



EUROPE 2025-2026 SCENARIO

Quarterly – June 2025

European economies in a waiting and transition phase

The past quarter has contributed to heighten uncertainty over the growth trajectories of the major economies, which are facing a global shock to confidence and a reorganisation of their relative competitiveness. The American exceptionalism of growth that has long been above potential, even under the influence of a restrictive monetary policy, has been called into question by the new trade policy, which is acting as a negative shock, leading to a slowdown in growth. Although the European economy will be negatively affected, the asymmetrical nature of the shock makes it less vulnerable. In addition, the desire for greater strategic autonomy on the part of the European economies is taking shape in concrete measures to increase spending on infrastructure and defence, which, by offsetting the negative impact of the trade shock, are putting the Eurozone on an upward growth trajectory, defying the inexorability of a decline in potential growth. All the more reason to put forward the hypothesis of an “European exceptionalism”.

A supply shock for the United States, a demand shock for Europe

In our previous scenarios we highlighted the divergence in growth between the US economy and the economies of Western Europe. The US had exceeded its potential pre-pandemic pace, while GDP in the Eurozone, after a strong post-pandemic recovery, had landed on a modest pace, reopening a negative output gap.

The Trump administration's trade policy draws a sharp contrast with the past narrative of exceptional US growth and Europe lagging behind, particularly affected by the negative shock of higher energy prices. Trump's policies are acting as a supply shock to the US economy, with higher input prices leading to a risk of slower growth and higher inflation. With inflation now five years above target and an increased risk of inflation expectations going off track, the Fed is acting with great caution.

On the other hand, Trump's policies constitute a demand shock for Europe, and in particular for the Eurozone, causing a fall in growth and inflation. However, this shock is asymmetrical in both nature and magnitude, and despite the negative impact on the competitiveness of European companies on the US market, it is having less of an effect on the European economy than on the US economy. The negative impact on European inflation gives the ECB more room to manoeuvre when it comes to cutting interest rates. The decoupling of the two monetary policy stances is therefore set to continue, despite the existing risk of

higher inflation linked to retaliatory measures and fiscal stimulus in the Eurozone. The BoE is facing higher inflation, which prompts caution, but domestic inflationary pressures should diminish and we nevertheless expect three rate cuts between the second half of 2025 and Q1 2026.

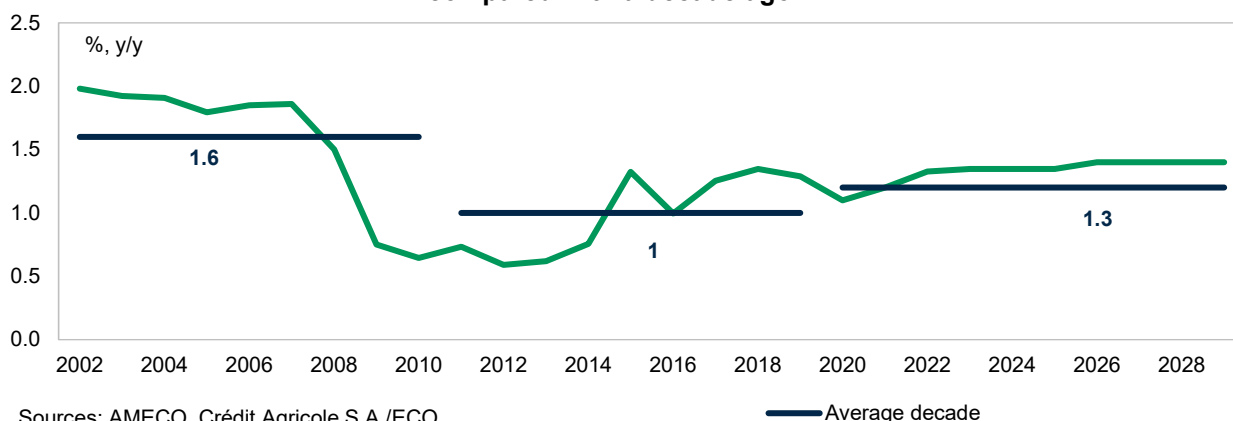
Growth potential revised upwards and a sustained cycle at the end of the decade

In spite of multiple external shocks, an upward revision of the Eurozone's growth potential on the basis of domestic factors is setting the scene for our scenario for 2025 and 2026. The acceleration forecast in 2026 is extended and strengthened at the end of the decade. Potential growth is revised upwards for the 2020s compared with the official projections from the start of the decade. Potential growth is projected to accelerate on average over the 2020s compared with the previous decade, breaking with the downward trend that began in the 2010s.

Trump's policies are a demand shock for Europe, putting downward pressure on growth and inflation.

Despite the worsening demographic dynamic, the rise in the employment rate and the participation rate should enable employment to continue to make a positive contribution to growth. Reforms to the labour market and pensions, as well as structural changes in labour force participation and labour hoarding patterns, explain this greater participation in

Eurozone: potential growth accelerates compared with a decade ago



the labour market. This seems compatible with a fall in the equilibrium unemployment rate, which would enable the Eurozone economies to sustain low and falling unemployment rates, without triggering sustained wage dynamics and inflationary pressures. Despite the persistent sluggishness of private investment, the contribution of capital to growth would be maintained with stronger growth in public investment fuelled by the European Recovery Plan, the new German spending paradigm and defence spending. The structural reforms undertaken as part of the European Recovery Plan and the increase in the capital stock should have a positive impact on productivity by the end of the decade.

Around this more dynamic trend growth, a cycle developing in the second half of the decade supported by the strong fiscal impulse provided by public spending. The delay in implementing the European Recovery Plan (NGEU) will concentrate a considerable amount of spending over the next two years, with a positive impact on growth that will operate firstly via the fiscal multiplier, secondly via the deepening of the capital stock and thirdly via higher productivity, the result of higher capital productivity and structural reforms, which are fundamental elements of the plan.

Such an acceleration in growth would also ensure that the debt remains on sustainable trajectories despite the rise in spending, in a context where, with the exception of France, budgetary indicators have improved in the Eurozone and the adjustment efforts are likely to be less demanding than in recent years.

Europe's major economies can count on a more sustained momentum in domestic demand, with investment as the driving force

For the major economies of the Eurozone, we anticipate a common acceleration in domestic demand. This breaks with two years of decline in Germany, is sustained in Italy and Spain, and will be more modest in 2025 in France. It will be driven by stronger growth in private consumption in all countries except Spain, where household spending remains nevertheless very dynamic. The recovery in investment

is also contributing, at a very sustained pace in Germany, but also in Italy and Spain. The upturn should materialise with some delay in France.

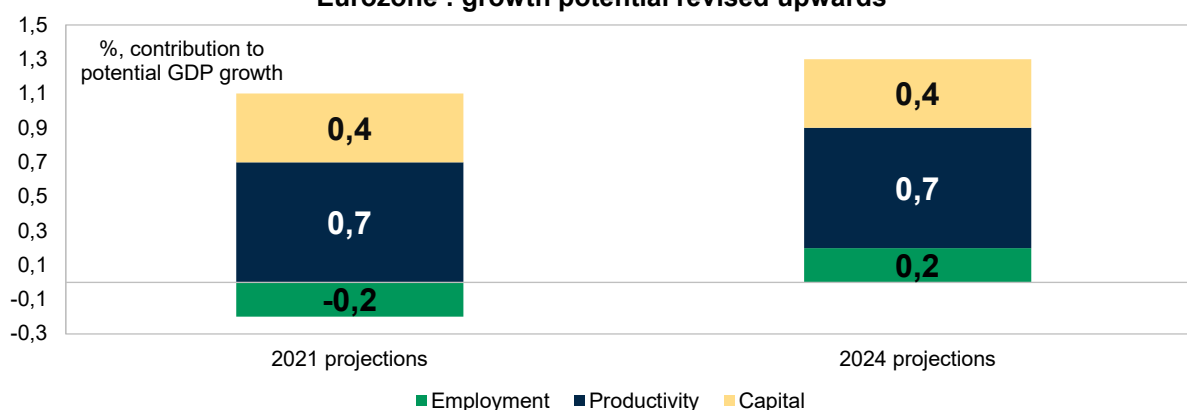
In France, economic activity grew weakly in the first quarter of 2025. It is expected to rise again, but only slightly, in the second quarter, before accelerating slightly in the second half of the year. The real rebound will come in 2026, driven by the resumption of investment and the initial impact of German government measures. The risks remain mainly on the downside for short-term activity.

The incomplete recovery and the recent fall in purchasing power, despite the strength of employment, are limiting the potential for a recovery in Italian household consumption. The positive surprises on investment are likely to continue with the improvement in financing conditions and subsidies for the energy and digital transition. While the recent weakness in industrial orders may weigh on productive investment, construction is showing resilience. Doubts remain, however, about growth potential, with *post-pandemic* sector allocation favouring less productive sectors.

The German economy is back on the growth track. Although more exposed than its partners to protectionist policies, the economy is likely to be stimulated by the federal investment plan. While the effects will be minimal in 2025 due to planning delays, a significant flow of funds is expected in 2026, with positive knock-on effects for European neighbours and the Eurozone as a whole.

Easing monetary policy, energy disinflation, rising real incomes and a targeted fiscal stimulus are underpinning Spanish domestic demand. The recomposition of the trade balance, marked by a weakening of trade in goods and the continued robustness of market services, particularly tourism, will mean a smaller contribution to growth than in the past. As a result, growth is set to decelerate, a normalisation compared with the years of strong *post-pandemic* recovery.

Eurozone : growth potential revised upwards



Sources : AMECO, Commission européenne, Crédit Agricole S.A./ECO

In the UK too, GDP growth should be increasingly driven by domestic demand, although the fundamentals of household consumption have deteriorated against the backdrop of the worsened situation on the labour market and restrictive fiscal policy. Household consumption and public spending should be the only components to make a positive contribution.

Assumptions of the international scenario

World growth is weakening but not breaking up. After growing at a rate of 3% in 2024, it is forecast at 2.7% in 2025 and accelerating to 2.9% in 2026. This follows the pattern of **growth in the advanced economies, which are initially held back by the marked slowdown in the US economy in 2025 (1.5% after 2.8% in 2024) and then buoyed by its rebound in 2026 (2.2%).** While the negative impact of trade policies is the main driver of the slowdown, it is not enough to break growth and lead to a recession. The solid fundamentals of private agents (high wealth, less sensitivity to high interest rates) and the robustness of the labour market are still making a positive contribution to growth. Tax cuts and deregulation should drive the rebound in 2026. **The emerging world is also likely to experience a slowdown in activity (from 4.2% in 2024 to 3.9% in 2025 and 2026) but should prove resilient.** Continued disinflation, a solid labour market and cuts in key interest rates should continue to support domestic demand, while foreign demand should be driven in 2026 by accelerating growth in the advanced economies. The resilience of the Chinese economy, supported by subsidies for consumer goods and domestic demand, would nevertheless result in a slight slowdown from 5% in 2024 to 4.6% in 2025 and 4.3% in 2026.

Despite recent events in the Middle East, oil prices should start to ease in the second half of 2025 (to an average of \$69 in 2025), helped by the recovery of Saudi Arabia's market share and by supply outstripping

demand. The rise in gas prices should be limited by the fall in Asian demand and new liquefaction capacity, which would compensate for the end of gas pipeline imports from Russia, European demand for restocking and fears about traffic in the Strait of Hormuz.

With inflationary economic policies, the expected rise in US inflation to 2.9% in 2025 and 2.7% in 2026 would justify a wait-and-see stance by the Federal Reserve, which after two key rate cuts in the third and fourth quarters of 2025 should stabilise *Fed Funds* at 4%, marking an extended pause until the end of 2026. Ten-year *Treasuries* would be subject to upward pressure on the term premium, reaching 4.7% by the end of 2025 and 4.95% by the end of 2026. **The ECB would have completed its cycle of rate cuts.** With a deposit rate of 2%, it is in the middle of its equilibrium rate estimated range (1.75%-2.25%), which is justified by a historically low unemployment rate and accelerating growth, but in the presence of a still negative output gap and slightly below-target inflation. However, the present level of ten-year rates does not seem realistic given the prospects of accelerating growth and increased public spending. **We expect the Bund to rise to 2.9% by the end of 2025 and 2.95% by the end of 2026**, and risk premiums to continue to be squeezed as investors seek yield. While the *spreads* on Italian and Spanish sovereigns should fall to 0.9 basis points (bp) and 0.5 bp respectively by the end of 2026, the OAT spread should widen to 0.65 bp by the end of 2026 due to the delay in fiscal consolidation.

While the unpredictability of US policies, the worsening budget outlook and speculation about intentions to weaken the dollar have pushed the dollar down, **the euro should weaken in 2026** (from 1.14 at the end of 2025 to 1.10 at the end of 2026) with a less favourable growth and interest rate differential.

Paola MONPERRUS-VERONI



EUROZONE COUNTRIES

Eurozone – What if exceptionalism were European?

France – Slowly but surely, the light at the end of the tunnel?

Italy – 2025: back to reality

Germany – Domestic demand offsets fall in net exports

Spain – Business gradually returning to normal

Eurozone – What if exceptionalism were European?

Our scenario is surrounded by a conflictual and unpredictable external environment, accompanied by noise that obscures the detection of real signals providing information on the underlying trajectory of activity. The balance is delicate and two alternative scenarios are likely to unfold. One scenario envisages resilience in the Eurozone economy based on an increase in private spending but also, and perhaps above all, public spending on defence and infrastructure: this is our baseline scenario. A riskier scenario of stagnating activity due to a combination of negative shocks is possible: competitiveness shocks linked to higher customs duties, appreciation of the euro and the negative impact of uncertainty on private confidence.

Our forecast assigns a higher probability to the resilience scenario, against a backdrop of a resilient labour market, a healthy economic and financial situation for private agents and a favourable impulse from the credit cycle. The actual implementation of additional public spending certainly needs to be confirmed. But this spending could lead to growth driven by stronger domestic demand at a time when global growth is weakening. It would offer **a kind of exceptionalism, particularly in light of the past decade, which would set the region's growth above potential in the medium term**. Average annual Eurozone growth is expected to accelerate slightly in 2025, to 0.9%, and then to strengthen to 1.3% in 2026.

This scenario assumes a status quo in the tariff confrontation with the US, with tariffs at their level as of 4 June, ie, an across-the-board increase in tariffs to 10%, with the exception of exempt products, 25% on automobiles and 50% on steel.

The risks associated with this scenario are bearish, with a possible materialisation of the stagnation scenario if the trade confrontation with the US were to intensify, if the competitiveness constraints were to bite harder, if private sector confidence were to deteriorate significantly and, finally, if the fiscal stimulus were to be implemented more gradually than anticipated.

The beginning of 2025 is difficult to decode

The growth figures for the start of the year do not completely dispel doubts as to whether the resilience scenario will materialise. Eurozone growth in Q125 accelerated (+0.6% over the quarter after +0.3% in Q424), leaving a high carry-over (+1.1%) for average annual growth in 2025. However, without Ireland's strong growth (+9.7%), GDP growth in the Eurozone would have been 0.3%, with no significant acceleration.

Net foreign demand (0.3ppt) strengthened its contribution to growth thanks to a faster rise in exports of goods and services in volume terms (1.9%) than in imports (1.4%). The change in volume therefore confirms the strong acceleration in exports of goods in value terms during Q125 (7.6% after 0.8%), particularly to the US (+27%). While the increase in sales of

machinery and transport equipment across the Atlantic has been notable (6.4%), the increase in sales of chemical products was spectacular (64%). These trends appear to be consistent with the rise in US imports, in line with a logic of anticipating purchases before the actual increase in customs duties. We can therefore expect an equally sharp correction over the next few quarters: an adjustment following the across-the-board 10% increase in tariffs that took effect on 9 April, and the 25% increase on vehicles (on 3 May) and on steel & aluminium (since 3 April), then further raised to 50% on 4 June.

