



EUROPE 2025-2026 SCENARIO

Quarterly – October 2025

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Summary – Headwinds are easing, but new ones are emerging

Against a backdrop of global growth that has been surprisingly resilient, Western European economies are showing resilience, albeit at varying rates. The economies at the core of the Eurozone, particularly Germany, are showing sluggish growth at best, while the Iberian economies are being buoyed by strong private consumption and investment, the latter supported by funds from the European Recovery and Resilience Plan. In the United Kingdom, growth was the strongest among the G7 countries in the first half of the year, but with modest growth in private consumption and a decline in investment. The pace of growth has slowed significantly since the pandemic, and the UK economy has yet to return to its trend GDP level or growth rate. In contrast, the Eurozone has now recovered the growth lost during the Covid shock and its growth rate has returned to its (low) pre-pandemic potential.

This pace is ensured by the dynamism of labour supply, which is still meeting demand despite the slowdown in the cycle. The resilience of employment is essential to maintaining this narrative of cautious optimism. However, the latter is also supported in the Euro area by a more favourable economic policy stance and by the recovery in the credit cycle, which is fuelling the revival of investment. In the United Kingdom, on the contrary, persistently high inflation is forcing the central bank to halt its easing process, even as fiscal policy becomes more restrictive and the unemployment rate is expected to rise.

The risks to our scenario of accelerating growth in the Euro area and a moderate slowdown in the United Kingdom are skewed to the downside. Although the EU and the UK have benefited from the most favourable terms among the new tariffs imposed by the United States on its trading partners, these remain punitive and uncertainty about future relations with the United States remains, with the confrontation with the Trump administration being hybrid and multifaceted, and potentially spreading to other fronts (FDI, digital services, financial stability, defence). Furthermore, the risk of Chinese trade flows being diverted from the American continent to Europe is emerging as the main deflationary threat to the continent.

International environment assumptions

Our scenario is characterised by a slowdown without recession in the United States, with GDP growth at 1.7% in 2025, down significantly from 2.8% in 2024, before accelerating to 2% in 2026. The ongoing deceleration is accompanied by a weakening labour market, while tariffs are expected to push inflation towards 3.2% at the end of 2025 and to 2.9% in 2026. The Fed is therefore expected to limit itself to a further cut before the end of the year to 4%, before pausing. It would thus join the ECB, which is also on hold with a deposit rate at 2%. The ten-year yield on US Treasuries would stand at 4.55% at the end of 2025, but the thirty-year rate (4.85%) would struggle to break through the 'psychological barrier' of 5%, thanks to demand from pension funds. The German ten-year rate (Bund) would reach 3.03%.

“While the headwinds weighing on domestic demand have eased, the new obstacles are having a greater impact on foreign demand.”

The reorganisation of the hierarchy among Eurozone sovereigns would continue, with a spread against the Bund of 50 basis points for Spain on the one hand, and

80 basis points for France and 85 basis points for Italy by end-2026 on the other. Our scenario assumes that the euro will trade close to its recent highs against the dollar at the end of 2025 (1.17), before falling in 2026 (to around 1.10 at the end of the year), once hopes for greater monetary easing by the Fed have been dashed.

The economies of the 'emerging bloc' continue to hold up well, thanks to the weak dollar, disinflation and the strength of their labour markets. Their growth could thus approach 3.9% in 2025 and 2026. In China, persistently weak consumption, the prolonged correction in the property market and overcapacity in various sectors continue to fuel deflationary pressures. Even if support measures are stepped up, growth is expected to slow from 5% in 2024 to 4.8% in 2025 and 4.4% in 2026. Oil prices could fall slightly in late 2025 and early 2026 as production rises, dropping below \$65 per barrel, but a supply deficit from late 2026 onwards would allow prices to rise moderately.

The Euro area continues its recovery...

Since its recovery in the summer of 2024, growth in the Euro area has settled at a pace close to the 2013-2019 trend, gradually shaking off the factors that had been weighing it down since 2022 (inflation, monetary tightening, post-pandemic fiscal restraint, credit cycle).



It is showing some resilience to new headwinds (euro appreciation, higher tariffs and uncertainty). While the easing headwinds have mainly weighed on domestic demand, the new obstacles are having a greater impact on foreign demand. Domestic demand is showing resilience, which is supporting GDP growth. Despite past headwinds, the labour market has shown strong resilience, with an unemployment rate lower than would be expected for such a rate of GDP growth. However, growth is now less job-rich, hours worked are increasing only slightly and the unemployment rate has stabilised over the past year. Gains in purchasing power persist, even though real wages per worker have only recovered to their pre-2022 inflation shock levels.

With margins under pressure from external competitiveness damaged by appreciation and higher customs duties, the question arises as to whether this resilience in both employment and wages will continue. The acceleration in growth in our scenario is based on the assumption that employment will remain resilient and the unemployment rate will fall slightly. Profitability, although currently eroding, remains in line with its historical average, and consumers can rely on historically high savings.

... with mixed performances

French growth surprised on the upside in the second quarter of 2025, and activity is expected to continue to grow moderately in the second half of the year. This would result in modest growth in 2025, at a rate of 0.7%. Despite possible wait-and-see effects generated by uncertainty about the behaviour of private agents, activity is expected to accelerate at an annual rate of 1.2% in 2026. The acceleration in activity would be driven by the impact of German government measures and increased defence spending in the European Union, as well as by the acceleration in private consumption and the recovery in domestic business investment.

The German economy remains mired in weak manufacturing activity and a deterioration in its competitive position. Growth in 2025, forecast at

0.1%, is still being held back by sluggish private consumption and a decline in investment in its productive components and in housing. The outlook for 2026 is improving significantly with the announcement of additional spending, forecast to increase by 1% of GDP in 2026, which should support an acceleration in growth to 1.2%.

The Italian economy is struggling to regain momentum in 2025, with growth forecast at 0.5%.

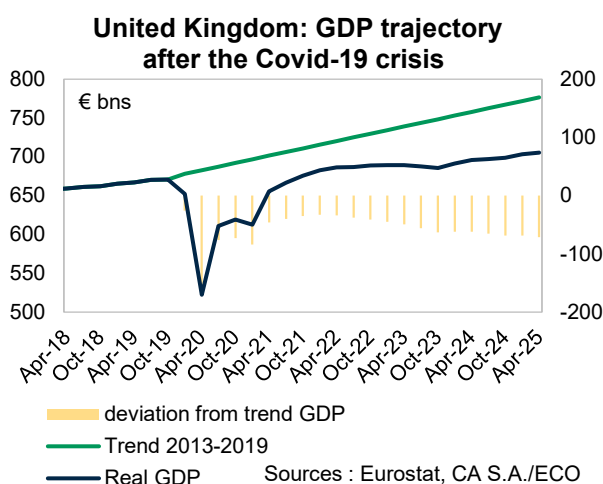
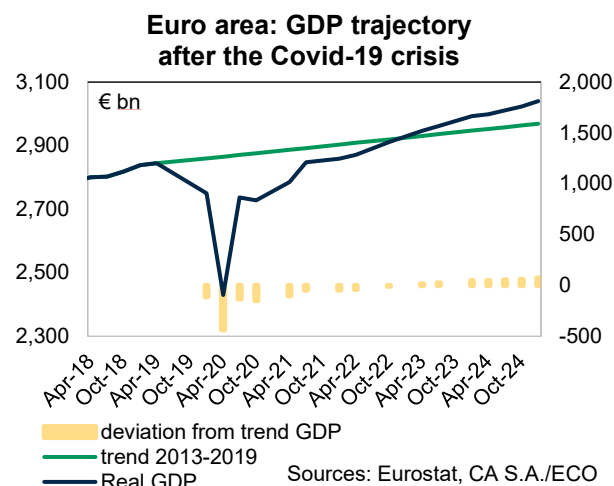
Despite continuing difficulties in the industrial sector, investment remains surprisingly resilient in 2025, supported by the Transition 5.0 plan and the easing of financing conditions. Consumption remains the weak link, penalised by a less dynamic labour market and purchasing power that is still under pressure. For 2026, we anticipate a slight acceleration in growth to 0.6%.

Spanish growth is expected to remain well above the Eurozone average in 2025 at 2.8%.

Rising labour costs, inflation contained by lower margins and a gradual moderation in public investment define the new economic environment in Spain. Domestic demand remains the main driver of activity, supported by resilient private consumption and dynamic residential and productive investment, while public consumption continues to grow at a moderate pace. External demand, weakened by the slowdown in global trade and the decline in goods exports, will limit its contribution to GDP, despite the continued strength of services. The Spanish economy in 2026 would therefore enter a phase of gradual normalisation of the pace of expansion to 2%, more in line with its potential.

Awaiting the impact of Turnberry...

The impact of the Turnberry trade agreement, concluded this summer between the EU and the United States, will begin to unfold. The impact is expected to be negative, lowering our June forecast by 0.1 percentage points (pp) in 2026. The new single rate of 15% applies to the vast majority of EU exports to the United States (including cars, pharmaceuticals and semiconductors). It should be noted, however, that the 15% rate on vehicles will apply in parallel with the

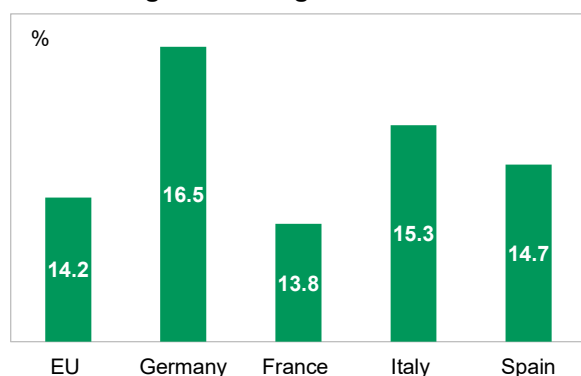




reduction in customs duties on US products, and that the 25% rate therefore remains in force. Duties of 50% apply to steel, aluminium and copper. These new duties raise the weighted average effective rate of trade value from 1.7% in 2024 to 14.2%, an increase of 12.5 pp since the start of Trump's second term. For Germany and Italy, the weighted effective rate is higher than the EU average, at 16.5% and 15.3% respectively, while for France it is lower than 13.8%.

