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FINANCE & STRATEGY

UN MONDE EN PLEIN BOULEVERSEMENT

PANORAMA ÉCONOMIQUE GLOBAL DES ENJEUX, RISQUES ET INCERTITUDES ACTUELS

10 octobre 2025 – Key Account Management Symposium

ÉTUDES ECONOMIQUES

ECONOMIC RESEARCH

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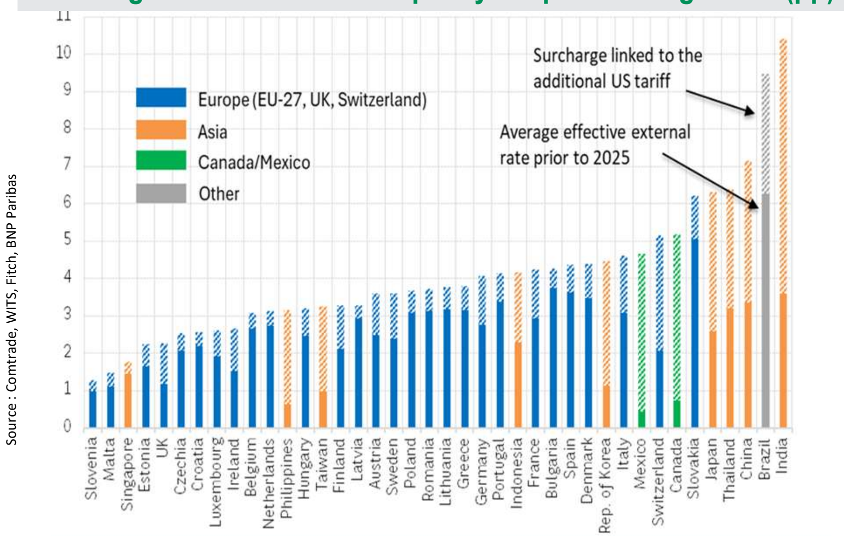
La guerre commerciale américaine et ses répliques

A big even if heterogeneous shock

- 1[st] salvo: average effective tariff on US imports of goods up to ≈ 10% in July 2025 (from 2.3% in 2024). 2[nd] stage: AETR up to ≈ 18%.
- **Europe stands out as a relative winner.** US-EU trade deal at the better end of the spectrum of what could realistically be achieved (better terms negotiated (all inclusive deal); contained economic damage & risk of trade war escalation). A negative shock but a manageable one.

Surcharges linked to US tariff policy vs. pre-existing tariffs (pp)



➢ **Remaining uncertainties**:

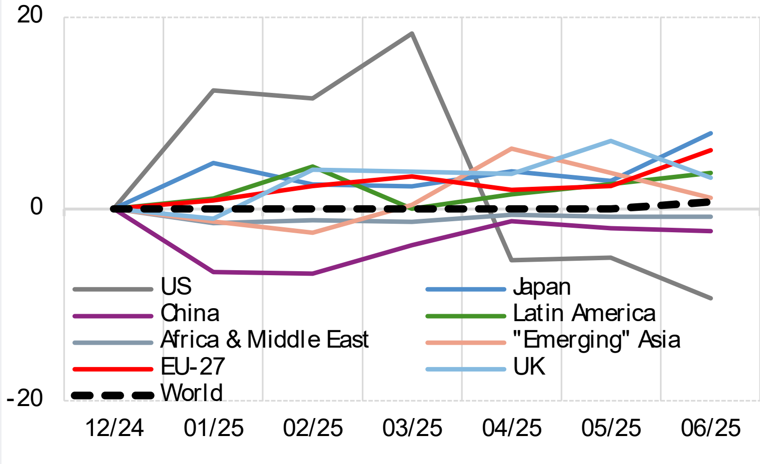
- Discussions between Washington & Beijing, as well as negotiations to finalize all bilateral trade agreements, are still ongoing.
- Possible reversals by the Trump administration for political or legal reasons (for instance if the US Supreme Court invalidates the tariffs justified by the IEEPA).
- Uncertain & complex implementation of tariffs on goods originating in China but transiting through third countries (a 40% surcharge is planned).
- Modification of sectoral taxes are still likely.

➢ **Full impact yet to come.** Changing hierarchy of main (relative) winners & losers. Ongoing process of reshaping trade relations.

Impact on global trade so far: Both important (rapid adjustments) & limited (global resilience)

Fall in exports to US more than offset by exports to other regions / Put differently: the US is importing less, but other regions import more.

