4
Unit Labor Costs final	Q2	1.3		%	1.3	1.2
Nonfarm Productivity final	Q2	1.4		%	1.4	1.4
Initial Jobless Claims	weekly	204	~~(203)~~	k	205	206
Continued Jobless Claims	weekly	1.771	~~(1.778)~~	M	1.790	1.779
Trade Balance	Jul	-71.2	~~(-73.3)~~	Bn $	-90.0	-88.6
Markit US Composite PMI final	Aug	56.0				56.0
Markit US Services PMI final	Aug	56.8				56.5
ISM Non-Manf. Composite	Aug	54.1			54.2	55.4
Unemployment Rate	Aug	4.1		%	4.1	4.1
Change in Nonfarm Payrolls	Aug	21	~~(-23)~~	k	56	162
Avg Hourly Earning MOM All Emp	Aug	0.2	~~(0.1)~~	%	0.3	0.3

In column "Previous" in parenthesis data before the revision. Source: LSEG Datastream

Euro Area

Country	Data release	Period	Previous			Consensus	Effective
BE	GDP (Constant SA) (QoQ) final	Q2	0.0		%		0.0
EA	PMI Manufacturing final	Aug	52.8			52.8	52.7
EA	Euro-Zone Unemployment Rate	Jul	6.4	~~(6.3)~~	%	6.3	6.4
EA	Euro-Zone CPI Estimate (YoY)	Aug	2.9		%	3.3	3.3
EA	CPI ex Energy & Unproc. Food YoY flash	Aug	2.2	~~(2.2)~~	%	2.3	2.1
EA	PMI Services final	Aug	51.7			51.7	51.6
EA	PMI Composite final	Aug	52.1			52.1	52.0
EA	Euro-Zone PPI (YoY)	Jul	4.6		%	5.3	5.8
EA	Euro-Zone Retail Sales (MoM)	Jul	0.2	~~(-0.3)~~	%	0.3	-0.6
FR	PMI Manufacturing final	Aug	51.5			51.5	51.1
FR	PMI Services final	Aug	48.4			48.4	48.0
GE	CPI - EU Harmonised (MoM) flash	Aug	0.9		%	0.3	0.2
GE	Consumer Price Index (YoY) flash	Aug	2.8		%	2.9	2.9
GE	CPI - EU Harmonised (YoY) flash	Aug	2.8		%	3.1	2.9
GE	Consumer Price Index (MoM) flash	Aug	0.8		%	0.2	0.2
GE	Retail Sales (MoM)	Jul	0.0	~~(-0.7)~~	%	0.4	-3.4
GE	Retail Sales (YoY)	Jul	0.6	~~(0.0)~~	%	0.6	-2.5
GE	PMI Manufacturing final	Aug	54.1			54.1	54.3
GE	PMI Services final	Aug	48.5			48.5	49.7
GE	Factory Orders MoM (sa)	Jul	3.7	~~(3.1)~~	%	0.3	2.5
IT	PMI Manufacturing	Aug	51.3			51.3	49.6
IT	GDP sa and wda (YoY) final	Q2	1.0		%	1.0	1.0
IT	GDP sa and wda (QoQ) final	Q2	0.2		%	0.2	0.2
IT	Monthly Unemployment Rate SA	Jul	5.8	~~(5.7)~~	%	5.6	5.8
IT	CPI - EU Harmonized (MoM) flash	Aug	-1.0		%	0.3	0.1
IT	CPI (NIC incl. tobacco) (YoY) flash	Aug	2.9		%	3.3	3.3
IT	CPI - EU Harmonized (YoY) flash	Aug	2.9		%	3.4	3.2
IT	CPI (NIC incl. tobacco) (MoM) flash	Aug	0.3		%	0.5	0.5
IT	PMI Services	Aug	52.5			54.0	55.2
IT	Retail Sales (YoY)	Jul	3.1		%		0.8

In column "Previous" in parenthesis data before the revision. Source: Source: LSEG Datastream

France - Towards the elections: fiscal and political risks. France will return to the polls in the spring of 2027 for the presidential elections, which will likely be followed by snap parliamentary elections. The vote will take place against a backdrop of a highly fragmented political landscape: in the first round, Marine Le Pen is clearly leading in the polls, whilst the outcome of the run-off is more uncertain. The uncertainties concern not only who will be the next head of state, but also the ability of the new National Assembly to form a stable majority. A parliament that remains fragmented could, in fact, hinder the already difficult path of fiscal adjustment. Under a no-policy-change scenario, the deficit could approach 7% of GDP and debt could reach 130% of GDP by 2030.

European inflation rose in August, but solely due to energy prices. Inflation in the euro area rose, as expected, to 3.3% year-on-year in August, its highest level in almost three years. However, price rises are confined to energy (and, to a lesser extent, non-energy goods, likely due to the rush towards AI). The 'indirect' effects on core prices are very limited, and 'second-round' effects are, for now, non-existent: in our view, this picture remains consistent with a second hike in the ECB's key interest rates next week (10 September), but reduces the likelihood of further rate rises (unless there is a new escalation in hostilities in the Middle East followed by further spikes in energy commodity prices).

A September ECB rate rise looks all but certain. At its meeting on 9-10 September, the Governing Council of the European Central Bank is expected to raise official interest rates by 25 basis points, bringing the deposit rate to 2.50%, in line with an inflation picture that remains above target and with risks linked primarily to the persistence of the energy shock. We believe the ECB will continue to avoid providing genuine forward guidance, maintaining a meeting-by-meeting, data-driven approach, with communication centered on the reaction function: the intensity and duration of the shock, its transmission to underlying prices, inflation expectations, wages and the resilience of growth. The balance of risks could also justify precautionary rate rises in the future.

Eurozone: ESI index at a high since January. The EU Commission's ESI composite economic sentiment index improved further in August, rising to 98.4 from 96.9 previously. Although it remains below the long-term average, this is the highest reading since last January. The improvement is widespread across the main sectors. However, the recent rise in fuel prices and the risks of higher gas prices in the coming months call for caution, both in terms of growth and inflation. For the time being, at least, the economic cycle is showing signs of resilience and expectations regarding selling prices remain under control. This picture therefore remains consistent with a rate hike by the ECB in September, which we believe could be the last.

Italy: confidence on the rise in August, driven by construction and services. The Istat surveys for August are moderately positive: the construction sector is benefiting from the tail end of works funded by the National Recovery Plan, whilst the services sector is benefiting from a strong summer tourist season, although indicators of household and retail business confidence suggest that consumers remain extremely cautious in their spending decisions. Overall, however, it is possible that Italian GDP, following the better-than-expected performance seen in the first half of the year, may continue to grow in the current quarter, albeit at a further slower pace. Average growth this year is expected to stand at 0.8-0.9%, which is higher than the forecasts made immediately after the outbreak of the war in Iran.