The positive contribution of domestic demand (0.5ppt) for the third consecutive quarter nevertheless seems to confirm **the solidity of the domestic fundamentals of European growth: not spectacular growth, but fairly robust**. Household consumption grew at a modest but positive rate (0.2%), albeit at a slower pace than in H224 (0.5% on average). Public consumption stagnated, but after a year of sustained growth.

The rebound in investment (1.8% after 0.7%) is due to the strong increase in capital formation in Ireland (+41.1%). Without Ireland, investment would have risen modestly (0.4%), but still broke with a year of annual decline. Investment rose in construction (0.6%), at a similar rate in housing and other construction. This recovery in construction, for the second consecutive quarter, interrupts the downturn that has been underway since the spring of 2023. Productive investment, on the other hand, remains erratic: it fell again in machinery and equipment (-0.4%). It was nonetheless supported by accumulation in transport,

	2023	2024	2025	2026
GDP (y/y, %)	0,6	0,8	0,9	1,3
Domestic demand (contribution to GDP, pps)	1,1	0,7	1,4	1,5
Change in inventories (contribution to GDP, pps)	-0,7	-0,4	0,2	0,0
Net exports (contribution to GDP, pps)	0,4	0,5	-0,6	-0,2
Private consumption (y/y, %)	0,6	1,0	1,2	1,1
Investment (y/y, %)	1,8	-1,8	2,5	3,0
Inflation (y/y, %)	5,4	2,2	1,8	1,8
Unemployment rate (%)	6,6	6,4	6,3	6,1
Fiscal balance (% of GDP)	-3,3	-2,7	-2,3	-2,2

although the level remains 1.7% lower than a year earlier. The accumulation of intellectual property also continued at a high rate (7.5%).

Too early to read the impact of the increase in tariffs in Q2

While US demand, in anticipation of higher tariffs, supported Eurozone exports in Q1, these advanced purchases could quickly turn into a drag in Q2. **The signals provided by the various indicators available are not very enlightening yet.** The purchasing managers' index for the manufacturing sector, for example, shows a rise in confidence since January, which was not affected by the Liberation Day announcements. It also points to an expansion in production since March, driven by an upturn in exports since April and a sharp rise in production expectations. While the European Commission's ESI survey confirms these developments, it points to a deterioration in confidence in April followed by a recovery in May. The industrial production¹ index recovered spectacularly during Q1, and in March was up by 3.9% YoY. Growth in industrial value added thus contributed 0.4ppt to Eurozone GDP growth in Q125, but this comes after two years in which the sector took 0.2ppt per year off of GDP growth. **This improvement in industry therefore remains fragile, and it would be premature to conclude that it represents a change in trend rather than simply a temporary rebound boosted by purchasing expectations.**

The services sector has been the main driver of growth over the past four years, and it continued to underpin the increase in activity in Q125. Nonetheless, the S&P index has signalled that activity in this sector will contract in May, once again indicating a decline in the number of new contracts won by service providers. This decline in past and future demand is confirmed by the European Commission's ESI survey, which also notes a fall in confidence within the sector.

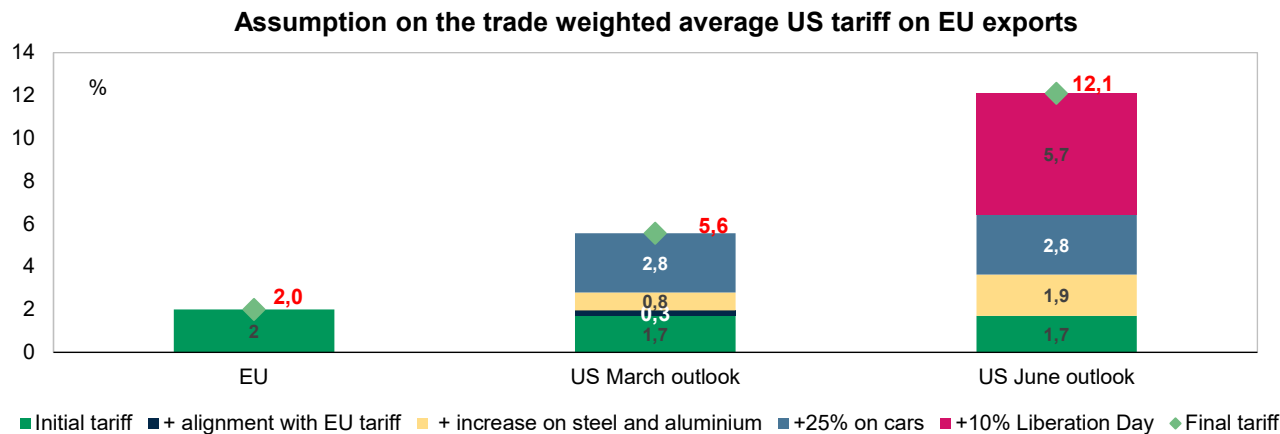
In our scenario, we see a slight drop (-0.3%) in GDP in Q2, which reflects the largely mechanical contraction in exports, the counter-effect of the rebound in US imports, but also the fall in investment, attributable solely to the correction of the "over-investment" recorded by Ireland in Q1.

An international environment less favourable to growth

The dynamic of foreign demand is strongly influenced by assumptions around the outcome of the trade confrontation with the US. Our scenario assumes that the US and the EU will strike an immediate deal on a generalised 10% increase in tariffs on European exports (excluding exempted goods) and a belated one on negotiations on strategic sectors based on a quota system that would allow a reduction in current customs duties on these products.

We expect growth to be driven by stronger domestic demand at a time when global growth is weakening.

In 'operational' terms for our scenario, this means a status quo on 4 June, ie, a weighted average tariff imposed on European goods of 12.2%. The impacts of these measures have been estimated as successive announcements have been made and have already been partially incorporated into our previous scenarios (December 2024 and March 2025). For example, the increase in US tariffs as calculated in our March scenario was expected to subtract 0.1ppt from growth in 2025, 0.3ppt in 2026 and 0.2ppt in 2027. This negative impact was reinforced by the greater uncertainty about the economic environment, which would subtract 0.1ppt from growth per year, via the wait-and-see attitude weighing on investment decisions. The increase in steel tariffs from 25% to 50% now slightly increases the average rate (from 11.1% to 12.2%), with a very limited impact on GDP growth, but reinforced by the EUR's appreciation. These 'depressive' effects could nevertheless be reduced for highly specialised goods, but also by gains in competitiveness, due to the difference between the



Sources: OMC, Crédit Agricole S.A./ECO

¹ This article does not take into account figures published after 12 June 2025.

customs duties imposed on European (12.2%) and Chinese (46%) goods entering the US market.

A better domestic environment

A number of domestic factors are playing a favourable role, particularly from 2026 onwards. The resilience of the labour market and the gains still being made in terms of real wages will support the moderate but steady growth of private consumption, which our scenario forecasts at 1.2% in 2025, then 1.1% in 2026 (after 1% in 2024).

The still-high level of profit margins should also act as a buffer against external shocks. The anticipated recovery in productivity and the slowdown in wages should lead to an improvement in margins. The full impact of the fall in interest rates on lending costs should partly offset the negative effect of uncertainty on investment. This is already a driving force behind the proven upturn in the mortgage cycle. **The impulse from monetary policy continues to be transmitted to the economy**, but will no longer be fuelled by changes in the monetary stance: our scenario does not anticipate any further cut in key ECB rates, which would stabilise the deposit facility rate at 2% over our forecast horizon.

On the other hand, **a new impulse is expected on the fiscal front.** We have changed the implementation profile of the additional spending linked to the German infrastructure fund; we now expect more gradual

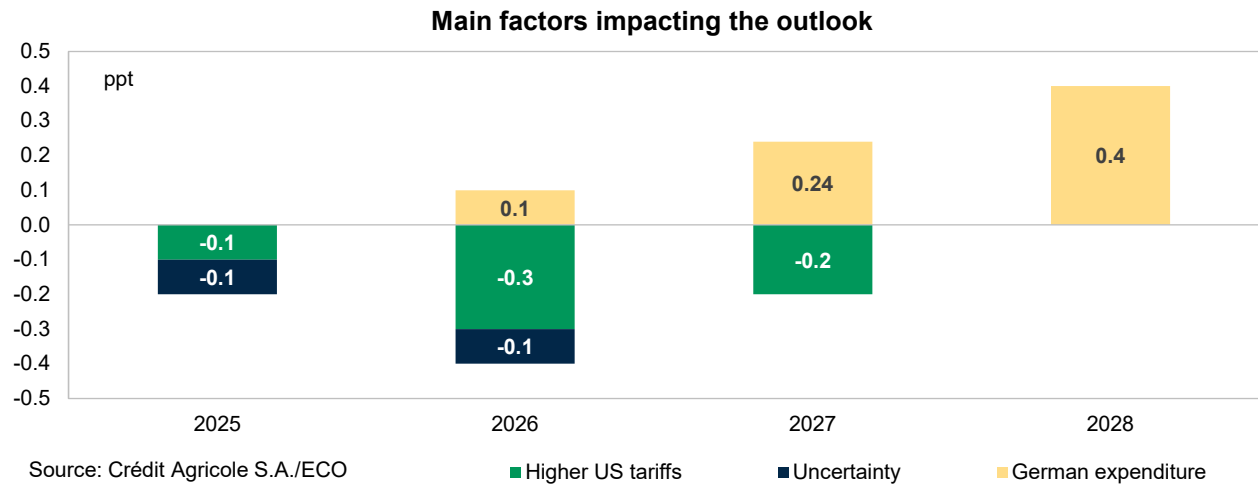
spending and a downward revision of the measures' effect on German GDP in 2025 and 2026 (and an upward revision thereafter). These measures' impact on Eurozone growth would be nil in 2025, positive but limited to 0.1ppt in 2026 and more significant thereafter (0.3ppt in 2027 and 0.4ppt in 2028).

Furthermore, with only 33% of the European Recovery and Resilience Fund used by Italy and 20% by Spain at the end of 2024, the amounts remaining to be spent during 2025 and 2026 amount to 6.2ppt of GDP for Italy and 8.8ppt for Spain if the two countries were to spend the entire envelope allocated. While it is clear that not all of the allocated sums will be requested before the September 2026 deadline, particularly in the loan component in the case of Spain, there remains significant potential for increased investment and public spending over our forecast horizon. **Defence spending is also on the rise.** Eleven Eurozone countries have requested activation of the Stability Pact's safeguard clause, allowing them to deviate from the negotiated spending trajectory by up to 1.5% of GDP over the period 2025-28.

Our scenario therefore assumes that public investment will provide substantial support for the recovery in gross fixed capital formation, which should grow at a rate of 2.5% in 2025 and 3.0% in 2026 after falling by 1.8% in 2024.

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France – Slowly but surely, the light at the end of the tunnel?

Business activity grew weakly in the first quarter of 2025. It is expected to rise again, albeit modestly, in the second quarter, before accelerating slightly in the second half of the year. The real rebound will come in 2026, driven by the resumption of investment and the initial impact of German government measures. The risks remain mainly on the downside for activity in the short term.

Growth is currently very weak, but remains positive

After accelerating in the third quarter of 2024 (+0.4% quarter-on-quarter) due to the impact of the Paris Olympic and Paralympic Games, **activity in France** fell slightly in the final quarter of 2024 as a backlash (-0.1%). It **rebounded in the first quarter of 2025, but the increase remained weak** (+0.1%). Growth in activity should remain limited in the second quarter (+0.1%). On a quarterly basis, activity should gradually accelerate in the second half of 2025, reaching 0.3% per quarter in 2026.

Slower activity in 2025, against a backdrop of great uncertainty

On an annual basis, growth is expected to be 0.6% in 2025 (after +1.1% in 2024), affected in particular by the effects of uncertainty at the start of the year and the initial fiscal consolidation efforts. **Growth should be driven by domestic demand (excluding inventories)**: household consumption should slow, but continue to grow (+0.7% after +1.0% in 2024), while investment should stabilise (+0.0% after -1.3%). **Business investment is expected to remain virtually stable** (-0.1% for non-financial companies, after -1.6%), while household investment is even expected to rebound very slightly (+0.5% after -5.6%). **General government consumption is expected to slow markedly** (to 0.8% after +1.4%), **while public investment is expected to fall slightly** (to 0.6% after +4.7%). After having weighed on growth in the previous two years, changes in inventories should make a significant contribution in 2025 (0.8 points), in line with the significant restocking observed in the first quarter. **On the other hand, foreign trade is expected to undermine growth in 2025** (-0.9 points), **after having boosted it in 2023 and 2024**. **Exports are set to fall sharply** (-3.9% after +2.4% the previous year), reflecting in particular the significant decline seen in the first quarter (-1.8% quarter-on-quarter), **while imports are set to rebound** (+1.9% after -1.3%).

Significant acceleration in 2026, driven by the upturn in investment and the initial impact of German measures

Growth should increase in 2026, to 1.2%, slightly above potential growth, while the output gap should not have closed. The acceleration in activity would be made possible by the normalisation of foreign trade (with a contribution to annual growth of 0.1 points) and the acceleration in domestic demand excluding inventories, while changes in inventories would no longer contribute to growth. Household consumption should accelerate to 1.1% and total investment should rebound to 1.7%, in line with the lag in monetary policy transmission and driven by the needs of the dual transition (ecological and digital). Business investment is expected to grow by 2.0%, and household investment by 1.9%. Consumption by general government is expected to slow again (+0.3%), and public investment to rebound only slightly (+0.4%). Exports are expected to rebound, growing slightly more (+2%) than imports (+1.8%).

The German government measures voted through this year (major infrastructure investment plan and reform of the debt brake) will be gradually implemented and **will have an impact of 0.3 points on French growth in 2026**. French exports and private investment would be stimulated by these measures.

	2023	2024	2025	2026
GDP volume, sa-wda (y/y, %)	1.6	1.1	0.6	1.2
Domestic demand excl. inventories contribution to GDP, pp)	1.0	0.6	0.6	1.1
Changes in inventories (contribution to GDP, pp)	-0.2	-0.7	0.8	0.0
Net exports (contribution to GDP, pp)	0.9	1.2	-0.9	0.1
Household consumption (y/y, %)	0.7	1.0	0.7	1.1
Total investment (y/y, %)	0.8	-1.3	0.0	1.7
CPI inflation (y/y, %)	4.9	2.0	0.9	1.2
Unemployment rate, France excl. Mayotte (%)	7.3	7.4	7.6	7.7
Budget balance (% of GDP)	-5.5	-5.8	-5.6	-5.1

Sources: Insee, Crédit Agricole S.A./ECO calculations & forecasts

A forecast in line with the consensus in 2025, a relative optimism in 2026 due to the assumptions used

Our growth forecast for the second quarter of 2025 (+0.1%) is in line with the quarterly forecast issued by the Banque de France in its monthly business survey at the beginning of June, and with that of the June Consensus Forecasts. It is slightly lower than the forecast published by INSEE in its June economic outlook (+0.2%).

Our annual growth forecast for 2025 (+0.6%) is in line with the forecasts made by the Banque de France in its June macroeconomic projections, by INSEE in June, by the Organisation for Economic Co-operation and Development (OECD) in June, by the European Commission in May and by the International Monetary Fund (IMF) in April. It is very slightly higher than the Consensus Forecasts forecast in June (+0.5%), and slightly lower than the government's forecast in the Annual Progress Report (APR) 2025 in April (+0.7%).

Our annual growth forecast for 2026 (+1.2%) is in line with the government's forecast in the APR 2025. It is higher than those of the Banque de France in June (+1.0%), the Consensus Forecasts in June (+0.9%), the OECD in June (+0.9%) and the IMF in April (+1.0%). However, our forecast includes spillovers from the German measures (see above), which are not mentioned in most of these forecasts. Furthermore, our growth forecast for 2026 is slightly lower than that of the European Commission in May (+1.3%).

