Liquidity letter

n°164 L 25 September 2025

A resilient but fragile global economy

OECD warns

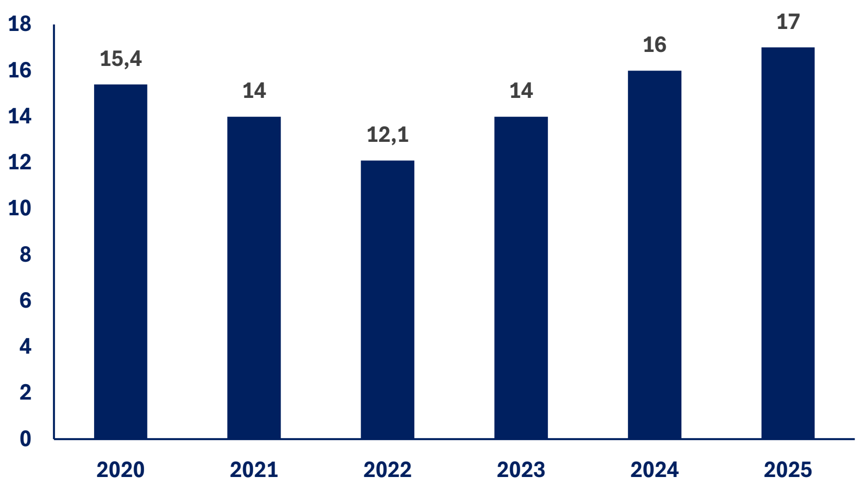
The institution recently published its latest global economic outlook, and its findings are mixed: while the global economy performed slightly better than expected in the first half of 2025, this improvement remains fragile and subject to many risks.

Indeed, several factors continue to weigh on the medium-term outlook: persistent trade tensions, growing political uncertainties and a general slowdown in activity. The OECD therefore calls on governments to act quickly, by adopting appropriate economic measures, in order to avoid a lasting weakening of global growth.

The organisation's forecasts point to a gradual deceleration in global GDP: after an estimated growth of 3.1% in 2024, it is expected to reach 3.2% in 2025 before slowing to 3% in 2026. This slowdown is particularly pronounced in advanced economies, where monetary tightening – put in place to contain inflation – continues to dampen activity. In addition, China continues to face its own structural vulnerabilities, particularly in the real estate sector.

On the price front, the OECD expects a more favourable development: headline inflation in the G20 countries is expected to rise from 3.4% in 2025 to 2.9% in 2026. Nevertheless, this trend remains conditional on the evolution of geopolitical tensions and fluctuations in energy and commodity prices, which could quickly reverse the dynamic.

Sovereign debt issuance (in trillion dollars)



Source: Bloomberg, OECD

Figure of the week

3,2%

Global Growth Forecast for 2025 (OECD)

Sovereign debt: issuances on the rise

OECD member countries are expected to issue $17 trillion in government bonds this year, after raising $16 trillion in 2024, the organization said in its global debt report. Last year's issuance surpassed 2020 levels, when governments borrowed heavily during the pandemic.

Treasury bills continue to account for almost half of all sovereign borrowing. Shorter maturities provide governments with greater flexibility to meet unforeseen financing needs in a period of fiscal, geopolitical and economic uncertainty. However, these securities are sensitive to changes in interest rates.

The share of inflation-linked bonds issued last year continued to decline from pre-pandemic levels.

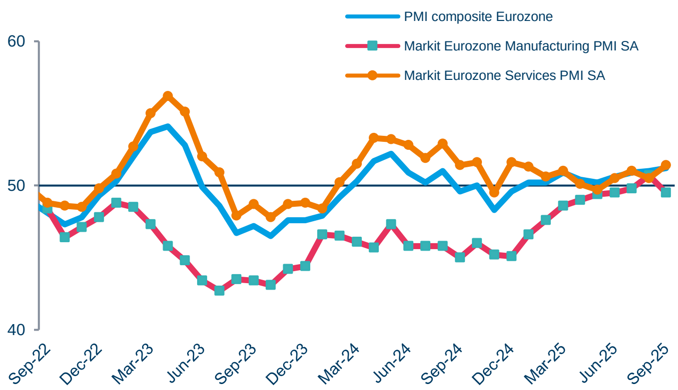
Eurozone: growth in economic activity

The overall Eurozone composite PMI rose to 51.2 in September 2025, from 51 in the previous month. This is the fastest pace of expansion of the zone's private sector in 16 months, and the 9th consecutive month of increase.

This good momentum is driven by the services sector, which rose from 50.5 in August to 51.4 in September (its highest level of the year). Eurozone growth was mainly driven by strong performance in Germany, whose overall activity rose sharply in September and recorded its strongest expansion since May 2023.

In France, activity fell for the thirteenth consecutive month to 48.4 (49.8 in August). In the rest of the euro area, overall activity continued to increase, but growth slowed compared to the previous month.