Germany: GDP revision and IFO show promising signs. Germany's second-quarter GDP was revised upward by one-tenth, growing by 0.3% q/q, driven primarily by foreign trade. Domestic demand remained weak. The largest contribution to value-added came from the manufacturing sector, which is beginning to show the first signs of recovery after a long period of difficulty. The August IFO survey also confirms the improvement in economic conditions and expectations, particularly in the industrial sector.

France: encouraging INSEE confidence data. The INSEE survey for August shows the third improvement in business confidence, at its highest level since February. Progress was recorded in manufacturing, services, and retail trade. The heatwave may have temporarily slowed activity in some sectors, but we do not believe the impact is significant enough to derail the recovery. The overall picture remains consistent with GDP growth of around 0.2% q/q in Q3.

Eurozone PMIs: sentiment stabilising at moderate levels. In August, the composite PMI index was broadly unchanged at moderately expansionary levels (52.1, up from 52 previously) and consistent with the Eurozone (excluding Ireland) expanding by around 0.3% q/q in Q3. The resurgence of uncertainty in the Middle East raises new downside risks, but for the time being the surveys do not appear to have been particularly affected: the manufacturing sector (at a four-year high) is gaining momentum, services remain solid, and even the leading indicators are showing signs of resilience for the European cycle in H2.

Germany: industry was resilient in Q2, what's next? German industrial production rose for the third month in June. This growth was driven by the energy sector, whilst output excluding construction and energy remained flat. Yesterday, factory orders rose more than expected; however, once major orders were excluded, there was a third consecutive decline. Overall, despite the energy shock, German industry held up well during the spring and surveys remain at broadly expansionary levels. Over the summer, however, the drought affecting the Rhine, a major logistics route, is expected to temporarily affect industrial activity, with an impact we estimate at around -0.5 percentage points on production in July alone; and, in the absence of signs of improvement in water levels, with likely negative effects extending into August as well.

Italy: industrial production fell further in June. In June, industrial production fell by -1% m/m, down from a previous -0.3% m/m. On a year-on-year basis, too, the figure returned to negative territory after four months of growth. A breakdown by sector reveals widespread declines across all major sectors, with the exception of energy. Looking ahead, confidence surveys suggest caution; with the support provided in recent months by restocking now likely exhausted, businesses appear to be adopting a more cautious approach, compounded by the high level of geopolitical uncertainty that continues to pose downside risks.

Japan

Data release	Period	Previous			Consensus	Effective
Retail Trade YoY	Jul	0.6	~~(0.5)~~	%	2.9	4.0
Industrial Production (MoM) flash	Jul	1.9		%	-0.7	0.1
Jibun Bank Manufacturing PMI final	Aug	55.1				54.9
Consumer Confidence Households	Aug	34.9				35.5
Household Spending (YoY)	Jul	-3.3		%	-1.6	-3.6

In column "Previous" in parenthesis data before the revision. Source: Source: LSEG Datastream

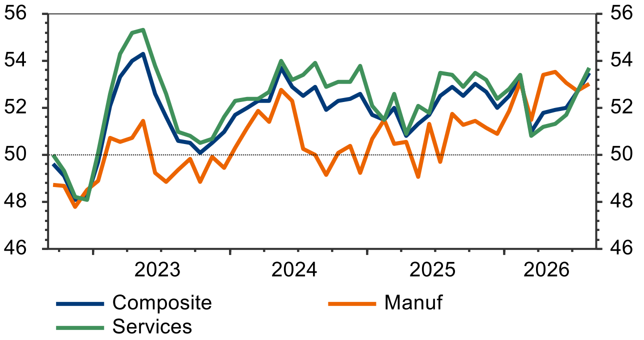
China

Data release	Period	Previous	Consensus	Effective
Caixin Composite PMI	Aug	49.3		49.5
NBS Manufacturing PMI	Aug	49.2	49.6	49.8
NBS Non-Manufacturing PMI	Aug	49.0		49.0
Caixin Manufacturing PMI	Aug	50.9	51.0	51.5
Caixin Services PMI	Aug	50.4		51.4

In column "Previous" in parenthesis data before the revision. Source: Source: LSEG Datastream

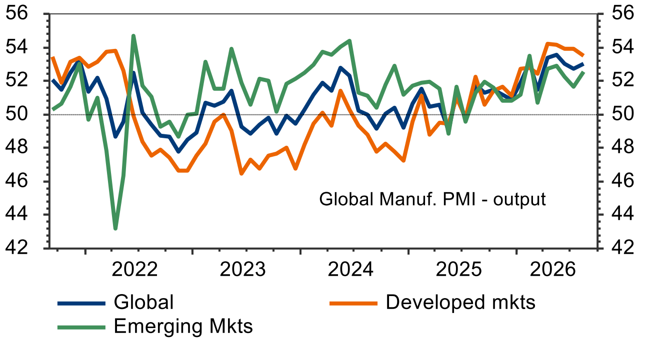
Economic Cycle

Global PMIs: manufacturing vs. services



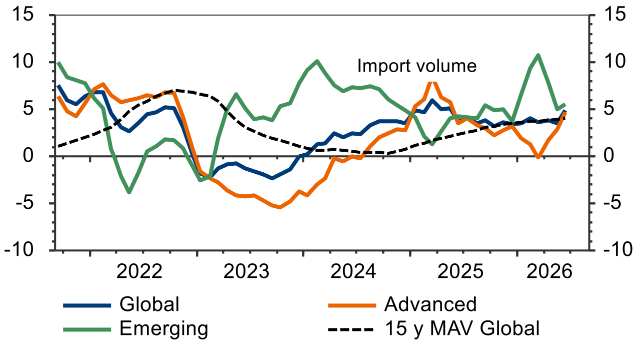
Source: S&P Global

Manufacturing PMI: advanced vs. emerging markets



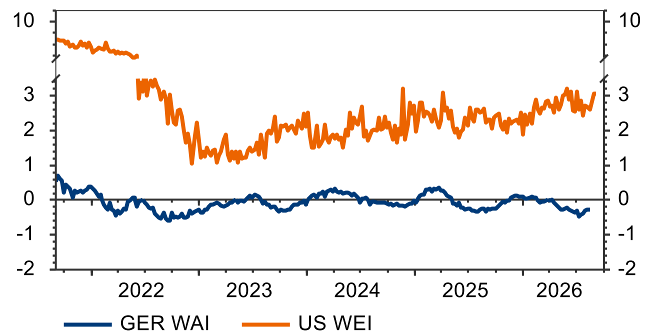
Source: S&P Global

Global trade growth (y/y % change)