De-globalization = trade flows to remain important but more regionalized, diversified & secured

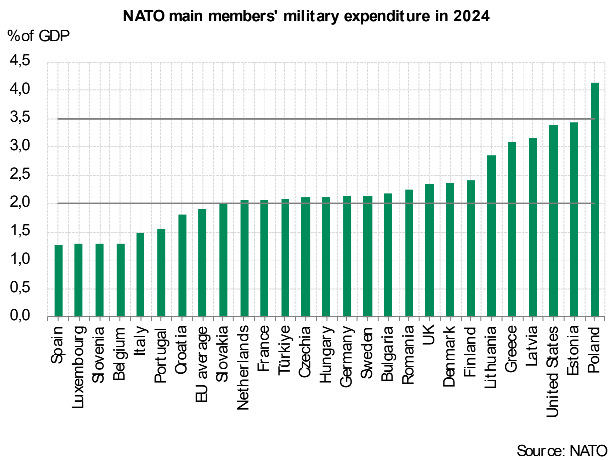


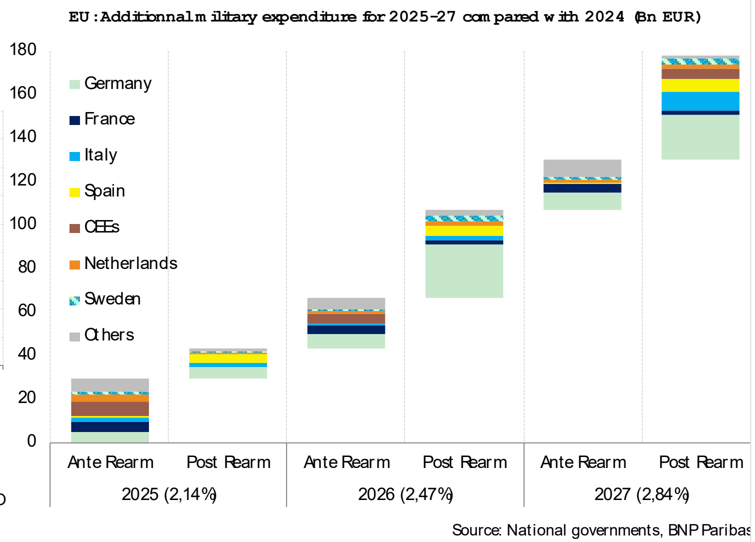
Source: CPB, Eurostat, ONS, BNP Paribas

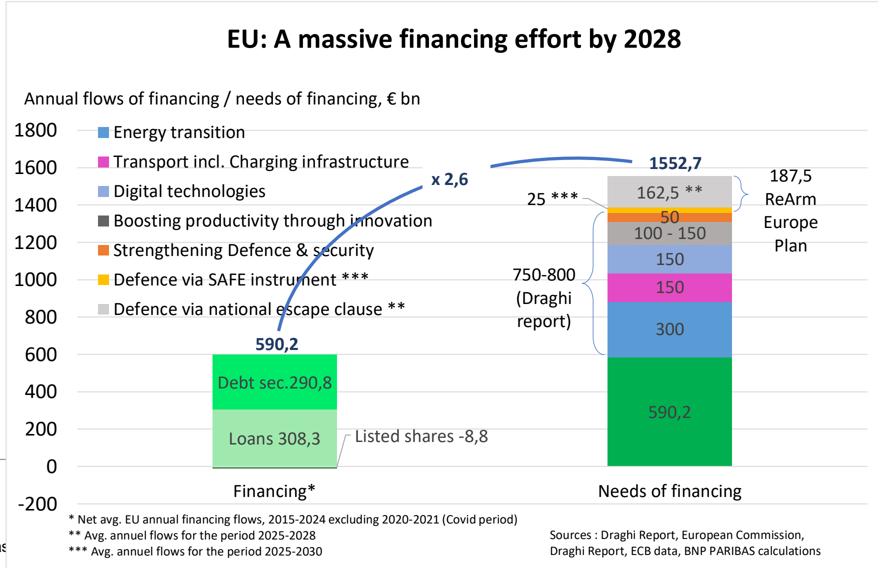
Efforts de réarmement et transition écologique

L'enjeu réside dans la vitesse et l'efficacité de leur matérialisation et dans la mobilisation des moyens financiers nécessaires

