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Quarterly – January 2026

ECO
ÉTUDES ÉCONOMIQUES GROUPE

Contents

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Summary – Fiscal policy as a resistance tool

In an uncertain environment posing challenges to competitiveness and unable to rely on external demand, European economies are managing to accelerate activity at a pace in line with their potential. Whether through measures to facilitate disinflation or support for private and public investment, fiscal stimulus is coming to the rescue, while central banks are taking a break, with inflation fully under control in the Eurozone and partially so in the United Kingdom. The effects of the customs shock appear moderate at the aggregate level, but are more severe in certain countries. The risks associated with this resilience scenario are skewed to the downside, with a reorganisation of trade flows increasing competition on global markets and in the single market.

After the US trade fog lifts, growth rates are recovering

The global economy continues to show resilience in the face of uncertainty and a series of shocks. In the United States, growth remained strong in 2025, albeit slowing, driven by investment in AI and rising incomes, particularly from capital. We anticipate growth above 2%, driven by high profitability, household wealth effects and fiscal support. Job creation is slowing, but the decline in the immigrant labour force is capping the rise in unemployment. Inflation is expected to remain above 3% until mid-2026, with the Fed pausing until the end of 2026 at 3.75%. Continued disinflation would allow for a decline to 3.50% in mid-2027. The gap between US and Eurozone key interest rates is expected to stabilise in 2026, with the ECB deposit rate unchanged at 2%, but it is expected to narrow with successive increases by the ECB in 2027 to 2.5%. The euro would therefore depreciate moderately in 2026 before appreciating again in 2027.

For the major emerging economies, we expect a limited slowdown in exports and GDP growth unlikely to decline significantly. China should show resilience, with growth falling from 5.0% in 2025 to 4.7% in 2026, stimulated by public investment in infrastructure and certain targeted industries, and fiscal support for household consumption.

> *“ The rise in prices of US imports from the EU supports the hypothesis that costs are being absorbed by importers ”*

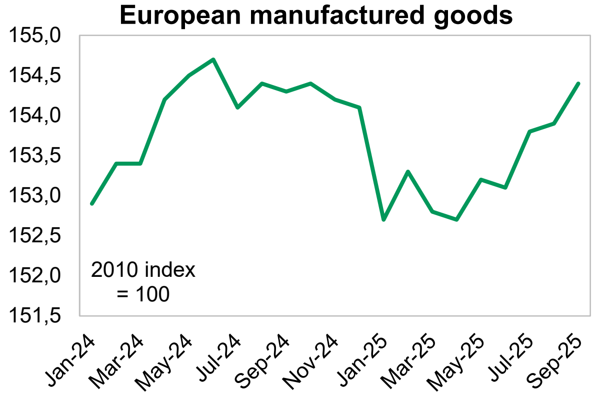
The expected developments in fossil fuels also remain favourable for growth. Marked by relatively sluggish demand and an increase in OPEC+ supply, the oil market is expected to remain in surplus, despite the risk linked to US threats on Russian oil imports. The price of Brent crude is expected to remain stable at $63 per barrel. The fall in gas prices reflects market confidence, buoyed by booming US exports and new global liquefied natural gas infrastructure

Fiscal stimulus to support domestic demand in the face of sluggish foreign demand

The Eurozone and the United Kingdom are expected to grow by 1.2% in 2026, after 1.4% in 2026. The slowdown in the annual average is the result of growth gains and does not reflect the acceleration seen in the quarterly profile of the two scenarios, which is expected to continue in 2027 (at a rate of 1.3% for the Eurozone and 1.4% for the United Kingdom). External demand would continue to slow growth further across the Channel, where higher contributions have damaged competitiveness. Consumption would accelerate, but at modest rates, benefiting in the United Kingdom from later and more pronounced disinflation. While the acceleration in activity in the Eurozone is due to increased public and private investment, capital accumulation in the United Kingdom would continue at the same pace. **If the ECB grants a pause in 2026, satisfied with the return of inflation to target, the BoE is expected to make a final rate cut in 2026 with underlying inflation still high.**

Within the Eurozone, **Germany** would be the driving force behind the acceleration, with growth of 0.9% in 2026. The infrastructure and defence spending plan and greater borrowing capacity for federal states would boost investment, with positive spillover effects on other economies. In **France**, supportive factors (increased defence spending in the European Union, Germany's fiscal bazooka, but also revival of domestic investment) would outweigh the headwinds (notably higher US tariffs). Political instability would no longer weigh particularly heavily on growth, but fiscal adjustment would be limited. In **Italy**, growth would remain limited to 0.5% in 2026 before reaching 0.8% in 2027. Household consumption and productive investment

United States: prices of imports of European manufactured goods



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

should cushion the slowdown thanks to a number of support measures planned for 2026, although fiscal room for manoeuvre remains limited overall. The pace of activity remains constrained in the long term by the expected correction in the construction sector, exposure to external shocks and the need for fiscal consolidation. The gradual deceleration in growth in **Spain**, from 2.8% in 2025 to 2.2% in 2026, is the result of its refocusing on domestic demand. Private consumption and investment continue to support activity, against a backdrop of moderating public consumption and the gradual normalisation of the labour market.

Relative resilience of European exporters

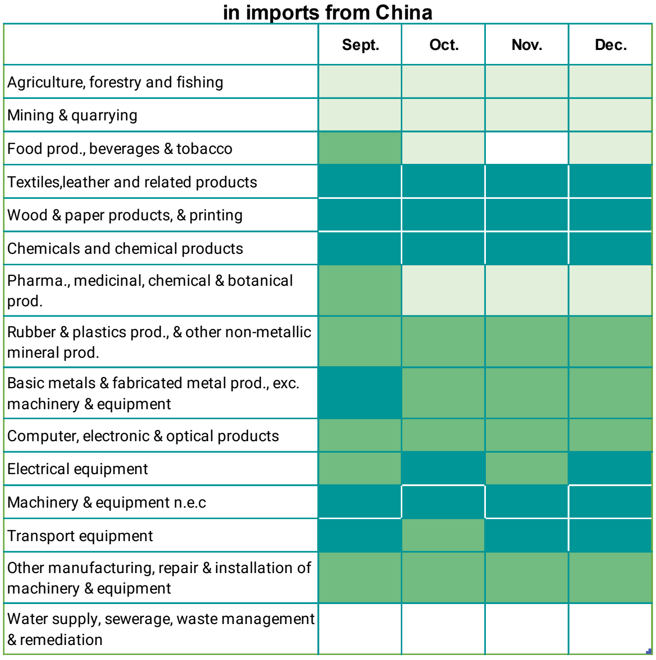
While tensions over Greenland show how much the threat of further tariff increases persists, **the negative effects of the Tunberry agreement on EU countries appear limited to date. Prices for goods imported by the United States from the EU have been rising since May, supporting the assumption that US importers are absorbing the costs rather than demanding discounts from European exporters**. The latter have already reduced their margins following the appreciation of the euro and have little room to further lower the prices of their exports. They can rely on the uniqueness of their products and the limited excess capacity of US producers to substitute their products, even if there is a risk of substitution by third-country products on the US market, despite more advantageous customs duties than their competitors. The proven impact on exports is in line with our estimate, i.e. a 1.6% decline in volume over the first ten months of 2025 (taking into account advance exports in Q1) compared to the same period in 2024. It should be noted that this decline is of the same magnitude in the US market and in global markets as a whole, reflecting a more generalised decline in competitiveness, probably linked to the appreciation of the euro. However, the decline in exports varies between countries and sectors, with Germany and Italy suffering losses greater than the EU average.

Increased threats to the single market

Beyond potential losses of market share in the United States, the risk for European countries is that they will lose competitiveness on global markets and on the single market. Chinese overcapacity and the closure of the US market to Chinese products pose a considerable challenge to the European economy. **The gains in market share by Chinese products in the single market over the last year are the result of a shift towards Europe of exports that were previously directed towards the American continent.** The value of imports from China since 2022 has increased by €55 billion compared to their pre-Covid average (2015-2019). In its monitoring of the reorientation of Chinese flows towards the EU, the European Commission identifies sectors at risk of a harmful increase in exports since January 2025. It records the frequency of products for which there has been a minimum 5% increase in imports accompanied by a minimum 5% decrease in price. **The distribution of these signals reflects a significant increase in Chinese imports in the plastics and non-metallic minerals, chemicals, electronic products, textiles, machinery and equipment, and transport equipment sectors**. The monitoring reports, in particular, a very sharp increase in imports of Chinese hybrid vehicles (not covered by countervailing duties on electric vehicles), which rose from 24,500 units in the first three quarters of 2024 to 122,000 in the first three quarters of 2025, while registrations increased by only 31%.

The significant price declines associated with this penetration mean that a disinflationary impulse is in the pipeline for non-energy industrial goods prices.

EU: Sectors experiencing a damaging increase in imports from China



Sources : European Commission , Crédit Agricole SA/ECO

Euro area – Resilient to the accumulation of shocks

France – Positive surprise on growth, negative surprise on fiscal consolidation

Italy – Low-level growth

Spain – An economy moving forward on its own steam

PAOLA MONPERRUS-VERONI

Euro area – Resilient to the accumulation of shocks

The Eurozone is showing resilient growth driven by investment and domestic demand, absorbing the shock of trade tensions. However, the strong euro and competition from Asia are weighing on competitiveness, with risks of sectoral slowdowns that could spread.

The good health of private agents, still favourable financial conditions and a slightly expansionary fiscal policy should help absorb the confidence shock linked to the trade war and geopolitical uncertainty. We therefore maintain our narrative of growth in line with its potential pace, supported by accelerating investment, especially public investment, with a significant contribution coming from the German spending plan. Despite inflation below target, the pace of growth is encouraging the ECB to maintain the *status quo* until spring 2027. We therefore forecast GDP growth of 1.4% in 2025, 1.2% in 2026 and 1.3% in 2027.

Nevertheless, **the strong euro and increased competition from Asian products on global and domestic markets are affecting the competitiveness of European companies**. The risks are therefore skewed to the downside and require us to remain vigilant, particularly with regard to sector developments. Indeed, slowdowns in certain sectors can spread sequentially, without immediately turning into widespread tensions, but over time, triggering a generalized economic slowdown.

The latest data confirm the narrative of resilience

Activity accelerated at a rate of +0.3% quarter-on-quarter in the third quarter of 2025, faster than anticipated in our October forecast (+0.2%). Thus, after dynamic growth at the end of 2024 (+0.4% q/q) and even more so in the first quarter of 2025 (+0.6%), and after the slowdown in the spring (+0.1%), GDP growth settled at a pace close to potential (+1.4% year-on-year) during the summer. Growth surprised on the upside in all the major Eurozone economies. The growth achieved in the third quarter brought the annual average for 2025 to 1.4%, prompting us to revise our forecast for 2025 upwards (from 1.3% to 1.4%).

Domestic demand was stronger than expected and offset the more negative contribution from net foreign demand, while the negative contribution from inventories that we had forecast did not materialize. The renewed growth in domestic demand, following its decline in the second quarter, boosted GDP growth, contributing 0.4 percentage points. Inventory accumulation continued and supported GDP growth by 0.1 percentage points, while the contribution of net exports reduced growth by 0.2 percentage points for the second consecutive quarter.

Among the components of domestic demand, the strongest contribution came from investment, which recovered (+0.9% quarter-on-quarter) after declining (-1.7%) in the second quarter. This was an adjustment following the sharp rise in investment in the first quarter (+2.6%), driven by strong growth in intellectual property investment in Ireland at the beginning of the year. This component of investment rebounded in the third quarter (3.1%) and the accumulation of productive capital also accelerated (+1.1%), supported by stronger growth in transport investment, while investment in machinery and equipment (including ICT) remained moderate (+0.3%). The sluggishness of investment in construction can be explained by a modest recovery in civil engineering, while housing declined (-0.3%).

> ***"There is no immediate, widespread economic slowdown, but weakness in certain sectors is spreading sequentially."***

Households consumption continued to grow at a modest pace (+0.2% quarter-on-quarter), supported by continued positive momentum in employment (+0.2%) and total wages (+1.1%), which rose faster than inflation (+0.3% over the quarter). Growth in public consumption strengthened (+0.7%).

External demand recovered (+0.7%) after adjusting (-0.4%) in the second quarter following the sharp rise in exports at the beginning of the year, driven mainly by sales to the United States, particularly of chemical products, in anticipation of the Trump administration's increase in customs duties. This increase in foreign

	2024	2025	2026	2027
GDP (y/y, %)	0.8	1.4	1.2	1.3
Domestic demand (contribution to GDP, pps)	0.7	1.6	1.3	1.4
Change in inventories (contribution to GDP, pps)	-0.2	0.4	0.1	0.0
Net exports (contribution to GDP, pps)	0.4	-0.5	-0.3	0.0
Private consumption (y/y, %)	1.2	1.3	1.2	1.2
Investment (y/y, %)	-2.1	2.6	1.7	2.3
Inflation (y/y, %)	2.4	2.1	1.8	1.8
Unemployment rate (%)	6.4	6.3	6.2	6.1
Fiscal balance (% of GDP)	-3.1	-3.0	-3.1	-3.1

demand was not enough to support GDP growth, as it was more than offset by the rise in imports (+1.3%). After the decline recorded in 2022, imports from China have been rising steadily, and 2025 has seen a marked increase in the penetration of chemical products in particular, combined with a significant drop in prices.

Investment driving growth, despite declining profitability

Productive investment continues to grow and strengthen despite the deterioration in margins. After stabilizing in the second half of 2024, the margin rate has been falling again since the beginning of 2025, due to the recovery in unit labour costs. The acceleration in per capita wages since the spring, particularly in the non-financial market sector and in export sectors, is outpacing productivity, which has also rebounded in these same sectors.

Financial constraints are easing, but are set to tighten again

Non-financial corporations can nevertheless benefit from lower interest charges on their debt thanks to the incorporation of the latest rate cuts and declining debt levels. However, the rate on new loans to businesses, after falling by 200 basis points in two years (5.3% at its peak in October 2023), rose in September and October (3.5%). According to the ECB's SAFE survey for the third quarter of 2025, businesses perceive a moderate tightening of lending rates and conditions.