According to our estimate produced using the Oxford Economics model, such an increase in customs duties would lead to a decline in Eurozone growth of 0.4 pp in 2026 and 0.3 pp in 2027, resulting in a cumulative negative impact of 0.7 points by 2027 compared to a pre-Trump scenario. The impact would be less severe in France, with a cumulative decline of 0.5 pp, in line with the zone in Germany, and higher at -0.8 pp in Italy.

**US customs duties:
weighted average effective rate**



Sources: OMC, European Commission, CA S.A./ECO

As for 'zero for zero' duties on a number of strategic products – including aircraft and aircraft parts, certain chemicals, certain generic drugs, semiconductor equipment, certain agricultural products, natural resources and essential raw materials – in the briefing notes published after the agreement document, the reference to 'zero for zero' was removed and the United States stated that it will now only restore tariffs on some of these goods to MFN (most-favoured-nation) levels. These MFN tariffs are low, but are not generally zero.

The official rate on which our simulations were based is therefore likely to increase.

... and potentially that of Beijing

A significant risk stems from the reorientation of Chinese exports from the US market, which is now more protected, to the European market. The increase in customs duties imposed by the first Trump administration would have resulted in a 2-3% increase in imports from China to the Euro area over the period 2018-2019, according to an ECB estimate. However, this increase has continued over the years, with the effects of trade reorientation taking time to materialise. The new tariffs imposed by the new Trump administration are higher and would lead to a greater increase in imports of Chinese goods into the Euro area. Meanwhile, value chain integration has intensified, Chinese goods have moved upmarket and, above all, Chinese exporters have been able to better anticipate the trade war by implementing long-term strategies to penetrate the European market, with investments in sales and distribution networks. In addition, the renminbi has depreciated by almost 11% against the euro since the beginning of the year. The ECB estimates that Chinese imports to the Euro area could increase by 10% as a result of this reorientation of US market flows. The impact would be negative on import prices (-1.6%) and would reduce inflation by 0.15 pp in 2026. Since April 2025, the European Commission has been monitoring import flows on a monthly basis to detect any harmful increases, to which it could respond with measures to safeguard the single market. Detrimental increases are already visible in the textile, automotive, machinery and equipment, metals and chemicals sectors. The European Union will have to broaden its range of tools to respond more effectively, within the framework of the WTO by invoking security issues, the existence of market distortions or even outside this framework for threats to the single market.

Despite sluggish consumption and a more unfavourable external environment, the Euro area recovery is continuing. Investment is expected to be the driving force behind the acceleration in growth, supported by European funds, defence spending and German public spending.



EURO AREA COUNTRIES

Euro area – A resilience stress test so far successful

France – Political instability takes hold, activity holds up

Italy – An illusion of resilience

Spain – Growth refuses to slow down



Euro area – A resilience stress test so far successful

Despite sluggish consumption and a more unfavourable external environment, the Euro area recovery is continuing. Investment is expected to be the driving force behind the acceleration in growth, supported by European funds, defence spending and German public spending.

Domestic demand returns to its trend growth

After sustained GDP growth in the first quarter of 2025 (+0.6% quarter-on-quarter), fuelled by a rebound in exports in anticipation of tariff increases, a **setback occurred in the second quarter; growth nevertheless remained slightly positive (+0.1%) and above our June forecasts (-0.3%)**. In response to their sharp rise in the first quarter (particularly for Irish pharmaceutical products), we anticipated a more marked decline in exports to the United States.

“The acceleration of domestic demand would support activity in a context of weak foreign demand.”

The second-quarter correction did indeed take place: whilst this correction is only partial, it reduces the risk of a brutal adjustment in the third quarter. Supported by the upward revision of fourth-quarter 2024 growth and a dynamic first quarter 2025, second-quarter GDP growth, modest but positive, allows for a statistical carry-over of 1.2% for average growth in 2025. This carry-over is higher than that of our last June forecast (0.8%) and justifies the upward revision of Euro area growth forecast for 2025. **Our scenario now anticipates GDP growth of 1.3% in 2025 and 2026.**

Excluding distortions related to Irish data on intellectual property investment, in the second quarter, domestic demand growth weakened whilst maintaining a pace slightly above its long-term trend. Including Irish data, domestic demand declined.

Household consumption continued to grow at a modest pace (+0.1%, at the same rate as in Q1), whilst public consumption accelerated (+0.5%, after +0.1%).

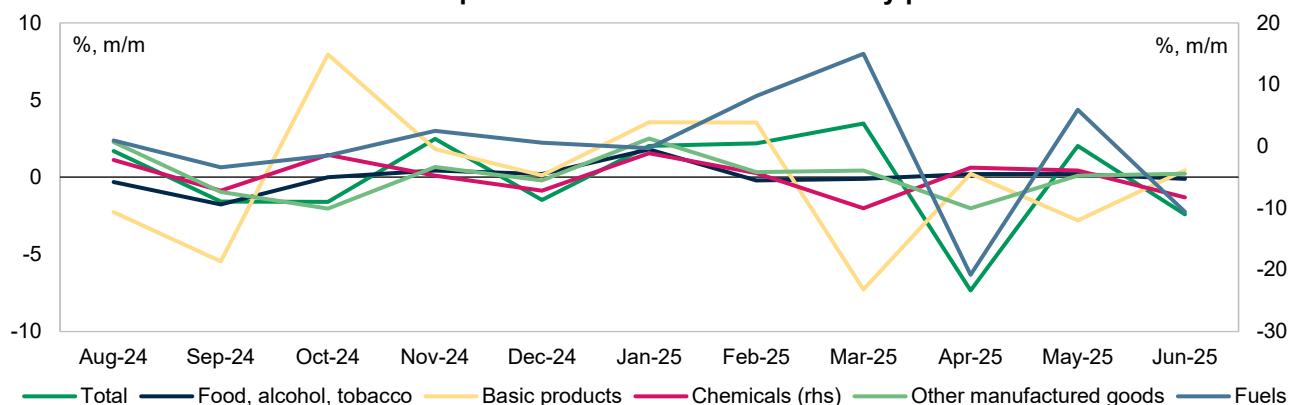
Investment resists uncertainty

Investment experienced a significant decline (-1.8%) in the second quarter, but this decrease is mainly explained by the sharp fall in Irish investment (-37%), which reduced Eurozone investment growth by 2.1 percentage points. This decline is linked to the downward adjustment (-55.6%) of intellectual property rights investment after its strong recovery in Q1 (+128.7%). Eliminating this "Irish effect", gross fixed capital formation increased by 0.3% in the Euro area.

The economic situation of businesses has deteriorated, as rising costs can no longer be passed on to selling prices. Their profit margin fell to 39.1% in Q2, continuing a downward trend that began in spring 2023. Growth in employee compensation (1% over the

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

Eurozone: exports in volume extra-Eurozone by product



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



quarter) remained higher than productivity growth (0.1%), pushing up unit labour costs. Nevertheless, the profit margin remains in line with the historical average, while the investment rate remains lower, allowing for a reduction in debt.

Whilst housing investment declined in the second quarter (-0.1%), its fall has nevertheless tended to slow over the past year; conversely, capital accumulation in construction shows year-on-year growth that remains positive but is weakening.

Gross fixed capital formation (GFCF) in machinery and equipment, on the other hand, **recovered vigorously** (+1.5% quarter-on-quarter) driven by rapid growth in Italy (2%) and Spain (2.8%), whilst it fell in France (-0.2%) and increased more weakly in Germany (+0.2%). As for **investment in transport equipment**, after the strong recovery in the first quarter, it **declined in the Euro area** (-1.4%) weighed down by a sharp fall in Germany (-7.2%).

Much noise around foreign demand

In the second quarter, **the contribution of foreign demand was slightly negative** (-0.2 percentage points), resulting from a decline in exports (-0.5%) and stable imports. These developments only partially correct the sharp rise in both exports and imports (+2.2%) recorded in the first quarter. Excluding the "Irish effect", the setback suffered by exports is more limited, with stable flows, but the rise in imports is more marked (1%). Excluding Ireland, the contribution of foreign demand to Euro area GDP growth would have been more negative.

These movements in imports are also reflected in a strong positive contribution from inventory changes (0.5%), without which quarterly growth would have been negative, thus in line with our June forecast (-0.3%). This support from stockbuilding to growth comes after two consecutive quarters of negative contribution.

The sustainability of the summer industrial recovery remains to be proven

The backlash from tariff increases appears less violent than initially expected, even though part of it probably still needs to unfold during the third quarter. Indeed, after the anticipation of Irish pharmaceutical sales to the United States during the first quarter, the second-quarter correction did take place and reduces the risk of a violent adjustment in the third quarter. This dynamic was common to the major Euro area economies where strong increases in export volumes outside the European Union were recorded, especially in March, with abrupt adjustments from April and May onwards.