- According to BNPP calculations, military spending would increase by ≈ 1 point of GDP (EUR 180 bn), rising from 1.9% of GDP in 2024 to 2.8% in 2027. On course to reach 3.5% of GDP by the end of the decade.
- Compared with what was already planned & announced between early March and mid-June 2025, the planned spending is consistent with the metrics set out in the Rearm EU / Readiness 2030 plan (enable €800 bn in defense investment = €650 bn over 4 years (more fiscal flexibility given to national budget with the suspension of EU budget rules) + €150 bn in loans for joint defense projects.
- Turning a challenge into an opportunity: rearmament to prevent further deindustrialization







IA : un bouleversement technologique majeur avec des conséquences économiques potentiellement profondes et durables

- **Automate routine tasks + complex cognitive functions + enhance the capacity to generate, analyze & use large quantities of data**.
- **Potential impact on productivity, long-term economic growth & employment: contrasting perspectives depending on the assumptions made.**
  - Some macroeconomic models anticipate a significant acceleration in global growth in the medium term, but these **projections are highly dependent on the speed of diffusion, additional investment and the absorption capacity of economies**.
  - **Productivity gains are not automatic, but hinge on the reorganization of production processes, the adaptation of skills & the renewal of capital**.
  - **AI may only produce an incremental positive effect on growth, unless there is a deep structural change:** such a change hinges on the quality of the regulation choices made in terms of public policies in order: 1/ To direct innovation towards tasks with high social and economic value (health, energy and education); 2/To combat misinformation, manipulative advertising and data protection.
  - **Highly heterogeneous nature of AI effects across sectors and regions.**
    - Productivity gains concentrated in data-intensive activities & cognitive automation + in advanced countries & the services sector, accentuating the differences between regions & levels of technological development.
    - Differences due to structural & institutional factors for each country, depending on: **Exposure to AI** (share of jobs & sectors likely to be transformed by AI); **AI preparedness** (countries' digital infrastructure, human capital & labor market policies, innovation & economic integration, & regulation & ethics); **Access to AI** (accessibility of the resources needed to deploy and operate AI, such as semi-conductors, data centers & partnerships).
- **The impact of AI on employment should not result in massive job destruction, but in a profound reconfiguration of tasks & skills**.
  - **AI is transforming jobs more than it is eliminating them. AI is not limited to substitution: it also enhances human capabilities thanks to new complementarities between humans and machines.** Importance of favoring AI that 'augments' rather than substitutes.
    - AI is often described as a "**skill-biased technology**": increase the productivity of skilled workers, strengthen the companies' demand for these profiles, which in turn improves the pay of these workers.
    - Other empirical studies show that AI tools can also disproportionately benefit less experienced workers. Others highlight, on the contrary, the risk of disappearance of white-collar entry-level jobs.
  - **Net impact (between new jobs created thanks to IA & those displaced/destroyed) still largely uncertain.**
  - **Effects on employment vary based on qualification levels, gender, age and sector, exacerbating some inequality risks.**
  - If productivity gains are redistributed fairly & accompanied by active training policies, AI could become a vehicle for improving working conditions and creating new jobs.
- Several **constraints** are holding back the full realization of AI's potential: high adoption costs; technological concentration; still uncertain returns; carbon footprint.
- **These limitations underline the need for an overarching strategy combining regulation, governance and inclusive innovation**.

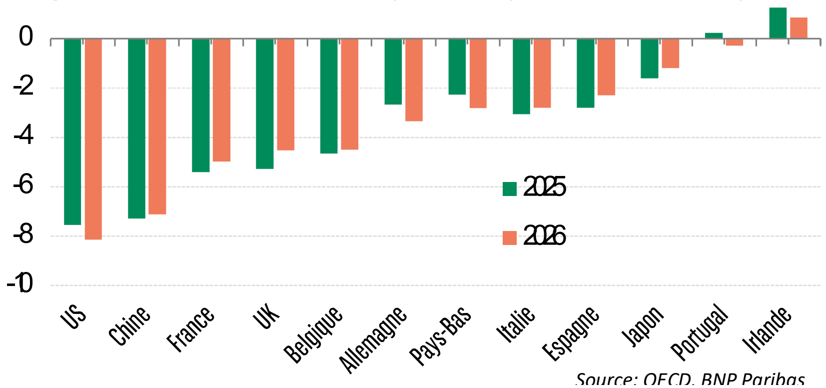
L'enjeu du rééquilibrage des comptes publics sous l'œil plus vigilant des marchés

- ✓ Successfully balancing:
  - the various current imperatives (higher public spending needs in defense, energy transition, population aging,…)
  - in a higher interest rate environment,
  - with high public debt-to-GDP ratios,
  - and limited potential growth.
- ✓ Provide a progressive but continuous & credible effort, neither too big nor too small, by leveraging the least negative measures for growth & permanent ones rather than temporary ones.
- ✓ Bond markets discriminated vigilance.