However, **they report no change in the availability of credit or in their financing needs, which continue to be met also by internal financing despite the erosion of margins**. Their financial vulnerability and debt management capacity remain unchanged. A similar perception is conveyed by banks according to the BLS survey. Credit conditions are broadly stable in the third quarter and are expected to remain unchanged in the fourth quarter of 2025 for all sizes of enterprises.

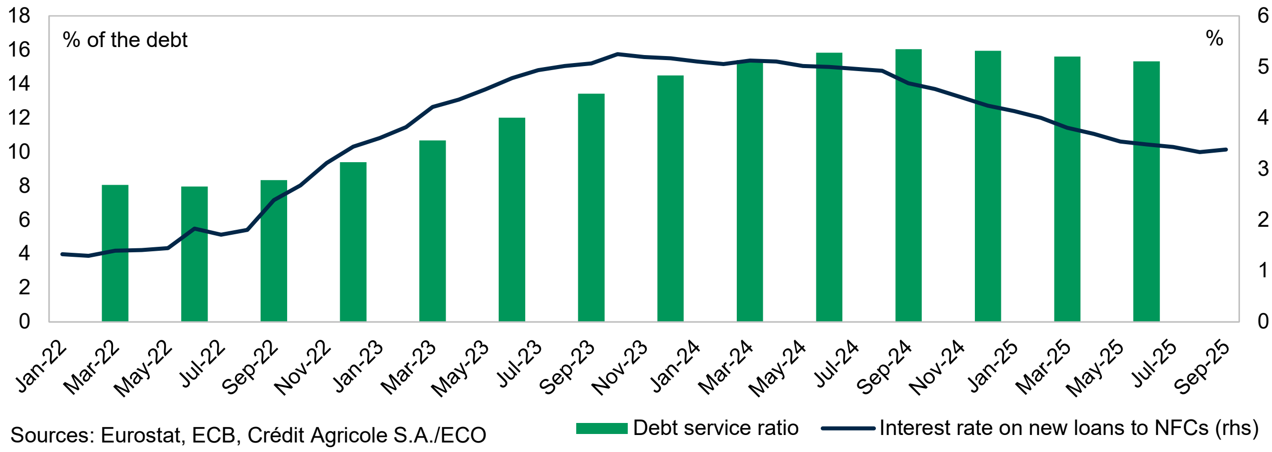
German banks, however, stand out for their restrictive credit terms and conditions for businesses and an increase in loan rejections. This rise in rejections is also seen for SMEs in France. Banks' perception of risk has increased, particularly due to the geopolitical situation and the impact of trade tensions. However, this higher risk perception remains confined to sector-specific and company-specific factors. This risk assessment offsets the positive effect of competition on easing credit conditions, while the recent fall in interest rates continues to have a positive impact on credit volumes.

Companies are forecasting a moderate increase in investment.

After revising their investment plans downwards between May and November 2025, **the number of industrial companies planning to increase investment in 2026 is higher than those planning to reduce it, according to the European Commission's half-yearly survey**. However, there are differences between producers of investment and consumer goods, who are more optimistic, and producers of intermediate goods, who are reducing their investment plans. The upward trend in plans also applies to the services sector and to industry in all the major economies in the Euro area, with the exception of Germany, where the anticipated decline is nevertheless less than in 2025.

The planned investment is mainly in response to a need to replace production equipment and to rationalize operations, while the need to expand capacity remains less significant. Demand for businesses is one of the main factors driving investment by a growing number of companies in 2026, along with technical factors (decarbonization, digital transformation), while financial interest remains less important than before 2021. The signal provided by the European Investment Bank's annual survey on investment in the EU (figures for the Euro area are not available) confirms that the number of companies wishing to increase their investment remains slightly higher than those planning to reduce it, with this

Euro area: funding conditions to NFC



Sources: Eurostat, ECB, Crédit Agricole S.A./ECO

number being similar to that reported by American companies. However, this number has been declining since 2023, signalling a difficulty in planning in an environment where companies are still figuring out the impact of geopolitical and trade shocks.

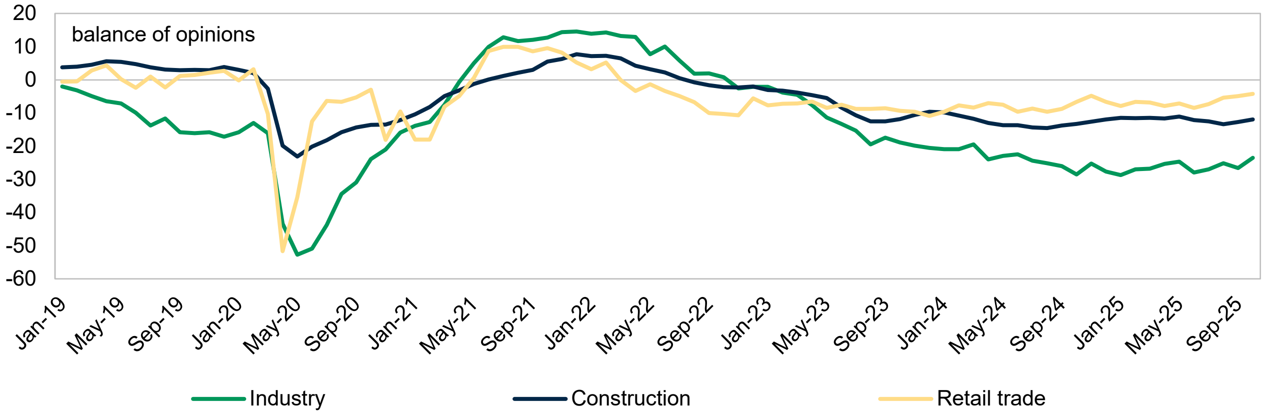
A significant contribution to investment growth would come from public accumulation, thanks to the acceleration of spending related to NGEU funds, particularly in southern countries, and the German recovery plan. We have not assumed that unused funds from the European recovery plan will be extended beyond 2026, although their use may be envisaged in priority areas (energy, decarbonization of industry, security). A slowdown in investment spending is therefore expected in these countries, but this will be offset by the ramp-up of German infrastructure spending.

In this context, **demand for companies remains the key issue**. Opinions on orders in the European Commission's survey improved in November, after deteriorating at the end of 2024, but remain very poor, and those on export orders have deteriorated further. However, the outlook for production has improved in industry, where October's output offset the decline that followed the rebound in the first quarter of 2025. More positively, the PMI index of overall activity rose for the sixth consecutive month in November, reaching its highest level since May 2023. These signals sustained growth in Euro area activity and, at 52.8, exceeds its historical average (52.4). However, while activity accelerated in the services sector, output slowed in the manufacturing sector, posting its weakest pace in nine months.

In our scenario, domestic demand would continue to support activity and enable productive investment to accelerate. Our forecast anticipates a positive contribution from domestic demand in 2026 (1.2 points in 2026, after 1.6 points in 2025), which will more than offset the still negative contribution from net foreign demand (-0.3 points in 2026, after -0.5 points in 2025). It is based on sustained investment growth (+1.7% in 2026 and +2.3% in 2027, after +2.6% in 2025) and continued moderate growth, without acceleration, in private consumption (+1.2% in 2026 and 2027, after +1.3% in 2025).

Forecasts finalised on 12/12/2025
Article completed on 19 December 2025

Euro area: order book levels



Sources: ESI European Commission, Crédit Agricole S.A./ECO

MARIANNE PICARD

France – Positive surprise on growth, negative surprise on fiscal consolidation

Activity will have slowed on an annual average in 2025, but will have remained particularly resilient. It is expected to accelerate in 2026 and continue to grow at a rate slightly above potential growth in 2027. Supportive factors (increased defence spending in the European Union, Germany's fiscal bazooka, but also a revival in domestic investment) would outweigh the headwinds (notably higher US tariffs). Political instability would no longer weigh particularly heavily on growth, but fiscal adjustment would be limited, with a reduction in the public deficit to below 3% of GDP and a stabilisation of the debt ratio *effectively* delayed.

A pleasant surprise: higher-than-expected growth in the third quarter of 2025

Activity accelerated significantly in the third quarter of 2025, to +0.5% (q/q), after +0.3% in the second quarter, which is higher than anticipated in our October forecast (+0.2%). In the first half of the year, stockpiling drove activity, while foreign trade weighed on it. In the third quarter, the opposite occurred, with destocking combined with a sharp acceleration in exports, particularly in the aerospace sector. Final domestic demand (excluding inventories) accelerated, given the notable rebound in investment. At the end of the third quarter, growth for 2025 stood at 0.8%, higher than our annual growth forecast in the October scenario (0.7%). Activity is expected to grow again in the fourth quarter, but at a slower pace (+0.1%). Activity is then expected to grow at a rate of between 0.2% and 0.3% per quarter in 2026, then 0.3% per quarter in 2027.

A slowdown in activity in 2025, but less than anticipated

On an annual basis, growth is expected to be 0.8% in 2025, after +1.1% in 2024[1] . The slowdown in activity would mainly come from foreign trade, which, after supporting it in the previous two years, would weigh on growth by 0.6 points in 2025 (after a contribution of +1.3 points in 2024). Exports are expected to slow (+1.3%, after +2.4%), while imports are expected to rebound (+3.1%, after -1.3%). Furthermore, despite a smaller decline in investment compared with the previous year (-0.2%, after -1.3%), final domestic demand excluding inventories would be held back by the sharp slowdown in household consumption (+0.3% after +1.0%), despite the increase in purchasing power. Public administration consumption expenditure would remain relatively buoyant (+1.5%, after +1.4%). The contribution of final domestic demand excluding inventories to growth would thus decline to 0.5 points (after +0.6 points in 2024). Only the contribution of inventory changes would recover, supporting growth by 0.9 points in 2025 (after -0.8 points). However, the slowdown in activity in 2025 would be less significant than we had anticipated in our October forecast, as we have since revised our annual growth forecast upwards by 0.1 percentage points (and by +0.2 percentage points compared to our June forecast, which brings us back to our January 2025 forecast).

Inflation is expected to fall again in 2025, to 0.9%[2] , as measured by the consumer price index (CPI), after 2.0% in 2024. Services inflation is expected to decline somewhat, but remain above 2% (2.3%, after 2.7% in 2024). Energy prices are expected to fall by 5.6%, after rising by 2.3% in the previous year, while prices for manufactured goods are expected to remain virtually stable (-0.3%, after -0.0%). Food prices are expected to slow to +1.2% (after +1.4%). In terms of the HICP[3] , inflation would also fall to 0.9% (after +2.3%) and would be one of the lowest in the Eurozone.

An acceleration in activity in 2026, driven by external and internal factors

Growth is expected to increase to 1.2% in 2026, slightly above potential growth (around 1%). The acceleration in activity would initially be driven by a rebound in the contribution of foreign trade to growth

	2024	2025	2026	2027
GDP volume, sa-wda (y/y, %)	1.1	0.8	1.2	1.2
Domestic demand excl. inventories (contribution to GDP, pps)	0.6	0.5	1.0	1.1
Changes in inventories (contribution to GDP, pps)	-0.8	0.9	-0.3	0.0
Net exports (contribution to GDP, pps)	1.3	-0.6	0.4	0.1
Household consumption (y/y, %)	1.0	0.3	0.9	1.0
Total investment (y/y, %)	-1.3	-0.2	1.1	1.7
Inflation CPI (y/y, %)	2.0	0.9	1.0	1.3
Unemployment rate, France excl. Mayotte (%)	7.4	7.6	7.7	7.6
Fiscal balance (% of GDP)	-5.8	-5.5	-5.2	-4.9

Sources: Insee, Crédit Agricole S.A./ECO calculations and forecasts (Crédit Agricole CIB inflation forecasts)

[1] Data adjusted for seasonal variations and working day effects (cvs-cjo).

[2] This "forecast" incorporates the provisional results of the CPI for December 2025 published on 6 January 2026 by INSEE.

[3] The harmonised index of consumer prices allows inflation rates between European countries to be compared thanks to a harmonised methodology.

(to +0.4 points): imports would slow (to +2.0%), while exports would accelerate significantly (to +3.2%). **The contribution of final domestic demand excluding inventories would also increase significantly**, to +1.0 percentage points. This would **be driven by an acceleration in household consumption (to +0.9%) and a recovery in investment (to +1.1%).** General government consumption expenditure would slow slightly (to +1.1%). On the other hand, changes in inventories would weigh on growth by 0.4 points, reflecting a partial destocking movement. Overall, German government measures and increased defence spending in the European Union (EU) would support French growth by 0.2 points in 2026. French exports and private investment would be stimulated by these measures.

Inflation is expected to remain virtually stable on an annual average basis in terms of the CPI, at 1.0% in 2026. Service prices are expected to slow to +1.7%, but this will be offset by a smaller decline in energy prices (-0.7%) compared with the previous year. Manufactured goods prices would fall by 0.5%, while food prices would accelerate to +1.7%. In terms of the HICP, inflation would increase further, to 1.2% in 2026, but would remain significantly lower than in the euro area.

Growth to remain slightly above potential in 2027

In 2027, growth is expected to reach 1.2%, as in 2026, still slightly above the potential growth rate, which would lead to a closing of the output gap[4] at that horizon. The impact of increased defence spending and the German bazooka on growth would be similar to that in 2026. Compared with the previous year, household consumption would accelerate slightly (to +1.0%), but **it is mainly the acceleration in investment (to +1.7%) that would explain the slight increase in the contribution of domestic demand** (excluding inventories) to 1.1 points. General government consumption expenditure could slow again, while continuing to grow (+0.6%). Changes in inventories would no longer have an impact on growth, and the contribution of foreign trade would decline to +0.1 points, in line with a more marked slowdown in exports (+1.9%) than in imports (+1.5%).