The latest economic indicators confirm that the economy is currently slowing down

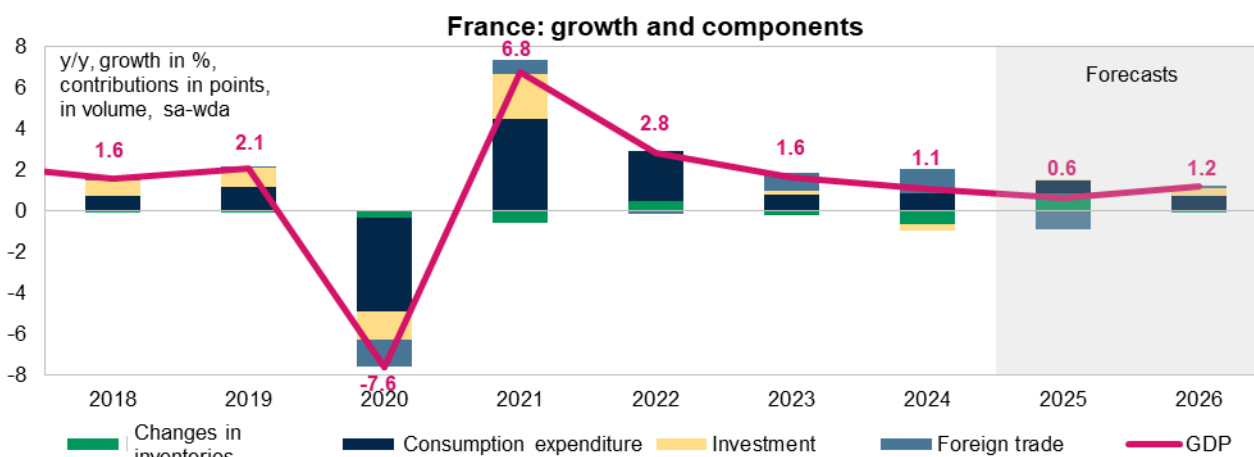
Household confidence is currently at a low level: it has hovered around 90 since the end of 2023, well below its long-term average of 100. It fell to 88 in May 2025 (-3 points compared with April), moving a little further away from its long-term average. In detail, the balance of opinion on the opportunity to save remains very high from a historical perspective, even though it has fallen slightly from the all-time high reached last

February. The balances of opinion on the standard of living in France (past and future) and the personal financial situation (past and future) remain deteriorated. **Fears about unemployment have risen sharply since the end of 2024**, and in May the balance of opinion reached its highest level since May 2015 (excluding the period of the health crisis). **The balance of opinion on major purchases intentions has, however, recovered significantly from the low point it reached at the end of 2023**, a positive signal for future consumer spending, although it remains below its historical average.

Since the end of 2023, business sentiment has been below, but close to, its long-term average (100). It stood at 96 in June (stable compared with May), a level that remains compatible with weak - or even moderate - growth in activity, since the empirical turnaround threshold is around 80. **Business sentiment is below its long-term average in almost all sectors, with the exception of construction** (100 in June). The employment climate indicator has been below its historical average (100) for the past year. It reached 97 in June (+3 points on May).

Sluggish prices in 2025, accelerating slightly with activity in 2026

The latest inflation figures confirm a sharp deceleration in prices in 2025: inflation as measured by the consumer price index (CPI) fell again to 0.7% year-on-year in May, following a significant fall in February (to 0.8% after 1.6% in January). Inflation in services remains slightly above 2%, despite the sharp fall in communication services prices over the year (-15.5% in May). **Food prices have accelerated slightly since the start of the year** (+1.3% year-on-year in May, compared with just +0.1% in January), mainly as a result of the increase in the tax on sweetened beverages in March (Finance Act 2025). **Energy prices are down sharply year-on-year** (-8.0% in May), in the wake of the fall in petroleum product prices (-14%) and electricity prices (-9.7%). Prices for manufactured goods were virtually unchanged (-0.2% in May), while tobacco prices rose by 4.1% year-on-year.



Inflation is forecast to bottom out in 2025, falling to an annual average of 0.9%, after +2.0% in 2024. It should accelerate slightly in 2026, in line with the expected upturn in activity, but should remain low at 1.2%. Inflation is expected to continue to be driven mainly by services within the forecast horizon.

An increase in the unemployment rate by 2026, at levels that remain relatively low

On the labour market, **we expect employment to stabilise from the second quarter until the end of 2025**, following the job losses seen in the previous two quarters. On average in 2025, total employment should fall by 0.2%, after having risen by 0.8% in 2024. It should rebound slightly in 2026 (+0.3%). Given the growth in the active population, supported in particular by the gradual implementation of the pension reform, this employment trajectory would result in **an increase in the unemployment rate, to an average of 7.6% in 2025 for France (excluding Mayotte), after 7.4% in 2024, and 7.7% in 2026.** These levels remain low by historical standards: the unemployment rate averaged 9.6% between 2010 and 2019.

An acceleration in household consumption in 2026, despite a slowdown in purchasing power

Households have seen their gross disposable income (GDI) grow faster than the consumption deflator in the recent past. As a result, **household purchasing power rose significantly in 2024**, by 2.5%. However, this increase did not translate into an increase in consumption of the same magnitude (+1.1% in 2024). Consequently, **the household savings rate has risen significantly** (to 18.2% in 2024, after 16.9% in 2023). In addition to potential effects linked to uncertainty and Ricardian phenomena, this paradox can be explained by income composition effects. **GDI has been strongly supported by capital income, as well as by social benefits** (indexed to inflation, including retirement pensions). These incomes have a lower propensity to be consumed than labour income.

GDI is expected to slow over the forecast horizon (to around +1% in 2025, before levelling off in 2026).

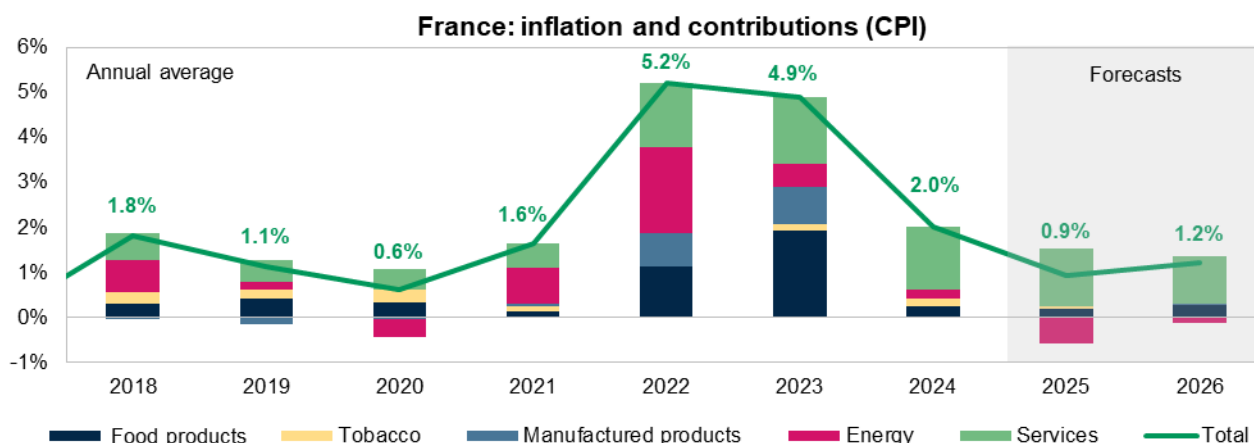
On the other hand, GDI will be driven proportionately more by payroll (rising wages, relatively resilient employment in 2025, which should rebound in 2026), and less by income from wealth and benefits. This compositional effect would be more favourable to consumption. **The household savings rate increased again in the first quarter of 2025**, reaching 18.8%. It would stabilise at this level on average over the rest of 2025 and fall only slightly in 2026, as uncertainty diminishes. **By the end of 2026, however, it will still be close to 18%, well above its average pre-pandemic level** (around 14.5% since the early 1990s).

A comfortable average margin rate, but business investment struggling to recover

The margin rate for non-financial corporations (NFCs) averaged 32.2% in 2024, a comfortable level, well above its pre-health crisis level (30-31% in 2008-2019). In fact, this high average mainly reflects a historically high margin rate in the energy and transport services sectors. **The NFC margin rate fell slightly in the first quarter of 2025, to 31.8%**, down slightly since the end of 2024. The margin rate is forecast to fall slightly in 2025-2026, mainly as a result of normalisation in the above-mentioned sectors, but to remain slightly above 31%, i.e. above its pre-pandemic level.

INSEE estimates that two-thirds of the increase in the savings rate in 2024 can be attributed to pensioners.

French companies appear to be relatively more indebted than in other European countries. They are therefore more strongly affected by the rise in interest charges. This may partly explain why business investment remained sluggish in France at the start of the year (+0.2% in the first quarter of 2025 for NFCs and unincorporated enterprises). Overall, **the climate of uncertainty will not favour a recovery in investment by NFCs in 2025**, which is expected to remain stable (-0.1%) on average compared with 2024. **It would only rebound in 2026 (+2%)**, in line with monetary policy transmission delays, and driven by the



needs associated with the dual transition (ecological and digital).

A reduction in the public deficit by 2026, but less than forecast by the government

We anticipate a reduction in the public deficit in 2025, but less than that forecast by the government, since it would reach 5.6% of GDP this year (compared with 5.4% of GDP in the 2025 APR). In addition to GDP and inflation forecasts that are slightly lower than those of the government, we consider that the measures taken in the Finance Act for 2025 would lead to overall budget savings that are lower than those hoped for. As a result, general government debt would increase to 117.2% of GDP in 2025.

There is still a great deal of uncertainty surrounding the Finance Bill for 2026. In any case, it will be difficult to find a political consensus around measures leading to an effort such as planned by the

government (bringing the public deficit down to 4.6% of GDP by that date). For our part, **we are expecting a larger budgetary adjustment than in 2025, but with a public deficit that would remain far from the government's targets**, at 5.1% of GDP. As a result, general government debt would rise to 119% of GDP in 2026.

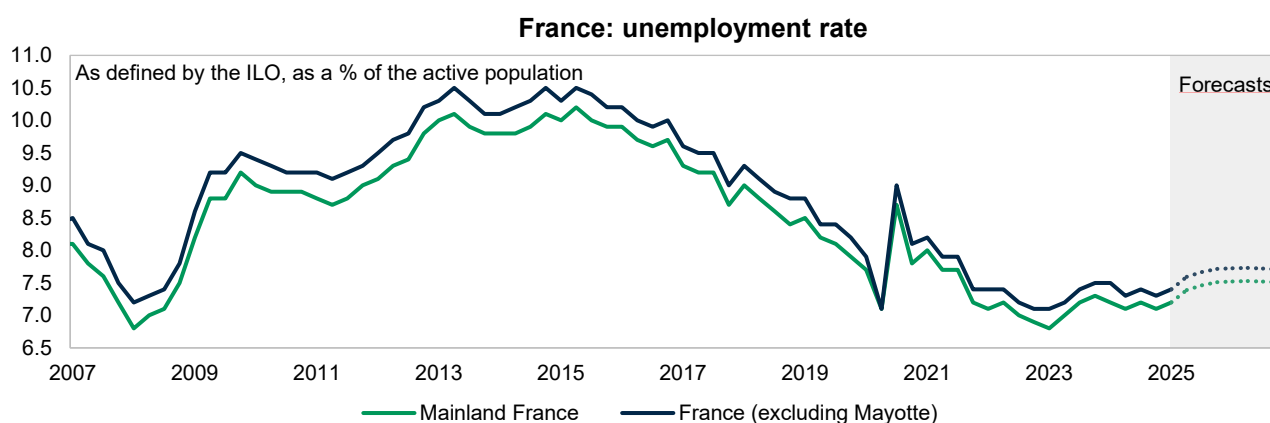
Risks to economic activity mainly on the downside

There are many risks surrounding our macro-economic forecast. These are mainly to the downside for the activity scenario. In addition to the international factors affecting the Eurozone as a whole, which have already been mentioned above, there is still considerable uncertainty about national economic policy. **The measures to be included in the Finance Bill 2026 in the autumn, and their impact, are still very uncertain.**

Marianne PICARD

Forecasts established on 03/06/2025.

Article completed on 23/06/2025.



Last observed points: Q1 2025

Sources: INSEE, Crédit Agricole S.A./ECO forecasts

Italy – 2025: back to reality

In a global environment that is particularly unfavourable to growth, it may seem appropriate to play the 'Cassandra' of forecasting. And yet, despite a climate of confidence that remains as gloomy as ever, the reality of the data continues to contradict any pessimism. That said, the complex equation for Italian growth now hinges on the power of positive factors (a recovery in industry and a rebound in investment) to mitigate external risks in a context that has already deteriorated.

After an upward revision of annual growth for 2024, the Italian economy has started the year on a positive note, with GDP growth of 0.3%. While consumption is still lacking, investment seems to be benefiting from a narrow window of opportunity between improving monetary conditions and a timid recovery in industrial production. Exports, meanwhile, are benefiting from anticipatory behaviour on the part of companies ahead of the implementation of the US tariff policy, as well as from a one-off rise in shipbuilding sales.

Labour-intensive growth without consumption

The decline in household confidence indicators in the face of a slight recovery in the services sector bears witness to this ambivalence. Household confidence deteriorated throughout the first quarter, penalised by a negative perception of both the current and future economic climate. The reasons behind this pessimism lie in the limited scope for savings in a context of economic conditions deemed unfavourable, despite a labour market that remains buoyant. In Q1, consumption rose by just 0.2%, leaving a 0.5% gain for the current year. This weakness was mainly due to a contraction in purchases of durable goods (-1.2%), which was insufficiently offset by growth in services (+0.6%).

The continuing weakness in household consumption is partly due to income trends. Wage moderation persists in Italy, despite a buoyant labour market. Real wages per head fell in the first quarter for the second consecutive quarter, putting an end to the upward cycle that began in 2022. However, the purchasing power lost during the period of high inflation between 2022 and 2023 remains incomplete. For example, despite negotiated wage growth of 10% since 2019, wage compensation in real terms has risen by just 5% over the same period, compared with a rise in the consumption deflator of 17%, i.e. three times slower. In addition, the strong growth in salaried employment over the period (+8%) means that real wages per head in Q1 2025 are still below the pre-pandemic level. As a result, **growth in purchasing power has remained contained.** It has risen by just 1.9% since the end of 2019. The slight acceleration in inflation at the start of the year (1.7% year-on-year over the first five months, compared with 1.1% on average in 2024), mainly due to unprocessed food and energy, further complicates this wage catch-up. All other things being equal, **the rise in inflation seen in recent months should remain contained, thanks in particular to falling commodity prices and the**

appreciation of the euro against a backdrop of trade tensions.

The rise in GDP was also accompanied by a still dynamic demand for labour, with an increase in hours worked of 1.0% in the first quarter of 2025 compared with the previous quarter. On a per capita basis, hours worked also continued to grow by 0.3%, while the use of *Cassa Integrazione Guadagni Ordinaria* (CIGO) short-time working fell to 7.8 hours per thousand hours worked (-0.1 hours). Employment also rose by 0.6% (+141,000 people) compared to the fourth quarter of 2024, driven mainly by permanent contracts (+0.9%) and self-employed workers (+0.3%), offsetting the decline in fixed-term contracts (-20,000, -0.8%). **The unemployment rate, which stabilised at 6.1% in the first quarter, fell again in April to 5.9%, as the number of jobseekers dropped by 3% over the month.** This strength in employment nevertheless masks disparities between sectors. In services, hours worked increased by 1.4% (reaching 1.7% excluding the public sector), while in manufacturing, hours worked remained stable (-0.1% for work units). At the same time, value added in services stagnated, while that in industry rose by 1.1%. **This decoupling of employment and output, far from being confined to Q1 2025, raises questions about the allocative efficiency of growth,** which tends to favour services and construction, with the result that productivity is beginning to decline over time.

