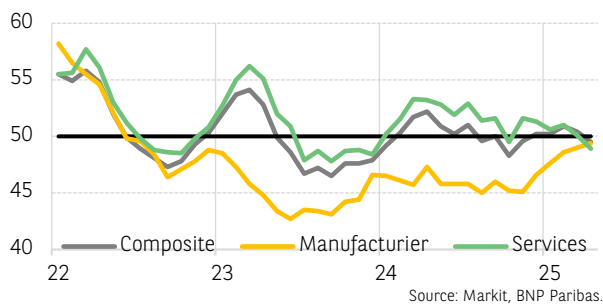


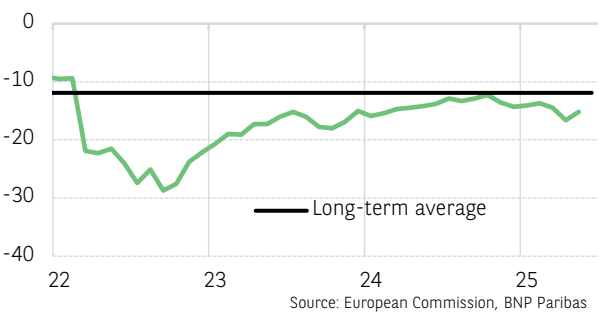
# Eurozone: Limited growth, lasting trade tensions

Business climate: PMI



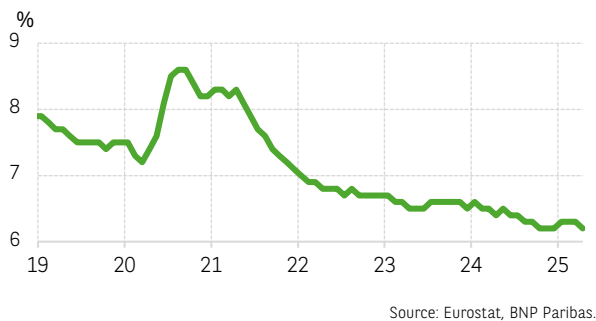
**Stabilisation in manufacturing, deterioration in services.** The manufacturing PMI continues to improve in May, rising above the services index for the first time since March 2022. The composite indicator fell back below 50. The European Commission's economic sentiment index climbed in May (+1 pt to 94.8) but remains well below its long-term average (100).

Household confidence



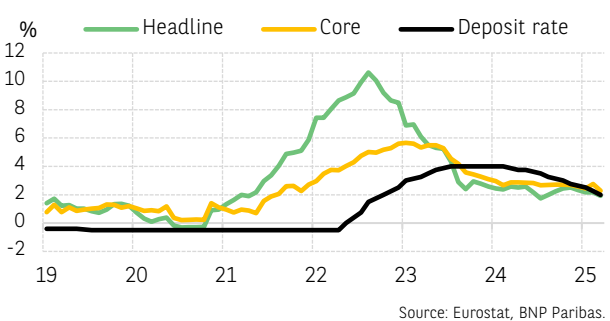
**Household confidence rose in May (+1.4 pt to 15.2),** regaining some of the ground lost in the previous two months. Indices for the economic situation for the next year, major purchases and price trends all improved. Conversely, the unemployment expectations indicator is deteriorating.

Labour market: unemployment rate



**The resilience of the labour market continues.** The number of unemployed workers decreased by 207,000 in April, the biggest monthly decline since September 2021. The unemployment rate fell back to 6.2% in April, a record low. Negotiated wages slowed to 2.4% y/y in Q1 2025, from 2.4% in Q4 2024. The ECB's negotiated wage tracker foreseen pay to rise by 1.6% y/y and 2.9% y/y excluding one-off payments in December 2025.

Inflation (y/y) and policy rate



**Headline inflation fell from 2.2% to 1.9% in May.** The core measure dipped by 0.4 pp to 2.3%. Inflation dynamics remain contrasted within the Eurozone: from 0.6% (May) in France to 4.3% in Croatia and Estonia (April). Eurozone inflation is expected to stabilise at around 2% in Q3, allowing the ECB to proceed with a further 25 basis point rate cut in September, following the reduction in June.

GDP growth q/q: actual, carry-over and forecasts

Actual				Carry-over	Actual	Nowcast	Forecast		Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0,3	0,2	0,4	0,3	0,5	0,6	0,3	-0,1	0,2	0,9	1,2	1,3

See the Nowcast methodology. [Contact: Tarik Rharrab](#)

Source: Refinitiv, BNP Paribas

**Limited growth in the short term.** After a strong rebound to 0.6% q/q in Q1, growth should ease in Q2 (0.3% according to our nowcast and -0.1% according to our forecasts, after a very strong growth of exports particularly in Ireland during the Q1). Although the uncertainty linked to trade tensions may weigh on activity, growth should nevertheless strengthen on an annual average basis in 2025, and even more so in 2026 (notably with the ramp-up of investment in rearmament).

Guillaume Derrien (completed on June 6, 2025)



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