

Our nowcasts for Q2 2025 deliver a positive message, with significant growth in the Eurozone (+0.3% q/q, after a very solid Q1 at 0.6% q/q), accelerating in France (+0.2% q/q) and rebounding in the United States. For the latter, the Atlanta Federal Reserve's GDPNow (+0.9% q/q) shows a strong improvement due to the highly atypical profile of imports.

Furthermore, exports were buoyed in Q1 in many countries by the imminent announcement of US tariff increases. A backlash is likely to weigh on growth in Q2, particularly in China and Germany. It should also affect UK growth. The same downward trend is expected, albeit more moderate, in Spain and Italy, while Japan should return to positive growth (after a negative Q1).

Business climate: Improvement in Europe

May surveys show an improvement in Europe (except in France, according to INSEE) and thus confirm the positive surprises seen in recent months, particularly in industry. The outlook is less favorable in the US, Japan, and China.

Household confidence: Upturn

Surveys show an improvement in May, particularly in the US (Conference Board survey) and to a lesser extent elsewhere (Europe, Japan). France is the exception, however, with a decline in household confidence. In China, consumption data is more mixed in April than in March.

Labour market: Positive, but more mixed than before

Unemployment remains low in most countries. However, it is rising in the United Kingdom (to its highest level since summer 2021), where net job losses are continuing (as in France). In the US, net job creations continued at a more moderate pace. In the Eurozone, households are more concerned about unemployment (particularly in France). In Japan, real wages are falling further.

Inflation: Mainly positive surprises

Inflation fell back below 2% y/y in the Eurozone according to preliminary estimates for May (it had already crossed this threshold in September 2024). In the US, inflation remains stable according to April data. China is still in deflation. Conversely, inflationary pressures have increased in Japan and in the UK. They could do the same in the US (at least that is what households and economists are expecting) due to higher tariffs.

Monetary policy: Easing continues in Europe and China

After the June 5 cut, the ECB is expected to end its monetary easing cycle with a final 25 bp rate cut in September. The BoE is expected to cut its rate by 25bp per quarter until Q1 2026. China is expected to ease its policy rate by 10bp per quarter from Q2 to Q4. In the US, the policy rate is expected to remain unchanged in 2025. In Japan, the policy rate is expected to be raised by 25bp in Q4.

Completed on June 6, 2025

Indicators Q3 2025				
	Business climate	Households	Labour market	Inflation
Eurozone				
Germany				
France				
Italy				
Spain				
United Kingdom				
United States				
Japan				
China				

Source: BNP Paribas

CONTENT

Eurozone

Limited growth, lasting trade tensions

Germany

The economic upturn continues

France

Decline in private sector confidence

Italy

Growth expected to remain limited

Spain

Growth on track

United Kingdom

Consumption rises, so does unemployment

United States

Pick-up in Household Sentiment

Japan

Stagflation

China

Slowdown