Industry catches its breath

Italian industry is showing signs of recovery, kicking off the second quarter with a **1.0% rise in production in**

	2023	2024	2025	2026
GDP	0,8	0,7	0,6	0,7
y/y, %				
Domestic demand	2,3	0,4	0,9	0,8
contribution to GDP, pps				
Private consumption	0,4	0,4	0,8	0,8
y/y, %				
Investment	9,2	0,0	2,0	1,3
y/y, %				
Stockbuilding	-2,0	-0,2	0,0	-0,1
contribution to GDP, pps				
Net exports	0,5	0,3	-0,3	-0,1
contribution to GDP, pps				
Inflation	5,9	1,1	1,6	1,3
y/y, %				
Unemployment rate	7,7	6,6	6,3	6,5
%				
Fiscal balance	-7,2	-3,2	-3,4	-2,9
% of GDP				

April. This rebound was mainly driven by the production of consumer goods (+2.1), especially durable goods, and capital goods (+0.9%), as well as by the recovery in the textile industry and the manufacture of computer equipment. **However, this improvement needs to be put into perspective, as production levels remain low following the falls recorded in 2023 and 2024**, with the industrial production index 6% below its level at the end of 2021, i.e. before the start of the war in Ukraine.

Although the recovery in industry seems to be underway, it remains fragile, with leading indicators that are mixed to say the least.

Although the recovery in industry seems to be underway, it remains fragile, with leading indicators that are mixed to say the least. The PMI index still points to a contracting sector (49.2 compared with 49.3) and industrial confidence, although recovering timidly, remains constrained by orders that are still falling. The tariff risks associated with US trade policy are a further concern for this export sector. However, the sector could also benefit from the recovery in Germany, which should encourage a revival in intra-European demand under the impetus of its major stimulus plan.

The services sector disappointed in the first quarter, with a 0.1% decline in value added, despite the recovery in tourism. However, there are more encouraging signs for the second quarter: sales rose in April, the PMI index firmed to 53.2 in May (from 52.9), and business confidence has partially recovered, particularly in the commercial services sector.

Investment remains the positive surprise at the start of the year, rising by 1.6% for the second consecutive quarter. This favourable trend applies to both the production and construction components. GFCF for machinery and equipment, although slowing (from +3.3% to +1.2%), remains robust. This moderation was offset by the recovery in GFCF in transport (+2.3%) and by a rebound in investment in intellectual property (+1.7%). While improved financing

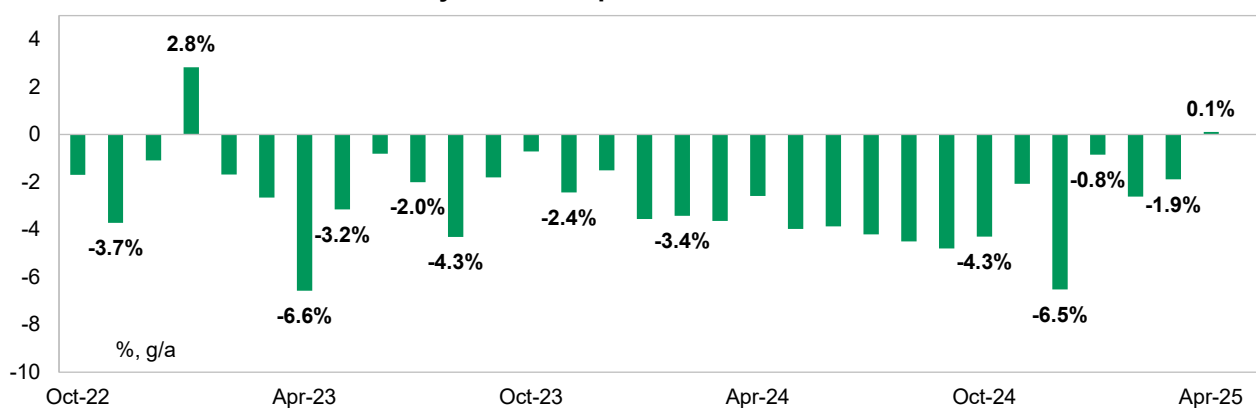
conditions appear to be driving the recovery, as indicated by the Bank of Italy's BLS survey, investment momentum is also being supported by the ramp-up of Transition 5.0 subsidies, which have since been simplified by the 2025 Finance Act. Despite these factors, which are set to continue, **the outlook for the second quarter is gloomy in the face of a complicated international environment.** Sluggish growth in business confidence, a high level of uncertainty, a contraction in orders for capital goods, and a fall in expectations of new orders for the second month in a row are all factors that suggest that the strong growth of the last six months has come to an end.

Construction: the RRNP to the rescue

The construction sector also continues to show resilience at the start of the year, with the production index up by 2.4% in April compared with March, and by 1.7% on average over the February-April quarter. On an annual basis, the increase was 5.9%, taking the index to its highest level since March 2008. This performance comes after the end of the *Superbonus*, a tax incentive that had targeted energy building renovation. Although investment in dwelling has fallen by almost 7% since the end of this incentive, this contraction remains moderate given the doubling in the level of activity seen since 2019. What's more, after an overall contraction in 2024, the residential sector is also returning to growth (+1.7%).

Infrastructure investment is also continuing to grow (+1.8%), supported by NRRP funds, although at a slower rate than in previous quarters (+2.6% in Q3 and +4% in Q4 2024). Although investment should continue to benefit from European funds until 2026, it is unlikely that all the budgets allocated under the plan will be able to be spent. **For the time being, Italy remains committed to spending the entire €194 billion NGEU**, even though the eighth tranche of funding will be submitted to the European Commission for approval in June. While the European objectives for releasing the funds have been met on the whole, particularly in terms of reforms, the level of actual spending remains low. According to the Court of Auditors' progress

Italy: industrial production index



Sources: Istat, Crédit Agricole S.A./ECO

report, 63.9 billion of expenditure had been committed by the end of 2024, representing only 33% of the Plan's resources. In 2024 alone, of the 40 billion planned, only 18 billion had been allocated to projects, i.e. 44% of actual expenditure, a level of implementation that falls to 21.9% if the tax credit measures (Transition 4.0 plan and 110% *Superbonus*) are excluded.

Exports: awaiting agreement

Italian foreign trade rebounded in the first quarter, with exports up by 2.8%, making a positive contribution to growth after four quarters of zero or negative contribution. This recovery concerned both goods (+2.5%) and services (+3.8%). However, this rebound seems to be largely attributable to anticipatory behaviour on the part of companies in the face of the announcement of the US tariff policy on 2 April, as well as other temporary factors (shipyard deliveries). This hypothesis is corroborated by the fall in exports in April (-2.8% at constant prices), which was particularly pronounced towards non-EU countries, while sales to European markets continued to grow.

In addition to customs duties, Italian exporters are also facing a depreciation of the dollar against the euro, which has accelerated since the tariffs were announced. The euro-dollar exchange rate rose from 1.08 at the beginning of April to 1.16 in mid-June, representing a depreciation of 7% over the period. This represents a depreciation of 11% since 20 January. Against this backdrop, and despite the positive performance of the first four months, the competitiveness of Italian exports appears even more fragile, despite the positive effect of the euro's appreciation on energy costs. Added to this is the

threat of further US tariff hikes, if an agreement with the European Union is not ratified, which could further tarnish the profile of exports over the rest of the year.

2025: a return to reality

Unless the decoupling between national accounts data and business indicators persists, it is highly likely that the attenuating factors that have had a positive impact on activity in Italy since the end of 2024 will dissipate. According to the surveys, **growth in productive GFCF should remain just positive in the quarters to come**, while the 2% increase estimated for 2025 will be entirely due to a carry over effect h. Despite the delays in implementation, the stimulus plan will remain a key driver of demand over the next two years, and the expected correction in the housing sector should be limited to the losses already recorded in 2024.

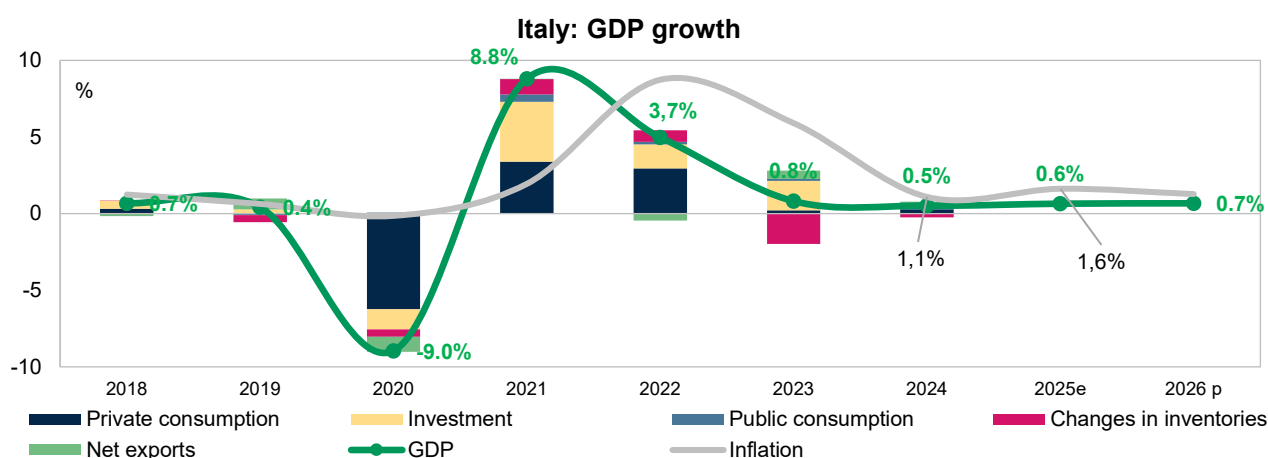
The outlook for consumption also remains modest, with growth forecast at 0.8%, supported by the increase in employment, but held back by a climate of uncertainty which encourages precautionary saving. With no real change in disposable income, this trend should continue in 2026, with a similar rate of growth.

Finally, **the economic losses linked to the application of the new US customs duties, estimated at 0.2 points of GDP, should penalise growth, which should be just above the carry over growth in 2025 at 0.6%, then rise slightly to 0.7% in 2026** once these effects have been offset by the positive impact of the upturn in the German economy on European demand.

Sofia TOZY

Forecasts established on 12/06/2025.

Article completed on 24/06/2025.



Sources: Istat, Crédit Agricole S.A./ECO

Germany – Domestic demand offsets fall in net exports

The German economy is back on the growth track. Although more exposed than its partners to protectionist policies, activity should be stimulated by the federal investment plan. While the effects will be minimal in 2025 due to planning delays, a significant flow of funds is expected in 2026, with positive knock-on effects for European neighbours and the Eurozone as a whole.

A return to growth

GDP growth exceeded expectations (+0.4%) in the first quarter of 2025, after two consecutive years of contraction (-0.2% in 2024). Growth was driven by strong exports in anticipation of the US tariffs coming into force. This rebound comes after the decline in exports (-1.7%) in 2024, which had weighed on activity with a net negative contribution from exports of 0.5 points. Domestic demand also made an increasingly important contribution to growth. The acceleration in household consumption confirms the slight recovery that began in 2024, supported by gains in purchasing power. The strengthening of investment growth (0.9%) comes after a year of decline in 2024 (-2.5%), due to the contraction in the construction sector and in productive investment. The latter had been held back by a climate of persistent uncertainty and by the rise in the costs of factors of production and capital.

Weak recovery in sight

Despite the rebound, **short-term indicators point to a loss of momentum in the second quarter**. The S&P Global composite purchasing managers' index fell back into negative territory in May, on the back of a decline in services, despite a stabilisation in manufacturing. The outlook is improving in the construction sector, thanks to expectations of public investment, but the level of activity remains low. Export conditions are showing signs of stabilising, but the IFO's leading indicators remain below their historical averages, and uncertainty over tariffs remains high. Against this backdrop, **we expect GDP to decline in the second quarter**.

We forecast GDP growth of 0.1% in 2025, supported by domestic demand. On the other hand, foreign trade is likely to continue to weight on GDP growth, with an expected contribution of -1.2 points, with exports falling further (-1.3%) because of persistent trade tensions, while imports are set to rise again (+1.6%) as a result of the recovery in domestic demand.

We then expect **GDP growth to accelerate to 1.2% in 2026**, driven by an improvement in domestic demand and fiscal measures. Foreign trade would continue to penalise GDP, with a contribution of -0.5 points, despite the recovery in exports.

The risks associated with the 2025 growth scenario are tilted to the downside: continuing trade tensions and delays in implementing budgetary measures.

Slowdown in wages and precautionary savings limit the recovery in private consumption

Household consumption should benefit from improved purchasing power but should remain held back by cautious household expectations. Growth in nominal wages per employee has slowed to 5.4% in 2024, and we expect the gradual deceleration to continue to 3.1% in 2025 and 2.9% in 2026.

Following the fall in inflation to 2.5% in 2024, held back by lower energy and goods prices, we expect it to continue to fall to 2.3%, with underlying pressures remaining high, particularly in services, underpinned by still buoyant labour costs.

The number of people employed remains stable in the first quarter of 2025. By contrast, the number of jobseekers rose slightly. As a result, **the unemployment rate has risen to 3.6%**. In addition, the number of job vacancies recorded by the BFA (*Bundesagentur für Arbeit*) fell again in the first quarter of 2025, after stabilising in the fourth quarter of 2024.

Households will continue to opt for savings.

The hiring outlook indicators for the coming months show a further deterioration. Both the indicator published by the IFO and the indicator estimated by the IAB have deteriorated in the first quarter of 2025. The various indices show that manufacturing (weighed down by the worsening situation in the industrial sector) and trade (held back

	2023	2024	2025	2026
GDP (y/y, %)	-0,1	-0,2	0,1	1,2
Domestic demand (contribution to GDP, pps)	-0,3	0,3	1,1	1,8
Change in inventories (contribution to GDP, pps)	0,0	0,0	0,2	-0,1
Net exports (contribution to GDP, pps)	0,2	-0,5	-1,2	-0,5
Private consumption (y/y, %)	-0,2	0,2	0,7	0,4
Investment (y/y, %)	-0,7	-2,5	1,9	5,6
Inflation (y/y, %)	6,0	2,5	2,3	2,2
Unemployment rate (%)	3,1	3,4	3,5	3,3
Fiscal balance (% of GDP)	-2,5	-2,8	-1,3	-1,4

by weak retail sales) report the weakest hiring prospects, while the situation is less negative in the construction and services sectors.

Businesses are holding back labour in the face of the slowdown in activity because of the persistent shortage of skilled labour in many sectors. Generous short-time working regulations have supported these decisions. Agreements between companies and unions to guarantee jobs in strategic plants have also helped to avoid job losses. The weak economic situation (which would discourage people from entering the labour market) and demographic trends (characterised by an ageing population) would also slow labour force growth. **We expect the average unemployment rate to rise to 3.5% in 2025 and fall to 3.3% in 2026.**

Households will continue to opt for savings. The savings rate has risen to 20.2% in 2024, continuing the acceleration underway since 2022. We expect households to continue to switch to savings on the back of low household confidence against a backdrop of weak economic performance. We expect the household savings rate to stand at 20.4% and 20.6% in 2024 and 2025 respectively.

We expect spending aversion and still too timid gains in purchasing power to limit the recovery in household consumption. We forecast a **slight increase in household consumption to 0.7% in 2025, and a gradual acceleration to 0.4% in 2026.**

Public consumption (+1.5%) would support growth. Public consumption in 2026 (+1.8%) would, however, accelerate because of wider budgetary margins.

The rise in public investment should stimulate private investment.

Gross fixed capital formation should return to growth (+1.9%), thanks to lower financing costs and the anticipation of tax measures. The two components of investment in construction (+1.5%) and productive investment (+0.8%) are set to expand. **In 2026, the acceleration in gross fixed capital formation**

(+5.6%) should be supported by growth in the construction sector (+5%) and by productive investment (+7%).

