

Eurozone: Modest improvement

Business climate: slightly better. The stability of the composite PMI in February at its January level (50.2), above the level for the previous four months, points to a moderate and uncertain improvement in the economic situation. The indices for new orders and employment are deteriorating. While the manufacturing PMI rebounded (47.6 in February, +2.5 points in two months), the services PMI fell by almost 1 point in two months, although it remains in expansion territory (50.6).

Households: confidence rebounds only moderately. Household confidence rebounded by 0.9 points over the last two months to -13.6 in February, supported by a better perception of the economic situation, households' intentions to purchase durable goods, and the outlook for unemployment. At this level, however, the confidence index remains almost 1 point below its October level, a situation explained in particular by Germany and France (where growth was negative in Q4).

Labour market: remarkable resilience. The unemployment rate held steady at 6.2% in January, an all-time low. Declines are most marked in southern Europe and Ireland, while the unemployment rate is relatively stable in France and Germany. Negotiated wages rose by 4.1% y/y in Q4 2024, less than in Q3 (5.4% y/y) but still well ahead of inflation.

Disinflation is making moderate progress. Inflation fell slightly in February (2.4% y/y compared with 2.5% in January). This drop is mainly due to the sharp fall in inflation in France. Core inflation is falling very gradually (2.6% y/y in February, after 2.7% in January). The ECB cut its key rate by 25 bp to 2.5% and is expected to lower it again by the same amount in April and June.

Our nowcast for Q1 2025 suggests growth of 0.2% q/q. This estimate is identical to our growth forecast and highlights a moderate improvement in economic indicators, in line with our expectations.

Guillaume Derrien, article completed on 14/03/2025

Eurozone unemployment rate



Source: Eurostat

GDP GROWTH (q/q) : observed, carry-over, forecast

Actual				Carry-over	Nowcast	Forecast			Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0.3	0.2	0.4	0.2	0.4	0.2	0.2	0.2	0.2	0.8	0.9	1.0

See the Nowcast methodology. Contact: Tarik Rharrab
Source: Refinitiv, BNP Paribas