Reading : In France, stabilizing the debt ratio would mean reducing the primary budget balance from -4,1% of GDP in 2024 to -0,2% of GDP in 2025 (using the economic assumptions provided by the European Commission), i.e. an effort of 3.9 points of GDP. This is a theoretical figure which does not apply in an operational framework, as defined by the European Stability Pact, where adjustments are gradual and take longer. Nevertheless, it provides an indication of the importance of the road ahead.

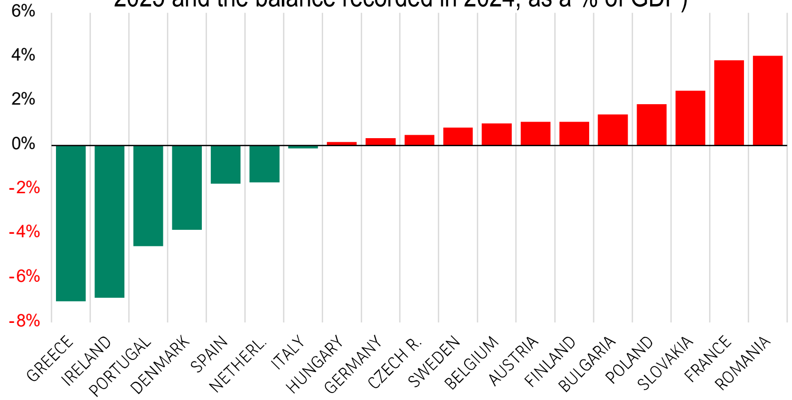
Very limited fiscal leeway

(fiscal deficit forecasts (2025-26), as a % of GDP)

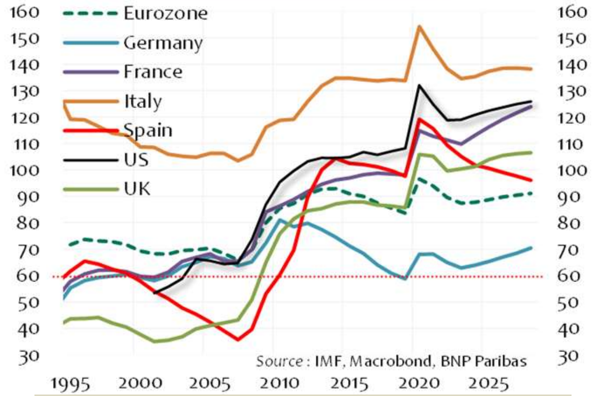


Debt stabilization conditions

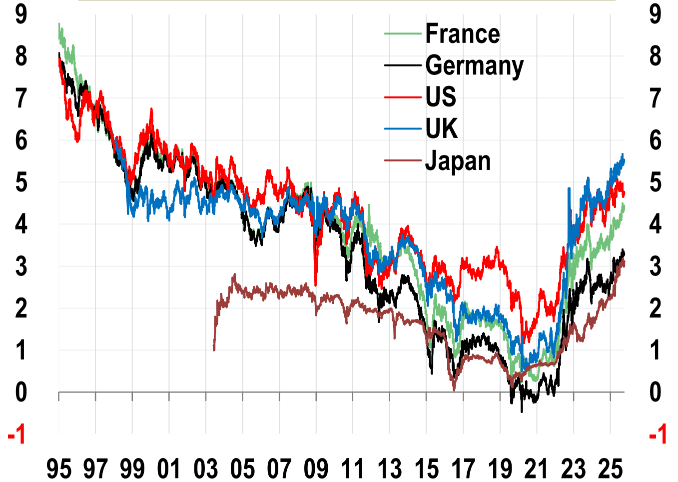
(gap between the budget balance required to stabilize public debt ratios in 2025 and the balance recorded in 2024, as a % of GDP)



Public debt ratio (% of GDP)

