

Resilient growth despite volatility linked to the tariff shock

Our nowcasts for Q3 2025 highlight resilient GDP growth in the Eurozone (0.2% q/q) and France (0.3% q/q, as in Q2). In Italy and Germany, two economies that suffered a setback in Q2 after a very good Q1, we expect growth to strengthen in Q3 (0.1% q/q for each, or +0.2 and +0.4 pp respectively) and more markedly in Q4 (0.2% q/q and 0.3% q/q respectively). The UK, meanwhile, is expected to see growth slow in Q3 (after a very strong H1), before rebounding in Q4. In the US, the Atlanta Fed's GDP Now suggests another upside surprise for Q3 growth (1% q/q), before a backlash and a sharp slowdown in Q4. In Japan and China, the slowdown would occur as early as Q3, after a good H1.

**Business climate: the trend continues to improve despite the more mixed picture in September.** In the UK, Germany (IFO) and Japan, business climate indicators declined in September. However, the trend has remained favourable since the beginning of the year. In the Eurozone, the recovery is continuing, but industry is showing signs of slowing down (particularly in Italy). In France, the climate remains gloomy, with mixed developments across different sectors. The lack of improvement reflects political and budgetary uncertainties.

**Household confidence: gloom is growing.** Household sentiment is deteriorating everywhere except in southern Europe and Japan. In the US, uncertainty is increasing, particularly due to the deteriorating situation in the labour market.

**Labour market: highly heterogeneous.** While the situation remains favourable in the Eurozone and Japan, and is stabilising in the UK, it is deteriorating significantly in China (rise in unemployment, particularly among young people) and the US (contraction in private sector employment according to ADP figures).

**Inflation: pressures appear to be under control.** Despite a slight upturn in September, inflation remains moderate in the Eurozone. The situation is different in the UK, where inflationary pressures remain high. In Japan, inflation slowed in August, as it did in China, which is returning to deflation. In the US, inflation is beginning to reflect the tariff shock, but its acceleration remains gradual.

**Monetary policies: divergences.** The ECB is expected to maintain its monetary *status quo* given the good control of inflation across the Eurozone. The Fed is expected to continue its rate cuts in October and December (25 bp each time) in response to the deterioration in the labour market. In the UK and China, gradual monetary easing is expected to continue (25 bp per quarter in the UK and 10 bp per semester in China) to support growth. In Japan, monetary tightening is expected to resume in Q4 (+25 bp to 0.75%).

**Credit in the Eurozone: recovery.** Outstanding loans to businesses and households increased in July, mainly due to a slight decline in corporate borrowing rates. Household borrowing rates, meanwhile, rose modestly (by +0.01% m/m for new home loans and +0.06% m/m for new consumer loans). Bank and market financing flows to businesses increased significantly.

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Indicators Q4 2025				
	Business climate	Households	Labour market	Inflation
Eurozone				
Germany				
France				
Italy				
Spain				
United Kingdom				
United States				
Japan				
China				

Source: BNP Paribas

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