

EUROZONE: FORECAST DISAGREEMENT DECLINES DURING THE FORECASTED YEAR... BUT NOT IN 2025

Arne MAES

Despite the announcement of the US-EU trade deal at the end of July, the short-term growth outlook for the Eurozone remains uncertain. This is well illustrated by the fact that professional economists, whose forecasts usually converge towards the end of the year, are currently continuing to disagree to a large extent about this year's euro area growth.

Historically, growth forecasts in the ongoing year tend to converge as the year progresses. This is a feature, not a bug: as the year progresses, final quarterly GDP numbers get published. The result: fewer data points remain for forecasters to disagree on, which mechanically enforces convergence on their full-year outlooks. 2025 however, is different.

The times they are changing

To better understand forecast disagreement, we analysed an extensive set of professional forecasts, provided by Focus-Economics. This data includes individual GDP forecasts by over 130 financial institutions, think tanks, and other international organizations. The data set begins in October 2010 and runs up until August 2025. For each publication, we then calculated the average absolute paired forecast difference as a metric to gauge forecaster disagreement¹.

The chart plots the average disagreement during the pre-Covid period in our dataset (2013-2019). We have excluded the pandemic period (2020-2023) as the impact of lockdowns caused significant but often temporary spikes in the disagreement metric. The grey area indicates the interquartile range for these years, further cementing the trend of converging outlooks, particularly from the second half of the year.

For euro area GDP growth, disagreement in forecasts typically declines from around 0.3% at the start of any given year to 0.1% by the end. Such a decline is expected because the final GDP growth figures for the first three quarters are typically published at the end of the year, leaving just the fourth quarter outlook uncertain.

The green line for 2025 clearly stands out. A decline in Q1 was followed by an increase in disagreement in April. Around that time, subsequent announcements of US tariffs, increased German fiscal spending and EU rearmament forced many forecasters to rethink their outlook.

From then on, disagreement remained high, additional evidence of how elevated the uncertainty is concerning the US tariff policy itself and its economic impact as well as the speed at which Germany and Europe will deliver on their plans. Which opposing force will predominate is another question and source of uncertainty and dispersion of forecasts². Currently, disagreement is about twice as high as in the reference period.

What does this imply for the European economy?

Persistent and strong disagreement over whether the economy will grow and by how much impedes the consensus that informs policymakers, business leaders and households about the important investment and other decisions they are making. Eventually, disagreement on 2025 growth will decline as Q3 and Q4 numbers are released.

However, we are already seeing significant disagreement on the growth outlook for 2026 for individual countries. In Belgium for example, disagreement on 2026-growth amongst the 10 most active forecasters is currently twice as high as the historical average and it is rising. With professional forecasters disagreeing more on what lies ahead, future uncertainty will likely not go down anytime soon. We can, however, try to adapt to that uncertainty. One way to do that is spending more time thinking through various (previously) inconceivable scenarios.

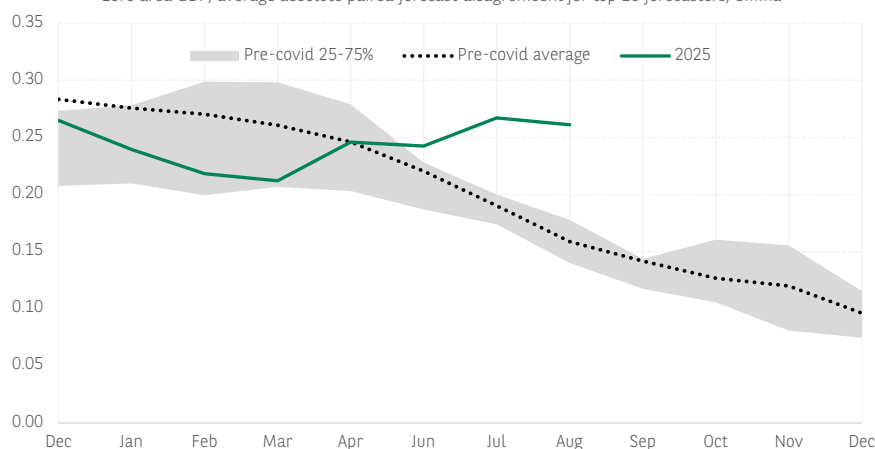
arne.maes@bnpparibasfortis.com

¹ To calculate average disagreement, the difference between any pair of forecasters is calculated and averaged over that whole set. In case we have 3 forecasts (A, B, C), that would be an average over AB, BC and AC.

² Our baseline scenario expects the headwinds coming from US trade war to dominate in the near-term, before the tailwinds coming from the European impulse gain momentum in the medium-term and support our above-consensus growth forecast for the Eurozone in 2026.

EUROZONE GROWTH: EVOLUTION OF THE DISPERSION OF FORECASTS FOR THE CURRENT YEAR

Euro area GDP, average absolute paired forecast disagreement for top 10 forecasters, 3mma



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