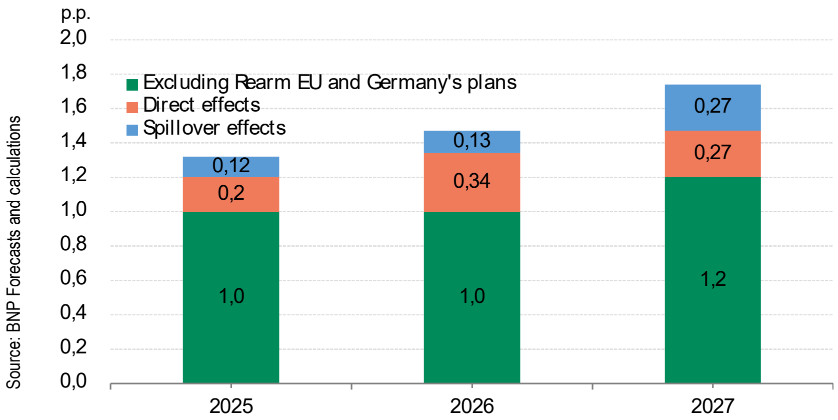


Nominal yields on 30-year government bonds



Europe : la possibilité d'un sursaut

Double support to €Z growth: Rearmament effort & rebound in intra-EU area trade thanks to positive spillovers from stronger German growth



Source: BNP Paribas calculations

- <u>€Z outlook more positive than negative:</u> Awareness of the need & urgency for a European revival. Granted, concrete & rapid action is still awaited, as demonstrated by Draghi's renewed warning (in a speech marking the 1st anniversary of the presentation of his roadmap report to restore EU competitiveness). List of achievements not empty, but not enough, for the time being, to make a difference. But the direction is the right one, and the momentum should gradually increase.
- EU attractiveness (<u>"Europe's "global euro" moment</u>"): greater macro. stability / macro. policy space / policy predictability & stability + UK re-connecting with EU.

EU response options: a multi-layered approach

Negotiation
- Bilateral, multilateral diplomacy
- File complaints at WTO
- Lower some tariffs; purchase more LNG, weapons

Support measures
- Subsidies for affected industries
- Looser state aid rules

Retaliation
- Matching tariffs
- Targeting services exports (intellectual property)
- Anti-coercion instrument
- EU enforcement regulation
- Investment restrictions

Substitution
- Boost intra-EU trade (the main trade partner of the EU is the EU):
  - Capital Market Union
  - European preference
  - Looser merger policies
- Diversify / strengthen trade partnerships & FTAs

Croissance – inflation : panorama par grandes zones. Malgré l'agitation du monde, des évolutions progressives, pour l'heure, contenues par des forces contraires. Risques globalement équilibrés.

Global headwinds. US trade war. Elevated uncertainty. Tensions on long-term rates. Fiscal consolidation challenge. Threat to the Fed's independence. Chinese vulnerabilities.

Global tailwinds. Relatively low oil prices. Fed's resumption of rate cuts, amid a general easing trend. Glass half-full view on stock markets. Tech-IA wave (bubble?). In the €Z: favorable credit dynamics, German massive investment plan, rearmament efforts, competitiveness compass.

US: stagflationary situation. Lower real GDP growth (from a high starting point) + higher tariff-led inflation (from an above-target starting point). Non-linear risks on the rise on the labor market. Complex policy-mix: monetary support from a less restrictive Fed (not to be taken for granted) + fiscal support from the OBBBA *vs.* tariff shock (fiscal revenues *vs.* negative impact on growth) & tighter immigration policy. Full transmission of Fed Funds cuts at risk (latent upward pressures on LT rates due to large fiscal imbalances & threats to the Fed's independence).

UK: stagflationary situation. Low & fragile real GDP growth + high & persistent inflation. Complex policy-mix: BoE's room for maneuver to continue easing monetary policy limited by persistent inflation; calibration of fiscal consolidation complicated by fragile growth & bond markets vigilance.

€Z: in a more comfortable position. No risk of stagflation. Base case: slightly stronger real GDP growth (from a low base) + inflation at target. Resilience of labor markets. Easier policy-mix: monetary policy back to broadly neutral, the ECB is probably done cutting rate (room to cut further if needed); slightly positive fiscal impulse thanks to Germany. Heterogeneity of economic performance still a key characteristic.

