

Overview: Growth is rising everywhere

Growth is expected to have accelerated or at least remain steady across all regions in Q4. This is reflected in our nowcast for the Eurozone (+0.4% q/q) and the Atlanta Fed's GDPNow (+1.3%q/q). In France, after a very good figure in Q3, our nowcast suggests another strong performance (+0.3% q/q), as does our forecast for Spain (+0.7%). Our forecasts point to improving growth figures in the United Kingdom (0.2%), Italy (0.2%) and Japan (0.3%); the same goes for the figure published in China (+1.2% q/q).

A favourable business climate points to continued strong performance in Q1 2026. With the exception of deteriorations in some countries in December, the business climate improved in the last few months of 2025, particularly in the Eurozone (including France, Italy and Spain), Japan, the UK and China. In the United States, momentum strengthened in services (unlike in manufacturing). In Germany, some sectors are benefitting from increased public spending, while others are more exposed to higher US tariffs.

Households remain cautious but are willing to spend more. There has been a notable rebound in spending intentions in the Eurozone (particularly in France and Italy). Confidence indices reflect mistrust towards the overall economic situation (impact of tariffs on inflation in the United States). However, households' personal situations are often better than their perception of the general context, benefitting consumption, which is the main driver of growth in the United States and is also improving in the Eurozone.

Labour market: moving towards greater resilience? While job creation continues to slow significantly in the United States, the unemployment rate has stabilised recently. In the Eurozone (especially in Italy and Spain), it continues to fall, with fears about unemployment in France receding. Unemployment remains moderate in Japan. Conversely, it is still rising moderately in the United Kingdom.

Inflation: moderation prevails. Inflation is back down to the ECB's target in the Eurozone (particularly in Germany) but remains below target in France and Italy. Inflation has also slowed in the United Kingdom and the United States despite the tariff shock. Inflation remains very moderate in China and remains stable in Japan.

Monetary policy: moving towards a wait-and-see approach from central banks in 2026? With GDP growth rising and inflation not below the central bank's target in any advanced monetary zone, central banks should put their monetary policy on hold, with the Fed and the BoE expected to only cut their key rates once in Q1 before halting the cuts, which the ECB has already done. In Asia, as the BoJ is continuing to gradually normalise its key rate (two 25bp hikes in Q2 and Q4), two 10bp cuts are expected in Q1 and Q3 in China.

Credit flows in the Eurozone: growth continues. Although interest rates in the non-financial private sector have stabilised for several months, their past decline continues to have a positive impact on credit growth (for both businesses and households).

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Indicators Q4 2025				
	Business climate	Households	Labour market	Inflation
Eurozone				
Germany				
France				
Italy				
Spain				
United Kingdom				
United States				
Japan				
China				

Source: BNP Paribas

CONTENT

Eurozone:

A greatly improved outlook

Eurozone (credit):

Rates and loan growth are stabilising overall

Germany:

The recovery is here

France:

Better and better

Italy:

Moderate acceleration in growth

Spain:

Services continues to drive growth

United Kingdom:

Q4 2025 under-performance

United States:

No-Landing

Japan:

Inflationary Growth

China:

Optimism among exporters at the year-end, but caution among households



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