> ***"The inflation differential with the euro area should therefore contribute positively to France's relative competitiveness over the entire forecast horizon."***

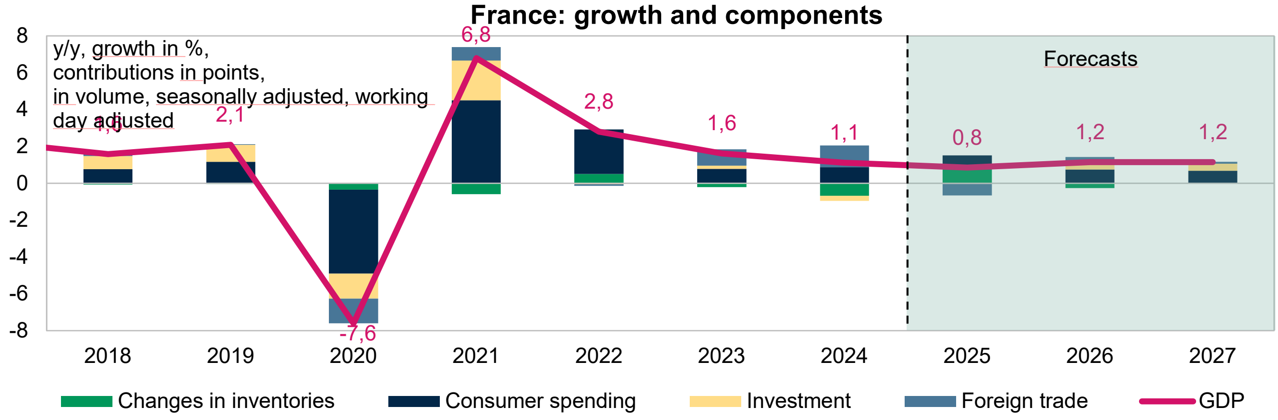
Inflation (CPI) is expected to rise to an annual average of 1.3% in 2027. Service prices are expected to rise by 1.8%, energy prices are expected to rebound slightly (+0.5%) and food prices are expected to accelerate to +1.9%. Manufactured goods prices would stagnate (-0.1%). In HICP terms, inflation would rise to 1.5%, but remain lower than the Eurozone average.

A forecast in line with the consensus in 2025, relative optimism in 2026 and 2027 linked to the assumptions used

Our growth forecast for the fourth quarter of 2025 (+0.1%) is cautious: it corresponds to the quarterly forecast in the December *Consensus Forecasts* and is slightly lower than the forecast by the Banque de France following its monthly economic survey in early December and that of INSEE in its mid-December economic report ("Moderate consolidation, revived growth"), both at +0.2%.

Our annual growth forecast for 2025 (+0.8%) is in line with the forecast by the Organisation for Economic Co-operation and Development (OECD) in its December economic outlook and that of *Consensus Forecasts* in December. It is slightly higher than the forecast by the International Monetary Fund (IMF) in its October World Economic Outlook, the government's forecast in the draft finance bill for the end of the 2025 financial year (PLFG) published in November, and the European Commission's autumn forecast also published in

France: growth and components



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

[4] The output gap corresponds to the difference between potential GDP and actual GDP (often expressed as a percentage of potential GDP).

November, which predict annual growth of 0.7%. This is because these latest forecasts do not include the national accounts for the third quarter, yet growth has surprised on the upside. Our forecast is, however, slightly lower than that of INSEE (0.9%) in its December economic report, as well as that of the Banque de France published on 19 December in its new macroeconomic projections (0.9%), even though the institution states that it made last-minute adjustments, since the forecast sent to the Eurosystem (and therefore made at the very beginning of December) was only 0.8% (i.e. in line with our forecast).

Our annual growth forecast for 2026 (1.2%) is higher than the IMF's October forecast, the European Commission's November forecast, and the *Consensus Forecasts* December forecast (average of panel forecasts), all of which are at 0.9%. It is also higher than the government's forecast in the October 2026 Finance Bill (PLF) and the December forecasts by the OECD and the Bank of France, which predict growth of 1.0%. INSEE, for its part, has not yet made an annual forecast for 2026, but the growth achieved according to its latest economic report stands at 1% for 2026 at the end of the first half of the year, which is higher than in our scenario (0.9% achieved at mid-year).

Our growth forecast for 2027 (1.2%) is in line with that of the government in its 2026 Economic, Social and Financial Report (RESF). It is higher than the December forecasts of the OECD and the Bank of France (1.0%).

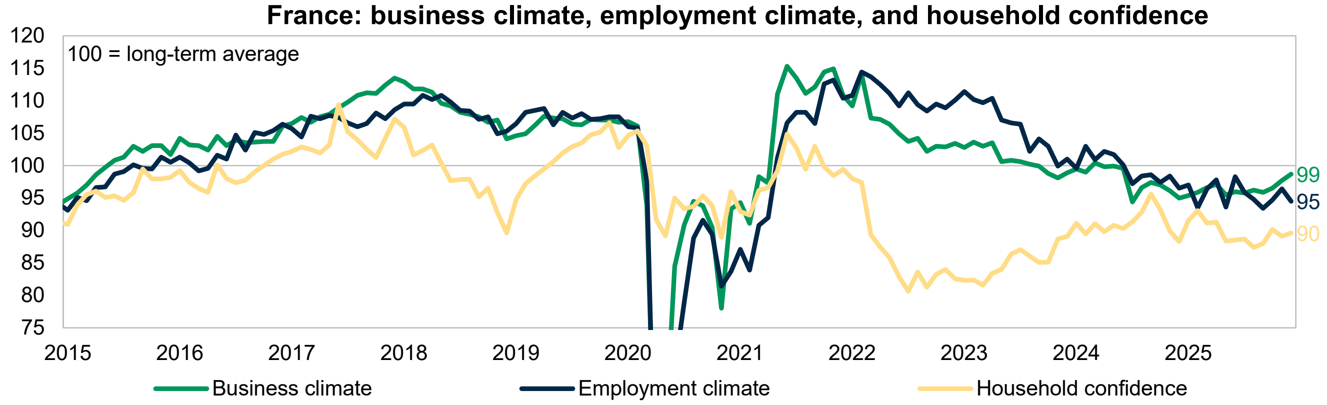
The relative "optimism" of our growth forecast compared to most other institutes' forecasts for 2026 and 2027 can be explained by several factors. Firstly, some of the forecasts mentioned above do not include the national accounts for the third quarter of 2025, which automatically raises the growth figure for 2026, as growth surprised all forecasters on the upside in that quarter. Furthermore, we anticipate a slower reduction in the public deficit than most of the aforementioned forecasters (particularly the government). However, a smaller budgetary adjustment justifies a lesser recessionary effect on activity in our view. The fact that our forecast takes into account the impact of German government measures and increased European defence spending on French growth, amounting to a total of +0.2 percentage points per year in 2026 and 2027, may also partly explain the difference. The scale of the German bazooka (a major €500 billion infrastructure investment plan over twelve years and reform of the debt brake) justifies a non-zero effect on French growth in 2026, in line with the conclusions of the literature on *spillovers* from public spending in the Eurozone (see ECB, for example). A recent study by the European Central Bank (ECB) also suggests that increased defence spending would have a positive impact on the GDP of other Eurozone countries. France is relatively well positioned in this industry and should therefore benefit particularly from this, even if certain capacity issues will limit the impact somewhat in the short term.

The latest economic indicators suggest that activity should grow at a moderate pace in Q4 2025

The business climate stood at 99 in December 2025, up for the third consecutive month, now very close to its long-term average (100) and at its highest level since June 2024. The business climate reached above its historical average in December in industry (at 102) and in retail trade, including motor vehicle trade and repairs (at 104). It remained below its long-term average ( ) in construction (at 96) and services (at 98) in December, and in wholesale trade in November (at 98, bimonthly indicator). The business climate is therefore consistent with moderate growth in activity, and improved on average in the fourth quarter compared with the third quarter (+2 points, to 98). Production rose by 0.3% in services in October (as in September), while overall industrial production stagnated in November (-0.1%) after rising in September and October (+0.7% and +0.2% respectively). The employment climate declined slightly in December (-1 point, to 95), but remained stable on average in the fourth quarter compared with the previous quarter, below its long-term average.

Household confidence is currently at a relatively low level, at 90 in December 2025, significantly below its

France: business climate, employment climate, and household confidence



Latest figures: December 2025
Sources: INSEE, Crédit Agricole S.A./ECO

historical average (100). It rebounded slightly between August and October 2025 (from 87 to 90) and has stabilised relatively since then. Looking at the details of the household economic survey responses, fears about unemployment, which had been rising since the end of 2024, began to ease in August 2025, although they remain significantly higher than the long-term average. The balance of opinion on the advisability of saving reached a new all-time high in December, suggesting that the household savings rate is likely to remain high in the short term. After a decline in assessments of the outlook for households' personal financial situation and, more generally, for living standards in France between February and August 2025, the corresponding opinion balances improved slightly in December compared with August. The balance of opinion on opportunities to make major purchases has improved slightly since October, but remains at a low level: household consumption growth is expected to remain modest in the coming quarters.

The unemployment rate is expected to rise slightly by the end of 2025

Total employment remained resilient in 2025: according to national accounts, it rose slightly in the second and third quarters (+0.1% per quarter), after a slight decline in the first quarter (-0.1%), driven in particular by self-employment. The total number of hours worked rose again in the third quarter (+0.1%, after -0.1%), following three consecutive quarters of decline. Hourly productivity thus continued to recover.

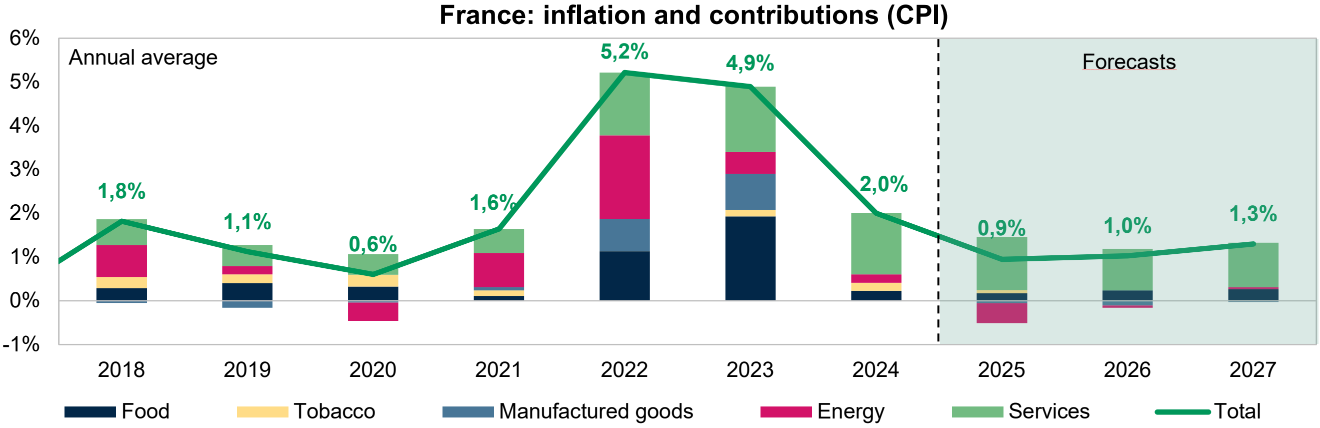
The unemployment rate as defined by the International Labour Office rose slightly again (+0.1 points) in France (excluding Mayotte) in the third quarter of 2025, to 7.7% of the labour force (and 7.5% for metropolitan France). Under the Full Employment Act[5], recipients of the RSA (Revenu de Solidarité Active, or Active Solidarity Income) contributed half of the rise in the unemployment rate in the third quarter, according to INSEE. Over one year, the unemployment rate has risen by 0.3 points, and the cumulative contribution of RSA recipients over the three quarters since the implementation of the full employment law is also estimated at around +0.1 points. However, the unemployment rate remains well below the level reached in the 2010s (9.6% on average). **Employment is expected to remain stable in the fourth quarter of 2025, which would result in a slight increase in the unemployment rate** to 7.8%, given the growth in the working population. Employment is expected to grow slightly thereafter (by 0.1% to 0.2% per quarter in 2026 and 2027), and **the unemployment rate is expected to stabilise in 2026, before falling slightly from the end of the year. On average, it would thus reach 7.6% in 2025 (7.4% for metropolitan France alone) and 7.7% in 2026 (7.5% for metropolitan France), before falling to 7.6% in 2027** (7.4% for metropolitan France).

The reduction in the public deficit is expected to slow significantly

We have revised our public deficit forecast for 2025 slightly downwards to 5.5% of GDP. The news is fairly good in terms of government spending and revenue, as well as growth forecasts, and the government could even achieve its deficit target of 5.4% of GDP. However, we prefer to remain cautious given the high level of uncertainty, with a slightly higher forecast (which also corresponds to the latest forecast by the European Commission).

For 2026, our public deficit forecast stands at 5.2% of GDP. At the time of writing, uncertainty remains over the precise content of the initial finance bill (LFI) for 2026, as well as its adoption (in particular the channels that will be used for this purpose). This forecast was certainly made before the certainty of the adoption of a special law at the end of 2025, but it is in fact compatible with this scenario. The Lecornu government still hopes to reach a compromise on a budget that would reduce the public deficit to a maximum of 5% of GDP in 2026 and be adopted by the end of January, without resorting to Article 49.3 or

France: inflation and contributions (CPI)



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

[5] This law provides for the systematic registration with France Travail, from the beginning of 2025, of RSA recipients (and their spouses), young people supported by local missions and people with disabilities supported by Cap Emploi.

ordinances. Given the adoption of the special law, and therefore the delay in adopting a draft finance bill for 2026 during 2026, certain compulsory levy measures initially proposed by the government are no longer possible for this year (principle of retroactivity), which complicates the consolidation effort. Furthermore, whether it is a question of obtaining enough votes in favour of the budget or concluding a non-censure pact, a compromise will have to be found with the political forces involved, which seems difficult to combine with a significant reduction in the public deficit. In any case, a budget must be adopted, even if 2025 has already shown us that public services can continue to function without too many hiccups under special legislation (at least for a while). Indeed, the absence of a budget means that necessary strategic choices cannot be made: for example, increased funding for defence or the recently announced aid package for farmers will only come into effect once a budget has been adopted.