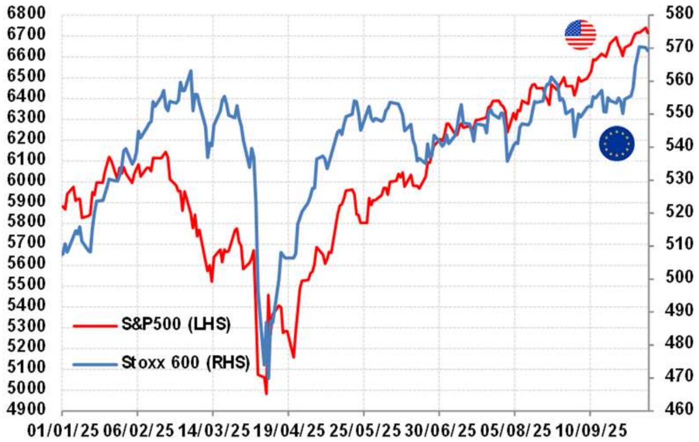
Japan: stagflationary situation. Low real GDP growth + high inflation (unclear whether it is under control). Complex policy-mix: opposite one of the UK but no easier to implement. Monetary policy in a tightening phase to contain inflation (too cautious?); expansionary bias of fiscal policy likely to persist & fuel inflationary pressures (economy at full employment) as well as upward pressure on long-term rates.

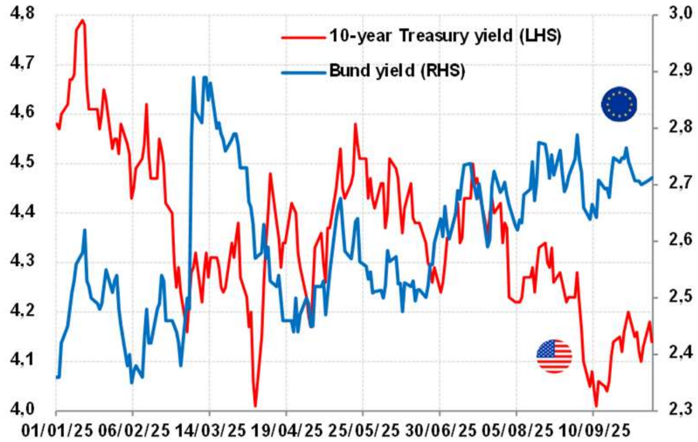
China: real GDP growth resilience but rebalancing elusive & fight against deflation far from won. Trade tensions with the US still high, tech war. Deep internal problems & unresolved (real estate crisis, labor market fragility, low confidence in the private sector, deflation). (Too?) cautious economic policy easing: limited support to demand (more cyclical than structural); uncertain success of the new anti-involution campaign (to combat deflationary pressures & excess production capacity). Official growth target for 2025 (5%) in sight though.

Emerging markets: globally resilient, better than feared. Disinflation & monetary easing = strong momentum in domestic credit since 2024. Less vulnerable to US monetary tightening than a decade ago. Negative direct impact of US trade war yet to be felt + indirect impact of China's export redeployment. Reconfiguration of global value chains could benefit some EM.

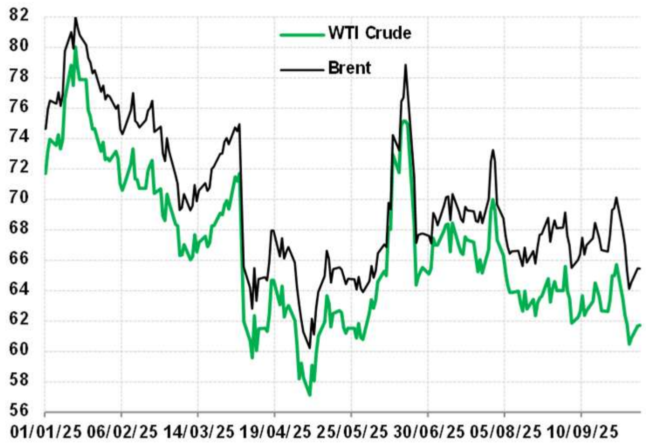
La vision composite des marchés financiers de ces différents enjeux, risques et incertitudes

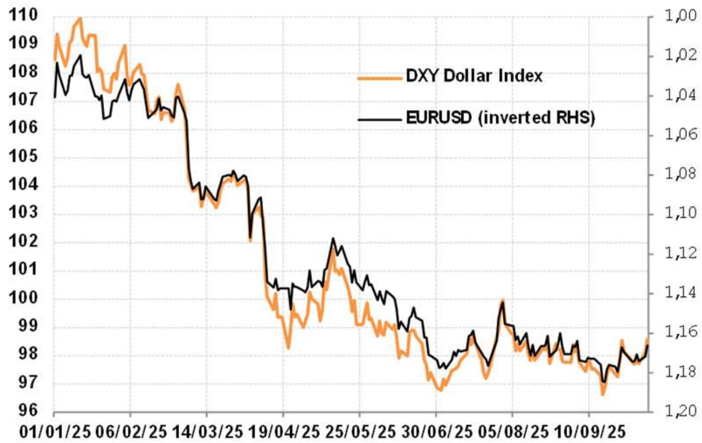
- Financial markets are fairly reassured (for good reasons for a part) and reassuring, but for how long?
- Except gold, which is surging: safe-haven status reinforced, key metric of risk aversion





