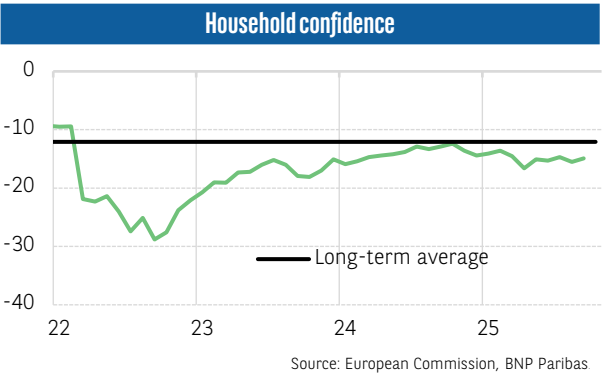
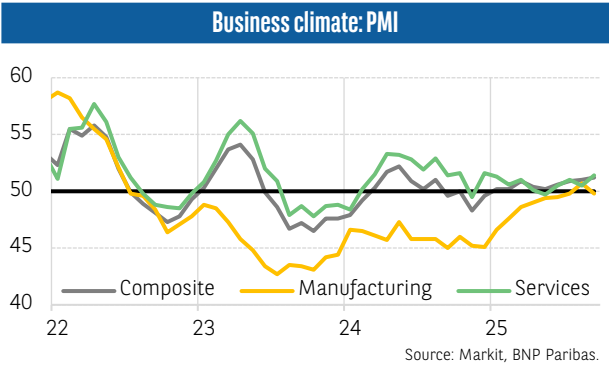
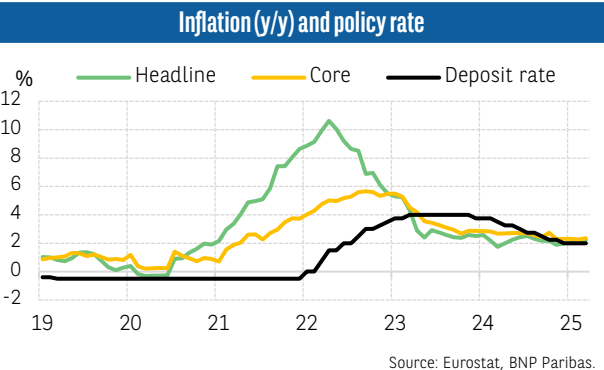
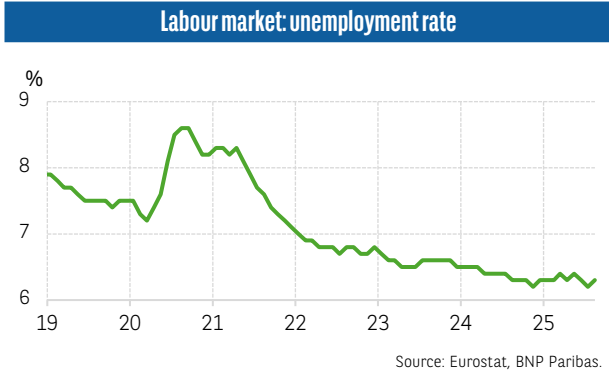


Eurozone: Strengthening activity still in sight



The recovery in PMI indices continues despite a decline in industry. In September 2025, the composite PMI reached its highest level since May 2024 (51.2), an improvement attributable to services (51.4). However, the manufacturing index, which had been recovering sharply since the beginning of the year, declined in September (-1.2 points to 49.5). Industrial production rose by 0.3% m/m in July. The economic sentiment index stabilised in Q3.

Positive signals for consumption. Over the last three months, the major purchase intentions index recorded its strongest growth in two and a half years (+2.6 pts), pushing up the overall household confidence index. Nevertheless, the outlook for unemployment (+0.9 pts) and the economic situation over the next twelve months (-0.1 pts) is deteriorating. Retail sales fell by 0.7% m/m in July but rose by 2.6% y/y.



The labour market remains tight. The unemployment rate fell to 6.2% in July, its lowest level ever, before rising to 6.3% in August. The youth unemployment rate in the Eurozone (16-25 years old) is at its lowest (14.0%), down 0.9 p.p. year-on-year. The ECB wage tracker indicates an expected increase in base salaries at the end of 2025 (+3.0% y/y), followed by a stabilisation at around 2.5% y/y in spring 2026.

Inflation remains under control despite a rise in September. Harmonised inflation rose from 2.0% to 2.2% (flash) and core inflation rose from 2.3% to 2.4%. Inflation is expected to return to the 2% target in Q4 and then ease off. Inflation is under control, helped by the rise in the euro and the quasi-stagnation of producer prices (+0.2% y/y in July). This environment therefore remains favourable for the ECB in order to maintain monetary *status quo*.

GDP growth q/q: actual, carry-over and forecasts											
Actual			Carry-over	Actual		Nowcast	Forecast		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
0.2	0.4	0.4	0.6	0.6	0.1	0.2	0.0	0.3	0.8	1.3	1.4

An upside surprise for growth? Our nowcast for Q3 points to growth of 0.2% q/q. This figure is better than our forecast of stagnant activity. The expected slowdown in Q3 would mainly reflect the normalisation of activity in Ireland and a slight slowdown in France and Spain. Activity in the Eurozone should then pick up in Q4 (+0.3% q/q) and *a fortiori* in 2026 (+0.4% q/q in Q1 and +0.5% q/q in subsequent quarters), supported by increased investment efforts in Europe, particularly in Germany. On average for the year, growth is expected to increase from 1.3% in 2025 to 1.4% in 2026. In July, growth in outstanding loans to businesses and households increased, thanks in particular to lower interest rates on new business loans, despite a rise in household borrowing rates.

Guillaume Derrien and Thomas Humblot (completed on October 2, 2025)