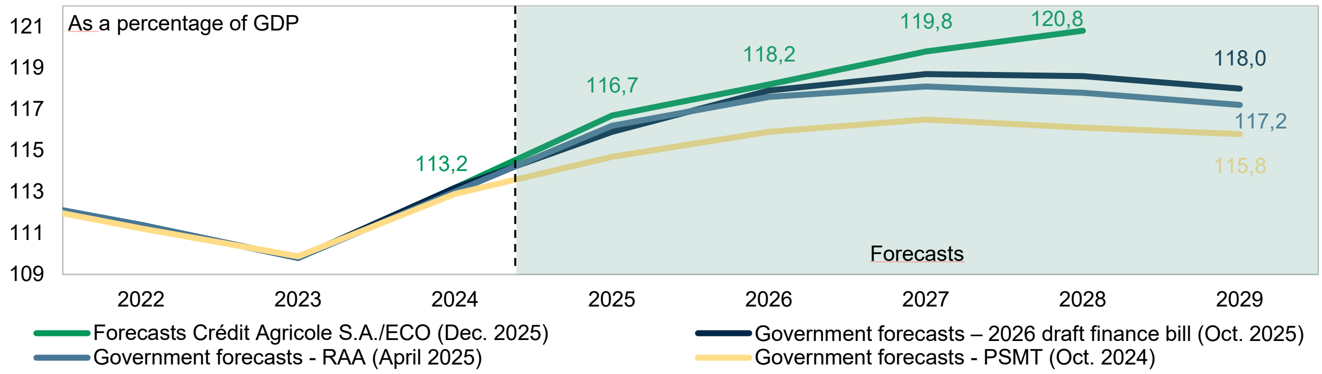
We forecast a public deficit of 4.9% of GDP in 2027. The effort to reduce the public deficit would therefore be in the order of 0.3 percentage points of GDP, as we forecast for 2026. The political leeway for adopting a budget for 2027 at the end of 2026 is not expected to be any greater than that for adopting the 2026 budget, and it will therefore be just as difficult to reach a compromise under budgetary constraints. Our public finance trajectory is significantly worse than that successively committed to by the French government, first in the Medium-Term Budgetary and Structural Plan (PSMT) of October 2024, then in the annual progress report of April 2025, and finally in the Lecornu government's initial draft budget for 2026 in October 2025 (with a trajectory that has nevertheless deteriorated successively). The consequence will obviously be a longer timeframe for reducing the deficit to below 3% of GDP (still planned for 2029 by the government) and stabilising public debt, as well as higher debt.

Risks mainly skewed to the downside for growth and inflation

The risks are mainly on the downside for growth and inflation. At the Eurozone level, the risk of low-priced Chinese goods flooding the European market, which is being closely monitored by the European Commission, cannot be ruled out: it could harm domestic producers and weaken consumer prices. The euro also remains strong against the dollar, which weighs on the competitiveness of our exports and generates imported disinflation. Finally, while we believe that uncertainty (which remains high but is no longer increasing) should no longer weigh on growth, it could further alter investment and savings behaviour, depending on developments in the national and geopolitical context.

Forecasts finalised on 15/12/2025
Article completed on 13/01/2026

France: general government debt trajectories



Sources: INSEE, Economic, Social and Financial Report 2026, Annual Progress Report 2025, Medium-Term Budgetary and Structural Plan 2025-2029, Crédit Agricole S.A./ECO

SOFIA TOZY

Italy – Condemned to low-speed growth

As we look toward 2026-2027, the Italian economy is transitioning to a new phase while still carrying vulnerabilities from previous shocks. Despite lower energy costs, household finances remain strained with precautionary saving persisting, while businesses continue to face margin pressure and competitive disadvantages. This underlying weakness leaves the economy susceptible to disruptions from US tariffs and their cascading global effects. Disinflation and improved borrowing conditions have stabilized economic activity but haven't triggered the sustained momentum needed for catch-up growth. Growth will therefore remain limited to 0.5% in 2026 before reaching 0.8% in 2027. Several support measures planned for 2026 should help bolster household consumption and productive investment, partially offsetting the slowdown despite limited fiscal space. Nevertheless, Italy continues to search for reliable, self-sustaining sources of economic expansion. Moreover, longer-term growth prospects are limited by the anticipated construction sector downturn, vulnerability to external shocks, and ongoing fiscal consolidation requirements.

Export volatility driving uneven growth

Italian economic growth remained subdued in the last quarter. GDP grew by only 0.1% compared with the previous quarter and by 0.6% year-on-year. This performance is based primarily, and in a volatile manner, on the contribution of net external demand, which added 0.5 percentage points to GDP. With businesses still front-loading shipments ahead of impending US tariff hikes, exports expanded by 2.6% compared to the previous quarter, while imports increased by 1.2%.As in the first quarter, the rise in external demand coincided with a sharp inventory drawdown, which subtracted 0.6 percentage points from growth and represented the primary drag on economic expansion during the period. **Domestic demand excluding inventories made a positive but limited contribution of 0.2 percentage points to GDP**, driven equally by household consumption and investment. Though fundamentally resilient, it remained on a plateau with no discernible acceleration.. Domestic consumption grew by only 0.1% over the quarter, reflecting continued constraints. Despite deteriorating business conditions in the productive sectors, investment continued to grow in the third quarter at 0.6%, but slowed compared with the momentum observed over the last three quarters (1.5% on average per quarter).

On the supply side, industrial value added fell by 0.3% over the quarter, while construction contracted by 0.2%. **Conversely, services continued to grow moderately, rising by 0.2%**, confirming a persistent decoupling between service activities and other productive sectors.

The growth carryover for 2025 thus stands at 0.5% which caps the annual result, regardless of how the year ends. In light of these figures, the Italian economy appears to be stabilising in a low phase of the domestic demand cycle but remains particularly exposed to the volatility of the external environment.

Year-end indicators point to continued weakness

Recent economic releases confirm the continued weakness in cyclical momentum as the year concluded. On **the industrial side, after a decline in the third quarter, industrial production fell by 1.0% in October compared with the previous month, leaving a negative balance for the fourth quarter.** The decline was broad-based, with consumer goods down 1.8%, capital goods down 1.0% and intermediate goods down 0.3%, while energy rose 0.7%. Year-on-year, industrial production fell by 0.3%, confirming that manufacturing activity remains constrained, particularly in cyclical segments. Business and consumer sentiment surveys reinforce this assessment. The manufacturing confidence index remained low (88.4) and order books continued to deteriorate, both domestically and abroad. Production expectations nevertheless improved slightly in December, but this did not offset the weakness in orders, while stocks of finished products remained slightly in surplus.

On the price front, industrial producer prices fell year-on-year excluding energy, further evidencing the absence of significant upstream pressures. **Construction output fell 0.1% in October, though Q4 still posted a modest 0.1%** gain on the back of September's rebound. While year-to-date figures

	2024	2025	2026	2027
GDP (y/y, %)	0,5	0,5	0,5	0,8
Domestic demand (contribution to GDP, pps)	0,5	1,2	0,5	0,7
Stockbuilding (contribution to GDP, pps)	-0,1	-0,2	0,1	0,0
Net exports (contribution to GDP, pps)	0,1	-0,5	-0,1	0,1
Private consumption (y/y, %)	0,6	0,8	0,9	1,0
Investment (y/y, %)	0,0	3,1	0,0	0,4
Inflation (y/y, %)	1,1	1,7	1,2	1,3
Unemployment rate (%)	6,6	6,2	6,3	6,5
Fiscal balance (% of GDP)	-3,4	-3,0	-2,8	-2,8

remain in positive territory, H2 has shown clear signs of sector deceleration. Industry surveys point to eroding confidence, with order books turning negative and hiring plans continuing to weaken

Household demand remains cautious

While household consumption growth remains modest, it reflects persistent caution rather than immediate financial constraints. In Q3 2025, real disposable household income rose by 1.8% following two quarters of sluggish growth, yet consumers responded by increasing their savings rather than spending. The savings rate climbed by nearly 1.5 percentage points for both consumer households (from 9.9% in Q2 to 11.4% in Q3) and the institutional household sector (from 12.7% in Q2 to 14.1% in Q3).

The income growth has been supported by both labour and non-labour sources. While negotiated wages increased year-on-year (+2.6% in September 2025), their growth has moderated compared to early 2025. Capital income has also contributed significantly over the past two quarters, helping push household financial positions above their early 2022 levels.

Supporting this income resilience, the labour market remained stable overall during the period, albeit with some mixed signals. In the third quarter, hours worked continued to increase, while the number of people in employment fell slightly, weighed down by a decline in temporary contracts, with permanent jobs remaining stable. The unemployment rate stabilized at 6.1%, while the inactivity rate rose slightly, indicating that the labour market was becoming less attractive. This pattern continued in Q4 with a further increase in inactivity but accompanied by a further decline in the unemployment rate to 5.7%, its lowest level in the last twenty years.

> *"The labour market remained stable overall during the period, albeit with some mixed signals."*

The underlying weakness in demand persists, though consumption indicators have shown modest improvement in line with our end-2025 outlook. Consumer confidence indices, while still below historical norms, registered slight gains in December across all components after remaining flat through Q3. Retail activity similarly strengthened, with sales volumes recovering from September's decline (-0.5% m/m, -1.5% y/y) to deliver a 0.6% increase for Q4 as a whole. **Based on these indicators, household consumption is forecast to grow moderately at 0.9% in 2026 and 1.1% in 2027**, suggesting a slow normalization without a significant shift in the underlying trend. However, households are likely to benefit from support measures in the 2026 Finance Act. Notably, the third phase of tax reform will reduce the marginal rate for the second income tax bracket from 35% to 33%. This adjustment, impacting around 13 million taxpayers in the €28,000-€50,000 income range, should offer additional income support.

Capital spending resilient but momentum fading

Investment continued to expand in Q3 2025, though at a slower rate, signalling the beginning of a normalization cycle. Gross fixed capital formation continued to increase in Q3, albeit at a slower pace than in H1, with construction sector weakness acting as the primary drag. **Productive investment maintained its momentum, as machinery and equipment spending accelerated from 1.9% in Q2 to 2.5% in Q3, while transport investment surged by 4.5% quarter-on-quarter.** The strong investment momentum seems puzzling against the backdrop of industrial slowdown and high uncertainty, but this requires context. This investment coincides with the easing of financing conditions now filtering through to real economic activity. The investment growth therefore appears to represent more of a catch-up effect, primarily reflecting replacement and adaptation of existing equipment rather than expansion of production capacity.

Meanwhile, construction investment has weakened following its previous robust expansion cycle driven by energy renovation incentives. The sector contracted by 0.5% in Q3, primarily due to a 1.4% drop in residential investment. Buildings and public works investment grew by a modest 0.5% despite potential support from the recovery plan, signalling the end of the strong growth trajectory that began in mid-2023.

Conversely, investment in construction, which had benefited from a very strong growth cycle driven by subsidies for energy renovation, is now showing signs of weakness. It fell by 0.5%, weighed down by a decline of more than 1.4% in the housing segment over the quarter. Even though it should be supported by the recovery plan, investment in buildings and public works grew by only 0.5%, ending a cycle of strong growth that began in mid-2023.

Investment continues to provide substantial support to economic activity in 2025, accounting for much of the year's overall growth. Total investment is projected to grow by 3.1%, with productive investment at 3.2% and construction investment at 3.1%. The outlook for 2026, however, appears less robust. Productive investment growth is forecast to moderate to 1.5% amid less favourable conditions, though it will still benefit from Finance Act measures including reinstated accelerated depreciation schemes and continued targeted tax credits. Construction investment is expected to contract by 1.1%, as the final-year acceleration of

PNRR public projects will only partially counterbalance the anticipated correction in the housing sector. Notably, construction investment has surged 66% since 2019, significantly heightening the risk of a correction.

Unstable foreign trade conditions

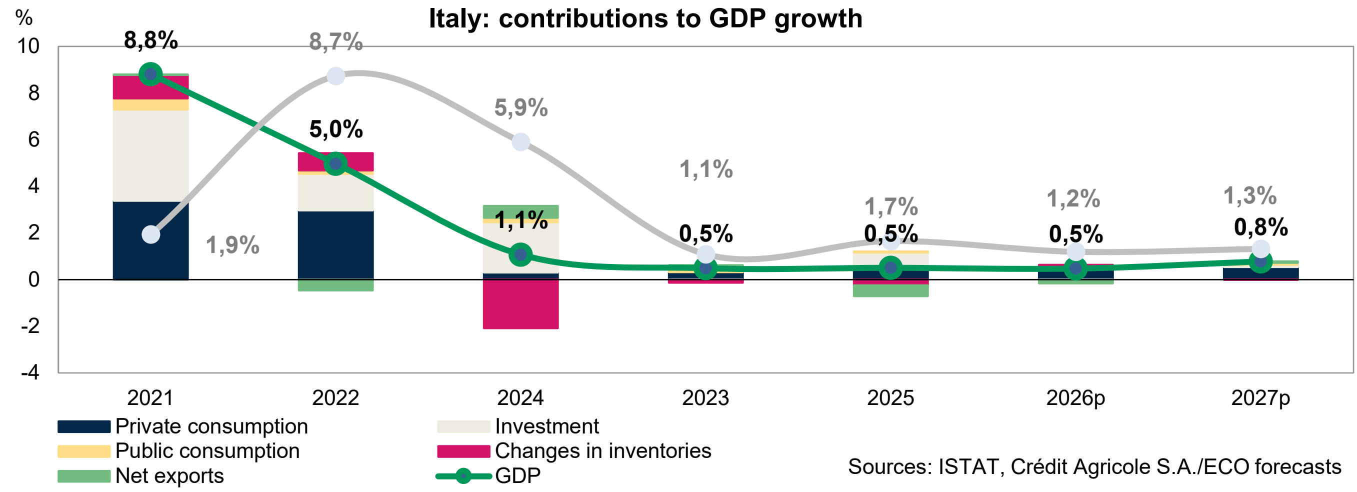
By year-end, the front-loading effects driven by anticipated US tariff increases began to fade. As a result, trade momentum weakened, revealing the transitory nature of the export contribution to growth seen in earlier quarters Monthly data support this trend, showing a sharp 3% month-on-month drop in exports during October, before stabilizing in November for non-European markets. Year-on-year, exports outside Europe fell by 3.3%, while imports contracted by more than 11.1%. As global trade patterns shift, this heightened volatility suggests both unsettled trade flows and weakening underlying demand

The impact of US tariffs has been milder than initially feared through 2025, with transatlantic trade continuing to support export growth despite trade tensions.