Gold (USD/t.oz)



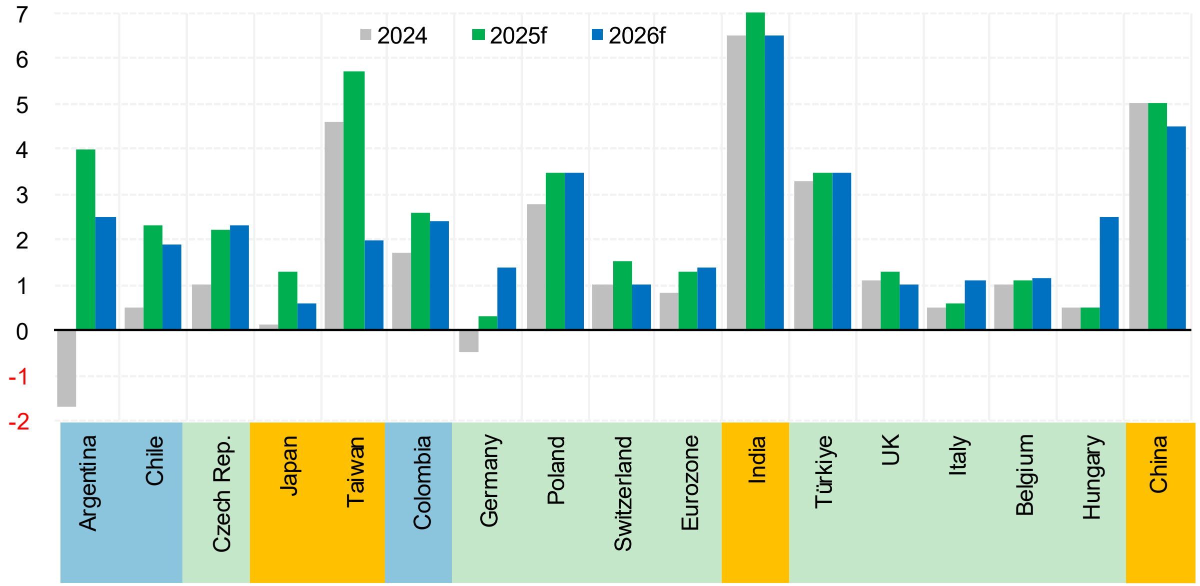


Latest update: 08/10/2025

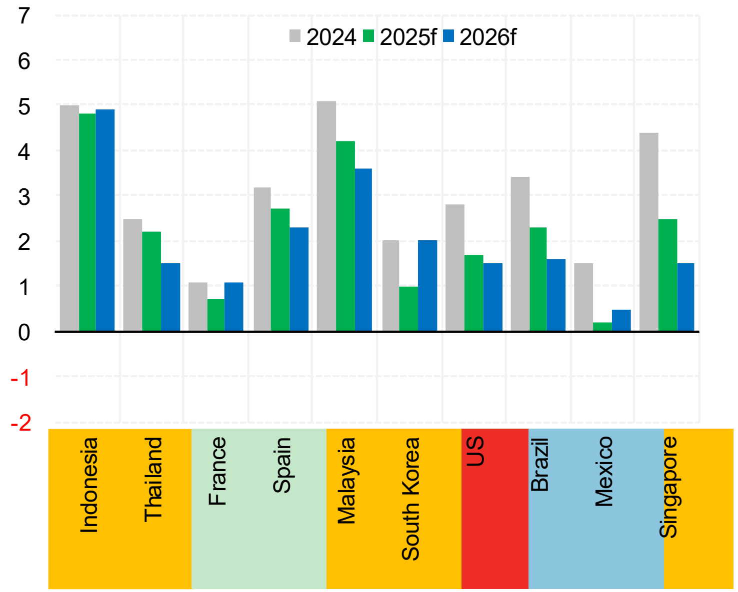
World growth prospects: Behind a global deterioration in the face of a common shock, a contrasting and rather resilient landscape. Convergence of growth rates between the US⬂ & the €Z ⬀.

