



EcoFlash

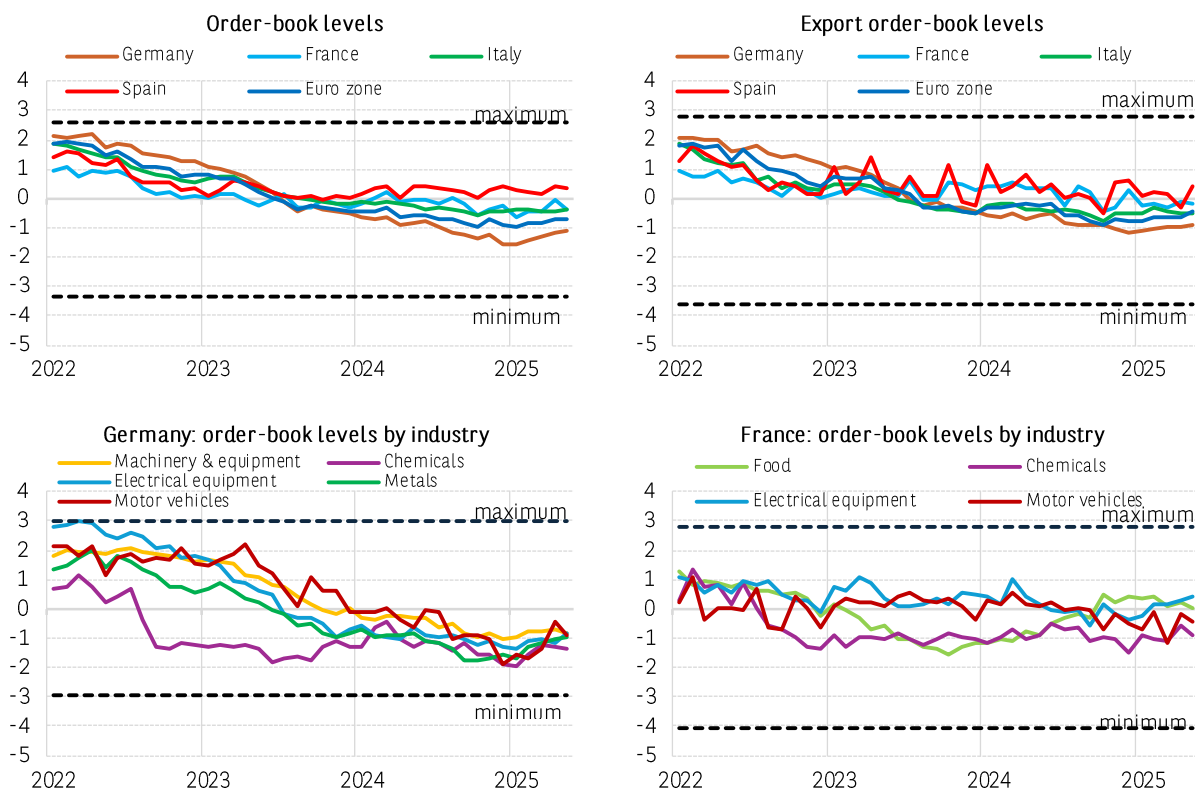
Eurozone: demand is firming up progressively

The gradual recovery in demand, which has been noticeable for almost six months, seems to be continuing in the Eurozone. It remains to be confirmed given the uncertainties surrounding US trade policy. Nevertheless, the trend towards improvement has not been called into question by the decisions taken so far. In the medium term, the implementation of the European rearmament plan and the German investment plans should strengthen this dynamic.

The economic sentiment index has improved in the Eurozone (+1 point in May, to 94.8). The positive trend to be closely monitored is that of order books: although their level remains deteriorated, it tended to improve in May, including exports (*top charts*). This follows the decrease in the proportion of companies citing demand as the main limitation to their production: 38.4% of respondents in October 2024 versus 34.8% in April 2025.

This improvement comes mainly from Germany (*top left graph*). After +0.4% q/q in Q1, GDP growth is expected to remain firm, according to our forecasts, driven by stronger demand. This would put an end to three years of stagnation (2022-2024). To date, the automotive sector also seems to be benefiting from this rebound in demand (*bottom left chart*) despite the 25% tariffs put in place by the United States last April.

In France, demand fluctuates but does not really improve. According to our scenario, this lack of impetus would affect GDP growth in 2025, which would reach 0.6% on average, a slower pace than the euro area (1.1%). **In Spain, the order book indices remain higher.** This is a further signal of the good performance of the Spanish economy, which should continue to benefit from higher growth compared to its close neighbours. **In Italy, the order book indices are stable.** They are not sinking, especially those in exports, but are not benefiting from the same rebound as the one observed in Germany, where indicators had previously fallen more sharply.



Source: DG ECFIN, BNP Paribas

Note: The results are transformed into 'z-scores' (deviations from the long-term average value expressed in standard deviation).

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