Looking forward, exports are expected to moderate, but the decline should be more gradual than the steep drop originally projected. According to the Bank of Italy, while the US accounts for nearly 10% of Italian exports, the impact will be felt primarily through profit margins rather than export volumes, as companies prioritize maintaining market share. This adaptation strategy is feasible because direct US exposure represents only 5.5% of total corporate revenue for Italian firms on average, allowing most to absorb tariff costs through modest margin compression (approximately 0.3 percentage points) rather than retreating from the market. However, certain manufacturing segments with higher US exposure will face more significant challenges.

Late-year economic trends suggest that foreign trade will no longer function as an independent growth driver. Foreign trade's contribution to growth is expected to become neutral from 2026 onward, as front-loading effects gradually dissipate and Chinese overcapacity **further constrains the international trade environment by competing with Italian firms**.

Forecasts finalised on 15/12/2025
Article completed on 7 January 2025



TICIANO BRUNELLO

Spain – An economy moving forward on its own steam

The gradual slowdown in growth in the third quarter of 2025 confirms the refocusing of the Spanish economy on domestic demand. Private consumption and investment continue to support activity, against a backdrop of moderating public consumption and the gradual normalisation of the labour market. At the same time, the negative contribution of foreign trade, linked to the decline in goods exports and strong imports, is weighing on growth, without calling into question the strength of the domestic cycle. The Spanish economy is thus approaching the end of the year with continued robust momentum, but increasingly dependent on its internal drivers.

Resilience confirmed

In the third quarter of 2025, the Spanish economy continued to operate in an environment marked by both external and internal headwinds. Weak activity in the Eurozone, ongoing trade tensions linked to the increase in US customs duties and an international context still marked by uncertainty continued to weigh on the outlook. Against this backdrop, economic indicators pointed to a gradual slowdown in growth after several quarters of particularly strong expansion. National accounts confirm this scenario of normalisation, without calling into question the strength of activity. In the third quarter, GDP grew by 0.6% quarter-on-quarter, after +0.7% in the previous quarter. Year-on-year growth stood at 2.9%, compared with 3.1% in Q2. This measured slowdown primarily reflects a cyclical adjustment, in a context where the economy continues to grow at a significant pace and with an overall healthy composition.

Domestic demand is proving more than ever to be the main driver of expansion. On a quarterly basis, it added 1.3 percentage points to growth, supported by strong growth across all its components. Private consumption stood out with a 1.1% increase over the quarter, reflecting the strength of disposable income and employment. Public consumption also rose (+1.3%), while investment recorded robust growth (+2.1%), driven by both construction (+2.3%) and investment in capital goods (+2.3%). Year-on-year, these dynamics translated into solid increases in private consumption (+3.2%) and, above all, investment (+8%), confirming the underlying strength of domestic demand.

Conversely, external demand weighed on growth in the third quarter, with a negative contribution on a quarterly basis (-0.7 percentage points of GDP). This was due to a decline in goods exports (-1.3%), against a backdrop of persistently weak European demand and adjustments linked to trade tensions with the United States, while services exports remained buoyant (+0.7%). Imports continued to grow (+1.3%), fuelled by strong domestic demand, automatically accentuating the negative contribution of the external sector.

The overall tone for 2025 is thus becoming clear. The Spanish economy has completed its shift towards domestic demand as the main driver of growth, buoyed by strong private consumption and investment. These two components account for the entire increase in GDP in 2025. According to our forecasts, the moderate contribution of public consumption, in the order of 0.3 percentage points of GDP, will be more than offset by the negative contribution of the external sector (-0.7). However, this negative contribution should not be interpreted as an unfavourable sign: Spanish exports continue to show solid growth (3.7% in 2025, according to our forecasts), supported in particular by the dynamism of non-tourism services. In 2025, exports alone will have contributed around 1.3 percentage points to GDP growth, an effect largely offset by strong imports, which are necessary to meet the high level of domestic demand. Ultimately, 2025 leaves the Spanish economy with particularly favourable momentum going into 2026.

A stronger-than-expected end to the year, driven by domestic demand

The data available for the fourth quarter confirm favourable growth momentum, suggesting a much more robust macroeconomic landing. On the supply side, activity indicators continue to send generally positive signals. In November, the manufacturing PMI stood at 51.5 points, down slightly from the previous month and the third-quarter average, but remaining comfortably above the 50-point threshold that separates expansion from contraction. The services

	2024	2025	2026	2027
GDP (y/y, %)	3.5	2.8	2.2	1.9
Domestic demand (contribution to GDP, pps)	3.0	3.4	2.6	1.8
Change in inventories (contribution to GDP, pps)	0.3	0.1	0.1	0.0
Net exports (contribution to GDP, pps)	0.2	-0.7	-0.4	0.1
Private consumption (y/y, %)	3.1	3.3	2.6	1.8
Investment (y/y, %)	3.6	5.9	4.0	2.5
Inflation (y/y, %)	2.9	2.7	2.3	1.8
Unemployment rate (%)	11.4	10.6	9.8	9.4
Fiscal balance (% of GDP)	-3.2	-2.8	-2.7	-2.7

PMI reached 55.6 points, a high level, albeit slightly lower than in October, but higher than in the third quarter, confirming the strength of activity in services and the resilience of domestic demand.

On the demand side, consumer confidence remained buoyant in the fourth quarter. Private consumption benefited from the gradual recovery in real household disposable income and a more accommodative interest rate environment, supporting spending on durable goods in particular. The seasonally adjusted and deflated retail trade index recorded robust growth of 3.8% year-on-year in October, confirming a high level of consumption at the end of the year.

The strength of the labour market remains one of the main pillars of Spanish growth. In November, a month traditionally marked by a decline in employment due to the seasonality of the hotel and restaurant sector, Social Security enrolment fell by only 0.07% compared to October, a significantly more moderate decline than in previous years. In seasonally adjusted terms, employment continued to grow, with an increase of nearly 45,000 registrations. Over the months of October and November as a whole, registrations rose by 0.6% on a seasonally adjusted quarterly basis, a slight increase compared to the previous quarter. Cumulatively over the first eleven months of the year, net job creation exceeded that observed over the same period in 2024, while registered unemployment fell in November to 2.42 million people.

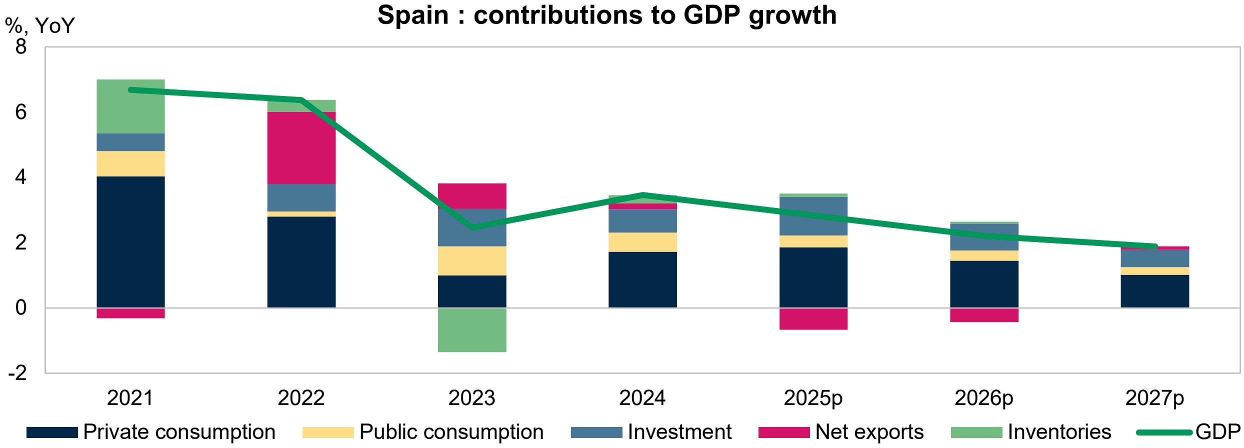
On the external front, strong domestic demand has led to a reduction in the current account surplus. Over the twelve months to September, the current account surplus stood at 2.8% of GDP, down slightly from the full year 2024. This change is mainly due to the acceleration in imports of non-energy goods, which were significantly stronger than exports, reflecting the strength of domestic demand. The non-energy goods deficit thus widened, while the energy deficit continued to narrow thanks to the persistent decline in energy prices. Services remain a key source of support, with a marked increase in the non-tourism services surplus, while tourism maintains a historically high surplus, despite a slight decline from last year's record.

Finally, the property sector continues to show strong momentum. In the third quarter, residential property prices accelerated, recording an annual increase of 12.1%, the highest since the mid-2000s. This momentum reflects a persistent imbalance between sustained demand and insufficient supply, even though, in real terms, prices remain well below their 2007 peaks. Transaction volumes have been volatile recently, with a slight decline in August followed by a moderate rebound in September, but the cumulative level over 12 months remains high, reaching its highest level since 2007.

Inflation still high, wages dynamic and margins acting as a buffer

Recent inflation trends in Spain confirm a phase of stabilisation at still relatively high levels. The leading indicator for the overall CPI stood at 3.0% in November, down slightly from October, marking a pause after the gradual rise observed since the low of 2.0% reached in May. However, this decline was more limited th d anticipated, due to a less marked correction in electricity prices and persistent upward pressure on certain components, particularly food and leisure and cultural items. In this context, upside risks to inflation remain, linked to stronger-than-expected inertia in services inflation and the resistance of energy prices to normalise quickly. Underlying inflation remains broadly stable, but at a level consistent with persistent domestic pressures. Services dynamics continue to play a central role, supported by domestic demand and wage cost developments, particularly in labour-intensive sectors. In contrast, non-energy industrial goods continue on a moderate trajectory, with price increases remaining subdued, well below those seen at the peak of inflation, reflecting the normalisation of supply chains and limited transmission of production costs.

Spain : contributions to GDP growth



Sources: INE, Crédit Agricole S.A.

TICIANO BRUNELLO

In the labour market, wage pressures are continuing. Wage increases negotiated up to November for 2025 average 3.5%, which is higher than in 2024 and above the 3% benchmark set in the fifth inter-professional agreement on employment and collective bargaining. The majority of employees covered by agreements for 2025 remain subject to agreements signed in previous years, incorporating an average increase of 3.3%, while new agreements concluded in 2025 show higher increases, close to 4.2%. Against this backdrop, compensation per employee in the market economy maintained sustained growth in the third quarter (4.5%), contributing to an acceleration in unit labour costs to 4.4% in an environment of sluggish productivity.

However, these nominal pressures continue to be partially absorbed by corporate margins. In the third quarter, the gross value added deflator for the market economy rose to 2.4%, mainly due to the acceleration in unit labour costs, while the contribution of gross operating surplus per unit and taxes on production remained broadly neutral. Margin indicators thus suggest a continuation of the slight deceleration observed since the beginning of the year in most sectors. Margins remain above their pre-pandemic levels, but the recent correction marks an interruption in the recovery that began in 2023.

The Spanish inflation profile remains characterised by a fragile balance between dynamic wages and the continued absorption capacity of businesses. While the moderation in margins is helping to contain domestic inflationary pressures and limiting the risk of a wage-price spiral in the short term, the persistence of inflation in services and the rigidity of energy costs are factors that warrant vigilance.

Spain accelerates deficit reduction in 2025

Consolidated data on general government budget execution through the third quarter of 2025 confirm a significant improvement in the public balance compared with the previous year. Through September, the consolidated public deficit (excluding local authorities) stood at 1.1% of GDP, compared with 1.5% in the same period of 2024, representing a reduction of around 23% in nominal terms. This favourable development reflects strong growth in public revenues, which are rising faster than expenditure in a still buoyant macroeconomic environment.

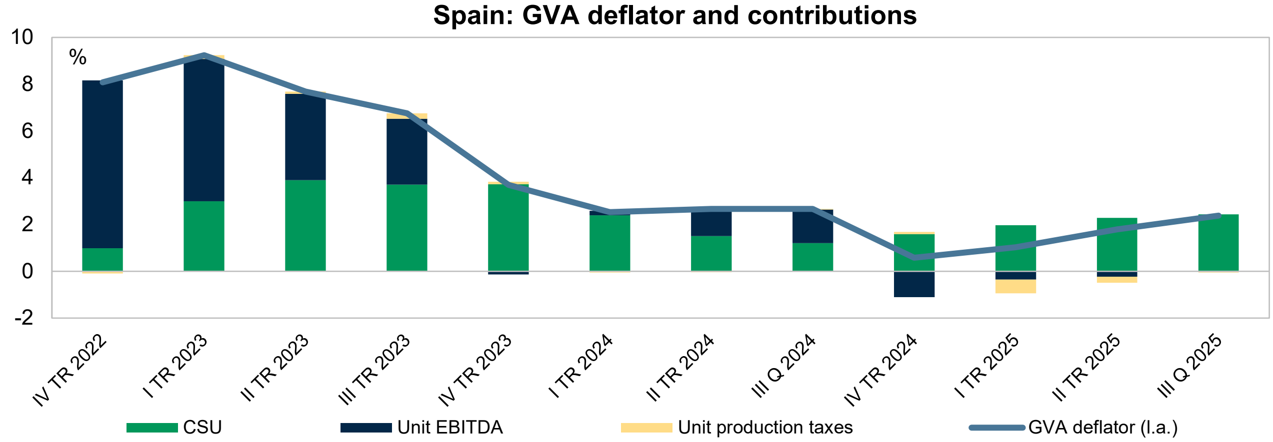
Revenues posted robust growth of 7.2% year-on-year through the third quarter. Direct taxes performed particularly well (+9.9%), supported by strong growth in employment and nominal wages, whi e taxes also recorded solid growth (+7.3%) amid the normalisation of temporary tax measures. Social security contributions continued to rise (+6.5%), in line with the favourable dynamics of the labour market.

> ***"Core inflation remains broadly stable, but at a level consistent with persistent domestic pressures."***

On the expenditure side, growth remained more subdued, at +5.7% year-on-year. Social benefits remained the main factor driving the increase (+6.3%), due to the combined effect of pension increases and the rise in the number of beneficiaries. On the other hand, public sector employee compensation is growing at a more moderate pace (+3.1%), pending the retroactive application in December of the 2.5% salary increase agreed for 2025. This configuration is contributing to an improvement in the primary balance and strengthening the short-term consolidation trajectory.