Profitability should recover and contribute to the upturn in investment. The profit margin of non-financial companies fell to 35.6% in the fourth quarter of 2024, continuing the downward trend observed since the first quarter of 2023. However, we anticipate that the trajectory could begin to reverse on the back of moderating wage growth and a recovery in the productivity cycle. The investment rate also fell to 19.4%, confirming the downward trend observed since the first quarter of 2019, which was temporarily interrupted during the recovery registered in 2022. The weakness of activity will limit the recovery in the investment rate until additional resources from the adoption of fiscal measures begin to be deployed. On the other hand, the fall in key rates will continue to have a positive impact on lending conditions for businesses.

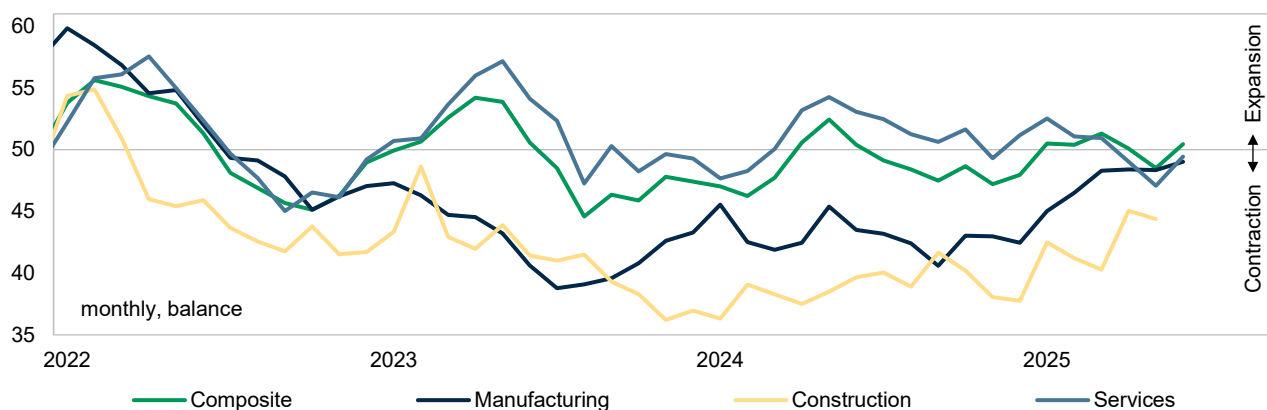
A fiscal boost for business

In March, the German Parliament approved the creation of a €500 billion infrastructure investment fund over twelve years. The first phase of the reform of the debt brake was also approved, which will allow regions to record a structural deficit of up to 0.35% of GDP. Finally, defence spending above 1% of GDP will be exempt from the deficit calculation. The adoption of these measures represents a 180-degree turn in German economic policy, and will allow for the financing of investments in infrastructure and defence.

We anticipate that the resources will start to be deployed in 2026, given the time needed to develop the legal framework for transferring funds to the regions, issue debt, deal with labour supply constraints and implement the respective projects. The funds will be used gradually over the first three years.

The measures adopted would contribute 0.5 points to GDP growth in 2026 (€23 billion). We expect €10 billion of the investment fund to be used in 2026. On the other hand, the regions would partially use their borrowing capacity and spend €4 billion. In addition,

Germany: business climate by economic sector



Sources: S&P Global PMI, Crédit Agricole S.A./ECO

the exemption of defence spending from the deficit calculation would provide additional resources of €8 billion.

Challenges in budget execution

The budget for 2025 is in the final stages of drafting and will be put to the vote in September. This late timetable has hampered the effective implementation of many measures, notably tax cuts and investment stimulus. The text proposes mobilising off-budget instruments and increasing defence spending. The impact of the fiscal impulse remains limited by the implementation deadlines.

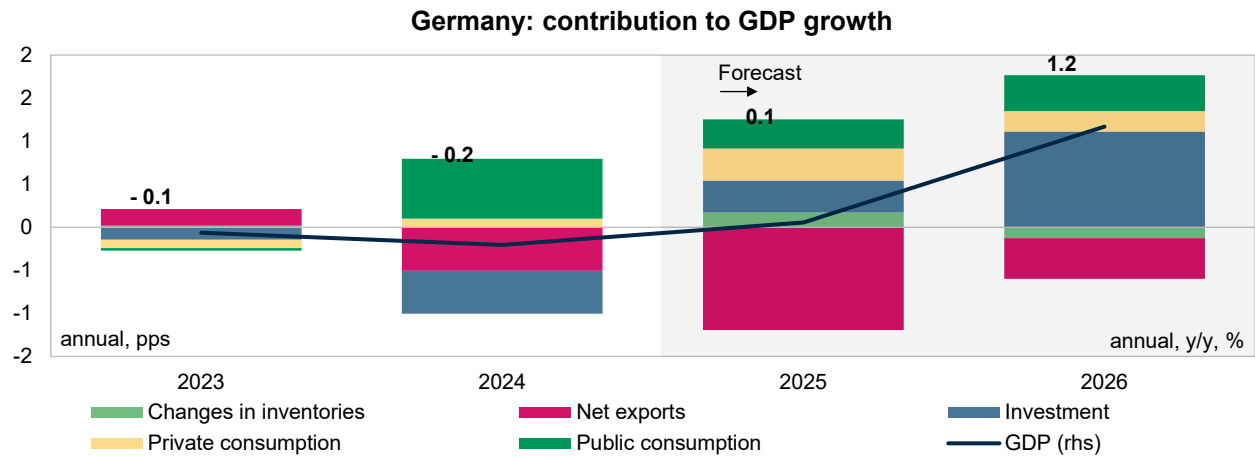
The drafting of the budget for 2026 is progressing in parallel. The text should be ready by the end of July and put to the vote in November. The preliminary draft suggests that the funds committed will begin to be deployed. However, there are still major uncertainties surrounding implementation capacity, due to, for example, administrative bottlenecks.

Rising expenditure does not compromise the debt ratio

We expect the budget deficit to fall to 1.3% in 2025, due to a combination of favourable one-off factors, including the expiration of temporary tax measures, payment deferrals (including some energy related taxes), and positive momentum in federal tax revenues earlier this year. Although the government has announced a significant increase in investment in infrastructure and defence, the actual budgetary implementation of these commitments is still delayed. We expect the budget deficit to rise slightly to 1.4% in 2026 because of infrastructure and defence investment commitments. Pressure on social spending, particularly on pensions, will also continue to fuel this trend, in the absence of major reforms. Furthermore, the public debt ratio is expected to remain stable at 62.4% of GDP in 2025 and 62.2% in 2026. This trajectory is explained by nominal growth and the use of off-budget structures.

Alberto ALEDO

Forecasts established on 04/06/2025.
Article completed on 23/06/2025.



Spain – Business gradually returning to normal

Easing monetary policy, energy disinflation, rising real incomes and a targeted fiscal stimulus are underpinning Spanish domestic demand. The recomposition of the trade balance, marked by a weakening of trade in goods and the continued robustness of market services, particularly tourism, will mean a smaller contribution to growth than in the past. As a result, growth is set to decelerate, a normalisation compared with the years of post-pandemic recovery.

An expansion cycle that is slowly running out of steam

The Spanish economy should record real GDP growth of **2.3% in 2025** (after 3.2% in 2024) following a robust first quarter (0.6% quarter-on-quarter) and **2% in 2026**. This pace marks a gradual deceleration towards its potential growth path (estimated at 1.7%), against a backdrop of slowing world trade, normalisation of domestic demand and more targeted budgetary support.

This development is taking place against a backdrop of falling international energy prices, a more expansionary economic policy stance in Europe, particularly fiscal policy, and a resilient service sector, driven by immigration and rising hourly productivity. Ongoing disinflation, positive wage dynamics in real terms and the gradual adjustment of property imbalances are strengthening domestic support.

However, **a number of factors could constrain future growth**: increased geopolitical uncertainty, pressure on international trade, low sensitivity of private investment to the recent fall in interest rates, excess household savings, stagnation in productivity, particularly in sectors with low added value and high job creation, and weakening participation in the labour market.

Dynamic domestic demand, but still heterogeneous in its components

The recent trajectory of Spanish domestic demand has been marked by a gradual but uneven recovery in its main components. Private consumption is now 3.4% above its 2019 levels, while investment is showing less dynamic growth, at 1.5%. **Private consumption should grow by 2.6% in 2025 and 2.1% in 2026**, after 2.9% in 2024, while **public consumption should slow to 1.9%**, following strong growth of 4.1% the previous year. This slight slowdown is not attributable to a deterioration in labour market fundamentals, which remain solid: employment is set to increase by 2.3% (after +2.2% in 2024), compensation per employee in nominal terms is set to rise by 2.9%, and **average inflation is set to stabilise at 2.5%, allowing purchasing power gains (+0.4%)**.

Despite this favourable income trend, the household savings rate remains high: it is **expected to reach 13.7% in 2025**, compared with 9% in 2022 and 12% in 2023. This historically high level reflects heightened precautionary behaviour, linked to

geopolitical uncertainty and moderate prospects for global growth, but also to internal imbalances, such as access to housing and income polarisation. According to Eurostat, only the wealthiest 25% of households have significantly increased their intention to buy a home since the pandemic. Conversely, half of the least well-off households are still holding back, which limits the income elasticity of consumption. In addition, the cost of access to housing remains a major constraint on other expenditure. **In some regions, the cost of renting accommodation exceeds 50% of monthly income**. This constraint on consumption is reinforced by persistent growth in property prices (+12.2% year-on-year in Q1 2025), due to a structural imbalance between supply (145,000 completed homes expected in 2025) and demand (550,000 homes missing since 2021).

In this context, **public consumption plays a stabilising role**. Although its growth will slow to 1.9% in 2025 according to our forecasts (4.1% in 2024), this trend masks significant territorial heterogeneities. Several Autonomous Communities operate without an approved budget, while compliance with new European budgetary rules is constraining spending dynamics. Nevertheless, the net effect remains expansionary, underpinned by concrete commitments such as the DANA (climate catastrophe – *depresión aislada en niveles alto*) support plan (€6.3 billion injected into the economy, or 0.4% of GDP) and defence spending (+€10.5 billion, or 0.6% of GDP), focused on investment in equipment and technology.

In terms of private investment, gross fixed capital formation is set to grow significantly (+4.3% in 2025 and +3.5% in 2026, after 3% in 2024). This dynamism is driven by several factors. On the one hand,

	2023	2024	2025	2026
GDP (y/y, %)	2,7	3,2	2,3	2,0
Domestic demand (contribution to GDP, pps)	2,4	3,0	2,7	2,1
Change in inventories (contribution to GDP, pps)	-0,7	-0,2	-0,1	0,0
Net exports (contribution to GDP, pps)	0,9	0,3	-0,2	-0,1
Private consumption (y/y, %)	1,8	2,9	2,6	2,1
Investment (y/y, %)	2,1	3,0	4,3	3,5
Inflation (y/y, %)	3,4	2,9	2,5	3,1
Unemployment rate (%)	12,2	11,4	10,4	9,5
Fiscal balance (% of GDP)	-3,5	-3,1	-2,9	-2,8

investment in transport equipment and materials is expected to grow strongly in 2025 (+6.3%), supported by resources from the Recovery Plan and targeted aid to regions affected by the DANA. The non-residential construction sector will also record robust growth (+2.7% in Q2 2025), thanks to public orders.

On the other hand, **residential investment should pick up** (+4.1% in 2025, after 1.7% in 2024), in line with the gradual recovery in building permits, the rise in construction jobs and a moderation in interest rates. Despite the rise in prices, the purchasing effort is stabilising, helped by the availability of credit and the improvement in wage income. The launch of a sectoral PERTE (Strategic Plan for Industrial Relocation) aims to increase annual production of industrialised housing to 15,000 units, compared with 4,000 at present, demonstrating a desire to increase supply without immediately weighing on public accounts.

Easing monetary policy, energy disinflation, rising real incomes and a targeted fiscal stimulus are underpinning Spanish domestic demand.

As a result, **domestic demand is benefiting from cyclical support at several levels**: an easier monetary policy (deposit rate lowered to 2%), energy disinflation (-10.3% on oil prices, -26% on gas prices since the start of 2025), real income growth and targeted fiscal stimulus. In a context where the utilisation rate is still modest, particularly in non-export sectors, these measures have a real knock-on effect on GDP growth.

However, **the sensitivity of private investment to demand remains limited in certain segments**. Spanish companies are posting levels of profitability (ROE) below the European average, even after the post-pandemic recovery. The small average size of companies, deficits in human capital (managerial and technical), the absence of fully developed capital markets and regulatory fragmentation are holding back the expected amplification effects. This underlines the importance of an economic policy that continues to target demand levers, while directing public investment

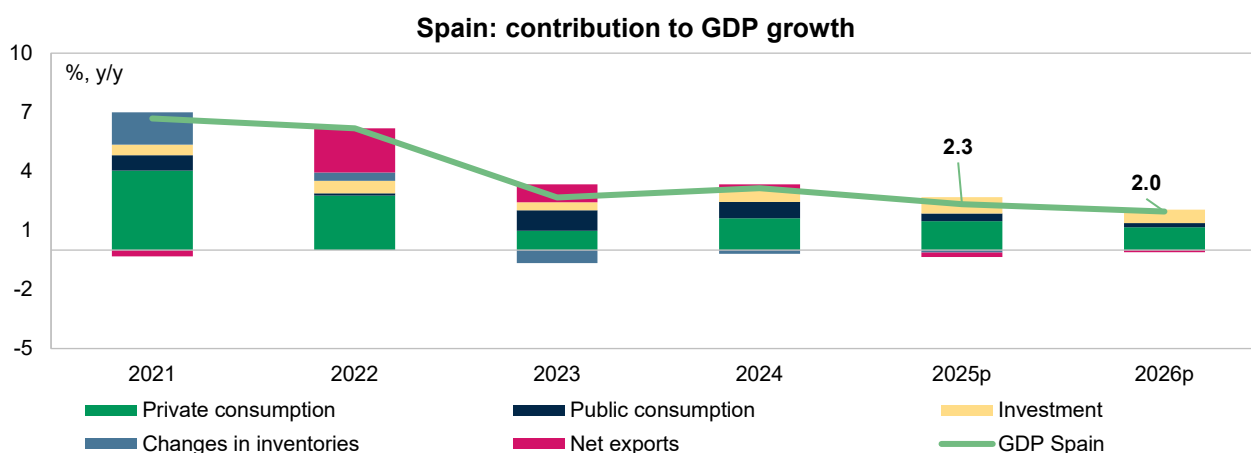
towards sectors with strong positive externalities for the private sector.

To sum up, domestic demand will be the main contributor to Spanish GDP growth in 2025 and 2026 (by 2.7 GDP points and 2.1% respectively). This dynamic, although sustained, remains dependent on fine-tuning between support for demand, social inclusion and targeting of productive investment.

Services underpin exports, goods under pressure

In 2025, Spain's foreign trade balance will undergo a gradual recomposition, marked by a weakening in trade in goods and continued robustness in market services, particularly in the tourism sector. The net contribution of foreign demand to GDP growth should become negative again in 2025 (-0.2 percentage points - pp), for the first time since 2021, reflecting a reversal in the export dynamic.

Exports of goods are set to contract by 1% in 2025, after virtually stagnating in 2024. This trend is mainly attributable to the international environment: the trade tightening initiated by the United States, via the announcement of a general increase in customs duties of up to 20% for European products, is having an immediate effect on trade flows. Although these measures have been temporarily suspended pending bilateral negotiations, the uncertainty generated by this trade reversal has already had an impact on the expectations of Spanish companies. **The euro's appreciation against the dollar, estimated at +4% since the start of the year, has accentuated the loss of price competitiveness of exports**. US demand accounts for around 5% of Spanish exports, but indirect effects - via European value chains, financial volatility and anticipatory behaviour - are amplifying factors in the trade shock. In response, **the authorities have deployed an exceptional support plan, totalling close to one point of GDP (€14bn)**, including €7bn in public credit guarantees, €2bn in direct transfers, and €5bn in reallocated European funds. The key measure is the activation of the RED mechanism, enabling exporting companies affected to temporarily suspend employment contracts or reduce working hours,



without massive job destruction. The aim of this mechanism is to keep workers in employment, prevent them from falling into inactivity and avoid the effects of hysteresis associated with the loss of human capital.