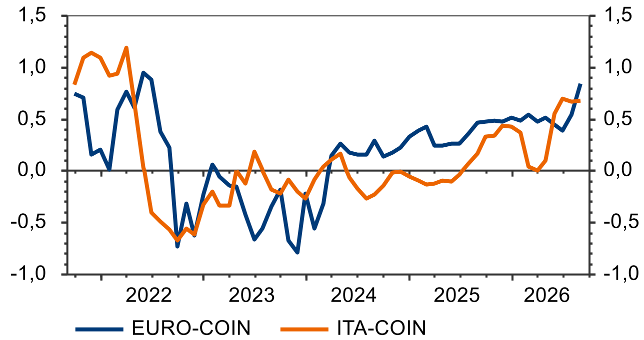
Source: Intesa Sanpaolo calculations on CPB data

Weekly indices of activity: Germany and US



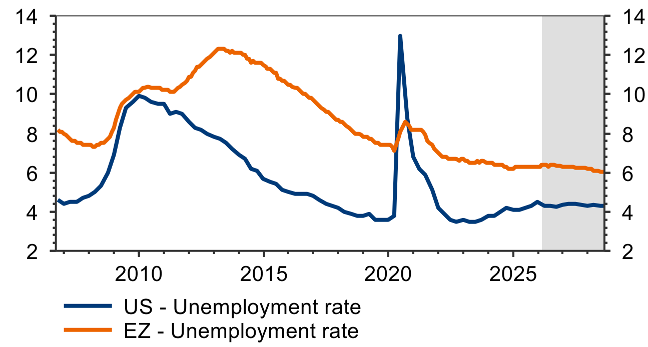
Source: Deutsche Bundesbank, NY Fed

Coincident indices of activity: Eurozone and Italy



Source: CEPR, Bank of Italy

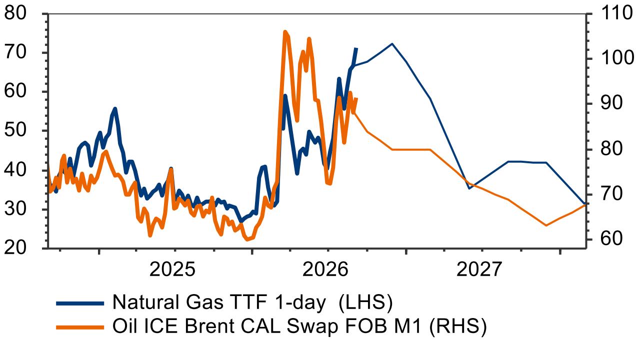
Unemployment rates (ILO)



Source: Intesa Sanpaolo forecasts on Oxford Economics data

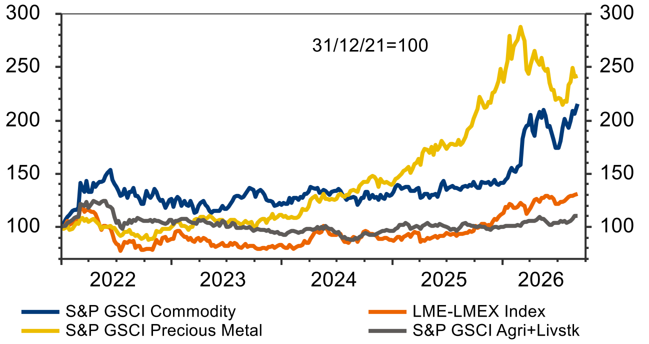
Inflation

Oil and natural gas prices



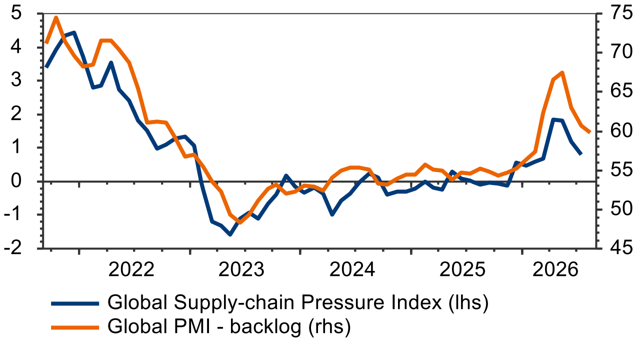
Source: Intesa Sanpaolo forecasts on LSEG Datastream data

Commodity prices



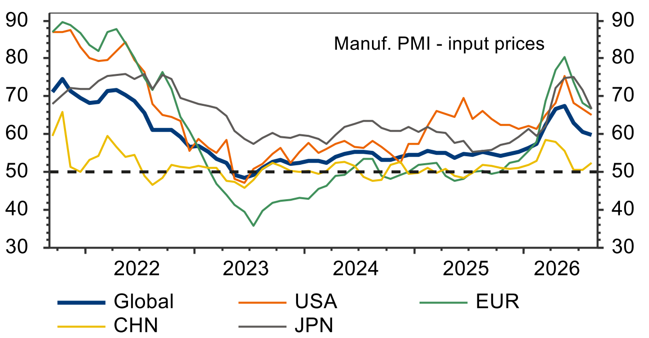
Source: Intesa Sanpaolo calculations on S&P, LME, LSEG Datastream data