Real GDP growth (%, annual average)

Countries where growth is expected to rise in 2025 (+ in 2026 in the €Z)



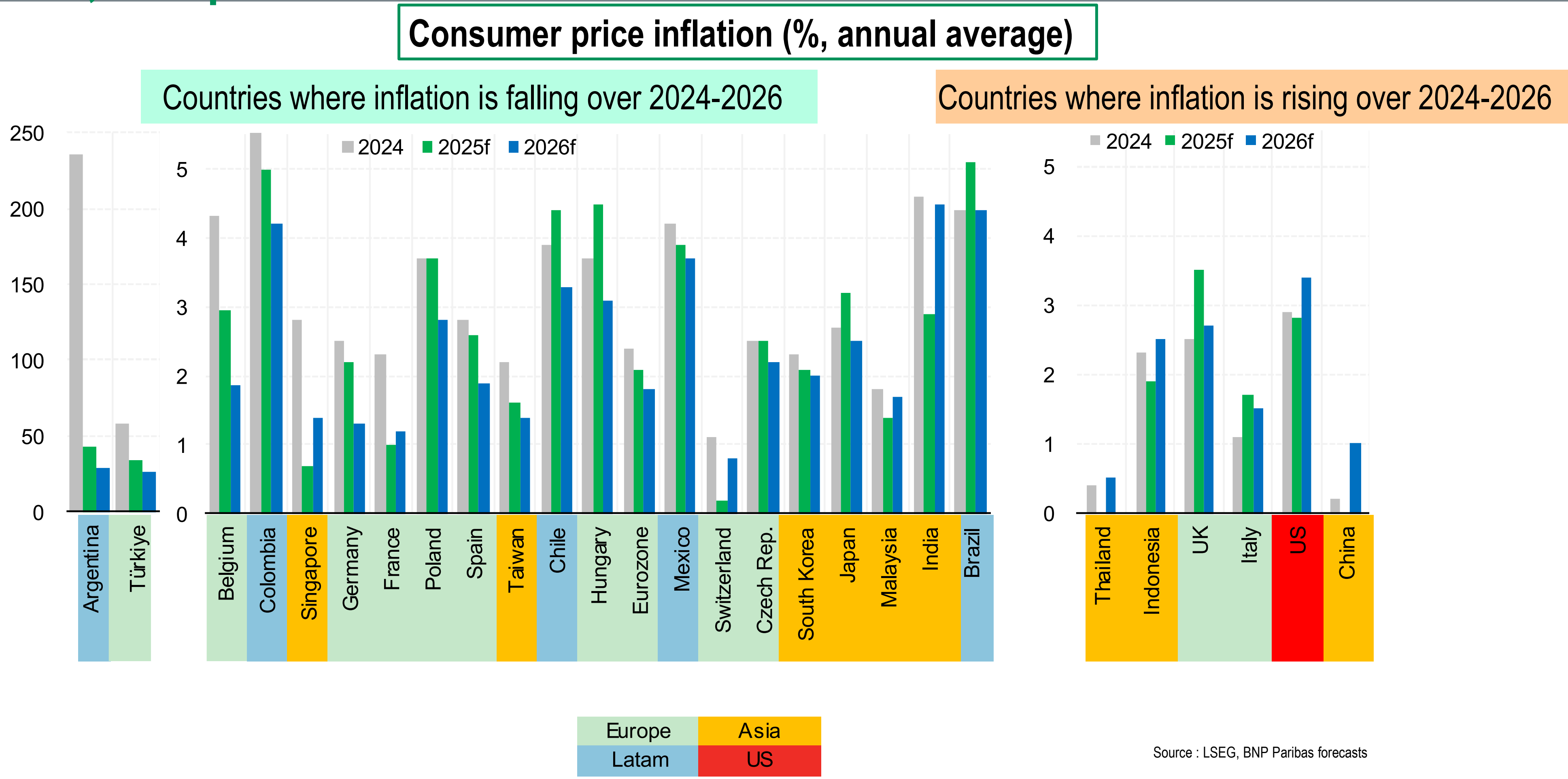
Countries where growth is expected to fall in 2025 (significantly so in the case of the US)



Europe	Asia
Latam	US

Source : LSEG, BNP Paribas forecasts

World inflation prospects: A fall is expected over 2024-2026 in numerous countries, except in the US



Source : LSEG, BNP Paribas forecasts

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