Exports of services, on the other hand, show contrasting but generally favourable trends. They should grow by 5.6% in 2025 and by 2.4% in 2026, i.e. faster than GDP. In particular, tourism exports will continue to be underpinned by the resilience of European demand and by the increased seasonal adjustment of passenger flows. However, certain signs of saturation are emerging. Growth in the number of overnight stays is slowing, as is the hotel occupancy rate. The price elasticity of tourism demand is becoming more apparent: in regions with high inflation, the relative fall in visitor flows is noticeable. In addition, localised social tensions surrounding the "mass" tourism model (congestion, nuisance, pressure on accommodation) have prompted several autonomous communities to introduce or tighten tourist taxes, or even limit short-term rentals.

The other exportable services sector (consulting, IT, engineering, audiovisual) is showing more moderate (+4.6% in Q1 2025) but steady growth. This less cyclical segment is benefiting from market diversification and a repositioning towards high value-added services. Investment in human capital and the digitisation strategy undertaken in recent years are beginning to produce measurable effects.

Imports are expected to grow by 3.1% in 2025, i.e. at a higher rate than exports (2.1%), due to strong domestic demand and the imported component of recent public investment. Some of the resources allocated to defence and reconstruction are being absorbed by foreign suppliers, due to a lack of domestic production capacity in the technological

segments concerned. This foreign demand limits the domestic multiplier effect of this spending.

Overall, **the current account would remain in surplus in 2025 (+2.5% of GDP)**, but this surplus masks a deterioration in the goods balance, offset by income from tourism and other services. This configuration raises a structural question about the sustainability of Spain's external specialisation: increased dependence on tourism flows, vulnerability to demand shocks from Western Europe and a low level of upmarket exports of manufactured goods.

Targeted public spending to cushion recent shocks

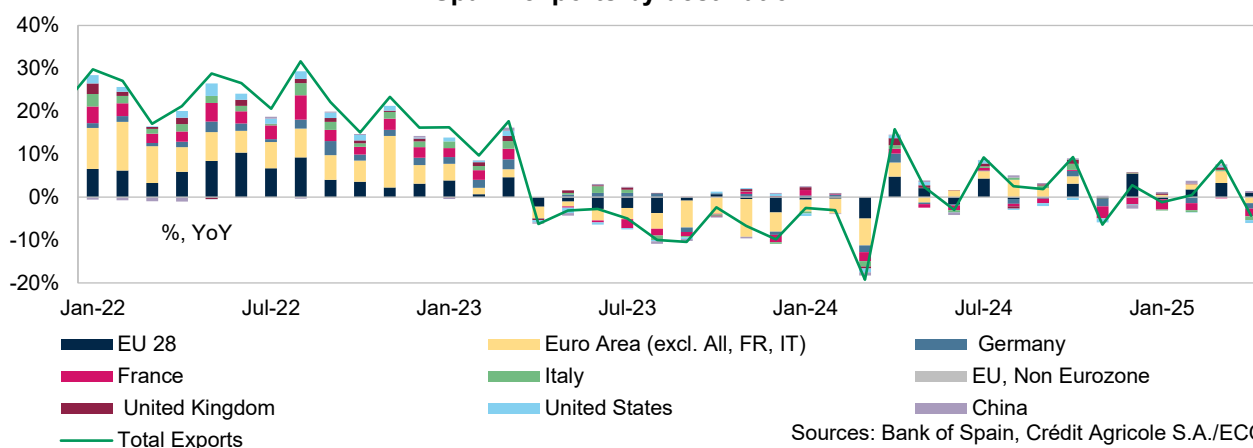
Spanish fiscal policy in 2025 will take a more expansionary turn. The cyclical effort is concentrated in two measures: *post-DANA* spending (November 2024 floods), which injected 6.3 billion euros (0.4% of GDP) *via* subsidies, compensation and public contracts, supporting consumption and construction in the affected areas; and the plan to strengthen defence capabilities (10.5 billion, or 0.6% of GDP), mainly oriented towards investment in equipment and technology. These measures, which together represent almost 1% of GDP, are designed to offset the expected fall in net exports (-0.2 pp contribution to GDP) and to maintain investment in a context where the private sector is reluctant to invest. In the short term, they will have a supporting effect on demand, notably by boosting public procurement and subcontracting chains. The public deficit is expected to reach -2.9% of GDP in 2025 (after -3.2% in 2024), while the debt will remain stable at around 101.5%. While nominal growth will make it possible to contain the impact, no sustainable reduction path has yet been defined.

Ticiano BRUNELLO

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Spain: exports by destination





United Kingdom – Tariffs weigh on the economic outlook

United Kingdom – Tariffs weigh on the economic outlook

Despite the 'special relationship' between the UK and the US and a broadly balanced trade balance in goods (GBP-2.2bn in 2024), the UK did not escape the additional 10% 'universal' tariff. We have revised down our growth forecasts for the coming quarters. The strong rebound in GDP in Q1 2025 should be followed by a sharp slowdown in Q2 2025 and a regime of sluggish growth thereafter. As regards domestic demand, the fundamentals are deteriorating, against a backdrop of restrictive fiscal and monetary policies. The labour market in particular has weakened in recent months. Nevertheless, inflation will remain above 3% for the rest of the year, ensuring that the BoE remains cautious. We are still expecting two further rate cuts this year, in August and November, but we are adding a rate cut at the start of 2026, which would bring the key policy rate down to 3.50%.

The UK/US Economic Prosperity Deal signed on 8 May, the first bilateral agreement signed by the United States since the start of the trade war this year, has maintained the "universal" additional tariff of 10% on most imports of goods. UK car manufacturers are the main beneficiaries of the agreement: they will face a 10% tariff on the first 100,000 cars imported by the United States each year (25% for any additional car, the rate applied to the rest of the world). In addition, the two countries have begun negotiations to reduce tariffs on the steel and aluminium industry to 0% (compared to 25% currently), within the limit of a quota to be defined later, and to protect the pharmaceutical industry from any future tariff increases. As a result, around a quarter of the products exported to the United States will be exempt from customs duties.

The US is the UK's second largest trading partner after the EU, with imports of UK goods totalling GBP59.3bn in 2024 (16% of the UK's total exports of goods, 8.7% of its total exports of goods and services), including GBP9bn of cars. Weaker US demand for UK goods and the global slowdown resulting from the tariffs are expected to weigh on UK exports, business investment, employment and household consumption.

Downward revisions to growth forecasts

We have revised down sequential growth for the remainder of 2025 and for 2026 by around -0.10 percentage points (pp) to -0.15 pp per quarter, resulting in a negative revision to annual GDP growth for 2026 to 1.1%, compared with 1.4% previously expected. Having already made a negative contribution to growth in 2024, net exports will remain the main drag on growth over the coming quarters, with exports' growth set to weaken faster than imports' growth.

Net exports will be the main drag on growth over the coming quarters.

Deterioration in labour market conditions

While GDP growth will have to be driven increasingly by domestic demand, the fundamentals of household consumption have deteriorated. The unemployment rate is rising, reaching 4.6% in the three months to the end of April, a four-year high. It stands slightly above its long-term equilibrium level of around 4.25%. The number of payrolled employees continued to fall in May for the seventh month in a row, with an estimated fall of 109,000 over the month (preliminary estimate), the sharpest since May 2020 and -0.9% over the last year. The largest decline in employment was in the accommodation and food service activities (-124,000 employees), probably in relation with the increase in the national living wage (NLW), which rose by 6.7% (and by 16% to 18% for the under-21s) on 1 April, and the increase in employer national insurance contributions (NIC), by 1.2 percentage points. This trend is set to continue, with the unemployment rate now expected to reach 5% by the end of the year (compared with 4.7% previously).

Wage growth remains high (5.2% in nominal terms, 2.1% in real terms), but is expected to slow in the coming quarters as employment declines. Against a backdrop of worsening labour market conditions and restrictive fiscal and monetary policies, household consumption is likely to remain weak, albeit resilient (+1.5% annual growth this year, +1.6% expected next year). Households have been accumulating precautionary savings for some time now, with the savings rate reaching 11.6% in Q1, its highest level since Q2 2021.

	2023	2024	2025	2026
GDP (YoY, %)	0.4	1.1	1.1	1.1
Domestic demand (contribution to GDP, pps)	0.0	2.4	3.4	2.4
Change in inventories (contribution to GDP, pps)	-0.9	0.2	0.3	0.2
Net exports (contribution to GDP, pps)	0.3	-1.3	-2.3	-1.3
Private consumption (YoY, %)	0.5	0.6	0.9	1.2
Investment (YoY, %)	0.3	1.5	2.3	3.0
CPI inflation (YoY, %)	7.3	2.5	3.2	2.2
Unemployment rate (%)	4.1	4.3	4.8	5.0
Fiscal balance (% of GDP)	-6.0	-6.0	-4.7	-4.0

Solid growth in Q1 should be followed by a marked slowdown

Although the outlook for the UK has worsened, our forecast for annual GDP growth in 2025 has been revised up to 1.1% (from 0.9% two months ago), largely due to the large and unexpected rise in GDP at the start of the year. The UK economy grew by 0.7% QoQ in Q1, with net exports contributing 0.4 pp and business investment rising by almost 6% QoQ. However, these growth rates are unlikely to be sustained and we expect GDP to slow sharply to 0.1% QoQ in Q2. Household consumption and public spending should be the only components to make a positive contribution. Business surveys point to weak domestic demand and are broadly consistent with a stagnant or even slightly contracting economy. The risks to our forecasts remain tilted slightly to the downside, given the heightened uncertainty surrounding global trade policy.

Bank of England: monetary policy easing continues at quarterly pace

The BoE cut its key policy rate by 25 basis points to 4.25% at its May monetary policy meeting, in line with our expectations and those of the consensus. But the decision was far from unanimous. The Monetary Policy Committee (MPC) was split three ways: two members voted in favour of cutting the key rate by 50 basis points to 4%, two members voted to keep the key rate at 4.5% and five members voted in favour of a 25 basis points cut. The main reasons for these divergences were, for the most hawkish, the persistence of inflationary pressures and the strengthening of household inflation expectations, while recent global developments, combined with the slowdown in domestic demand and the weakening of labour market, were the main arguments of those in favour of a larger rate cut.

Labour market slack set to continue rising

On the labour market, recent developments point to an increase in spare capacity. Businesses continue to scale back their recruitment plans: vacancies continue to fall, plunging below their pre-

Covid level. There are now 2.2 unemployed people for every vacancy, the highest level since April 2021. The ratio is the BoE's preferred measure of the degree of easing in the labour market.

Domestic inflationary pressures therefore appear to be easing. Wage growth remains high (5.2% in the three months to the end of April) but has fallen for the second month in a row. While there is likely to be some additional pass-through from April increases of employer NICs to prices in the coming months, the key channel for absorbing the rise in labour costs appears to be the weakening in employment. This will likely slow wage growth and, ultimately, services inflation.

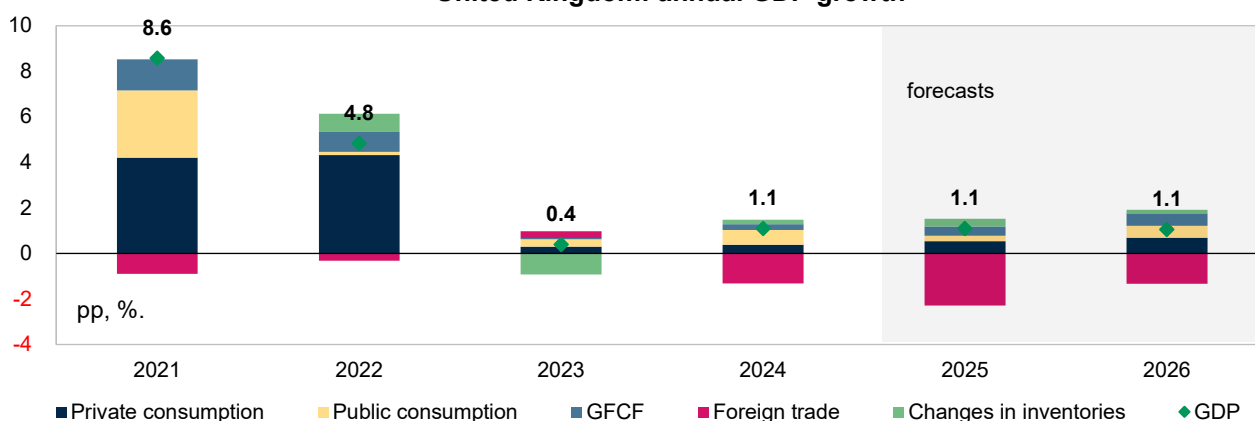
Inflation around 3.4% in the coming months, but falling towards the 2% target in Q2 2026.

CPI inflation jumped from 2.6% YoY in March to 3.5% YoY in April, mainly due to temporary factors such as higher gas, electricity and water bills and vehicle excise duty, as well as a rise in air fares and package holidays over Easter. In addition, increases in employer NICs and NLW in April are likely to have had an impact on prices, particularly in restaurants and hotels, where monthly price rises remain above historical averages. As a result, services inflation surprised on the upside in April (5.4% YoY compared with 4.7% YoY in March) and core inflation reached 3.8% YoY in April (3.4% YoY in March).

The higher-than-expected inflation figures for April would have automatically led to an upward revision of our CPI inflation forecasts for the year ahead, had Ofgem (Office of Gas and Electricity Markets) not announced a 7% cut in the energy price cap between July and September and had we not revised down our forecasts for world oil prices. **We now expect CPI inflation to average 3.4% YoY in Q2 and Q3 2025** (compared with a peak of 3.6% in Q3 2025 expected previously).

With GDP growth below potential over the next few quarters, spare capacity in the labour market should continue to rise. The impact of US tariffs is likely to be slightly disinflationary due to lower oil prices, lower

United Kingdom: annual GDP growth



imported inflation, the past appreciation of sterling and the worsening outlook for domestic demand. **As a result, inflation should be below the BoE's 2% target by mid-2026.**

We have added one rate cut to our scenario

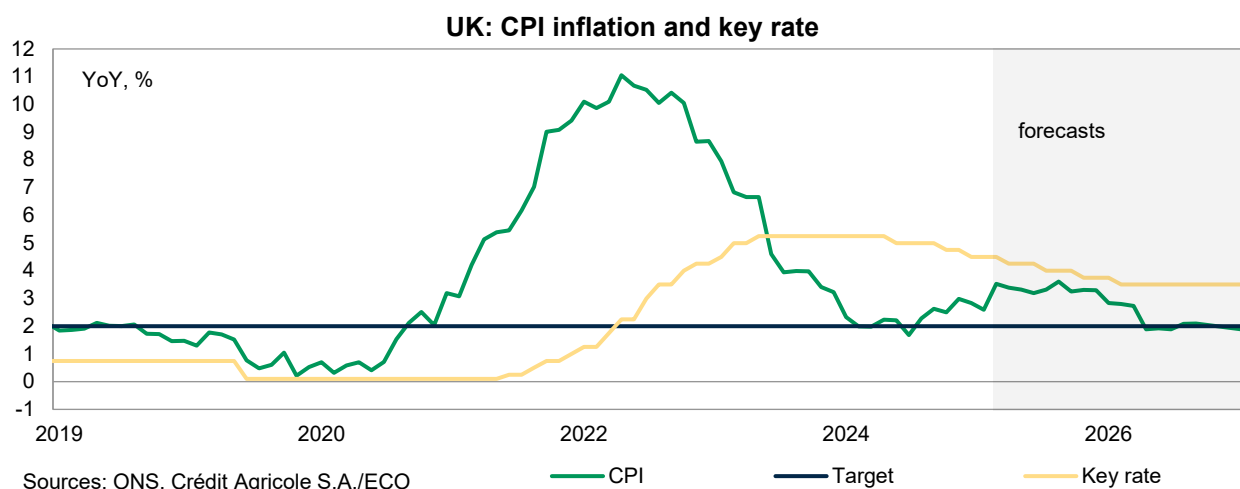
With US trade policy and related uncertainties weighing on the outlook for growth and inflation,

we have revised our forecast for the Bank rate down slightly. We continue to expect two further rate cuts this year (in August and November) of 25 basis points each, as persistently high inflation is likely to warrant continued caution on the part of the BoE. However, given the weakening outlook for growth and inflation, we have added a rate cut in early 2026, which would take the key rate to 3.50%.