In this context, the public deficit for 2025 as a whole is expected to be around 2.8% of GDP, compared with 3.2% in 2024, which is below the initial target and better than the forecasts based on data from the first half **of the year**. This performance is mainly due to structurally dynamic revenues, linked in particular to the non-tax exemption of socially responsible investment (SRI) scales and the increase

Spain: GVA deflator and contributions



Sources: Bank of Spain, Crédit Agricole S.A.

in social security contributions, which offset the rise in pension and interest expenditure.

Forecasts: continued solid growth, driven by domestic demand

Our scenario anticipates a gradual slowdown in activity, consistent with a gradual convergence towards growth rates closer to potential, estimated at slightly below 2%. After particularly dynamic expansion in 2024 (3.5%), growth would nevertheless remain robust in 2025, supported by favourable inertia in domestic demand and a still buoyant labour market. In this context, real GDP growth in 2025 is expected to be 2.8%, before slowing more sharply in 2026 (2.2%) and 2027 (1.9%).

Over the entire projection horizon, domestic demand would be the main driver of expansion. Private consumption would remain the leading contributor to growth, driven by favourable developments in household disposable income, job creation and continued strong migration flows. However, its pace of expansion is expected to gradually slow over the years, in line with the expected slowdown in these determinants and in a context where the savings rate, although on a downward trend, is expected to remain above its historical average, reflecting the continued cautious behaviour of households. Our growth forecasts are 3.3% in 2025, 2.6% in 2026 and 1.8% in 2027.

Investment is expected to continue to grow robustly over the coming quarters, supported by the deployment of European NGEU funds, more favourable financing conditions and buoyant construction activity, particularly in the residential sector, as well as the acquisition of intangible assets. Nevertheless, its contribution to growth is expected to decline gradually over the projection horizon as overall activity slows and certain investment projects reach maturity. Public consumption, meanwhile, is expected to make a broadly stable contribution to growth, consistent with the assumption of a trend increase in public spending, despite slight additional support from the planned increase in defence spending.

Conversely, net external demand is expected to have a moderately restrictive effect on growth in 2025 and 2026, before turning slightly positive in 2027. This trajectory reflects a gradual normalisation of exports of services, both tourism and non-tourism, after the strong expansion observed since the pandemic. Exports of goods are expected to experience limited growth in 2025, hampered by weak global demand and sluggish growth in the euro area, before gradually recovering from 2026 onwards, in line with the expected improvement in external markets. On the import side, the momentum observed in 2025, fuelled by strong domestic demand and investment, is expected to gradually give way to a slowdown in 2026 and 2027, in line with the overall slowdown in activity and a demand mix that is more oriented towards services, with lower import content.

Against this backdrop of a gradual slowdown in activity, job creation is also expected to moderate over the projection horizon. After continued strong employment growth in 2025, the number of people in employment is expected to increase at a more moderate pace in 2026 and 2027. Nevertheless, this trend remains more dynamic than in the previous projection exercise and is still consistent with a continued decline in the unemployment rate. Productivity per person employed is expected to remain subdued in the short term, continuing the recent weakness, before gradually recovering from 2026 onwards and converging towards rates close to its historical average by 2027. The unemployment rate is expected to continue to fall, but at a slower pace, due to the combined effect of slower job creation and an increase in the labour force, driven by the increased participation of older workers and, in the case of the United Kingdom, by demographic dynamics that remain favourable, albeit gradually less intense.

In conclusion, **the Spanish macroeconomic scenario remains characterised by resilient growth in the short term, based mainly on strong domestic demand and the labour market**. While the slowdown expected from 2026 onwards appears inevitable in a context of cyclical normalisation and persistent external constraints, the level of activity reached in 2025 provides a relatively solid basis for absorbing this slowdown. The main risks remain concentrated on the international environment, the sustainability of external imbalances and the economy's ability to sustainably strengthen its productivity, which is key to prolonging the expansion phase beyond the immediate horizon.

Forecasts finalised on 15/12/2025
Article completed on 7 January 2025

A slight Keynesian boost to growth in 2026 and an energy-driven fall in inflation

SLAVENA NAZAROVA

United Kingdom – Slight Keynesian boost to growth in 2026 and an energy-driven fall in inflation

As anticipated, economic activity slowed after a very strong start to 2025. Exports decelerated, impacted by the US tariffs. Business investment suffered from rising labour costs following the increase in employer National Insurance contributions in April 2025 and margin erosion. Household consumption growth remained weak, burdened by uncertainty factors weighing on confidence, a new surge in inflation, and deteriorating labour market conditions. In 2026, consumers will benefit from government measures aimed at reducing the cost of living and an expected significant decline in inflation (return to target expected in Q2-2026). In 2027, however, the tax increases that were announced by the government in the Autumn Budget 2025 should once again weigh on private consumption growth. The BoE is expected to cut rates again in February, probably for the last time. Although the disinflation process looks to be faster than anticipated three months ago, persistently high core inflation is fuelling divisions within the MPC and makes any future monetary easing uncertain.

Growth has slowed over the course of the year and should be close to 0% QoQ in Q425

Uncertainty related to the Autumn Budget 2025, published on 26 November 2025, is expected to weigh on growth in Q425. Business and consumer confidence is low, indicating persistently weak underlying domestic demand in the private sector. GDP contracted by 0.1% MoM in October, following -0.1% MoM in September, bringing the carry-over-effect for QoQ growth rate in Q225 to -0.2 percentage points. We therefore anticipate a slowdown in GDP to 0% QoQ in Q425 after +0.1% QoQ in Q325. **A solid carryover effect left by the solid growth at the start of the year (+0.7% QoQ in Q125) should nevertheless allow GDP growth to accelerate to 1.4% on an annual average in 2025, up from 1.1% in 2024.**

Budgetary policy was loosened slightly for 2026

The Autumn Budget 2025 policy measures imply a small temporary boost to real GDP of +0.1ppt in 2026. This is slightly less than we had estimated in the immediate aftermath of the Budget (+0.15ppt) due to a downward revision to the OBR's fiscal multipliers. The Budget delivered a frontloaded increase in public spending (GBP16bn in 2026-27 and 2027-28), in the form of higher welfare spending (notably the reversals to previously announced cuts to winter fuel payments and health-related benefits, the removal of the two-child limit within the universal credit from April 2026) and measures aimed at tackling the cost of living (reduced household electricity bills). These are funded by more borrowing and by a backloaded increase in tax rises. Increased public spending will take effect immediately while personal tax measures take effect from 2027 onwards and more significantly from 2028 (higher tax rates on dividends, property and savings income in April 2027, a freeze in the tax thresholds from 2028 to 2031). Consequently, we raise our 2026 growth forecast from 1.1% to 1.2%, still below trend growth. For 2027, we forecast growth at 1.4% on annual average, close to potential, but still soft on a quarterly basis.

Government capital investment growth is expected to remain robust. General government investment rose by 4.1% QoQ in Q225 and 3.6% QoQ in Q325. According to the OBR's estimates, general government investment is expected to grow by 7.8% in 2026 and 5.4% in 2027. The government confirmed its commitment to an over GBP120bn increase in department capital spending over the current Parliament to 2029-30 relative to the previous government's plans, in line with its 10-year Infrastructure Strategy, published in June. It covers both economic and social infrastructure (housing, transport, water, clean and and nuclear energy, digital connectivity but also schools and hospitals) and introduced a new model of Public Private Partnerships in order to attract more private finance. It also confirms the government's commitment to increase defence investment to 2.6% of GDP by 2027 for NATO qualifying defence spending.

	2024	2025	2026	2027
GDP (YoY, %)	1.1	1.4	1.2	1.4
Domestic demand excl. inventories (contribution to GDP, pps)	1.5	1.8	1.6	2.2
Change in inventories (contribution to GDP, pps)	0.1	0.0	-0.1	0.0
Net exports (contribution to GDP, pps)	-0.5	-0.5	-0.3	-0.8
Private consumption (YoY, %)	-0.1	0.8	1.2	1.3
Investment (YoY, %)	1.7	3.5	3.1	3.3
CPI inflation (YoY, %)	2.5	3.4	2.1	2.0
Unemployment rate (%)	4.3	4.9	4.9	4.9
Fiscal balance (% of GDP)	-6.1	-4.8	-4.0	-3.6

Sources: ONS, BoE, Crédit Agricole SA

Note: The sum of the contributions does not round to GDP growth due to the acquisitions less disposable of valuables.

Household consumption should benefit from a sharp decline in inflation in 2026 and a still high wage growth

We expect a sharp fall in total inflation below target in Q226 thanks to lower energy prices. Aiming to reduce the cost of living, the government introduced a package of measures which will reduce household electricity bills; it also announced a temporary extension of the fuel duty freeze until September 2026, and a one-year freeze to rail fares and prescription charges. Those measures are expected to reduce CPI inflation by 0.5ppt in Q226 and by 0.3ppt in 2026, according to OBR estimates. Furthermore, our oil strategist has revised his oil forecasts down. As a result, we now expect CPI inflation below target as soon as in Q226 at 1.9% on average[6] (down from 3.8% YoY in Q325). With the fall in CPI inflation being driven mainly by energy prices, core inflation is much stickier and remains above target for the major part of 2026 and 2027.

> ***"Aiming to reduce the cost of living, the government introduced a package of measures which will reduce household electricity bills."***

Household consumption is expected to accelerate slightly next year (1.2% annual growth in 2026 after 0.8% in 2025) thanks to this more rapid fall in inflation, a further increase in the National Living Wage (NLW) and higher welfare spending. However, we expect household consumption growth to remain overall weaker than implied by real income growth and to decelerate in H227 as tax rises start to come in effect. Furthermore, households are likely to continue to save some of their disposable income from the near-term fiscal loosening in anticipation of higher taxes. As a result, the saving ratio would likely fall only gradually and would remain higher than its pre-Covid levels.

Business investment remains constrained by weak profit margins

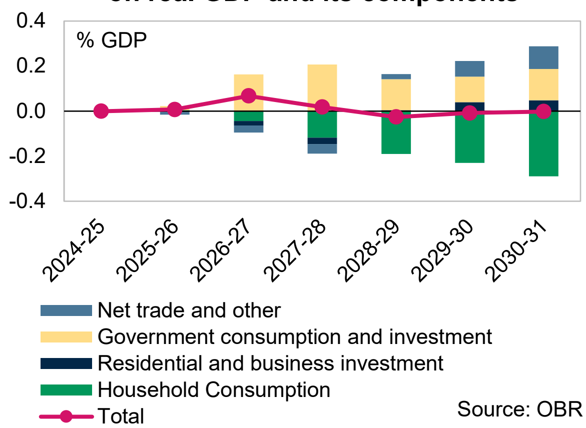
Business investment contracted in Q225 and Q325, likely suffering from the squeeze in business margins following the April 2025 increase in the employer National Insurance Contributions (NICs). It is likely to rebound in the near term as business confidence will probably improve thanks to dissipating uncertainty about tariffs and the budget, fiscal loosening and the BoE's monetary easing. However, the outlook remains challenging. The impact of the April 2025 increase in NICs on business labour costs will be compounded by another increase in the National Living Wage in April 2026, while productivity growth remains weak. As a result of those government policies, profit growth is expected to decline, contradicting the government's own strategy to encourage private investment.

Weakness in export expectations

Finally, net exports remain the biggest drag on growth in our scenario, as export growth would remain hampered by the US tariffs, while import growth would likely get a slight boost from the positive impact from the Autumn Budget on domestic demand.

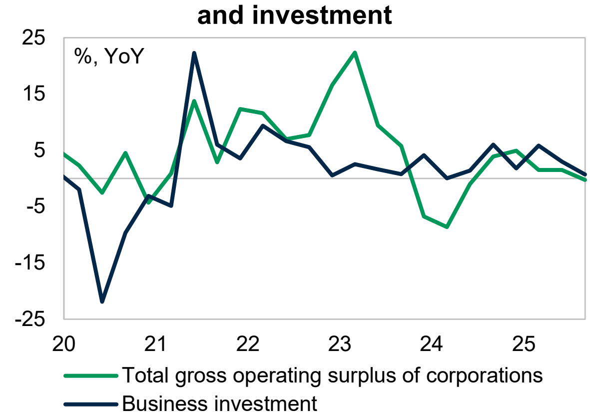
Downside risks to our scenario persist, especially in relation with fiscal policies. Even though the Chancellor doubled her "headroom" against her fiscal mandate, reassuring the markets about its fiscal credibility, the government is not out of the woods yet. Budget execution risks persist, especially regarding the implementation of the tax rises in the later years of this parliament. The government chose to spend more in the near term and to leave the painful decisions until ahead of the next elections in 2029. Higher public sector net borrowing and public debt in the coming years are likely to maintain upward pressure on long-term interest rates.

UK: Autumn budget policy impacts on real GDP and its components



Source: OBR

UK: business profitability and investment



Sources: ONS, Crédit Agricole S.A.

[6] Our inflation forecasts were established before the November CPI figures (published on December 17th), which surprised on the downside. Our forecasts therefore carry downside risks.

Bank of England: nearing neutral levels of Bank rate

The Bank of England (BoE) decided to pause its monetary policy easing cycle in November and left its Bank rate on hold at 4.00%. A tight majority of the MPC (5 against 4) was worried about the risk of higher household inflation expectations resulting in greater inflation persistence. However, since then, economic developments have generally come on the softer side: inflation (3.2% YoY in November) has surprised to the downside and the labour market has deteriorated. Consequently, at its meeting on 18 December, **the MPC resumed its monetary policy easing voting for a 25 basis points (bp) reduction of Bank rate to 3.75%, once again by a narrow majority (5 to 4)**.

Our scenario anticipates one last 25 bp rate cut in the first quarter of 2026 (February), which would bring the Bank rate to 3.50%. Subsequently, given expectations of labour market stabilization in 2026 and persistently high core inflation, the BoE will likely see its capacity for easing limited. The Autumn Budget also provides for a slight fiscal easing for next year, which should somewhat support domestic demand in the short term.

