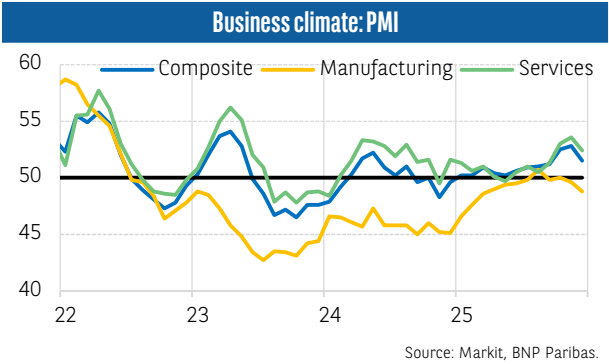
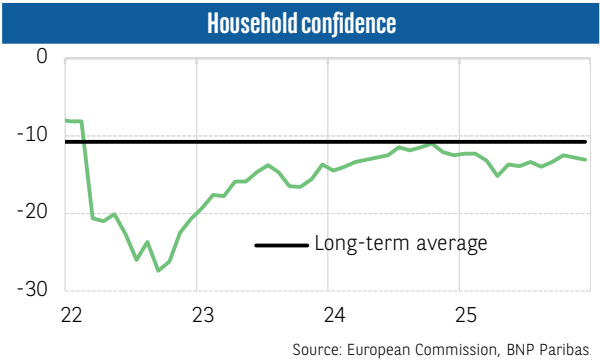


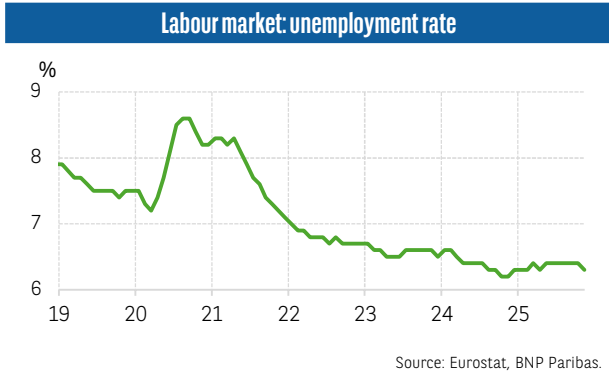
# Eurozone: A greatly improved outlook



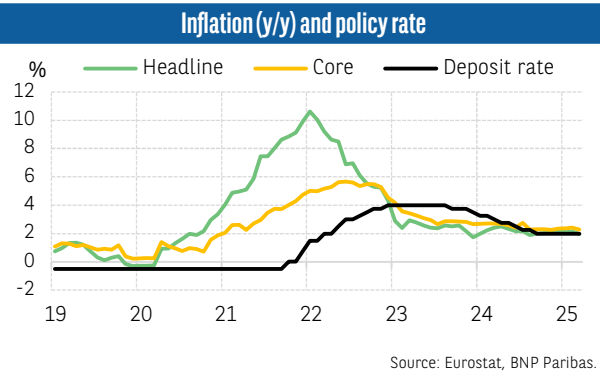
The improvement in the business climate points to stronger activity in Q1. Despite a setback in December, the composite PMI recovered in Q4 2025 (average of 52.3 – the highest level since Q2 2023), driven by services. The manufacturing PMI nevertheless declined (49.5), but the leading indicators (the PMI for future production and the European Commission's index for new manufacturing orders) remain well oriented.



Household confidence remains moderate but spending intentions are rebounding. The 12-month economic outlook index remains particularly weak (z-score of -0.8 in Q4 2025). Nevertheless, savings accumulated to date, without any crowding-out effect on consumption, could be spent more in the coming months as intentions to purchase durable goods are now at their highest level since February 2022 (the start of the war in Ukraine).



The unemployment rate is close to its low point (6.3% in November) due to declines in Italy and Spain. Stronger activity in the Eurozone could lead to a further decline in the unemployment rate, especially as the job vacancy rate, despite falling below its 2019 average (2.3), remained high in 2025 (2.1 in Q3). The ECB's wage tracker also confirms that negotiated wages (excl. one-off payments) will continue to moderate until the end of H1 2026 (2.6% y/y in June 2026), before stabilising.



Inflation remains under control. Harmonised inflation fell back below 2% in December, and Q1 2026 will, in principle, see a further decline fuelled by, among other things, moderation in goods, with inflation falling back into negative territory in January. Indeed, the decline in producer prices intensified (-1.7% y/y in November). Our scenario of the ECB key interest rate remaining unchanged in 2026 still holds, but the decrease in inflation would allow for a rate cut in the event of a negative activity shock.

GDP growth q/q: actual, carry-over and forecasts											
ACTUAL	OBSERVED			NOWCAST	FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observé)	2025	2026	2027
0.6	0.6	0.2	0.3	0.4	0.3	0.5	0.5	0.9	1.5	1.6	16

See the Nowcast methodology [Contact: Tarik Rharrab](#) Source: Refinitiv, BNP Paribas

Growth is accelerating. This is highlighted by our nowcast, currently at +0.4% q/q in Q4 2025 (above our forecast of +0.3% q/q), supported by the momentum in industrial production and retail sales. Growth should strengthen further in the first half of 2026, driven by the expected acceleration in German GDP and its spillovers to the rest of the Eurozone. In November, outstanding loans to businesses and households accelerated slightly. This was mainly due to the virtual stability of interest rates on new loans.

Guillaume Derrien and Thomas Humblot (completed on 21 January 2026)