Positive signals have been relayed to us by indicators published during the summer. Manufacturing activity continued to grow in the third quarter, with industrial production remaining supported until July and the manufacturing PMI production index above 50 for the seventh consecutive month in September. The sustainability of this nascent industrial recovery remains crucial for short-term prospects, in a context of slowing momentum in private services.

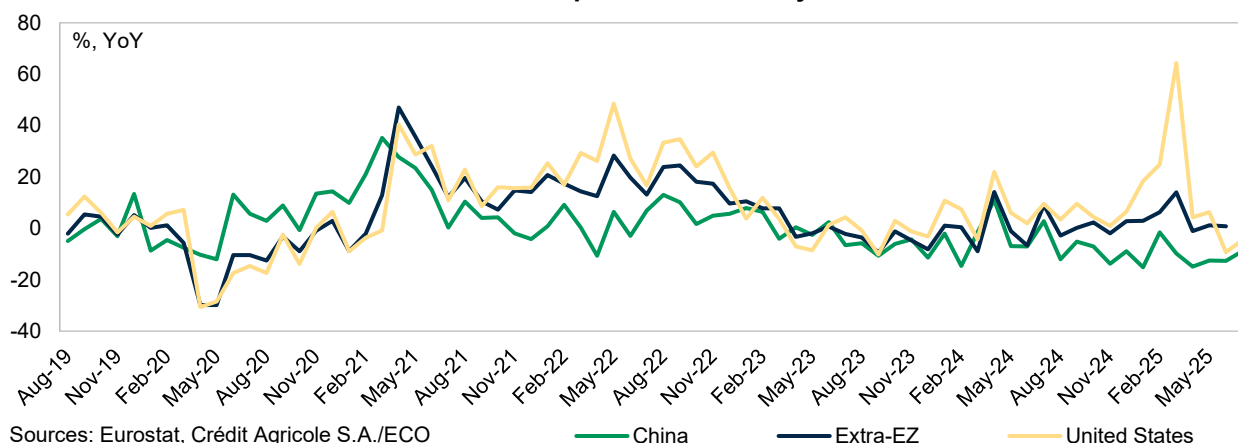
The cost of Turnberry and the long term

Whilst one can assume that the backlash from anticipated foreign sales has largely already occurred and only marginally affects our short-term forecast, in the medium term, **it is the impact of the Turnberry trade agreement, concluded this summer between the EU and the United States, that will unfold.** The impact would be slightly negative and would add 0.1 percentage points in 2026 to the negative impact already factored in in our June forecast (which included a 10% statutory tariff hike).

An investment-driven scenario

Rising domestic demand could support manufacturing activity in a context of declining exports. The end of post-pandemic destocking, investment needs related to electrification, the green transition and defence spending justify an acceleration

Eurozone: exports in volume by destination





in investment (+2.2% in 2025 and +1.9% in 2026) and GDP growth that maintains the potential pace over our forecast horizon. With slightly more information on state plans, we anticipate a positive contribution of 0.1 percentage points from additional defence spending to Euro area growth in 2026.

Consumption caution and resilience test for the labour market

Employment grew at a rate of 0.9% year-on-year in the second quarter, less rapidly than GDP (+1.5% year-on-year). Job creation was very dynamic in Spain and France (at rates of 2.4% and 1.5% year-on-year respectively), less vigorous in Italy (+0.8%) and nil in Germany. The unemployment rate stabilised at 6.4% of the labour force in the Euro area, but it resumed its

decline in July. Whilst the unemployment rate continued to fall in the second quarter in Spain (standing at 10.5%), it increased in Germany, France and Italy where it stands at 3.7%, 7.5% and 6.7% respectively.

The first frictions are therefore visible in the Euro area labour market, particularly in Germany and Italy, due to weak growth. However, the process of reducing excess capacity continues with a decline in the labour market slack, even though we are witnessing a rebound in involuntary part-time employment.

Forecasts established on 03/10/2025.

Article completed on 03/10/2025.



France – Political instability takes hold, activity holds up

Growth surprised to the upside in the second quarter of 2025 and activity is expected to continue to grow moderately in the second half of the year. Despite the possible wait-and-see effects generated by uncertainty on the behaviour of private agents, activity is expected to accelerate on an annual basis in 2026. The trend will be driven by the impacts of German government measures and the increase in EU defence spending, as well as by an acceleration in private consumption and the resumption of business investment domestically.

Surprise: higher-than-expected growth in first-half 2025

After a slight 0.1% quarter-on-quarter increase in the first quarter, economic activity picked up sharply in the second quarter, to +0.3%, exceeding our forecast published in June (+0.1%). But ultimately the acceleration proved underwhelming, as it was driven by restocking. Activity is expected to continue to grow at a moderate pace in the third quarter (+0.2%) before slowing at the end of the year (+0.1%) on considerable political and fiscal uncertainty. Activity is then expected to grow at a rate of between 0.3% and 0.4% per quarter in 2026.

Slowdown in activity in 2025, but less than expected

On an annual basis, growth is expected to come out at +0.7% in 2025, after +1.1% in 2024. The slowdown is expected to stem primarily from foreign trade, which, after playing a bolstering role in the two previous years, will take 0.6 points off growth in 2025 (after contributing +1.3 points in 2024). Exports are expected to slow (+0.6% after +2.4%), while imports are expected to rebound (+2.7% after -1.3%). Furthermore, despite a smaller decline in investment compared with the previous year (-0.4% after -1.3%), final domestic demand excluding inventories will be held back by the sharp slowdown in household consumption (+0.4% after +1.0%), despite an increase in purchasing power. The contribution to growth of final domestic demand excluding inventories is thus expected to decrease to 0.4 points (after 0.6 points in 2024). Only the contribution of changes in inventories will recover, adding 0.9 growth points in 2025 (after -0.8 points in 2024) as a result of restocking in the first half of the year.

However, the slowdown in activity in 2025 looks set to be less emphatic than expected in our June forecast, as we have revised our annual growth forecast upwards by 0.1 points, in line with the growth carry-over already observed at the end of the second quarter, which corresponds to our previous forecast (0.6%).

Inflation is set to fall to an annual average of 1.0% in 2025, for the consumer price index (CPI), after 2.0% in 2024.

Activity to accelerate in 2026, driven by external and internal factors

Growth is expected to increase to 1.2% in 2026, slightly higher than potential growth. This acceleration in activity will be enabled first of all by the rebound in the contribution of foreign trade to growth (to +0.6 points), with imports expected to slow (to +1.5%) and exports to pick up substantially (to +3.1%). The contribution of final domestic demand excluding inventories is also expected to increase significantly, to +1.0 points. This trend will be driven by an acceleration in household consumption (+1.0%) and by the resumption of investment (also +1.0%). However, changes in inventories are expected to take 0.4 points off growth, reflecting a trend of partial destocking. Overall, German government measures and the increase in defence spending in the European Union are expected to support French growth by 0.3 points in 2026. These measures will boost French exports and private investment.

Inflation is expected to rise slightly in 2026, to an annual average of 1.1% for the CPI.

	2023	2024	2025	2026
GDP volume, sa-wda (y/y, %)	1.6	1.1	0.7	1.2
Domestic demand excl. inventories (contribution to GDP, pps)	1.0	0.6	0.4	1.0
Changes in inventories (contribution to GDP, pps)	-0.3	-0.8	0.9	-0.4
Net exports (contribution to GDP, pps)	0.9	1.3	-0.6	0.6
Household consumption (y/y, %)	0.7	1.0	0.4	1.0
Total investment (y/y, %)	0.8	-1.3	-0.4	1.0
Inflation CPI (y/y, %)	4.9	2.0	1.0	1.1
Unemployment rate, France excl. Mayotte (%)	7.3	7.4	7.6	7.7
Fiscal balance (% of GDP)	-5.4	-5.8	-5.6	-5.3

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

Forecast in line with the consensus in 2025, relative optimism in 2026 linked to the assumptions used

Our growth forecast for the third quarter of 2025 (+0.2%) is prudent, slightly lower than the quarterly forecast published by INSEE in its September



economic report ("[No confidence, some growth](#)") and that of the Banque de France in its [monthly business survey published at the start of September](#), both at 0.3%. However, our forecast is slightly higher than that of the September Consensus Forecasts (+0.1%), but some of the panel's forecasts may not have been updated for a long time.

Our annual growth forecast for 2025 (+0.7%) corresponds to that of the Banque de France in its [macroeconomic interim projections](#), published on 15 September, and to the French government's forecast in the [annual progress report](#) (APR) of April 2025. Our forecast is slightly lower than that of INSEE, published on 11 September in its latest economic report (+0.8%). But it is slightly higher than the average forecast of the Consensus Forecasts published in September (again, some of the panel's forecasts are probably dated) and the forecasts of the European Commission¹ in [May 2025](#), the International Monetary Fund (IMF) in July ([World Economic Outlook Update](#)) and the Organisation for Economic Co-operation and Development (OECD) in September ([Interim Economic Outlook](#)), all at 0.6% (i.e. at the level of the 2025 growth carry-over at the end of the second quarter).