Level of pressure on global supply chains



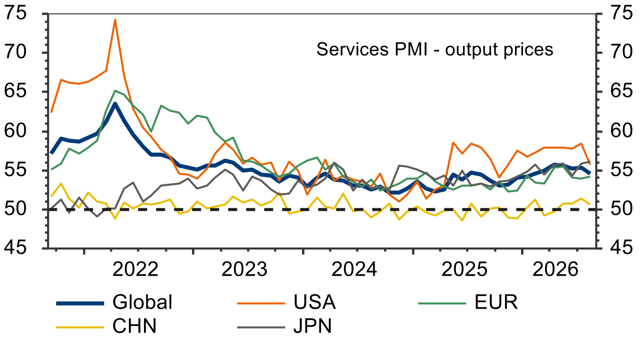
Source: NY Fed, S&P Global

Input prices, manufacturing industry



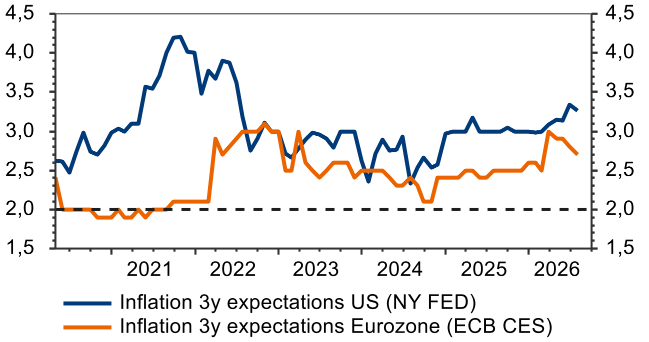
Source: S&P Global

Output prices, services



Source: S&P Global

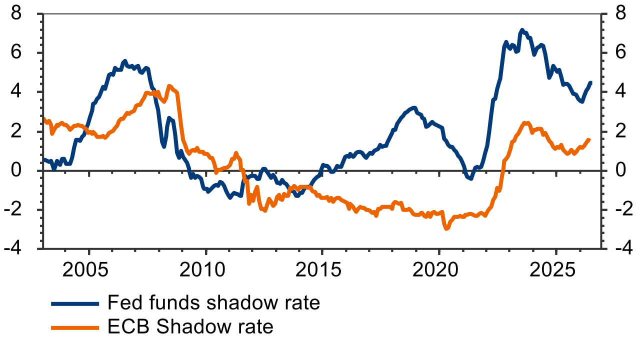
Households' inflation expectations



Source: NY Fed, ECB

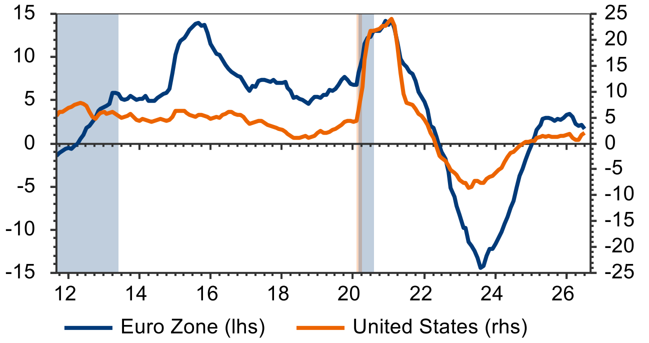
Financial conditions

"Shadow" rates of monetary policy (Fed funds and €STR)



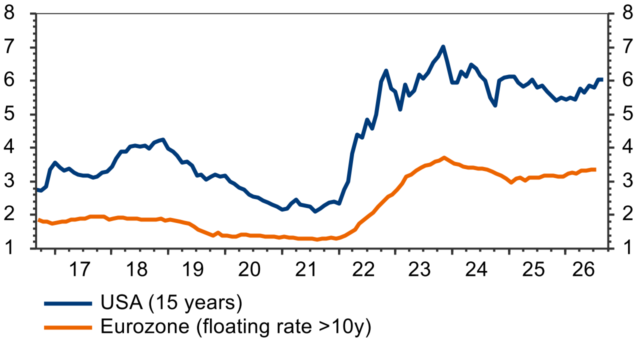
Source: Intesa Sanpaolo elaborations, San Francisco Fed

Real M1, y/y % change



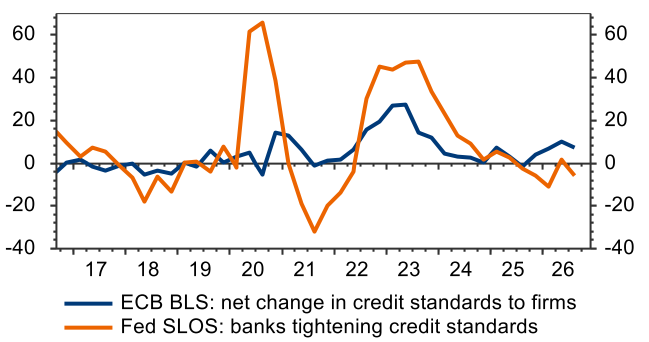
Note: shaded areas indicate recessionary periods in each area. Source: Intesa Sanpaolo calculations on Fed, ECB, Eurostat, BLS data

Mortgage rates



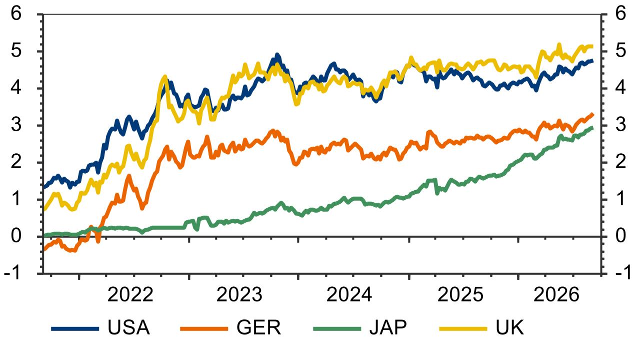
Source: Fed, ECB

Credit to NFCs: changes in credit standards



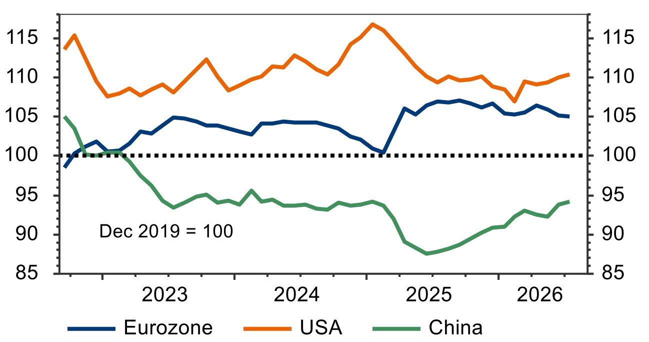
Source: Fed, ECB

10y government bonds yield-to-maturity (%)