Composite PMI index

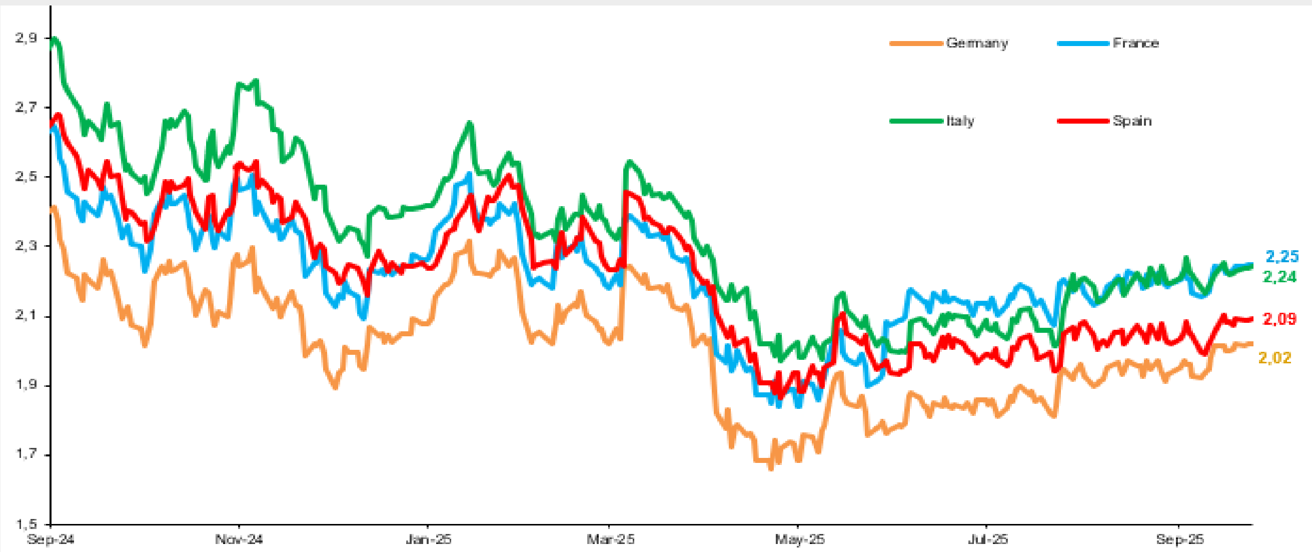


Source: Amundi, Bloomberg

> *There are no signs of liquidity strains and spreads between sovereign bonds in the euro area are not a source of concern at the moment*
>
> *Luis de Guindos, ECB Vice-President, 17/09/2025*

Market Impact

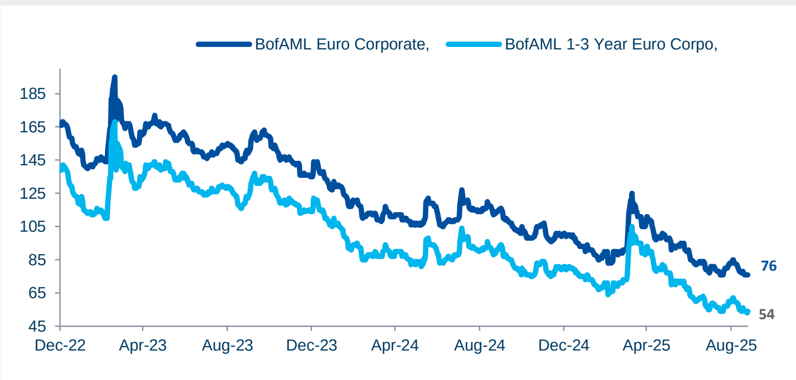
2-year sovereign rates (%)



The spread between the borrowing rate/yield on the government bonds of Italy and France is 1 bp. This reflects investors' concerns about political instability in France. The same applies for 10-year rates.

Source: Amundi, Bloomberg

Credit spread vs govies (bp)



Against a backdrop of resilient growth and controlled inflation in Europe, credit spreads continue to tighten.

Source: Amundi, Bloomberg

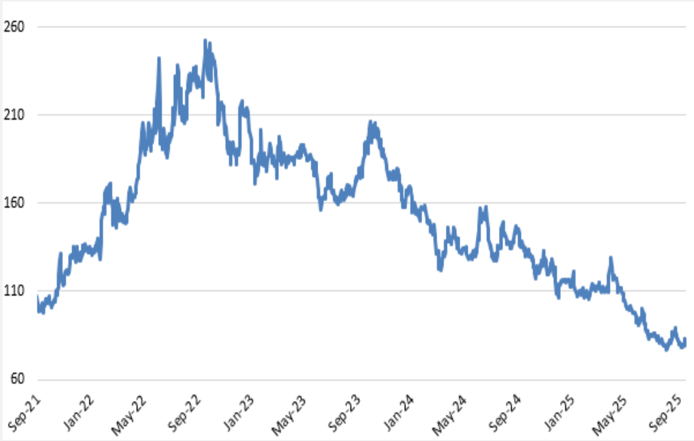
Fitch raises Italy's rating

The rating agency, which downgraded France's rating (A+ vs AA-) on 12 September, has just upgraded Italy's rating from BBB to BBB+. Its decision, taken last Friday, *"reflects increased confidence in the trajectory and increasing budgetary prudence"* set at the European Union level.

The new rating rewards a stable political environment, after years of *"reversals and political instability, which have led the country to miss its targets"* in terms of public finances. It has a stable outlook, which means that it is not expected to be raised or downgraded in the near future. Giorgia Meloni immediately reacted to this good news: *"Italy has been promoted by Fitch: confirmation that the path taken by our government is the right one*," said the Italian Prime Minister, whose government has pursued a policy of budgetary austerity over the past two years. Long considered too spendthrift, the country has halved its public deficit in one year, to 3.4% of GDP in 2024.

However, Italy remains more indebted than France (at 135% of GDP, compared to 115.6%).

Italy – Germany Spread (bp)



The 10-year spread, which had exceeded 500 bps during the debt crisis in 2011, has fallen to around 80 bps, its lowest level since 2010.

Source: Amundi, Bloomberg

News

France | Global Composite PMI S&P at 48.4 (September)

Eurozone | Global Composite PMI S&P at 51.2 (September)

Agenda

25 September I Publication of the index Household consumer prices US – PCE Core (August)

1st October I Publication of the inflation rate in the euro area (September)

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