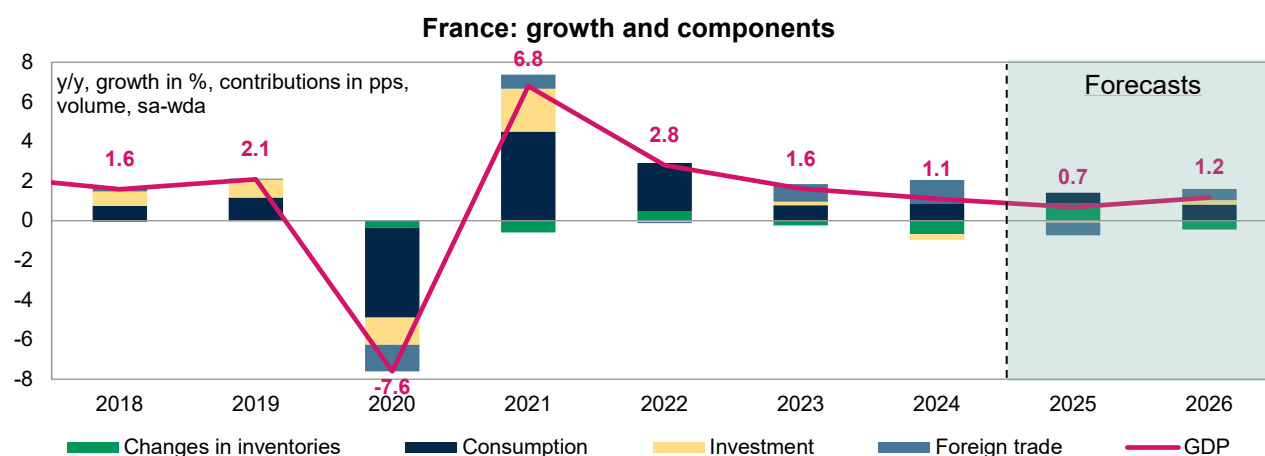
Our annual growth forecast for 2026 (1.2%) is higher than those of the Banque de France and the September Consensus Forecasts, both at 0.9%. It is also higher than the forecasts of the OECD in September (0.9%) and the IMF in July (1.0%). It corresponds to the government's forecast in the 2025 APR, even though the press announced that the forecast would be lowered to 1.0% in the Lecornu Finance Bill for 2026, ultimately stillborn. However, our forecast is lower than that of the European Commission in May (1.3%, see footnote 1). The relative "optimism" of our forecast relative to those of other institutes can be explained by the inclusion in our forecast of the impact of German public measures and the increase in European defence spending on French growth, for a

total of +0.3 points in 2026. The scale of the German government's measures (major infrastructure investment plan of €500 billion over 12 years and reform of the debt brake) is expected to have a significant effect on French growth in 2026, consistent with the findings of the literature on public spending spillovers in the Eurozone (see [ECB](#) for example). A [recent ECB study](#) also suggests that higher defence spending will have a positive impact on the GDP of other Eurozone countries. As France is relatively well positioned in this industry, French growth should particularly benefit from it, though some capacity problems will somewhat limit the impact in the short term.

The latest economic indicators suggest that activity will continue to grow at a moderate pace in the third quarter

The business climate stood at 96 in September 2025 and has been stable at this level slightly below the long-term average (100) since May. The business climate is below its historical average across all business sectors. However, it is compatible with moderate growth in activity, the empirical turnaround threshold standing at around 80.

Consumer confidence is currently relatively low, at 87 in September (stable compared with August), well below its historical average (100). It remains higher than the low point of 80 reached in the summer of 2022, but the recovery under way since then was initially halted by political upheavals at the end of last year (and the fall of the Barnier government in particular). The January-February 2025 rebound petered out, with household confidence having fallen again since March. Looking in more detail at the balances of opinion of the consumer survey, fears related to unemployment have rebounded since the end of 2024 even though the unemployment rate remains low. Moreover, the balance of opinion regarding the opportunity to save remains extremely high from a historical viewpoint,



¹ Unlike most other forecasts, the European Commission's growth forecast is not adjusted for seasonality and working days. The difference between the two measurements is generally small but

may be considerable in some years. INSEE estimates the impact of working days on growth at -0.15 points in 2025 and +0.08 points in 2026.



suggesting that the household savings rate should remain elevated in the short term. Over the past few months, we have also seen an erosion in confidence relative to personal financial prospects and, more broadly, to the outlook on the standard of living in France. After picking up previously, the balance of opinion on opportunities to make major purchases fell once more in the last surveys, so household consumption growth is expected to remain modest in the coming quarters.

Inflation is expected to remain low over the forecast horizon

Inflation rose slightly in September 2025 but remained low at 1.2% year-on-year for the CPI, after 0.9% in August, according to provisional results from INSEE. Year-on-year in September, prices for services increased by 2.4%, food prices by 1.7% and tobacco prices by 4.1%. Conversely, energy prices fell by 4.5% and those of manufactured goods by 0.4% year-on-year. Inflation as defined by the Harmonised Index of Consumer Prices (HICP), which serves to make comparisons between European countries using a common methodology, also increased slightly in September, to 1.1% year-on-year (after 0.8% in August). Inflation is currently low in France compared with other Eurozone countries (and more broadly the EU) and has been among the lowest for several months (with Cyprus). Cumulative inflation since Q4 2019 is also much lower on average in France (18.1%) than in the Eurozone (22.9%) and in its main neighbours (25.4% in Germany, 21.1% in Spain and 20.7% in Italy).

Inflation is expected to remain low. On an annual average, it is expected to fall to 1.0% for the CPI in 2025, after 2.0% in 2024 (and to 1.0% for the HICP, after 2.3%). Inflation is expected to increase in 2026, but only slightly, to 1.1% for the CPI (and 1.3% for the HICP). Inflation will mainly be driven by the prices of services (and to a lesser extent those of food), while energy and manufacturing inflation is expected to remain negative.

Unemployment rate expected to rise slightly by end-2025

Employment remained relatively resilient at the beginning of the year. According to the national accounts, it stabilised in the second quarter after declining slightly in the preceding quarters (-0.1% in Q4 2024 and -0.3% in Q1 2025). The total number of hours worked decreased slightly for the third consecutive quarter (-0.2% after -0.4%). The trend in employment and hours worked, combined with an increase in economic activity, are reflected in a recovery in labour productivity.

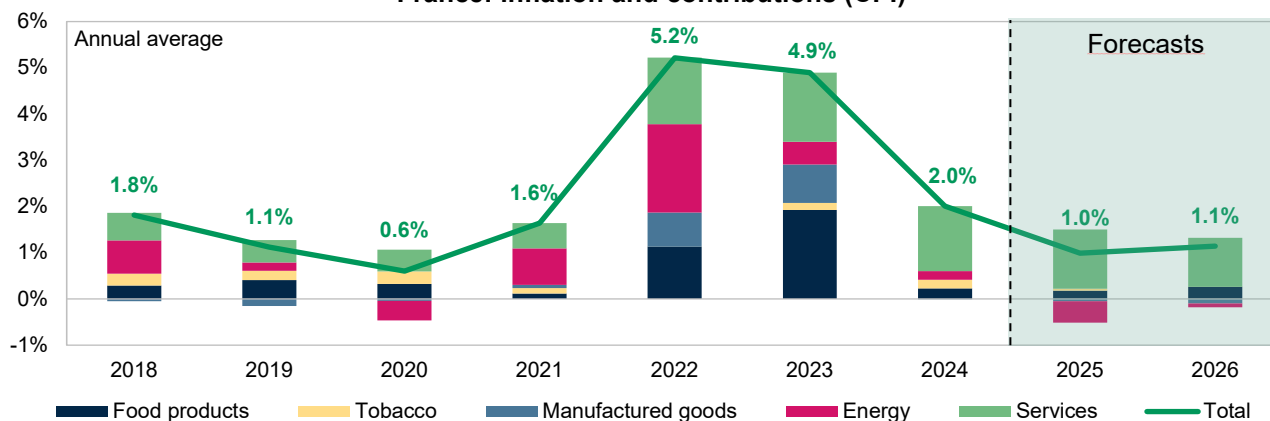
“Inflation is currently low in France compared with other Eurozone countries) and has been among the lowest for several months.”

The unemployment rate as defined by the International Labour Office (ILO) remained stable for France (excluding Mayotte) in Q2 2025 at 7.5% (and 7.3% for mainland France). While the unemployment rate is higher than the low reached in late 2022 and early 2023 (7.1%), it remains well below that of the 2010s (9.6% on average). Looking ahead, employment is expected to grow slightly, at 0.1% per quarter on average. This should result in a slight increase in the unemployment rate in the second half of 2025, given the increase in the working population. On average, the unemployment rate is thus expected to reach 7.6% in 2025 (7.4% for mainland France alone). It would stabilise in early 2026 before starting to decline in the fourth quarter. It is expected to increase to 7.7% on average in 2026 (7.5% for mainland France).

Household savings rate expected to remain high in 2026

The dip in inflation was not reflected in an increase in household consumption spending in first-half 2025. Quite the contrary, this expenditure fell 0.3% in the first quarter, before stabilising in the second quarter. At the

France: inflation and contributions (CPI)



Sources: Insee, Crédit agricole S.A./ECO calculations and forecasts



same time, household purchasing power increased significantly, up +0.1% in Q1 and +0.4% in Q2. Household spending on goods has fallen even further, while inflation on goods has hit a low point, with households privileging services, the consumption of which continued to increase in the first half of the year. The slight decline in consumption, combined with the increase in the purchasing power of gross disposable income (GDI), resulted in a further increase in the household savings rate, which came out at 18.9% in the second quarter.