Slavena NAZAROVA

Forecasts established on 18/06/2025.

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ECONOMIC AND FINANCIAL FORECASTS

European economic scenario

International economic scenario

Public accounts

EUROPEAN ECONOMIC SCENARIO

GDP growth

	2023	2024	2025	2026	2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0.6	0.8	0.9	1.3	0.3	0.2	0.4	0.3	0.6	-0.3	0.1	0.3	0.5	0.4	0.5	0.4
Germany	-0.1	-0.2	0.1	1.2	0.2	-0.3	0.1	-0.2	0.4	-0.3	0.1	0.1	0.7	0.3	0.3	0.4
France	1.6	1.1	0.6	1.2	0.1	0.2	0.4	-0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3
Italy	0.8	0.7	0.6	0.7	0.2	0.2	0.0	0.2	0.3	0.2	0.0	0.1	0.2	0.1	0.3	0.2
Spain	2.7	3.2	2.3	2.0	1.0	0.8	0.7	0.7	0.6	0.6	0.3	0.3	0.5	0.6	0.6	0.7
Netherlands	0.1	1.0	1.4	1.4	-0.1	1.0	0.8	0.3	0.1	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Belgium	1.2	1.0	1.1	1.3	0.4	0.3	0.3	0.2	0.4	0.2	0.3	0.3	0.4	0.3	0.3	0.3
Ireland	-5.7	1.3	4.7	1.2	-0.8	1.4	3.8	5.0	9.7	-12.1	-2.7	1.6	1.6	1.6	3.3	1.6
Portugal	2.6	1.9	1.6	2.3	0.6	0.4	0.4	1.4	-0.5	0.0	1.2	0.9	0.4	0.5	0.3	0.5
Greece	2.3	2.3	1.7	1.8	0.3	1.1	0.2	0.8	0.0	0.5	0.4	0.5	0.5	0.4	0.5	0.3
Finland	-0.9	-0.1	0.8	1.4	0.5	0.2	0.4	0.2	0.0	0.3	0.3	0.3	0.4	0.4	0.3	0.3
Luxembourg	-0.7	1.0	0.4	2.2	1.3	0.5	-1.2	1.3	-1.0	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Austria	-0.8	-1.1	-0.1	1.0	0.1	-0.3	-0.1	0.0	0.1	0.0	0.0	0.0	0.3	0.5	0.4	0.4
Slovenia	2.3	1.5	1.1	3.0	0.9	-0.5	0.2	0.3	-0.8	1.5	0.8	0.8	0.7	0.6	0.6	0.6
Malta	6.8	6.0	3.6	4.0	1.3	2.8	-0.6	-0.7	1.6	1.8	1.2	1.0	0.8	0.8	0.8	0.8

Eurozone

	2023	2024	2025	2026	2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP volume (y/y, q/q, %)	0,6	0,8	0,9	1,3	0,3	0,2	0,4	0,3	0,6	-0,3	0,1	0,3	0,5	0,4	0,5	0,4
Domestic final sales (contribution to GDP, pps)	1,0	0,7	1,4	1,4	-0,1	-0,3	0,8	0,5	0,5	-0,1	0,3	0,3	0,5	0,4	0,4	0,4
Private consumption (y/y, q/q, %)	0,6	1,0	1,2	1,1	0,4	0,1	0,5	0,5	0,2	0,2	0,3	0,3	0,3	0,3	0,3	0,3
Public consumption (y/y, q/q, %)	1,5	2,4	1,1	1,0	0,3	0,9	0,7	0,4	0,0	0,2	0,1	0,2	0,4	0,2	0,2	0,2
Investment (y/y, q/q, %)	1,8	-1,8	2,5	3,0	-1,9	-2,5	1,8	0,7	1,8	-0,9	0,7	0,7	1,1	0,8	0,8	0,8
Change in inventories (contribution to GDP, pps)	-0,7	-0,4	0,2	0,0	-0,3	0,1	0,6	-0,3	-0,1	0,3	0,0	-0,1	0,0	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	0,4	0,5	-0,6	-0,2	0,6	0,4	-1,0	0,1	0,3	-0,6	-0,2	0,0	0,0	0,0	0,1	0,0
Exports (y/y, q/q, %)	-0,5	1,0	1,2	2,0	0,7	2,1	-1,6	0,0	1,8	-0,7	0,0	0,5	0,6	0,7	0,8	0,7
Imports (y/y, q/q, %)	-1,3	0,1	2,7	2,5	-0,6	1,6	0,5	-0,2	1,4	0,5	0,4	0,6	0,7	0,7	0,7	0,7
Inflation (y/y, %)	5,4	2,2	1,8	1,8	2,6	2,5	2,2	2,2	2,3	2,1	2,2	2,1	1,7	1,9	1,7	1,8
Core inflation (y/y, %)	4,9	2,8	2,4	2,0	3,1	2,8	2,8	2,7	2,6	2,5	2,4	2,3	2,1	2,0	1,9	1,9
Unemployment rate (%)	6,6	6,4	6,3	6,1	6,5	6,4	6,3	6,2	6,3	6,3	6,3	6,2	6,2	6,1	6,1	6,1
Current account balance (% of GDP)	1,6	2,6	2,0	1,9	-	-	-	-	-	-	-	-	-	-	-	-
General government net lending (% of GDP)	-3,5	-2,9	-2,5	-2,4	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	87,5	87,9	88,5	89,1	-	-	-	-	-	-	-	-	-	-	-	-

France

	2023	2024	2025	2026	2023				2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP volume (y/y, q/q, %)	1,6	1,1	0,6	1,2	0,1	0,9	0,2	0,4	0,1	0,2	0,4	-0,1	0,1	0,1	0,2	0,3	0,3	0,3	0,3	0,3
Domestic final sales (contribution to GDP, pps)	0,9	0,6	0,6	1,0	0,0	0,3	0,4	-0,1	0,1	0,1	0,3	0,2	-0,1	0,2	0,2	0,2	0,3	0,3	0,3	0,3
Private consumption (y/y, q/q, %)	0,8	1,0	0,7	1,1	0,1	-0,1	0,6	0,1	0,2	0,0	0,8	0,1	-0,2	0,2	0,3	0,3	0,3	0,3	0,3	0,3
Public consumption (y/y, q/q, %)	1,5	1,4	0,8	0,3	0,0	0,5	0,4	0,3	0,3	0,3	0,2	0,4	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1
Total investment (y/y, q/q, %)	0,7	-1,3	0,0	1,7	-0,3	0,8	-0,1	-0,8	-0,6	0,1	-0,7	0,0	0,0	0,2	0,3	0,3	0,4	0,5	0,6	0,6
Changes in inventories (contribution to GDP, pps)	-0,3	-0,7	1,0	0,1	-0,1	-0,3	-0,3	-0,4	-0,2	-0,3	0,5	-0,3	1,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	0,9	1,3	-0,9	0,1	0,2	0,9	0,1	0,9	0,3	0,4	-0,5	0,1	-0,8	-0,1	0,0	0,0	0,0	0,0	0,0	0,0
Exports (y/y, q/q, %)	2,8	2,4	-0,9	2,0	-1,9	4,4	-0,5	0,6	0,2	1,7	-1,0	0,7	-1,8	0,2	0,4	0,6	0,5	0,5	0,5	0,5
Imports (y/y, q/q, %)	0,1	-1,3	1,9	1,8	-2,4	1,5	-0,8	-2,0	-0,6	0,6	0,4	0,6	0,5	0,3	0,4	0,5	0,4	0,5	0,4	0,5
CPI inflation (y/y, %)	4,9	2,0	0,9	1,2	6,0	5,2	4,7	3,7	2,8	2,2	1,7	1,3	1,1	0,9	0,9	1,0	0,9	1,2	1,3	1,4
Harmonised inflation HICP (y/y, %)	5,7	2,3	0,9	1,3	7,0	6,1	5,5	4,2	3,0	2,5	2,1	1,7	1,2	0,7	0,8	0,8	1,0	1,3	1,5	1,5
Harmonised core inflation HICP excl. food, alcohol and tobacco (y/y, %)	4,0	2,3	1,7	1,6	4,4	4,5	4,0	3,1	2,5	2,4	2,3	2,1	1,9	1,6	1,6	1,7	1,6	1,6	1,5	1,5
Unemployment rate, France excl. Mayotte (%)	7,3	7,4	7,6	7,7	7,1	7,2	7,4	7,5	7,5	7,3	7,4	7,3	7,4	7,6	7,7	7,7	7,7	7,7	7,7	7,7
Unemployment rate, Mainland France (%)	7,1	7,2	7,4	7,5	6,8	7,0	7,2	7,3	7,2	7,1	7,2	7,1	7,2	7,4	7,5	7,5	7,5	7,5	7,5	7,5
General government net lending (% of GDP)	-5,4	-5,8	-5,6	-5,1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	109,8	113,2	117,2	119,0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Italy

	2023	2024	2025	2026	2023				2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP volume y/y, q/q, %	0,8	0,5	0,6	0,7	0,5	-0,2	0,1	0,2	0,2	0,2	0,0	0,2	0,3	0,2	0,0	0,1	0,2	0,1	0,3	0,2
Domestic final sales contribution to GDP, pps	2,3	0,4	0,9	0,8	2,4	-0,4	0,3	-0,1	0,4	-0,1	-0,1	0,5	0,4	0,1	0,1	0,2	0,2	0,3	0,3	0,2
Private consumption y/y, q/q, %	0,4	0,4	0,8	0,8	1,4	-0,6	-0,3	-0,7	1,1	-0,2	0,4	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Public consumption y/y, q/q, %	0,6	1,1	0,1	0,3	-0,2	0,3	0,4	0,6	-0,3	0,6	0,3	0,1	-0,3	0,0	0,0	0,1	0,1	0,1	0,1	0,1
Investment y/y, q/q, %	9,2	0,0	2,0	1,3	7,9	-0,5	1,7	0,6	-0,6	-0,3	-1,4	1,6	1,6	-0,2	0,1	0,2	0,4	0,5	0,6	0,3
Change in inventories contribution to GDP, pps	-2,0	-0,2	0,0	-0,1	-1,5	0,5	-1,3	-0,4	-0,3	0,9	0,5	-0,3	-0,3	0,1	0,0	-0,1	0,0	-0,1	0,1	0,0
Net exports contribution to GDP, pps	0,5	0,3	-0,3	-0,1	-0,4	-0,3	1,1	0,7	0,1	-0,6	-0,5	0,0	0,1	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
Exports y/y, q/q, %	0,5	-0,3	2,3	-0,3	-1,4	-0,1	1,1	1,2	-0,4	-1,5	-0,4	-0,1	2,8	0,9	-0,9	-0,1	-0,3	0,2	0,2	0,3
Imports y/y, q/q, %	-1,3	-1,5	3,6	-0,1	-0,2	0,9	-2,5	-1,0	-0,7	0,6	1,3	-0,2	2,6	1,0	-0,7	-0,2	-0,3	0,3	0,3	0,3
Inflation y/y, q/q, %	5,9	1,1	1,6	1,3	9,5	7,8	5,8	1,0	1,0	0,9	1,2	1,3	1,8	1,9	1,5	1,2	0,9	1,4	1,4	1,4
Core inflation y/y, q/q, %	4,5	2,2	1,9	1,4	5,4	5,1	4,3	3,4	2,5	2,2	2,2	1,9	1,7	2,0	2,1	1,7	1,6	1,4	1,3	1,3
Unemployment rate %	7,7	6,6	6,3	6,5	8,4	8,1	8,1	7,8	7,9	7,7	7,6	7,4	7,2	7,2	7,2	7,2	7,3	7,4	7,4	7,4
Current account balance % of GDP	0,1	1,2	2,2	2,1	-1,6	-0,2	1,3	1,0	0,1	1,1	1,5	2,2	2,3	2,2	2,2	2,2	2,2	2,1	2,1	2,1
General government net lending % of GDP	-7,2	-3,2	-3,4	-2,9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt % of GDP	134,6	135,6	136,8	139,4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Germany

	2023	2024	2025	2026	2023				2024				2025				2026			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP volume (y/y, q/q, %)	-0,1	-0,2	0,1	1,2	0,1	-0,2	0,2	-0,4	0,2	-0,3	0,1	-0,2	0,4	-0,3	0,1	0,1	0,7	0,3	0,3	0,4
Domestic final sales (contribution to GDP, pps)	-0,3	0,3	1,1	1,8	0,0	0,5	0,1	-0,3	0,1	0,0	0,3	0,3	0,4	0,1	0,3	0,3	0,7	0,4	0,4	0,4
Private consumption (y/y, q/q, %)	-0,2	0,2	0,7	0,4	-0,4	1,1	-0,1	-0,3	-0,1	0,1	0,3	0,2	0,5	-0,3	0,1	0,1	0,2	0,2	0,2	0,2
Public consumption (y/y, q/q, %)	-0,1	3,2	1,5	1,8	0,6	-0,4	0,8	0,9	0,5	1,5	1,2	0,4	-0,3	0,4	0,4	0,4	0,8	0,3	0,3	0,4
Investment (y/y, q/q, %)	-0,7	-2,5	1,9	5,6	0,4	-0,1	-0,2	-1,5	0,2	-1,8	-0,4	0,5	0,9	0,9	0,9	0,9	2,4	1,1	1,2	1,3
Change in inventories (contribution to GDP, pps)	0,0	0,0	0,2	-0,1	-0,3	-0,3	-0,1	-0,6	0,0	0,0	0,9	0,6	-0,9	0,4	-0,2	-0,2	0,0	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	0,2	-0,5	-1,2	-0,5	0,4	-0,4	0,3	0,5	0,1	-0,3	-1,1	-1,1	0,9	-0,9	0,0	0,0	-0,1	-0,1	-0,1	-0,1
Exports (y/y, q/q, %)	0,2	-1,7	-1,3	1,0	-0,1	-0,4	-0,7	-0,8	0,1	1,8	-2,6	-3,1	3,2	-1,8	0,2	0,2	0,4	0,4	0,4	0,4
Imports (y/y, q/q, %)	-0,3	-0,6	1,6	2,2	-1,0	0,5	-1,4	-2,0	-0,3	2,8	-0,1	-0,7	1,1	0,2	0,3	0,3	0,7	0,7	0,7	0,7
Inflation (y/y, %)	6,0	2,5	2,3	2,2	8,7	6,9	5,7	3,0	2,7	2,6	2,2	2,5	2,6	2,2	2,2	2,3	2,2	2,2	2,1	2,2
Core inflation (y/y, %)	5,1	3,2	2,8	2,4	5,5	5,6	5,8	3,7	3,4	3,2	3,1	3,2	3,2	2,9	2,6	2,7	2,5	2,4	2,4	2,4
Unemployment rate (%)	3,1	3,4	3,5	3,3	3,0	3,0	3,1	3,2	3,3	3,4	3,5	3,4	3,6	3,5	3,5	3,4	3,3	3,3	3,3	3,3
Current account balance (% of GDP)	5,6	5,7	5,2	5,0	4,8	4,7	6,6	6,1	5,9	7,3	5,7	4,1	5,2	5,2	5,2	5,2	5,0	5,0	5,0	5,0
General government net lending (% of GDP)	-2,5	-2,8	-1,3	-1,4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	62,9	62,4	62,4	62,2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Spain