Source: LSEG Datastream

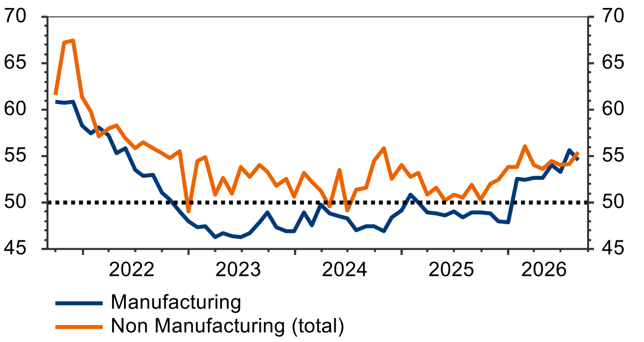
Real effective exchange rates



Source: Intesa Sanpaolo calculations on LSEG Datastream data

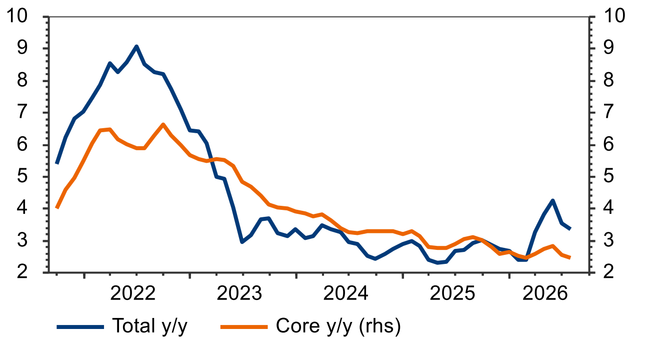
United States

ISM surveys



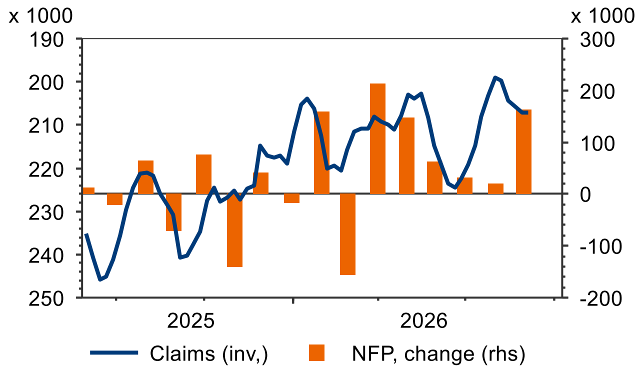
Source: ISM

CPI – y/y % change



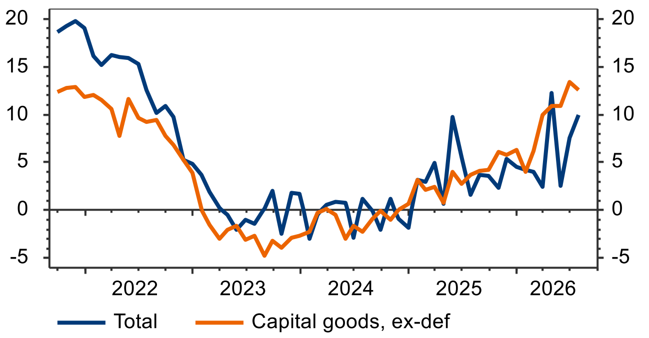
Source: BLS

Nonfarm payrolls & jobless claims



Source: BLS, U.S. Department of Labor

New orders – y/y % change



Source: U.S. Census Bureau

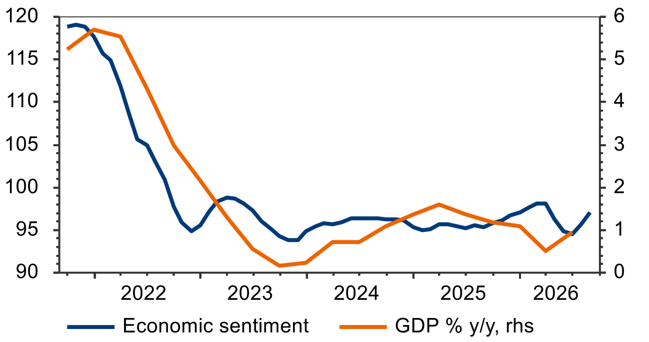
Forecasts Table

	2025	2026	2027	2025		2026				2027	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP (constant prices, y/y)	**2.1**	2.2	2.1	**2.3**	**2.0**	**2.7**	**2.1**	1.7	2.2	2.1	2.2
- q/q annualised rate				**4.4**	**0.5**	**2.1**	**1.5**	2.6	2.4	1.9	1.9
Private consumption	**2.6**	2.1	1.9	**3.5**	**1.9**	**0.5**	**3.2**	2.2	1.9	1.8	1.7
Fixed investment - nonresid.	**4.1**	6.2	3.6	**3.2**	**2.4**	**10.6**	**8.4**	4.0	3.7	2.6	2.9
Fixed investment - residential	**-2.2**	-2.8	2.4	**-7.1**	**-1.7**	**-7.8**	**1.5**	2.7	3.0	2.0	2.0
Government consumption	**1.1**	0.6	1.5	**2.2**	**-5.6**	**4.4**	**-0.8**	3.0	2.0	1.5	1.2
Export	**1.6**	4.4	4.1	**9.6**	**-3.2**	**10.9**	**4.5**	3.0	2.0	4.5	5.0
Import	**2.7**	2.2	3.8	**-4.4**	**-1.0**	**11.8**	**11.5**	2.0	1.7	4.0	4.0
Stockbuilding (% of GDP)	**-0.1**	-0.3	0.1	**-0.1**	**0.1**	**0.0**	**-0.6**	0.3	0.1	0.1	0.0
Current account (% of GDP)	**-3.8**	-3.4	-3.5								
Gen. Gov. Deficit (% of GDP)	**-7.4**	-8.5	-7.7								
Gen. Gov. Debt (% of GDP)	**137.0**	139.5	141.1								
CPI (y/y)	**2.7**	3.2	2.3	**2.9**	**2.7**	**2.7**	**3.9**	3.4	3.1	2.7	1.9
Industrial production	**1.1**	1.4	2.1	**0.5**	**-0.5**	**0.3**	**1.0**	0.4	0.4	0.5	0.5
Unemployment (%)	**4.3**	4.2	4.3	**4.3**	**4.5**	**4.3**	**4.3**	4.1	4.2	4.3	4.4

Note: Percentage annualised growth rates over previous period, if not otherwise specified. Source: Intesa Sanpaolo