GDI purchasing power is expected to decline at the end of 2025, particularly given the timing of tax levies (with the payment of the exceptional contribution on high incomes at the end of the year and an increase in real incomes in 2024, which will lead to an increase in income tax). It is expected to increase by a little under 1% in 2025, after the sharp 2.5% increase in 2024. GDI purchasing power is expected to slow further in 2026 but without falling back. (However, this forecast is uncertain, mainly since the details of the mandatory tax measures that will affect households in 2026 are not yet known).

Given the modest increase in household consumption at the end of 2025 and the slight acceleration in 2026, the household savings rate is expected to decline slightly over the forecast horizon. On an annual average basis, it is expected to reach 18.6% in 2025 (after 18.2% in 2024) and decrease to 18.1% in 2026, remaining significantly higher than before the pandemic (14% on average between 1992 and 2019).

Slight dip in margins as corporate insolvencies stabilise at a high level

The margin rate of non-financial companies (NFCs) fell slightly once again in Q2 2025, declining to 30.7% (after 31.4% in the first quarter) on higher wages and employer contributions. However, the decline was limited by productivity gains. The self-financing ratio of NFCs (gross savings/gross fixed capital formation) continued to fall in the second quarter, to 86.4% (after 87.4% in the first quarter), which is a relatively low

level. The decrease in self-financing ability since the beginning of 2024 stems from the increase in interest expense (and will be strengthened at the end of 2025 by the corporate tax premium for companies with annual revenue of over €1 billion).

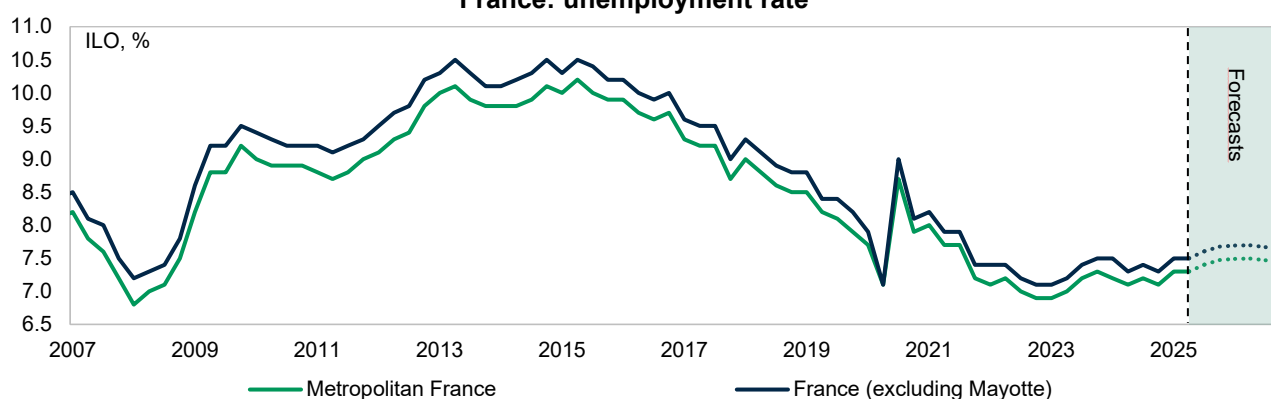
Corporate insolvencies have stabilised at a high level since April 2025. On a cumulative basis over the last twelve months, they amounted to 67,613 in August (after 67,608 in July), up slightly compared with December 2024 (66,250) and up 6.5% year-on-year (vs. +6.2% in July). The increase relative to the pre-pandemic period has been particularly emphatic for mid-caps and large companies, but their number has been stable for several months now and has even trended downwards since May. Momentum in business creations (numerous since the health crisis) remains extremely strong, a sign that the productive fabric is renewing healthily. For the first time since INSEE started tracking them in 2000, monthly creations exceeded the 100,000 mark in August 2025.

The margin rate of NFCs is expected to stabilise overall by the end of 2025, though a very slight decrease is likely at the end of the year owing to the increase in production taxes (including the revaluation of the property tax on professional buildings indexed to past inflation). For 2025 as a whole, the margin rate is expected to decline to around 30.8% (after 32.2% in 2024), i.e. the 2015-2019 average. The margin rate could fall slightly in 2026, the extent of the fall depending on fiscal policy trends.

Significant slowdown expected in the reduction of the public deficit

We continue to forecast a public deficit of 5.6% of GDP in 2025. The information available at this stage does not suggest a drift in the government balance this year, unlike in 2023 and 2024. The difference between our forecast and that of the government (5.4% of GDP) comes mainly from a lower price forecast (GDP deflator) (denominator effect).

France: unemployment rate



Last observed: Q2 2025

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



For 2026, our public deficit forecast is 5.3% of GDP.

This projection corresponds to budgetary savings of €28 billion to €29 billion compared with the trend deficit communicated by the French Ministry of Finance (6.1% of GDP, which is equivalent to 6.3% in our terms, as the starting point – the 2025 deficit ratio – is 0.2 points higher in our forecasts). We made this forecast before the sudden resignation of Prime Minister Sébastien Lecornu. We had assumed that Mr Lecornu would not be able to pass a budget without compromising on the scale of the deficit reduction. However, it is compatible with the scenario of the introduction of a ‘special law’ for early 2026, subsequently supplemented by an initial finance law (*loi de finances initiale*, LFI) in due form (the ‘special law’ is not intended to continue throughout the year). The ‘special law’ alone would lead over the full year to a slowdown in the public deficit ratio relative to the trend, to 5.8% of GDP in 2026 (in our terms; 5.6% in the terms of the government), in connection with a freeze on spending by the ministries (and in particular the Defence mission) and the scales of personal income tax and the CSG social contribution tax. The government would then need to generate just €15- to €16 billion in net budget savings as part of the LFI (and more in gross terms if defence spending is to be increased). This forecast is significantly higher than the reduction in the public deficit to which the French

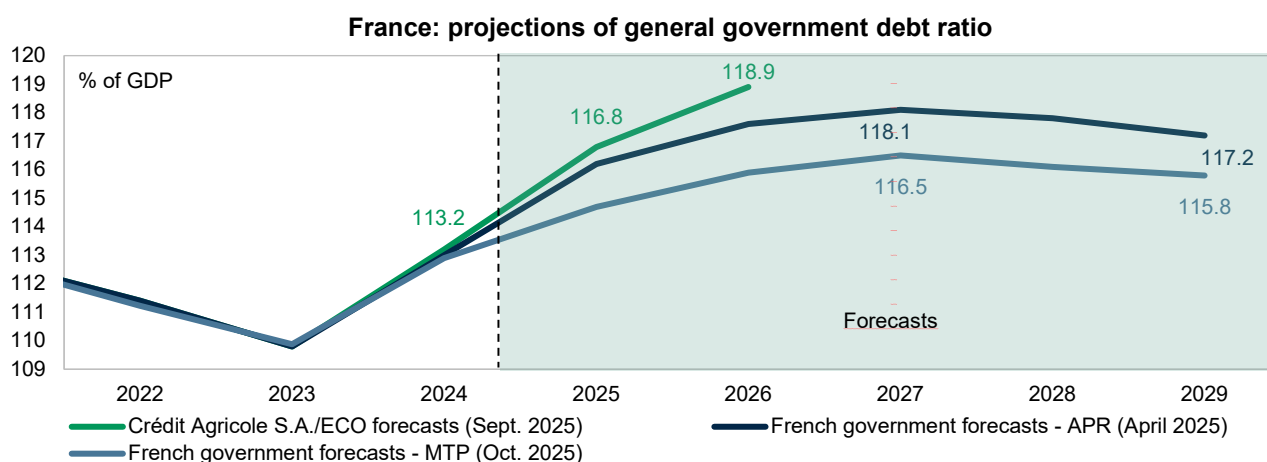
government committed in its medium-term fiscal-structural plan (MTP), based on a public deficit forecast at 4.6% of GDP in 2026. The obvious consequence would be an extension of the deadline for bringing the deficit to below 3% of GDP (planned for 2029 in the MTP) and stabilising debt, along with higher public debt.

Downside risks on growth, upside risks on the public deficit

These forecasts were made before the resignation of Prime Minister Sébastien Lecornu. Given the latest political developments (among other factors), risks are mainly tilted to the downside on growth and to the upside on the public deficit ratio. However, less constrained public spending in 2026 would have an upwards effect on growth, partially offsetting the potential negative effects of uncertainty on the behaviour of private agents. Inflation risks are tilted to the downside, with in particular the risk linked to a potential glut of low-priced Chinese goods on the European market.

Forecasts established on 25/09/2025.

Article completed on 08/10/2025.





Italy – An illusion of resilience

In an uncertain international environment, the Italian economy is struggling to regain momentum. Growth forecasts for 2025 have been revised downwards, reflecting the growing impact of US tariffs on exports. Despite ongoing difficulties in the industrial sector, investment remains surprisingly robust in 2025. Consumption remains the weak link, hampered by a less dynamic labour market and purchasing power that is still under pressure. For 2026, we expect a slight acceleration in growth, which will benefit, among other things, from the fiscal spillovers of the German Plan, whose knock-on effects will gradually support Italian economic activity.

Foreign trade weighs on growth

GDP declined in the past quarter as the initial effects of US tariff measures began to be felt. Following a positive start to the year, with growth picking up to +0.3%, the fall in exports has pushed growth into negative territory in Q2 at -0.1%. otherwise, this figure has been confirmed by the latest revision of the accounts, somme changes the contributions as been made to demand compared with the initial estimate dated 29 August.