	2023	2024	2025	2026	2023				2024				2025				2026			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP volume (y/y, q/q, %)	2.7	3.2	2.3	2.0	0.7	0.2	0.7	0.7	1.0	0.8	0.7	0.7	0.6	0.6	0.3	0.3	0.5	0.6	0.6	0.7
Domestic final sales (contribution to GDP, pps)	2.4	3.0	2.7	2.1	1.6	0.8	0.7	0.4	0.8	0.8	0.9	1.2	0.5	0.4	0.5	0.4	0.5	0.6	0.6	0.5
Private consumption (y/y, q/q, %)	1.8	2.9	2.6	2.1	1.2	0.8	0.8	0.2	0.6	1.0	1.2	0.8	0.4	0.5	0.5	0.4	0.5	0.6	0.6	0.5
Public consumption (y/y, q/q, %)	5.2	4.1	1.9	1.1	1.1	1.8	1.5	0.6	1.0	0.3	2.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Investment (y/y, q/q, %)	2.1	3.0	4.3	3.5	3.9	0.0	-0.5	1.2	1.5	0.7	-1.3	3.5	1.1	0.6	0.8	0.6	1.0	1.0	1.0	1.0
Change in inventories (contribution to GDP, pps)	-0.7	-0.2	-0.1	0.0	-0.6	-0.3	0.1	0.1	-0.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution to GDP, pps)	0.9	0.3	-0.2	-0.1	-0.3	-0.3	-0.1	0.2	0.4	0.1	-0.2	-0.4	0.1	0.1	-0.1	-0.1	0.0	0.0	0.0	0.1
Exports (y/y, q/q, %)	2.8	3.1	2.1	2.0	1.0	-0.4	-1.5	1.6	2.1	0.6	0.4	0.1	1.0	0.7	0.1	0.4	0.6	0.5	0.5	0.8
Imports (y/y, q/q, %)	0.3	2.4	3.1	2.5	2.3	0.4	-1.4	1.1	1.0	0.5	1.1	1.3	0.7	0.4	0.5	0.8	0.7	0.6	0.5	0.5
Inflation (y/y, %)	3.4	2.9	2.5	3.1	5.0	2.8	2.6	3.3	3.2	3.6	2.3	2.4	2.7	2.7	2.5	2.0	2.0	5.0	2.8	2.6
Core inflation (y/y, %)	4.1	2.9	2.6	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unemployment rate (%)	12.2	11.4	10.4	9.5	12.8	12.0	12.0	11.9	11.8	11.6	11.3	10.8	10.8	10.4	10.2	10.0	9.8	9.6	9.4	9.3
Current account balance (% of GDP)	2.7	3.0	1.0	1.6	2.8	2.4	3.1	2.3	3.1	3.3	3.7	2.0	-0.2	0.9	1.4	1.7	1.6	1.5	1.6	1.6
General government net lending (% of GDP)	-3.5	-3.1	-2.9	-2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	105.1	102.3	102.1	101.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

United Kingdom

United Kingdom	2023	2024	2025	2026	2023				2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (%)	0.4	1.1	1.1	1.1	0.1	0.0	-0.1	-0.2	0.9	0.5	0.0	0.1	0.7	0.1	0.2	0.2	0.3	0.3	0.4	0.4
Internal demand ex. stocks*	0.9	2.2	3.1	2.2	1.6	0.8	-0.1	-0.4	1.1	1.9	-0.7	0.7	0.8	1.8	0.4	0.4	0.5	0.5	0.6	0.6
Household consumption	0.5	0.6	0.9	1.2	-0.4	0.5	-0.9	0.1	0.7	-0.1	0.5	0.1	0.2	0.3	0.2	0.2	0.3	0.3	0.4	0.4
Public consumption	1.6	3.0	1.1	2.4	-0.6	2.5	1.5	-0.2	0.7	1.0	0.3	0.5	-0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Investment	0.3	1.5	2.3	3.0	2.9	-1.5	-1.6	0.9	0.8	1.1	1.0	-0.6	2.9	-2.0	0.8	0.8	1.0	1.0	1.0	1.0
Change in inventories*	-0.9	0.2	0.3	0.2	0.6	-0.5	-0.5	0.0	-0.4	1.1	-0.3	1.0	-0.4	-0.1	0.0	0.0	0.1	0.1	0.1	0.1
Net exports*	0.3	-1.3	-2.3	-1.3	-2.4	-0.3	0.5	0.1	0.2	-2.5	1.0	-1.6	0.4	-1.5	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2
Exports	-0.4	-1.2	0.3	1.8	-6.8	0.3	-1.1	1.3	0.2	-1.8	-0.1	-1.8	3.5	-2.5	1.0	0.6	0.5	0.5	0.8	0.8
Imports	-1.2	2.7	6.8	5.1	-0.2	1.2	-2.5	1.0	-0.4	5.5	-2.8	2.9	2.1	2.0	1.5	1.0	1.2	1.2	1.2	1.2
Unemployment rate (ILO)	4.1	4.3	4.8	5.0	3.9	4.3	4.0	4.1	4.4	4.2	4.3	4.4	4.5	4.7	4.9	5.0	5.0	5.0	5.0	5.0
Inflation (CPI, YoY%)	7.3	2.5	3.2	2.2	10.2	8.4	6.7	4.2	3.5	2.1	2.0	2.5	2.8	3.4	3.4	3.3	2.8	1.9	2.1	1.9
Core CPI (YoY%)	6.2	3.7	3.5	2.3	6.1	6.9	6.4	5.3	4.6	3.6	3.3	3.3	3.6	3.6	3.4	3.6	3.3	2.2	2.0	1.8
Current account (% GDP)	-3.5	-2.7	-2.9	-3.3	-3.8	-5.3	-2.2	-2.8	-2.3	-3.7	-1.7	-2.9	-	-	-	-	-	-	-	-
General gov. balance, % GDP	-6.0	-6.0	-4.7	-4.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt % GDP	100.4	101.3	103.0	104.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank rate**	5.25	4.75	3.75	3.50	4.25	5.00	5.25	5.25	5.25	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.50	3.50	3.50

* Contributions to GDP growth

** End of period

Source: ONS, BoE, Crédit Agricole S.A.

INTERNATIONAL ECONOMIC SCENARIO

	GDP (yoy, %)			Consumer price * (yoy, %)			Current account (% of GDP)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
United States	2.8	1.5	2.2	2.9	2.7	2.7	-3.9	-3.6	-3.5
Japan	0.2	0.7	1.0	2.4	2.7	1.3	4.7	2.5	2.0
Eurozone	0.8	0.9	1.3	2.4	2.2	1.8	2.6	2.0	1.9
Germany	-0.2	0.1	1.2	2.5	2.3	2.2	5.7	5.2	5.0
France	1.1	0.6	1.2	2.3	0.9	1.3	0.4	-0.1	0.0
Italy	0.7	0.6	0.7	1.1	1.6	1.3	0.9	1.8	1.7
Spain	3.2	2.3	2.0	2.6	1.9	2.0	3.0	1.0	1.6
Netherlands	1.0	1.4	1.4	3.2	2.4	2.0	9.9	10.4	10.5
Belgium	1.0	1.1	1.3	4.3	2.9	1.8	-0.9	-1.1	-1.3
Other advanced									
United Kingdom	1.1	1.1	1.1	2.5	3.2	2.2	-2.7	-2.9	-3.3
Canada	1.6	1.1	1.5	2.4	2.0	2.1	-0.5	-0.8	-1.0
Australia	1.2	2.1	2.2	3.3	3.3	3.0	-0.9	-1.1	-1.3
Switzerland	1.3	0.8	1.6	1.1	0.3	0.5	5.1	4.6	7.2
Sweden	0.9	1.9	2.1	2.8	1.1	2.0	7.4	6.8	6.6
Norway	0.6	1.7	1.9	3.1	2.6	2.1	16.9	14.6	12.5
Asia	5.2	4.6	4.7	1.7	1.4	1.9	2.0	1.5	1.2
China	5.0	4.6	4.3	0.2	0.1	0.6	2.2	1.6	1.1
India	6.8	6.3	6.7	4.9	3.6	4.7	-1.4	-1.6	-1.7
South Korea	2.0	0.8	2.3	2.3	2.0	2.0	5.3	4.8	4.9
Indonesia	5.0	4.7	4.9	2.3	2.0	2.2	-0.6	-1.0	-1.2
Taiwan	4.6	2.6	2.5	2.2	1.9	1.8	14.3	13.0	12.2
Thailand	2.5	2.2	2.3	0.4	1.0	1.2	2.2	2.8	3.2
Malaysia	5.1	4.2	4.3	1.8	2.3	2.2	1.7	2.0	2.5
Singapore	4.4	1.7	2.0	2.4	1.2	1.6	17.5	16.6	17.5
Hongkong	2.5	2.3	2.2	1.8	2.5	2.2	11.3	10.7	10.0
Philippines	5.6	6.0	6.1	3.2	2.0	3.2	-3.5	-3.5	-2.9
Vietnam	7.1	6.1	6.0	3.6	3.2	3.3	4.5	5.6	4.1
Latin America	2.4	2.3	2.4	3.7	3.1	2.7	-1.3	-1.6	-1.8
Brazil	3.4	1.9	1.7	4.4	4.8	4.2	-2.8	-2.5	-2.0
Mexico	1.2	0.0	1.2	4.7	3.8	3.3	-0.3	-0.5	-0.8
Emerging Europe	3.2	2.1	2.3	20.9	13.7	7.8	0.6	0.3	0.2
Russia	4.1	1.5	1.5	8.4	6.8	5.5	3.0	2.2	2.1
Turkey	3.0	3.0	3.2	60.1	36.0	17.0	-1.5	-1.5	-1.5
Poland	2.9	3.1	3.3	3.6	3.5	2.7	0.1	0.2	0.1
Czech Republic	1.0	2.0	2.1	2.5	2.4	2.2	1.8	1.2	0.6
Romania	0.8	1.5	2.3	5.6	4.8	3.5	-8.3	-7.0	-6.5
Hungary	0.5	1.0	2.5	3.7	4.5	3.5	2.1	1.5	1.0
Africa, Middle East	1.4	2.7	2.7	12.3	10.4	9.2	2.8	1.6	1.1
Saudi Arabia	1.3	3.9	3.7	1.7	2.3	2.1	-0.5	-1.8	-2.1
United Arab Emirates	3.8	4.5	4.7	1.7	2.2	2.0	9.1	8.8	8.3
South Africa	0.6	1.5	1.3	4.4	3.8	4.5	-0.6	-1.5	-1.8
Egypt	2.4	3.9	4.3	33.2	21.0	15.6	5.4	5.8	4.2
Algeria	3.2	2.9	2.9	4.1	5.0	5.3	-0.7	-2.7	-3.2
Qatar	2.4	2.5	5.2	1.3	1.7	2.0	18.0	12.5	13.9
Koweit	-2.8	3.1	2.2	2.9	2.3	2.2	29.1	21.2	19.2
Morocco	3.2	3.8	3.5	0.9	2.1	2.5	-1.5	-1.9	-2.2
Tunisia	1.4	1.6	1.5	7.0	6.0	6.5	-1.7	-2.5	-2.8
Total	3.0	2.7	2.9	4.3	3.4	2.9	0.8	0.4	0.2
Advanced economies	1.5	1.1	1.6	2.5	2.3	2.0	0.0	-0.4	-0.4
Emerging countries	4.2	3.9	3.9	5.7	4.2	3.6	1.5	1.1	0.8

* HICP for euro area countries, CPI for others

	2024				2025				2026			
Real GDP growth, QoQ %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA (annualised)	1.6	3.0	3.1	2.4	-0.2	1.5	1.2	1.9	2.5	2.5	2.4	2.4
Japan	-0.3	1.0	0.2	0.6	0.0	-0.1	0.1	0.2	0.3	0.3	0.4	0.4
Eurozone	0.3	0.2	0.4	0.3	0.6	-0.3	0.1	0.3	0.5	0.4	0.5	0.4
Germany	0.2	-0.3	0.1	-0.2	0.4	-0.3	0.1	0.1	0.7	0.3	0.3	0.4
France	0.1	0.2	0.4	-0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3
Italy	0.2	0.2	0.0	0.2	0.3	0.2	0.0	0.1	0.2	0.1	0.3	0.2
Spain	1.0	0.8	0.7	0.7	0.6	0.6	0.3	0.3	0.5	0.6	0.6	0.7
United Kingdom	0.9	0.5	0.0	0.1	0.7	0.1	0.2	0.2	0.3	0.3	0.4	0.4

	2024				2025				2026			
Consumer prices, YoY %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	3.2	3.2	2.6	2.7	2.8	2.4	2.7	2.9	2.8	2.7	2.6	2.6
Japan	3.2	2.2	2.0	2.3	2.7	3.1	2.8	2.1	1.5	1.1	1.2	1.4
Eurozone	2.6	2.5	2.2	2.2	2.3	2.1	2.2	2.1	1.7	1.9	1.7	1.8
Germany	2.7	2.6	2.2	2.5	2.6	2.2	2.2	2.3	2.2	2.2	2.1	2.2
France	3.0	2.5	2.1	1.7	1.2	0.7	0.8	0.8	1.0	1.3	1.5	1.5
Italy	1.0	0.9	1.2	1.3	1.8	1.9	1.5	1.2	0.9	1.4	1.4	1.4
Spain	3.2	3.6	2.3	2.4	2.7	2.2	2.9	2.7	1.9	1.9	1.8	1.8
United Kingdom	3.5	2.1	2.0	2.5	2.8	3.4	3.4	3.3	2.8	1.9	2.1	1.9

	2024				2025				2026			
Unemployment rate, %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	3.8	4.0	4.2	4.1	4.1	4.3	4.5	4.4	4.3	4.3	4.2	4.1
Japan	2.6	2.6	2.5	2.5	2.5	2.6	2.7	2.7	2.6	2.6	2.6	2.6
Eurozone	6.5	6.5	6.4	6.2	6.3	6.3	6.3	6.2	6.2	6.1	6.1	6.1
Germany	3.3	3.4	3.5	3.4	3.6	3.5	3.5	3.4	3.3	3.3	3.3	3.3
France	7.5	7.3	7.4	7.3	7.4	7.6	7.7	7.7	7.7	7.7	7.7	7.7
Italy	7.1	6.8	6.3	6.1	7.1	6.8	6.3	6.1	7.1	6.8	6.3	6.1
Spain	11.8	11.6	11.3	10.8	10.8	10.4	10.2	10.0	9.8	9.6	9.4	9.3
United Kingdom	4.4	4.2	4.3	4.4	4.5	4.7	4.9	5.0	5.0	5.0	5.0	5.0

PUBLIC ACCOUNTS

	Government balance (% of GDP)			Public debt (% of GDP)		
	2024	2025	2026	2024	2025	2026
United States	-6.5	-6.8	-6.6	99.5	101.9	104.0
Japan	-4.5	-3.5	-2.5	232.4	223.3	215.3
Eurozone	-2.9	-2.5	-2.4	87.9	88.5	89.1
Germany	-2.8	-1.3	-1.4	62.4	62.4	62.2
France	-5.8	-5.6	-5.1	113.2	117.2	119.0
Italy	-3.2	-3.4	-2.9	135.6	136.8	139.4
Spain	-3.1	-2.9	-2.8	102.3	102.1	103.2
Netherlands	-0.9	-2.2	-2.8	43.4	46.4	49.9
Belgium	-4.5	-5.4	-5.6	104.7	104.7	106.4
Greece	-1.2	-1.0	-0.7	156.8	148.4	145.4
Ireland	4.3	2.2	1.0	40.9	35.5	34.7
Portugal	0.3	0.4	0.4	96.0	92.1	88.1
United Kingdom	-6.0	-4.7	-4.0	101.3	103.0	104.3



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