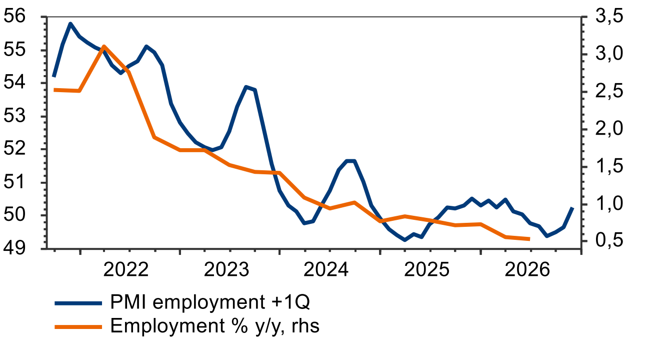
Euro Area

GDP



Source: Eurostat, EU Commission

Employment



Source: Eurostat, S&P Global

Eurozone inflation forecasts, current year

	INDICES				% Ch. y/y			
	HICP	Core ECB	Core ex FEAT	HICP ex tob	HICP	Core ECB	Core ex FEAT	HICP ex tob
Jan-26	**100.1**	**100.0**	**99.8**	**100.0**	**1.7**	**2.2**	**2.2**	**1.6**
Feb-26	**100.7**	**100.6**	**100.6**	**100.7**	**1.9**	**2.3**	**2.4**	**1.8**
Mar-26	**102.0**	**101.3**	**101.4**	**102.0**	**2.6**	**2.2**	**2.3**	**2.5**
Apr-26	**103.0**	**102.1**	**102.4**	**103.0**	**3.0**	**2.1**	**2.2**	**3.0**
May-26	**103.1**	**102.4**	**102.7**	**103.1**	**3.2**	**2.3**	**2.6**	**3.1**
Jun-26	**103.0**	**102.6**	**102.9**	**103.0**	**2.8**	**2.1**	**2.4**	**2.7**
Jul-26	**103.2**	**102.6**	**102.8**	**103.2**	**2.9**	**2.2**	**2.5**	**2.9**
Aug-26	**103.7**	**102.8**	**103.1**	103.6	**3.3**	**2.1**	**2.4**	3.2
Sep-26	104.1	102.9	103.2	104.1	3.6	2.2	2.4	3.5
Oct-26	104.4	103.2	103.4	104.3	3.6	2.2	2.4	3.6
Nov-26	104.1	102.8	103.0	104.0	3.7	2.3	2.5	3.6
Dec-26	104.5	103.1	103.3	104.4	3.8	2.3	2.4	3.7
Average	**103.0**	**102.2**	**102.4**	**102.9**	**3.0**	**2.2**	**2.4**	**2.9**

Note: ECB core inflation is excluding unprocessed food and energy; core inflation ex FEAT is excluding food, energy, alcohol and tobacco. Source: Eurostat data, Intesa Sanpaolo forecasts.

Eurozone inflation forecasts, next year

	INDICES				% Ch. y/y			
	HICP	Core ECB	Core ex FEAT	HICP ex tob	HICP	Core ECB	Core ex FEAT	HICP ex tob
Jan-27	103.8	102.4	102.4	103.7	3.8	2.4	2.6	3.7
Feb-27	104.3	102.9	103.1	104.2	3.5	2.3	2.5	3.5
Mar-27	105.0	103.8	104.0	104.9	2.9	2.5	2.6	2.9
Apr-27	105.7	104.7	105.0	105.6	2.6	2.5	2.6	2.5
May-27	105.7	104.8	105.0	105.6	2.5	2.3	2.3	2.4
Jun-27	105.5	105.0	105.2	105.4	2.4	2.4	2.3	2.3
Jul-27	105.6	105.0	105.2	105.5	2.3	2.4	2.3	2.3
Aug-27	105.8	105.3	105.5	105.7	2.1	2.4	2.4	2.0
Sep-27	106.1	105.4	105.6	105.9	1.9	2.4	2.3	1.8
Oct-27	106.3	105.6	105.8	106.1	1.8	2.4	2.3	1.7
Nov-27	105.9	105.2	105.4	105.8	1.7	2.3	2.3	1.6
Dec-27	106.4	105.5	105.6	106.2	1.8	2.3	2.2	1.8
Average	**105.5**	**104.6**	**104.8**	**105.4**	**2.4**	**2.4**	**2.4**	**2.4**

Note: ECB core inflation is excluding unprocessed food and energy; core inflation ex FEAT is excluding food, energy, alcohol and tobacco. Source: Eurostat data, Intesa Sanpaolo forecasts.

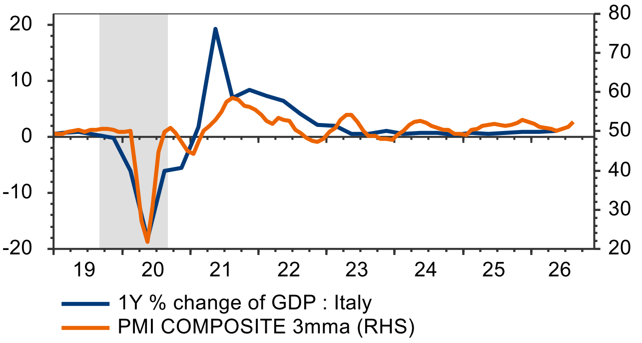
Forecasts Table

	2025	2026	2027	2025 Q3	Q4	2026 Q1	Q2	Q3	Q4	2027 Q1	Q2
GDP (constant prices, y/y)	**1.3**	0.8	1.2	**1.2**	**1.1**	**0.5**	**1.0**	0.9	0.9	1.2	1.1
- q/q change				**0.3**	**0.2**	**0.0**	**0.4**	0.3	0.2	0.3	0.3
Private consumption	**1.5**	1.1	0.8	**0.2**	**0.4**	**0.3**	0.3	0.2	0.1	0.1	0.3
Fixed investment	**3.1**	1.2	1.8	**1.0**	**0.8**	**-0.3**	0.5	0.4	0.4	0.3	0.6
Government consumption	**1.5**	2.0	1.3	**0.7**	**0.6**	**0.6**	0.3	0.3	0.3	0.3	0.3
Export	**2.0**	1.1	2.5	**0.4**	**0.0**	**-0.4**	1.4	0.3	0.6	0.6	0.6
Import	**3.6**	2.6	2.5	**1.0**	**0.3**	**0.3**	1.3	0.6	0.7	0.5	0.5
Stockbuilding (% contr. to GDP)	**0.2**	0.2	0.0	**0.1**	**-0.2**	**0.1**	0.0	0.1	0.1	0.0	-0.1
Current account (% of GDP)	**2.2**	1.7	1.8								
Deficit (% of GDP)	**-2.9**	-3.4	-3.2								
Debt (% of GDP)	**87.4**	89.8	90.4								
CPI (y/y)	**2.1**	3.0	2.4	**2.1**	**2.1**	**2.0**	**3.0**	3.3	3.7	3.4	2.5
Industrial production (y/y)	**1.6**	-0.3	1.4	**1.5**	**1.9**	**-1.7**	**0.1**	0.1	0.4	1.4	1.1
Unemployment (%)	**6.3**	6.4	6.3	**6.3**	**6.3**	**6.4**	**6.4**	6.4	6.3	6.3	6.3
3-month Euribor	**2.18**	2.34	2.53	**2.01**	**2.04**	**2.05**	**2.24**	2.48	2.58	2.53	2.53