In fact, **domestic demand remains resilient**, with its contribution revised upwards from 0.3 points to 0.4 points of GDP, slightly higher than in the previous quarter. After two quarters marked by significant destocking, the contribution of inventories was revised downwards from 0.4 points to 0.3 points of GDP. The decline in growth therefore remains mainly attributable to the negative contribution of foreign trade, which fell by 0.7 percentage points of GDP. Import growth remained unchanged at +0.4%, while the decline in exports was greater than in the first estimate, at -1.9%.

Two-speed growth

The performance of domestic demand remains mainly due to a recovery in investment, with growth revised upwards to +1.6% compared to the previous quarter (compared to +1% in the initial estimate). The momentum is driven by investment in machinery and equipment, which grew by +1.9%, despite a slight downward revision. The first quarter, initially estimated at +1.2%, has been revised to -0.8%, reflecting greater volatility and a slightly less favourable profile than in the initial estimate.

The recovery in productive investment seen since the end of 2024 **seems to be explained by two combined factors**. On the one hand, lower interest rates and easier financing conditions are encouraging investment decisions despite a still highly uncertain environment. According to the Bank of Italy's *Bank Lending Survey*, lending criteria were slightly eased in the second quarter. The reduction in margins on the least risky loans and the partial transmission of the key interest rate stimulated demand for financing, mainly for fixed investments, but also for inventories, working capital and debt refinancing.

On the other hand, **the gradual implementation of the Transition 5.0 plan is providing additional support**. With €6.3 billion in funding for 2024-2025, the scheme aims to support investments related to the energy and digital transition. According to the Unimpresa Study Centre, €2.2 billion has been used so far, representing 35% of the resources. Deployment has been limited by the late publication of the decree (6 August 2025) and the complexity of the procedures. Recent simplifications have removed certain requirements, allowed for cumulation with other schemes and set minimum rates of 35% for investments of up to €10 million.

Contrary to what was predicted in the first GDP estimate, the momentum is being driven by construction, which is up 1.7% and has seen two consecutive quarters of strong growth. This growth is based on the housing component (+1.6%) and the other buildings and public works component (+1.8%), initially estimated at +0.6% and +0.7% respectively. Growth in construction stands at 3.3%. At the same time, **consumption has stalled, with zero growth in the quarter, ending two quarters of sluggish growth.** Public consumption rose by 0.1% over the quarter after declining in the previous quarter.

The consumption profile underwent few changes during the revision of the accounts. Growth in spending on services remained at zero. Consumption of goods rose marginally, driven by an increase in spending on durable goods (+0.3%) and non-durable goods (+0.2%), while the semi-durable goods segment declined.

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



By sector of activity, with the exception of a sharp upward revision in value added in the construction sector from 0.9% to 1.5% and a downward revision in financial and insurance activities, where value added fell by 1.2%, **the picture remains broadly unchanged**. The quarter remained sluggish, weighed down by a 0.7% decline in manufacturing, which was barely offset by the performance of the construction sector and a slight decline in services. Mirroring consumption, trade, transport and distribution activities were at a standstill.

Labour market: resilience eroding

Growth in hours worked was also revised downwards, from 0.2% to zero growth during the quarter. While the decline in hours worked in the primary sector deepened, those in industry fell into negative territory, while they rose slightly in services and construction. This moderation should be viewed in the context of employment data that show some signs of fragility. Indeed, the stability of employment during the quarter masks a decline in salaried employment, affecting both permanent contracts (-0.1%) and fixed-term contracts (-1.7%). This is entirely offset by the rise in self-employment, which increased by 1.4%. By sector, employment in industry grew for the second consecutive quarter, rising from +0.5% to 0.7% despite the difficulties facing the sector.

Short-time working data also confirms the resilience of manufacturing employment, with a decline in the number of hours used to a total of 112

million², down from the previous quarter (152 million) and also down from the same period last year (99 million). Employment also rose in construction (+1%), while it fell in services. For these two activities, short-time working data follow a somewhat different pattern, with an increase in construction (6.6 million hours) and a decrease in services compared to the previous quarter.

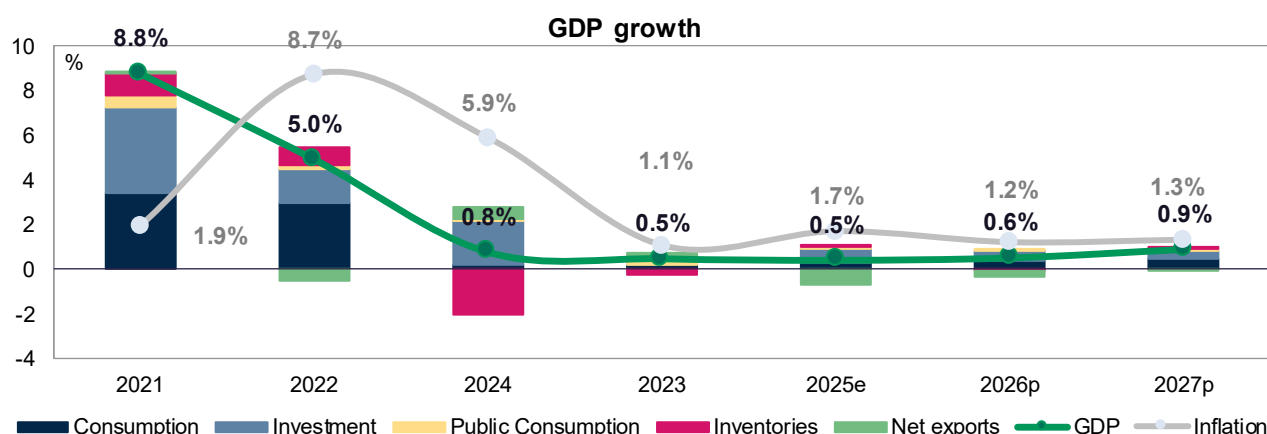
However, the picture painted by the initial data for the third quarter is less positive. **After stagnating in July, employment fell by 0.2% in August**, equivalent to 57,000 fewer jobs, penalised by the decline in salaried employment. The employment rate also fell to 62.6%, while the unemployment rate rose slightly from 5.9% to 6%. After peaking in May, the activity rate fell in August for the second consecutive month, signalling a growing decline in the attractiveness of the labour market.

Consumption at a standstill

While the start of the quarter gave hope for an upturn in household spending with a recovery in confidence in July, August data tempered this optimism. **In September, the confidence indicator improved only marginally**, benefiting from an increase in all components, both in terms of expectations regarding the economic climate and those relating to the personal financial situation. That said, the index remains well below the levels recorded in January or even May.

“It is difficult to envisage a clear recovery in consumption despite a more favourable price environment.”

The situation of Italian households is not unique. They continue to suffer from the lingering effects of inflation. Real disposable income did increase in the second quarter, but this rise was limited to 0.3% and was entirely allocated to additional savings, with the savings rate for consumer households rising from 9.2% to 9.5%. While purchasing power remains below what it was in 2022 (-2.1%), the same is true for real wages (-4%), especially as the outlook for 2025 points to a slowdown. Real wage growth is not expected to exceed 1.5%, compared with +3.6% in the previous year. Monthly contractual wage data also confirm the end of the catch-up, with an average increase in contractual wages of 2.8% since June. The trend is



Sources: ISTAT, prévisions Crédit Agricole S.A./ECO

² The calculation includes the ordinary scheme, the special scheme and the derogation scheme, i.e. the three components of the CIG, but does not take into account the solidarity fund.



clearly slowing down in both industry and construction, with only services coming out on top.

In this context, it is difficult to envisage a clear recovery in consumption despite a more favourable price environment. Household consumption expenditure is therefore expected to grow by an average of 0.1% in the second half of the year, resulting in annual growth of 0.5% in 2025, which is just in line with the growth achieved.

No recovery in consumption is expected in the following two years either. A less buoyant labour market with an expected rise in unemployment (from 6.3% to 6.4%) makes it difficult for wage dynamics to boost purchasing power. Consumption growth is therefore expected to remain subdued in 2026 at 0.6%, before rising slightly in 2027 to 0.9%.

Inflation far from target

Inflation remained stable in September at 1.6% year-on-year. But behind this relative stability, several dynamics are neutralising each other. The decline in energy prices slowed over the month, from -4.8% in August to -3.7%. At the same time, food prices are slowing down. Goods, meanwhile, continue to be characterised by low inflation, although this rose slightly in September to 0.7% from 0.6%. Finally, the trend in services has remained broadly unchanged since May, with inflation fluctuating between 2.6% and 2.7%. As for the basket of high-consumption goods, although it remains well above the 2% threshold, it slowed slightly to 3.2% in September, compared with 4.4% in the previous month.

Over the third quarter as a whole, inflation fell slightly to 1.6% (1.7% in Q2), while core inflation remained stable. The decline in energy prices was confirmed (-3.9%). Although regulated energy prices³, which rose sharply in the second quarter, moderated significantly, falling from +27% to +15%, they had only

a marginal impact on the trend in energy prices given their weighting (7%); the latter benefited more from the fall in unregulated energy prices (-5.9%).

Disinflation in goods, driven by the decline in prices of durable goods, is accelerating (-20 basis points). Food prices, meanwhile, rose slightly over the quarter.

For the rest of the year, inflation is expected to moderate slightly to 1.5% in the fourth quarter, weighed down by an expected slowdown in the food segment. Services will continue to stabilise at 2.6%, while goods and energy will follow the slight upward trend observed in September's data.

