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EcoFlash

# Eurozone pulls level with the US

**Both the Eurozone and the US grew 0.4% q/q in Q2 2026. For Europe, that is a welcome upside surprise: growth landed in line with expectations (France, Germany) or above them (Eurozone overall, Spain, Italy), even as the Middle East conflict delivered an energy-driven inflation shock. It confirms that European growth rests on foundations solid enough to absorb this kind of shock. Country-level detail was incomplete on the day, but manufacturing business sentiment held firm across the board in H1, underwritten by a set of drivers (AI, defence, electrification, aerospace). US growth, by contrast, undershot expectations. But it remained robust, powered by AI investment and accelerating household consumption. Both, however, drew in imports fast enough to weaken the headline growth figure.**

**France: growth led by aerospace, electrification and healthcare.** **The rebound we had flagged duly occurred in Q2, at 0.2% q/q, as anticipated by our nowcast of July 23** (*see our analysis*). The main driver was aerospace exports, which surged 20% q/q (0.9pp contribution) and erased their Q1 fall. Capital-goods exports (3.5% q/q) climbed to a record high, propelled in particular by electrification, with final-demand tied to AI, defence, EVs and energy. Household consumption told a similar story, as its rebound (0.2% q/q after -0.3% in Q1) was driven by autos, and by EVs and hybrids in particular. Public consumption, meanwhile, remained a constant contributor – 0.4% q/q in Q2, and a 0.3% quarterly average since early 2023 – driven above all by healthcare, where an ageing population acts as a structural tailwind. We expect GDP growth to extend into H2, with business investment turning into a driver again. It stabilized in Q2 (0.1% q/q) after two quarters of decline, and INSEE's industry survey showed a clear rebound in the balance of opinion on investment intentions (18; 9pp above the July norm of the past two years).

**Eurozone: growth delivered.** Elsewhere in the euro area, the releases arrived without a demand breakdown, but the aggregate numbers were good. **Euro area growth (0.4% q/q in Q2) was above our nowcast (0.3%), with country-level figures either in line with or above expectations.** As a result, growth excluding Ireland (whose GDP is highly volatile) is set to reach at least 1% in 2026. **Germany confirmed its rebound**, expanding 0.2% q/q as anticipated by our nowcast, supported, according to Destatis, by exports. This marked a third consecutive quarter of growth (revised up by 0.1pp in Q1 to 0.4%) and the first such streak since 2022. **Spanish growth came in above expectations**, growing 0.7% q/q (consensus: 0.4%) as the business climate improved (composite PMI at a six-month high of 53.3 in June). **Italy also defied expectations**, at 0.2% q/q versus our 0.1% forecast, and followed an already-firm Q1 (0.3% q/q), this time on resilient domestic demand.

**United States: a slight disappointment on the surface, solid underneath.** Q2 GDP growth slowed to 0.4% q/q, short of the steady 0.55% forecast. **The headline figure, however, masked strong momentum in final sales to private domestic purchasers – still AI-fuelled – which climbed to its fastest since 2024**, at 1.0% q/q (up 0.4pp). Household consumption proved resilient to higher inflation, accelerating to 0.8% q/q (up 0.7pp) on fiscal support and wealth effects. Business investment held at a solid 2.0 q/q (-0.8pp) as the AI-adjacent categories and the other components rose together for the first time since Q3 2024. As anticipated, net trade was a drag, owing to import growth (2.8% q/q), and the change in inventories subtracted too. The overall picture thus remains positive, and full-year GDP growth should improve in 2026, to around 2.4% (up 0.3pp).

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