Note: Percentage change over previous period, if not otherwise specified. Source: LSEG Datastream, Intesa Sanpaolo forecasts

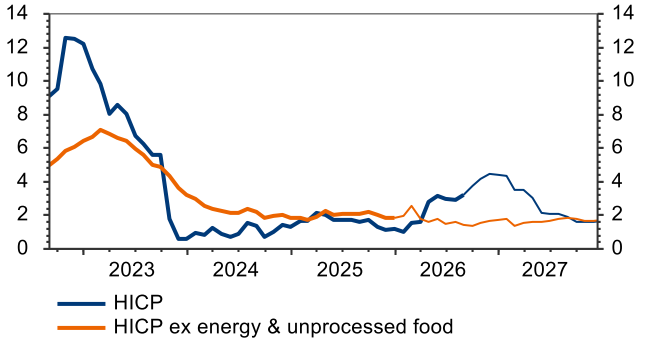
Italy

GDP



Note: shaded areas are recession periods. Source: Istat, S&P Global

Inflation



Note: y/y % change in NIC indexes. Source: Istat, Intesa Sanpaolo forecasts

Italy inflation forecasts, current year

	INDICES				% Ch. y/y			
	HICP	CPI	FOI	FOI ex tob	HICP	CPI	FOI	FOI ex tob
Jan-26	**99.5**	**100.4**	**100.4**	**100.4**	**1.0**	**1.0**	**0.8**	**0.8**
Feb-26	**100.0**	**101.1**	**101.0**	**100.9**	**1.5**	**1.5**	**1.2**	**1.1**
Mar-26	**101.7**	**101.6**	**101.5**	**101.5**	**1.6**	**1.7**	**1.4**	**1.5**
Apr-26	**103.3**	**102.7**	**102.6**	**102.5**	**2.8**	**2.7**	**2.6**	**2.6**
May-26	**103.6**	**103.1**	**102.8**	**102.8**	**3.2**	**3.2**	**3.0**	**3.0**
Jun-26	**103.6**	**103.1**	**102.8**	**102.8**	**3.0**	**3.0**	**2.8**	**2.9**
Jul-26	**102.6**	**103.4**	**103.1**	**103.1**	**2.9**	**2.9**	**2.8**	**2.8**
Aug-26	**102.7**	**103.9**	103.7	103.6	**3.2**	**3.3**	3.3	3.3
Sep-26	104.5	104.3	104.2	104.1	3.8	3.9	4.0	3.9
Oct-26	104.8	104.4	104.5	104.3	4.2	4.3	4.4	4.3
Nov-26	104.8	104.5	104.7	104.6	4.4	4.7	4.8	4.7
Dec-26	105.0	104.4	104.5	104.4	4.4	4.4	4.4	4.3
Average	**103.0**	**103.1**	**103.0**	**102.9**	**3.0**	**3.0**	**3.0**	**2.9**

Source: Intesa Sanpaolo forecasts on Istat data

Italy inflation forecasts, next year

	INDICES				% Ch. y/y			
	HICP	CPI	FOI	FOI ex tob	HICP	CPI	FOI	FOI ex tob
Jan-27	103.8	104.6	104.7	104.6	4.4	4.2	4.3	4.2
Feb-27	103.5	104.9	104.9	104.7	3.5	3.8	3.9	3.8
Mar-27	105.3	105.2	105.1	105.0	3.5	3.5	3.6	3.5
Apr-27	106.4	105.6	105.5	105.4	3.0	2.8	2.8	2.8
May-27	105.8	105.6	105.3	105.2	2.1	2.4	2.4	2.4
Jun-27	105.8	105.6	105.2	105.2	2.1	2.4	2.4	2.3
Jul-27	104.8	105.6	105.3	105.2	2.1	2.2	2.1	2.0
Aug-27	104.7	105.8	105.4	105.3	1.9	1.8	1.7	1.6
Sep-27	106.2	106.1	105.9	105.7	1.6	1.7	1.6	1.6
Oct-27	106.5	106.2	106.2	105.9	1.6	1.7	1.7	1.6
Nov-27	106.4	106.0	106.1	105.9	1.6	1.4	1.3	1.3
Dec-27	106.7	106.0	106.1	106.0	1.7	1.6	1.5	1.4
Average	**105.5**	**105.6**	**105.5**	**105.3**	**2.4**	**2.4**	**2.4**	**2.4**

Source: Intesa Sanpaolo forecasts on Istat data

Macro forecast

	2025	2026	2027	2025		2026				2027	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP (constant prices, y/y)	**0.7**	0.9	0.8	**0.7**	**0.9**	**0.8**	**1.0**	0.9	0.7	0.5	0.7
- q/q change				**0.2**	**0.3**	**0.3**	**0.2**	0.1	0.2	0.1	0.3
Private consumption	**1.1**	1.3	0.6	**0.3**	**0.1**	**0.5**	**0.4**	0.2	0.1	0.1	0.1
Fixed investment	**3.8**	2.9	1.9	**1.2**	**0.9**	**0.8**	**0.3**	0.1	0.3	0.2	1.0
Government consumption	**0.6**	0.3	0.2	**0.3**	**0.2**	**0.0**	**-0.1**	0.1	0.1	0.0	0.0
Export	**1.4**	3.3	2.2	**2.3**	**-1.0**	**2.3**	**0.8**	0.6	0.4	0.4	0.6
Import	**3.9**	3.9	2.6	**2.1**	**1.5**	**0.0**	**1.7**	0.7	0.6	0.5	0.6
Stockbuilding (% contr. to GDP)	**-0.2**	-0.5	0.0	**-0.4**	**0.8**	**-0.9**	**0.1**	-0.1	0.1	0.0	0.0
Current account (% of GDP)	**1.1**	0.5	0.6								
Deficit (% of GDP)	**-3.1**	-2.9	-2.9								
Debt (% of GDP)	**137.1**	138.5	137.9								
HICP (y/y)	**1.6**	3.0	2.4	**1.7**	**1.2**	**1.4**	**3.0**	3.3	4.4	3.8	2.4
Industrial production (y/y)	**-0.3**	0.3	0.9	**0.3**	**1.3**	**0.4**	**0.5**	0.1	0.1	0.8	0.7
Unemployment (%)	**6.0**	5.5	5.4	**5.9**	**5.7**	**5.5**	**5.6**	5.5	5.4	5.4	5.5
10 years government rate	**3.57**	3.89	4.08	**3.55**	**3.46**	**3.54**	**3.78**	4.03	4.20	4.13	4.09