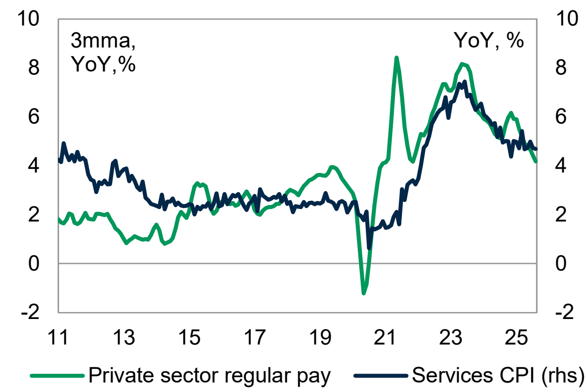
Core inflation, albeit also declining sharply in the coming year, is generally higher than the BoE's 2.0% target throughout 2026 and 2027. Services inflation, largely determined by wage growth, will likely remain elevated, preventing the BoE from cutting more aggressively. Indeed, early indications from the Bank Agents suggest that settlements could average around 3.5% in 2026. The most recent DMP Survey even expected wage growth of 3.7% over the next year on average, still above the level compatible with a sustainable return of inflation back to target.

The unemployment rate reached 5.1% in July-October 2025, slightly higher than expected. Private sector wage growth moderated to 3.9% from 4.8% in Q225. Vacancies have broadly stabilised but fell by 9.6% in September-November relative to the same period one year ago. The number of unemployed people per vacancy, the BoE's preferred measure of the degree of loosening in the labour market, increased to 2.5, its highest level since Q121. Redundancies increased by 50% in the three months to October relative to the three months to July, also reaching their highest level since early 2021. Businesses have been cutting employment due to rising non-wage costs in relation with the increase in April 2025 of employer NICs. This negative trend has been exacerbated by the uncertainty in relation to the Autumn Budget, as shown by the sharp decline in employment in the November business surveys. On the supply-side, the participation ratio has been increasing since early 2024, reaching 63.9% vs 63.3% one year ago and back to its pre-pandemic levels. The BoE judges that it is likely to remain broadly flat in the coming years. **We expect the unemployment rate to peak at 5.2% in Q425, before falling back below 5% in the course of the year thanks to the dissipation of the impact of the April increase in employer NICs and of the uncertainty related to the Budget.**

Admittedly, the recent acceleration in the labour market's deterioration has raised the question of faster rate cuts. The BoE will likely need to see more evidence of softening domestic prices pressures, such as a downward revision to Bank Agent's private sector pay settlements, before envisaging cutting rates more aggressively. This may materialise in H226 if household expectations are adjusted to the downside in reaction to lower short-term CPI inflation.

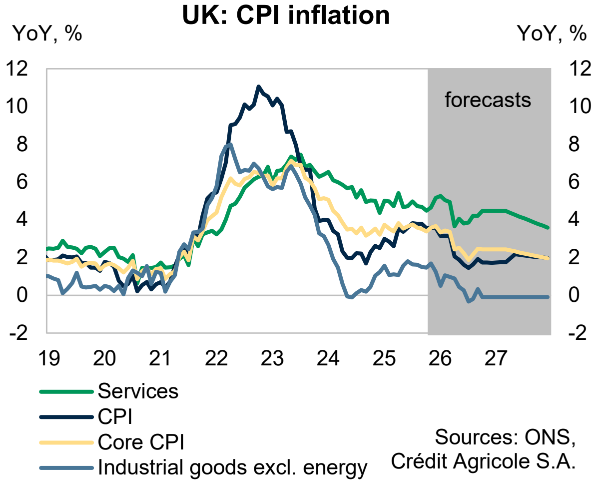
Forecasts finalised on 12/12/2025
Article completed on 5 January 2025

UK: wages in the private sector and inflation in the services



Sources: ONS, Crédit Agricole S.A.

UK: CPI inflation



Sources: ONS, Crédit Agricole S.A.

ECONOMIC AND FINANCIAL FORECASTS

European macroeconomic scenario

International macroeconomic and financial scenario

Public accounts

EUROPEAN MACROECONOMIC SCENARIO

GDP evolution

	2024	2025	2026	2027	2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0.8	1.4	1.2	1.3	0.6	0.1	0.3	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Germany	-0.5	0.3	0.9	1.5	0.3	-0.2	0.0	0.1	0.2	0.5	0.4	0.4	0.4	0.3	0.3	0.3
France	1.1	0.8	1.2	1.2	0.1	0.3	0.5	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Italy	0.5	0.5	0.5	0.8	0.3	-0.1	0.1	-0.1	0.2	0.2	0.2	0.3	0.1	0.2	0.3	0.3
Spain	3.5	2.8	2.2	1.9	0.6	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.4	0.4	0.4	0.4
Netherlands	1.1	1.7	1.5	1.6	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Belgium	1.1	1.0	1.1	1.1	0.4	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Ireland	2.6	13.3	2.4	4.0	7.4	0.3	-0.3	-0.5	1.1	1.2	1.2	0.8	0.8	1.1	1.1	1.1
Portugal	2.1	1.9	2.0	1.7	-0.3	0.7	0.8	0.8	0.3	0.4	0.3	0.4	0.5	0.5	0.4	0.2
Greece	2.1	2.0	2.0	1.5	0.3	0.4	0.6	0.6	0.5	0.4	0.5	0.4	0.4	0.3	0.3	0.3
Finland	0.4	0.2	1.1	1.2	0.0	-0.2	-0.3	0.6	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Luxembourg	0.3	0.6	1.9	1.8	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Austria	-0.8	0.5	0.9	1.1	0.2	-0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Slovenia	1.7	0.9	2.3	1.7	-0.6	0.9	0.8	0.5	0.4	0.6	0.6	0.5	0.4	0.3	0.3	0.3
Malta	6.8	3.4	3.7	3.2	0.2	0.6	1.3	1.0	0.9	0.9	0.9	0.9	0.7	0.7	0.7	0.7

Eurozone

	2024	2025	2026	2027	2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP volume (y/y, q/q, %)	0.8	1.4	1.2	1.3	0.6	0.1	0.3	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Domestic final sales (contribution to GDP, pps)	0.7	1.6	1.3	1.4	0.7	-0.2	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Private consumption (y/y, q/q, %)	1.2	1.3	1.2	1.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public consumption (y/y, q/q, %)	2.2	1.7	1.5	1.2	0.0	0.4	0.7	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Investment (y/y, q/q, %)	-2.1	2.6	1.7	2.3	2.6	-1.7	0.9	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.6	0.6
Change in inventories (contribution to GDP, pps)	-0.2	0.4	0.1	0.0	-0.2	0.5	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution to GDP, pps)	0.4	-0.5	-0.3	0.0	0.1	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports (y/y, q/q, %)	0.5	2.1	1.1	1.6	2.3	-0.4	0.7	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Imports (y/y, q/q, %)	-0.2	3.5	1.8	1.7	2.3	0.0	1.3	0.2	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.5
Inflation (y/y, %)	2.4	2.1	1.8	1.8	2.3	2.0	2.1	2.1	1.8	2.0	1.8	1.8	1.8	1.7	1.8	1.8
Core inflation (y/y, %)	2.8	2.4	2.0	1.8	2.6	2.4	2.3	2.4	2.2	2.1	2.0	1.8	1.9	1.8	1.8	1.8
Unemployment rate (%)	6.4	6.3	6.2	6.1	6.3	6.4	6.3	6.3	6.3	6.2	6.2	6.1	6.2	6.1	6.1	6.1
Current account balance (% of GDP)	1.6	2.4	1.6	1.8	-	-	-	-	-	-	-	-	-	-	-	-
General government net lending (% of GDP)	-3.1	-3.0	-3.1	-3.1	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	87.2	87.7	88.5	88.8	-	-	-	-	-	-	-	-	-	-	-	-

France

	2024	2025	2026	2027	2024				2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP volume, sa-wda (y/y, q/q, %)	1.1	0.8	1.2	1.2	0.1	0.2	0.4	0.0	0.1	0.3	0.5	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Domestic final demand (contribution to GDP, pps) excl. inventories	0.6	0.5	1.0	1.1	0.0	0.1	0.4	0.2	-0.1	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Household consumption (y/y, q/q, %)	1.0	0.3	0.9	1.0	0.2	0.0	0.9	0.0	-0.3	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public consumption (y/y, q/q, %)	1.4	1.5	1.1	0.6	0.3	0.2	0.3	0.4	0.2	0.5	0.5	0.2	0.2	0.3	0.2	0.2	0.1	0.1	0.1	0.1
Total investment (y/y, q/q, %)	-1.3	-0.2	1.1	1.7	-0.6	0.3	-0.9	0.2	-0.1	0.0	0.5	0.1	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Changes in inventories (contribution to GDP, pps)	-0.8	0.9	-0.3	0.0	-0.2	-0.4	0.8	-0.4	0.8	0.6	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution to GDP, pps)	1.3	-0.6	0.4	0.1	0.3	0.4	-0.8	0.2	-0.6	-0.4	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports (y/y, q/q, %)	2.4	1.3	3.2	1.9	0.5	1.6	-1.7	1.5	-1.4	0.3	3.2	1.1	0.2	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Imports (y/y, q/q, %)	-1.3	3.1	2.0	1.5	-0.6	0.4	0.4	0.8	0.2	1.5	1.3	0.4	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4
CPI inflation (y/y, %)	2.0	0.9	1.0	1.3	2.8	2.2	1.7	1.3	1.1	0.8	1.0	0.9	0.8	1.0	1.1	1.3	1.3	1.3	1.3	1.3
Harmonised inflation HICP (y/y, %)	2.3	0.9	1.2	1.5	3.0	2.5	2.1	1.7	1.2	0.8	0.9	0.8	0.9	1.2	1.2	1.4	1.5	1.4	1.5	1.5
Harmonised core inflation (y/y, %) HICP excl. food, alcohol and tobacco	2.3	1.6	1.2	1.5	2.5	2.4	2.3	2.1	1.9	1.6	1.6	1.2	1.1	1.2	1.2	1.4	1.6	1.4	1.4	1.4
Unemployment rate, France excl. Mayotte (%)	7.4	7.6	7.7	7.6	7.5	7.3	7.4	7.3	7.5	7.6	7.7	7.8	7.8	7.8	7.8	7.7	7.7	7.7	7.6	7.5
Unemployment rate, Mainland France (%)	7.2	7.4	7.5	7.4	7.3	7.1	7.2	7.1	7.3	7.4	7.5	7.6	7.6	7.6	7.6	7.5	7.5	7.5	7.5	7.4
General government net lending (% of GDP)	-5.8	-5.5	-5.2	-4.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	113.2	116.7	118.6	120.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Italy

	2024	2025	2026	2027	2024				2025				2026				2027			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	0,5	0,5	0,5	0,8	0,1	0,2	0,0	0,2	0,3	-0,1	0,1	-0,1	0,2	0,2	0,2	0,3	0,1	0,2	0,3	0,3
Domestic demand (contribution to GDP, pps	0,5	1,2	0,5	0,7	0,4	0,0	-0,2	0,7	0,3	0,4	0,2	0,1	0,1	0,1	0,2	0,1	0,1	0,2	0,3	0,3
Private consumption (y/y, q/q, %)	0,6	0,8	0,9	1,0	1,2	0,0	0,2	0,4	0,2	0,1	0,1	0,2	0,2	0,3	0,3	0,2	0,2	0,2	0,3	0,3
Public consumption (y/y, q/q, %)	1,0	0,3	0,4	0,4	-0,4	0,6	0,0	0,4	-0,3	0,2	0,2	0,1	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,2
Investment (y/y, q/q, %)	0,0	3,1	0,0	0,4	-0,7	-0,5	-1,3	1,9	1,0	1,5	0,6	-0,1	-0,3	-0,4	-0,1	0,1	0,1	0,2	0,4	0,2
Stockbuilding (contribution to GDP, pps)	-0,1	-0,2	0,1	0,0	-0,2	0,8	0,7	-0,4	-0,3	0,1	-0,6	0,0	0,1	0,2	0,1	0,1	-0,1	-0,1	0,0	0,0
Net exports (contribution to GDP, pps)	0,1	-0,5	-0,1	0,1	-0,1	-0,6	-0,5	-0,1	0,4	-0,7	0,5	-0,2	0,1	-0,1	-0,1	0,0	0,1	0,1	0,0	0,0
Exports (y/y, q/q, %)	-0,6	1,2	0,1	1,1	-0,7	-1,4	-0,4	-0,3	2,2	-1,7	2,6	-0,8	0,4	-0,5	-0,5	0,3	0,5	0,5	0,5	0,5
Imports (y/y, q/q, %)	-1,1	3,0	0,6	1,0	-0,4	0,7	1,4	0,2	1,1	0,4	1,2	-0,2	0,2	-0,2	-0,2	0,3	0,3	0,3	0,5	0,5
Inflation (y/y, %)	1,1	1,7	1,2	1,3	1,0	0,9	1,2	1,3	1,8	1,8	1,7	1,2	0,9	1,3	1,1	1,4	1,2	1,3	1,4	1,3
Core inflation (y/y, %)	2,3	1,8	1,5	1,3	2,6	2,2	2,3	2,2	1,9	1,9	1,8	1,8	1,8	1,6	1,5	1,3	1,3	1,3	1,3	1,3
Unemployment rate (%)	6,6	6,2	6,3	6,5	7,1	6,7	6,3	6,2	6,3	6,3	6,1	6,1	6,2	6,3	6,4	6,4	6,5	6,5	6,5	6,5
Current account balance (% of GDP)	1,1	1,0	1,1	1,2	0,4	1,6	1,7	0,6	-0,4	1,9	1,3	1,1	1,2	1,1	1,0	1,0	1,1	1,2	1,2	1,2
Fiscal balance (% of GDP)	-3,4	-3,0	-2,8	-2,8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	134,9	136,2	138,3	138,2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Spain