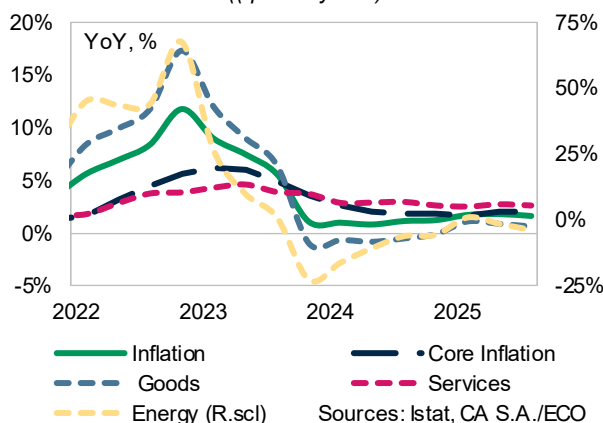
The expected decline in oil prices, resulting from both slowing global demand and US production, **as well as the continued normalisation of gas prices** driven by excess liquefaction capacity in the United States and Qatar, **should once again pull energy prices down**, particularly in the first quarter of 2026 (-6.8%), bringing inflation back to 1% at the beginning of next year.

These effects are expected to moderate with an expected downturn in energy prices, but would be offset by disinflation affecting both goods and services. **Over the year, inflation would therefore fall to 1.2% and remain broadly stable at 1.3% in 2027.**

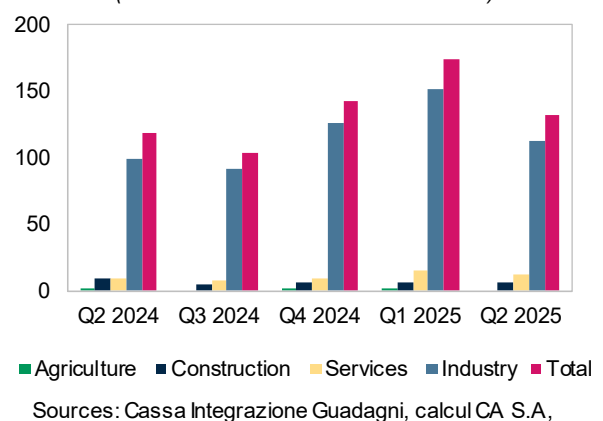
Investment as the driving force in 2025-2026

Investment growth will remain at 2.7% in 2025, driven by strong momentum, before slowing slightly to 2% in 2026. Although no decline is anticipated in the construction sector, investment in this segment is expected to slow significantly over the following year. In the residential sector, the end of *the Superbonus* should begin to have an impact. The total amount of deductions in 2025 represents only €3 billion, while 96% of the work undertaken has been completed. The PNRR should nevertheless partially

Inflation and its components
(quarterly data)



Short-time work
(number of authorized hours in millions)



³ Regulated energy (*mercato tutelato*) refers to electricity and gas tariffs set quarterly by ARERA for consumers who have not switched to the free market, a system that is being phased out (deadline July 2024). Non-regulated energy includes petroleum

products (petrol, fuel) at prices freely determined by the market and energy contracts signed on the free market, where suppliers set their commercial offers without regulatory price constraints.



offset these effects *through* its major works and public infrastructure component. According to Confindustria, €10 billion was spent in the first five months of 2025, for a cumulative total of €74 billion since the plan was launched. By the end of 2025, spending is expected to reach €95 billion, corresponding to 67% of total resources. Productive investment should continue to benefit from public support. **The government is expected to announce a new plan, Transition 6.0, with €3.5 billion allocated for 2026.**

Impact of tariffs still unclear

While the first quarter was characterised by *frontloading* behaviour towards the United States, leading to a rebound in exports, **the correction in the second quarter was not due to a decline in sales to the American continent, but to a contraction in exports to other geographical areas.** This was the case in the United Kingdom, where exports toward the country fell by 20% in April and 9.6% in May, and towards China, where they fell by 6% in April and 22.8% in May year-on-year. Overall, in non-European countries, which account for nearly 15% of exports, sales fell for two consecutive months in April and May. At the same time, sales to the United States fell by 1.9% year-on-year in April, but rose by 2.5% and 10.3% in May and June.

Exports could continue to surprise on the downside in the third quarter. August data for non-EU countries show a 7.7% year-on-year contraction in exports by value. This decline is mainly attributable to the drop in exports to the United States, which account for 10% of the total, but also to sales to Asia,

particularly China and Japan, which fell by 16.7% and 16.6% respectively. It is therefore not surprising that sales penetration in Asia is more difficult: competition is already strong there, and the first reallocations of trade flows from China and other countries in the region are beginning to be felt, including on the Italian domestic market, where the penetration rate of Chinese goods is high.

In this context, **the effects of US tariffs on exports to the United States have not yet fully materialised.** Between 2 April and the end of August 2025, European exporters were subject to transitional tariffs of around 10%, with higher increases for certain products such as motor vehicles (up to 25%). The trade agreement signed at the end of August and which came into force at the beginning of September sets an estimated average tariff of 15.7% (unofficial data). The observations for the second quarter and the beginning of the third quarter therefore mainly reflect anticipation effects linked to the threat of higher increases rather than actual additional costs for most companies.

Overall, the expected developments for the rest of the year indicate that growth in exported goods should remain modest, with a decline expected in the third quarter, while services, driven by tourism and domestic demand, will continue to grow more rapidly. Added to this is the appreciation of the euro, which is weighing on the price competitiveness of Italian exports, accentuating the vulnerability of the export sector to international competition.

Forecasts established on 25/09/2025.

Article completed on 10/10/2025.



Spain – Growth refuses to slow down

Rising wage costs, inflation contained by margin compression, and the gradual moderation of public investment define Spain's new economic framework. Domestic demand remains the primary driver of activity, supported by the resilience of private consumption and the dynamism of residential and productive investment, whilst public consumption maintains a moderate growth profile. External demand, weakened by the slowdown in global trade and the softening of goods exports, will limit its contribution to GDP, despite the persistent strength of services. The Spanish economy is thus entering a phase of growth more in line with its potential, characterised by a gradual normalisation of expansion rates.

Unwavering resilience

In the second quarter of 2025, several events could have suggested that the momentum of the Spanish economy would weaken. In early April, the Trump administration decided to unilaterally impose tariffs. This measure sent uncertainty indicators soaring to historic levels, reviving fears of a rapid deterioration in global trade. A few weeks later, a massive power outage affected the entire Iberian Peninsula, paralysing activity for an entire day. All this occurred in a context where the Eurozone economy was already showing tangible signs of slowdown.

Yet, far from yielding, the Spanish economy demonstrated remarkable resilience in the second quarter, even strengthening its growth rate, expanding by 0.8% quarter-on-quarter (after 0.6% in Q1). Domestic demand constituted the main driver of activity, contributing 0.8 percentage points to GDP growth, whilst external demand had a neutral contribution to expansion. The composition of demand shows a contrasting evolution across components: private consumption strengthened with an increase of 0.8% over the quarter, whilst public consumption grew at a modest pace (0.1%). Overall investment recorded a moderate rate of 0.8%, supported by the expansion of residential construction (+1.8%) and investment in capital goods (+1.2%), but penalised by the marked contraction in non-residential construction (-0.6%).

“The robustness of the labour market remains one of the main pillars supporting the Spanish economy.”

Exports increased by 1.3% over the quarter, driven by the vigour of goods sales (+1.8%) and the more contained growth of services (+0.6%), with a positive contribution from both tourism and non-tourism services. Imports grew at a stronger pace (+1.6%), thus attenuating the expansionary impact of external demand.

In the labour market, indicators continue to improve: hours worked rose by 0.3% over the quarter (1.3% year-on-year) and employment in full-time equivalents by 0.8% (1.7% year-on-year). This

evolution translates into hourly productivity gains of 0.5% (1.5% year-on-year), but near-stagnation in productivity per head, reflecting more employment-intensive growth.

Available data for the third quarter paint a broadly positive picture

On the supply side, confidence indicators continue to send favourable signals. In August, the PMI index for the manufacturing sector rose to 54.3, its highest level since October of the previous year, and well above the 50-point threshold that separates expansion from contraction of activity. The services PMI stood at 53.2, slightly down from July, but nevertheless confirming the continuation of an expansionary dynamic.

On the demand side, we observe a moderation in consumption after an exceptional second quarter, with a slowdown in retail sales in July. The improvement in household confidence in July and the continued vigour of passenger vehicle registrations nevertheless suggest the maintenance of robust growth in household spending.

The robustness of the labour market remains one of the main pillars supporting the Spanish economy. In August, the number of Social Security affiliates decreased by 0.9% compared to July, a decline that corresponds to the usual seasonal correction at the end of the summer period and is similar to the average

	2023	2024	2025	2026
GDP (y/y, %)	2.5	3.5	2.8	2.0
Domestic demand (contribution to GDP, pps)	2.4	3.0	2.7	2.1
Change in inventories (contribution to GDP, pps)	-1.4	0.3	0.1	0.1
Net exports (contribution to GDP, pps)	0.8	0.2	-0.3	-0.1
Private consumption (y/y, %)	1.8	3.1	3.1	2.2
Investment (y/y, %)	5.9	3.6	5.1	3.3
Inflation (y/y, %)	3.4	2.9	2.5	1.8
Unemployment rate (%)	12.2	11.4	10.5	9.6
Fiscal balance (% of GDP)	-3.5	-3.2	-2.9	-2.8

Sources: Eurostat, Crédit Agricole SA / ECO



for the 2014-2019 period. Year-on-year, affiliation continues to grow at a solid pace of 2.3%.

It is construction that is driving employment growth, with an annual increase of 3.5%, whilst industry and services maintain a more moderate but stable dynamic.