Note: Percentage changes on the previous period – unless otherwise indicated. Source: LSEG Datastream, Intesa Sanpaolo forecasts

Interest Rates and Exchange Rates Forecasts

Eurozone

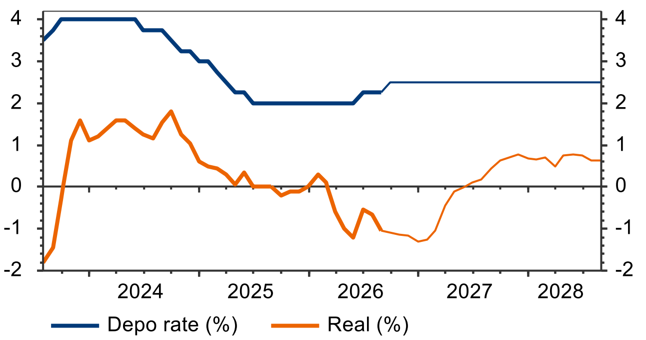
	Dec	Mar	Jun	3/9	Sep	Dec	Mar	Jun
Deposit rate	2.00	2.00	2.25	**2.25**	2.50	2.50	2.50	2.50
Euribor 1m	1.94	1.89	2.20	**2.36**	2.33	2.44	2.43	2.44
Euribor 3m	2.03	2.08	2.32	**2.68**	2.54	2.58	2.53	2.53

Source: Intesa Sanpaolo forecasts on LSEG Datastream data

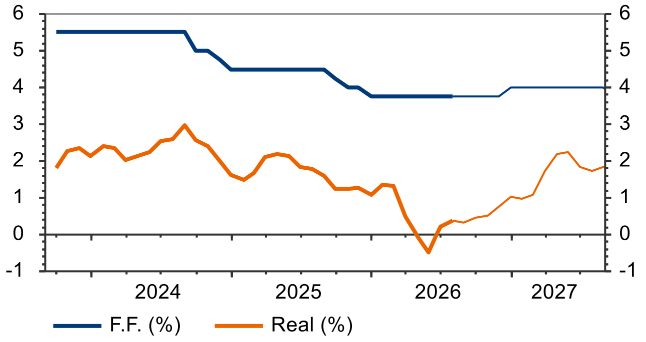
United States

	Dec	Mar	Jun	3/9	Sep	Dec	Mar	Jun
Fed Funds	3.75	3.75	3.75	**3.75**	3.75	4.00	4.00	4.00
OIS 3m	3.60	3.66	3.72	**3.79**	3.82	4.09	4.17	4.18

Source: Intesa Sanpaolo forecasts on LSEG Datastream data



Source: Intesa Sanpaolo calculations and forecasts on LSEG Datastream data



Source: Intesa Sanpaolo calculations and forecasts on LSEG Datastream data

Japan

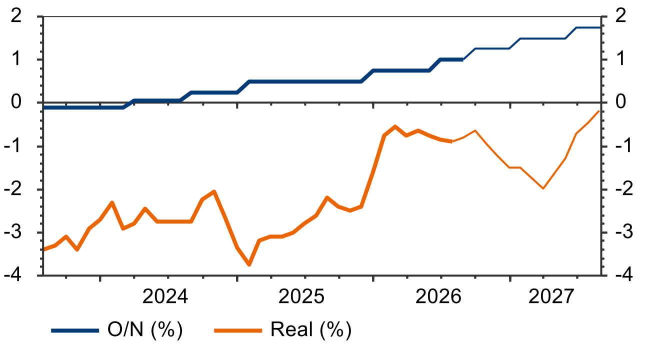
	Dec	Mar	Jun	3/9	Sep	Dec	Mar	Jun
O/N target	0.75	0.75	1.00	**1.00**	1.25	1.25	1.50	1.75
OIS 3m	0.73	0.86	0.99	**1.21**	1.18	1.27	1.52	1.77

Source: Intesa Sanpaolo forecasts on LSEG Datastream data

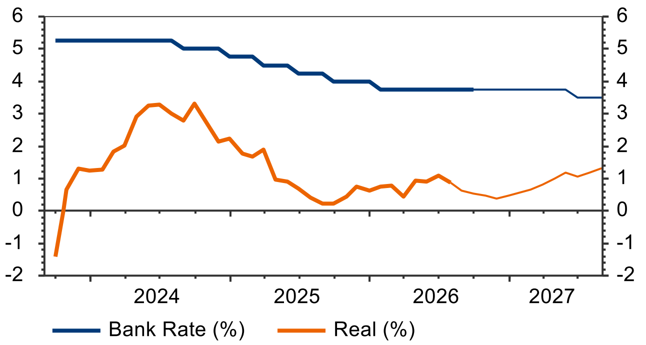
United Kingdom

	Dec	Mar	Jun	3/9	Sep	Dec	Mar	Jun
Bank rate	3.75	3.75	3.75	**3.75**	3.75	3.75	3.75	3.50
OIS 3m	3.72	3.84	3.77	**3.82**	3.65	3.65	3.65	3.40

Source: Intesa Sanpaolo forecasts on LSEG Datastream data



Source: Intesa Sanpaolo calculations and forecasts on LSEG Datastream data



Source: Intesa Sanpaolo calculations and forecasts on LSEG Datastream data

Exchange rates

	4/9	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
EUR/USD	1.1623	1.17	1.16	1.14	1.13	1.13	1.15	1.16	1.16
USD/JPY	156.35	157	160	157	160	160	156	149	145
GBP/USD	1.3529	1.35	1.34	1.34	1.30	1.27	1.29	1.30	1.30
USD/CAD	1.3801	1.37	1.38	1.41	1.43	1.44	1.41	1.39	1.39
AUD/USD	0.7200	0.69	1.41	1.41	1.42	1.42	1.40	1.39	1.40
NZD/USD	0.5880	0.59	1.71	1.68	1.71	1.67	1.61	1.58	1.58
USD/CHF	0.8087	0.78	0.79	0.81	0.82	0.82	0.80	0.79	0.80
USD/SEK	9.5436	9.14	9.36	9.45	9.67	9.52	9.15	8.92	8.84
USD/NOK	9.2914	9.73	9.42	9.79	9.69	9.60	9.35	9.20	9.19

Source: Intesa Sanpaolo forecasts on LSEG Datastream data

Appendix

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