	2024	2025	2026	2027	2024				2025				2026				2027			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	3.5	2.8	2.2	1.9	1.1	0.9	0.8	0.8	0.6	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.4	0.4	0.4	0.4
Domestic demand (contribution to GDP, pps)	3.0	3.4	2.6	1.8	0.7	0.8	0.9	1.2	0.6	0.6	1.3	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Private consumption (y/y, q/q, %)	3.1	3.3	2.6	1.8	0.5	1.2	1.2	0.9	0.4	0.8	1.1	0.7	0.5	0.5	0.6	0.5	0.4	0.4	0.4	0.4
Public consumption (y/y, q/q, %)	2.9	1.8	1.6	1.2	0.6	0.0	1.6	0.1	0.2	0.0	1.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Investment (y/y, q/q, %)	3.6	5.9	4.0	2.5	1.5	0.5	-0.6	3.6	1.4	0.8	2.1	1.0	0.8	0.8	0.7	0.7	0.6	0.5	0.5	0.6
Change in inventories (contribution to GDP, pps)	0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.0	-0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution to GDP, pps)	0.2	-0.7	-0.4	0.1	0.3	0.0	-0.2	-0.4	0.2	-0.1	-0.7	-0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Exports (y/y, q/q, %)	3.2	3.7	1.8	2.2	2.2	0.6	0.3	0.1	2.4	1.4	-0.6	0.4	0.6	0.5	0.5	0.8	0.5	0.5	0.5	0.4
Imports (y/y, q/q, %)	2.9	6.2	3.2	2.0	1.3	0.6	1.2	1.2	2.1	2.0	1.3	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Inflation (y/y, %)	2.9	2.7	2.3	1.8	3.2	3.6	2.3	2.4	2.7	2.2	2.8	3.0	2.5	2.5	2.3	2.0	2.0	2.0	1.8	1.5
Core inflation (y/y, %)	2.9	2.6	2.5	2.0	5.0	3.9	4.2	3.6	3.2	2.9	2.8	2.5	2.3	2.7	2.7	2.6	2.5	2.1	2.0	2.0
Unemployment rate (%)	11.4	10.6	9.8	9.4	11.8	11.6	11.3	10.8	10.8	10.6	10.5	10.3	10.1	9.9	9.7	9.6	9.5	9.4	9.3	9.2
Current account balance (% of GDP)	3.2	2.4	1.7	1.5	3.3	3.4	3.8	2.3	2.4	3.5	1.7	1.9	1.9	1.7	1.7	1.6	1.6	1.5	1.5	1.5
Fiscal balance (% of GDP)	-3.2	-2.8	-2.7	-2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	101.6	100.3	99.0	99.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Eurostat, Crédit Agricole SA / ECO

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 MACROECONOMIC SCENARIO

	GDP (yoy, %)			Consumer prices* (yoy, %)			Current account (% of GDP)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
United States	**1.9**	**2.1**	**2.0**	**2.8**	**2.8**	**2.4**	**-3.8**	**-3.5**	**-3.4**
Japan	**1.1**	**1.0**	**1.7**	**3.0**	**1.6**	**1.6**	**2.0**	**2.0**	**3.0**
Eurozone	**1.4**	**1.2**	**1.3**	**2.1**	**1.8**	**1.8**	**2.4**	**1.6**	**1.8**
Germany	0.3	0.9	1.5	2.3	2.0	2.0	5.8	5.1	5.0
France	0.8	1.2	1.2	1.0	1.2	1.5	-0.9	-0.1	0.0
Italy	0.5	0.5	0.8	1.7	1.1	1.3	1.0	1.1	1.2
Spain	2.9	2.2	1.9	2.7	2.3	1.8	2.3	2.5	2.4
Netherlands	1.7	1.5	1.6	3.0	2.2	1.9	9.1	8.6	10.4
Belgium	1.0	1.1	1.1	3.0	2.2	1.8	-0.4	2.4	-1.3
Other advanced									
United Kingdom	1.4	1.2	1.4	3.4	2.1	2.0	-3.3	-3.0	-3.5
Canada	1.1	1.5	1.8	2.0	2.1	2.0	-0.8	-1.0	-1.7
Australia	2.1	2.2	2.3	3.3	3.0	2.6	-2.1	-2.3	-2.6
Switzerland	1.0	1.3	1.1	0.1	0.6	0.7	7.0	7.0	7.1
Sweden	1.9	2.3	2.1	2.7	2.3	2.0	6.3	5.8	5.3
Norway	0.2	1.2	1.1	3.0	2.6	2.3	15.0	12.0	11.0
Asia	**5.2**	**4.8**	**4.7**	**1.0**	**1.7**	**2.1**	**2.7**	**2.2**	**1.8**
China	5.0	4.7	4.5	0.0	0.6	1.0	3.2	2.4	1.8
India	7.0	6.7	6.5	2.6	4.0	4.5	-1.0	-1.2	-1.2
South Korea	1.1	2.1	2.1	2.1	2.1	1.8	6.1	5.9	5.9
Indonesia	5.0	4.8	4.9	2.0	2.5	2.8	-1.0	-1.2	-1.5
Taiwan	6.4	2.6	2.3	1.7	1.8	1.8	14.8	14.0	13.0
Thailand	2.0	1.5	2.6	-0.1	0.6	1.2	3.2	3.4	4.2
Malaysia	4.2	4.5	4.3	2.0	2.2	2.0	1.9	1.8	1.8
Singapore	3.9	2.0	2.2	0.9	1.5	1.7	17.5	17.2	17.0
Hongkong	3.2	2.1	2.0	1.5	1.8	2.0	13.5	11.2	9.5
Philippines	4.7	4.7	6.0	1.6	2.4	3.3	-2.3	-1.3	-2.3
Vietnam	6.9	6.9	6.6	3.3	3.5	3.3	5.1	5.3	6.0
Latin America	**2.6**	**2.4**	**2.5**	**3.1**	**2.9**	**3.0**	**-0.8**	**-1.2**	**-1.1**
Brazil	2.3	1.7	2.0	5.1	4.5	4.0	-3.6	-3.2	-2.6
Mexico	0.5	1.2	1.2	3.8	3.8	3.6	-0.5	-0.3	-0.3
Emerging Europe	**2.0**	**2.3**	**2.4**	**14.7**	**10.1**	**8.5**	**0.0**	**-0.1**	**-0.2**
Russia	1.0	1.4	1.4	8.7	6.0	5.8	1.8	1.7	1.6
Turkey	3.4	3.4	3.7	36.0	24.0	19.0	-1.5	-1.5	-2.0
Poland	3.6	3.6	3.0	3.6	2.7	3.0	-0.9	-1.0	-1.0
Czech Republic	2.4	2.3	2.4	2.5	2.2	2.3	1.2	0.8	0.9
Romania	1.0	1.5	2.3	7.3	6.5	3.4	-6.5	-6.0	-5.8
Hungary	0.4	2.3	2.5	4.5	3.8	3.2	1.5	1.0	1.3
Africa, Middle East	**3.1**	**3.5**	**3.4**	**11.8**	**9.5**	**8.9**	**0.3**	**0.1**	**-0.1**
Saudi Arabia	4.3	4.6	3.9	2.1	1.7	2.0	-3.1	-3.3	-3.5
United Arab Emirates	4.8	5.1	4.6	1.5	1.8	2.0	8.8	8.3	8.0
South Africa	1.2	1.5	1.5	3.2	3.5	3.5	-1.2	-1.4	-1.6
Egypt	4.4	4.8	5.2	20.9	12.0	9.6	-4.4	-4.3	-3.9
Algeria	3.3	2.9	2.7	3.6	4.1	4.5	-3.0	-3.8	-4.2
Qatar	2.6	5.2	6.8	0.5	0.5	2.0	13.7	15.0	16.0
Koweit	2.5	2.8	2.2	2.3	2.2	2.2	22.0	19.0	17.0
Morocco	4.5	4.2	4.1	1.0	1.7	2.0	-1.9	-2.3	-2.6
Tunisia	2.3	2.1	1.7	5.5	5.8	6.0	-2.7	-2.9	-3.2
Total	**3.1**	**3.0**	**3.0**	**3.5**	**3.1**	**3.0**	**0.7**	**0.4**	**0.3**
Advanced economies	**1.6**	**1.6**	**1.7**	**2.6**	**2.3**	**2.0**	**-0.6**	**-0.7**	**-0.6**
Emerging countries	**4.3**	**4.1**	**4.0**	**4.3**	**3.8**	**3.8**	**1.7**	**1.3**	**1.0**

** HICP for euro area countries, CPI for others*

	2025				2026				2027			
Real GDP growth, QoQ %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA (annualised)	-0.6	3.8	2.5	0.8	2.6	1.6	2.4	2.3	2.1	2.0	1.9	1.9
Japan	0.1	0.5	-0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Eurozone	0.6	0.1	0.3	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Germany	0.3	-0.2	0.0	0.1	0.2	0.5	0.4	0.4	0.4	0.3	0.3	0.3
France	0.1	0.3	0.5	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Italy	0.3	-0.1	0.1	-0.1	0.2	0.2	0.2	0.3	0.1	0.2	0.3	0.3
Spain	0.6	0.8	0.6	0.5	0.5	0.5	0.6	0.6	0.4	0.4	0.4	0.4
United Kingdom	0.7	0.3	0.1	0.0	0.3	0.5	0.4	0.4	0.4	0.3	0.2	0.2

	2025				2026				2027			
Consumer prices, YoY %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	2.7	2.5	2.9	3.1	3.0	3.0	2.7	2.7	2.5	2.4	2.4	2.3
Japan	2.7	3.2	3.3	2.6	2.1	1.6	1.3	1.4	1.3	1.6	1.8	1.8
Eurozone (HIPC)	2.3	2.0	2.1	2.1	1.8	2.0	1.8	1.8	1.8	1.7	1.8	1.8
Germany	2.6	2.1	2.1	2.4	2.1	2.1	2.0	1.9	2.0	2.0	2.0	2.0
France	1.2	0.8	0.9	0.9	0.9	1.2	1.2	1.4	1.5	1.4	1.5	1.5
Italy	1.8	1.8	1.7	1.2	0.8	1.3	1.0	1.3	1.2	1.3	1.4	1.3
Spain	2.7	2.2	2.9	2.7	2.5	2.0	2.0	2.0	2.0	2.0	1.5	1.5
United Kingdom	2.8	3.5	3.8	3.6	3.1	1.9	1.7	1.7	1.7	2.1	2.1	2.1

	2025				2026				2027			
Unemployment rate, %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	4.1	4.2	4.3	4.5	4.5	4.4	4.4	4.3	4.3	4.3	4.2	4.2
Japan	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Eurozone	6.4	6.4	6.4	6.3	6.3	6.3	6.2	6.2	6.2	6.2	6.1	6.1
Germany	3.6	3.7	3.8	3.6	3.6	3.5	3.4	3.4	3.4	3.3	3.3	3.3
France	7.5	7.6	7.7	7.8	7.8	7.8	7.8	7.7	7.7	7.7	7.6	7.5
Italy	6.3	6.3	6.1	6.1	6.2	6.3	6.4	6.4	6.5	6.5	6.5	6.5
Spain	10.8	10.6	10.5	10.3	10.1	9.9	9.7	9.6	9.5	9.4	9.3	9.2
United Kingdom	4.5	4.7	5.0	5.2	5.1	5.0	4.9	4.9	4.9	4.9	4.9	4.9

PUBLIC ACCOUNTS

	Government balance (% of GDP)			Public debt (% of GDP)		
	2025	2026	2027	2025	2026	2027
United States	**-6.1**	**-6.4**	**-6.5**	**101.3**	**102.4**	**104.5**
Japan	**-1.0**	**-3.0**	**-3.0**	**218.0**	**217.0**	**215.0**
Eurozone	**-3.0**	**-3.1**	**-3.1**	**87.7**	**88.5**	**88.9**
Germany	-2.6	-3.5	-3.7	63.1	65.0	66.5
France	-5.5	-5.2	-4.9	116.7	118.6	120.2
Italy	-3.0	-2.9	-2.9	136.2	138.5	138.4
Spain	-2.8	-2.7	-2.7	100.2	99.0	99.1
Netherlands	-2.2	-2.8	-2.8	45.4	48.7	48.7
Belgium	-5.4	-5.6	-5.6	107.0	109.7	109.7
Greece	1.1	0.5	0.2	146.0	141.0	135.8
Ireland	2.0	2.8	3.1	33.3	30.3	26.4
Portugal	0.3	-0.1	-0.3	88.7	85.6	84.1
United Kingdom	**-4.8**	**-4.0**	**-3.6**	**102.9**	**105.0**	**106.1**

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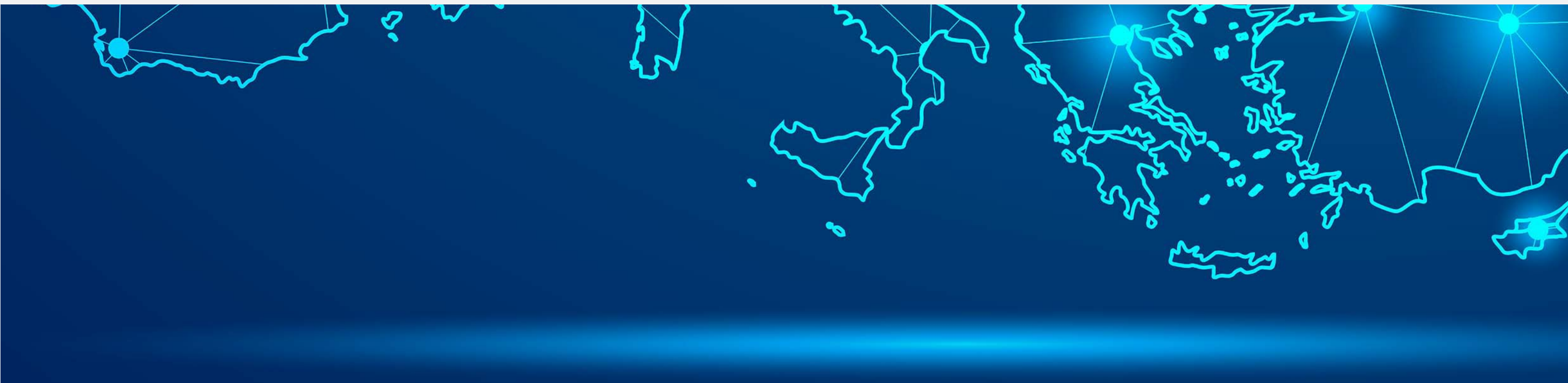

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