Finally, the property sector continues its dynamism. The combination of a recovery in household purchasing power and a lower interest rate environment continues to stimulate housing demand. In June, housing sales surged by 17.9% year-on-year. Over the entire first half, approximately 358,000 transactions were recorded, representing an increase of 19.7% compared to the same period in 2024. This is the best result for a first half since 2007. This vigour in demand, coupled with supply growing at a more moderate pace, maintains strong upward pressure on prices. The resale housing price index, published by the College of Notaries, rose by 14.8% in the second quarter, after +14.2% in Q1. This is the highest growth rate since 2006.

Stabilised prices, dynamic wages, and compressed margins

Recent inflation developments in Spain highlight a dual movement. On the one hand, **the rise in energy prices**, linked to the increase in oil and electricity prices, has revived headline inflation, which stabilised at 2.7% in August, after the trough of 2% observed in May. On the other hand, core inflation has remained broadly stable around 2.5% since the spring, despite a slight uptick in July (2.6%). This stability reflects differentiated dynamics across components: services prices continue to show notable resilience, particularly in the catering and tourism sectors, whilst the impact of temporary measures on public transport is partially fading. Conversely, prices of non-energy industrial goods continue on a moderate trajectory, with limited increases well below the evolution of production costs.

In the labour market, wage pressures are confirmed and translate into a notable increase in

costs. Data available up to August indicate an average wage increase of 3.5% in 2025, above the benchmarks set in the latest inter-professional agreement (3%). Collective agreements negotiated before 2025 still apply an average increase of 3.3%, whilst new agreements signed this year show a more marked progression of 4.3%. In this context, compensation per employee has slightly slowed its growth rate, which nevertheless remains high at 4.8% in the second quarter. Combined with a decline in productivity per head (-0.3%), this evolution has led to an acceleration in unit labour costs, which reach a growth rate of 5.1% over the period, accentuating pressures on competitiveness.

These pressures are partially offset by the decline in corporate margins. The gross value added deflator rose by 0.8% in the second quarter to 2.3%, driven essentially by the dynamics of unit labour costs, whilst other components of price formation, such as unit gross operating surplus and production-related taxes, made a negative contribution. This configuration reflects a decline in unit margins, which are beginning a slightly downward trend in most sectors, with the exception of construction, where they have recovered after reaching historically low levels at the beginning of the year. Thus, internal inflationary pressures appear contained by the adjustment of corporate margins, which for now limits the risk of a wage-price spiral.

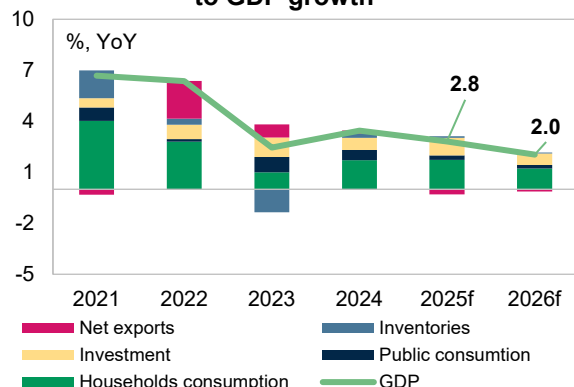
Spain reduces its deficit in the first half

Consolidated budget execution data for general government up to June 2025 reveal an improvement in the budget balance compared to the same period of the previous year. The public deficit, excluding local authority expenditure and extraordinary costs related to DANA (*depresión aislada en niveles altos*, or isolated depression at high levels in English, i.e., the October 2024 floods in Valencia), stood at €27 billion, or 1.6% of GDP, down 0.3 percentage points compared to June 2024. Including exceptional expenditure associated with DANA, the deficit reaches 1.8% of GDP.

This improvement results primarily from a positive dynamic in public revenues. Consolidated revenues increased by 6.9% year-on-year up to June, exceeding nominal GDP growth of 5.4%. Indirect taxes rose by 7.1%, supported by the complete removal of tax reductions on energy and food bills. Direct taxes and social contributions also recorded solid increases, albeit slightly lower than those of the previous year, reflecting the good performance of the labour market.

Consolidated public expenditure of general government, excluding exceptional expenditure related to DANA, increased by 5.4% year-on-year up to June (+6.5% including them), a pace higher than the 4.8% recorded in the first half of 2024. Social benefits stand out with an increase of 6.2% year-on-

Spain: contributions to GDP growth



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



year, largely driven by pension expenditure (+6.3%), under the effect of the 2.8% revaluation of contributory pensions and the arrival of new retirees. In contrast, the growth in total civil service compensation remained more moderate, at +3%.

Finally, **interest expenditure increased by €1.5 billion in the first half of 2025 compared to the same period in 2024** (+8.4% year-on-year). This dynamic is explained by the fact that, although issuance rates are trending downwards, they remain above the average cost of debt, influenced by the years of very low rates before the rise in policy rates in 2022, which will continue to exert upward pressure on the latter for some time yet.

These results suggest that **the public deficit for the whole of 2025 should be lower than that of 2024** (3.2% of GDP) and that the target of 2.8% of GDP is achievable. The positive dynamics of revenues and the removal of tax reductions should offset the increases in expenditure related to pensions and defence.

Forecasts: dynamic growth, revised upwards for 2025

Our scenario for the coming quarters anticipates a **gradual moderation in growth**, steering the Spanish economy towards rates closer to its potential, estimated slightly below 2%. After an expansion of 3.5% in 2024, real GDP should grow by 2.8% in 2025 (upward revision of 0.2 percentage points due to positive Q2 figures), before slowing further to 2% in 2026. This rebalancing reflects the progressive normalisation of factors that have supported activity in recent quarters, notably the strength of domestic demand and the external environment still marked by international uncertainty.

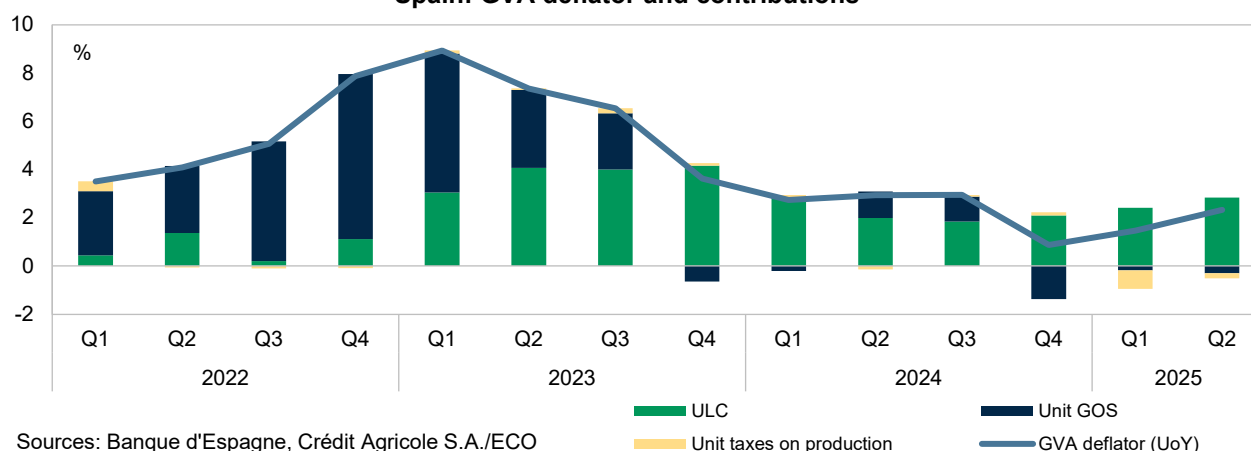
In this trajectory, **domestic demand would constitute the main pillar of expansion**. Private consumption (3.1% in 2025 and 2.2% in 2026) would retain a determining role thanks to the favourable evolution of disposable income, the labour market, and migratory flows, although its dynamism would attenuate over the forecast horizon due to the expected slowdown in these same determinants and a savings rate above the historical average. Investment, which has shown strong vitality since the end of 2024, would accelerate from 3.6% in 2024 to 5.1% in 2025, then maintain solid growth in 2026 (3.3%), stimulated by the deployment of European NGEU funds, favourable financing conditions, and the vigour of residential investment. Conversely, public consumption, after two quarters of contraction, would show a limited contribution, with a profile linked to the trend pace of public expenditure, although partially reinforced by the expected increase in defence spending.

Net external demand would, on the other hand, exert a restrictive effect on growth in the early years of the horizon. Its contribution would be negative in 2025 (-0.3 GDP points) and in 2026 (-0.1 point). This profile reflects firstly a slowdown in exports, both tourism and non-tourism, and a near-stagnation of goods exports in 2025, linked to weak global demand and the sluggish dynamism of the Eurozone. A gradual recovery would subsequently occur, supported by the expected improvement in external markets and the progressive reduction in global uncertainty. On the imports side, the vigour observed in 2025, fuelled by the dynamics of investment and goods trade, would give way to normalisation in 2026 and beyond, consistent with the expected evolution of domestic and external demand.

Forecasts established on 25/09/2025.

Article completed on 07/10/2025.

Spain: GVA deflator and contributions





United Kingdom - More fiscal pain to come



United Kingdom – More fiscal pain to come

After a relatively strong first half of the year, the British economy is losing momentum. Household consumption growth is weak, and its fundamentals will be less favourable in the future. Households will need to rely more on their savings to maintain spending. The labour market is deteriorating and is therefore less conducive to wage increases. The government is expected to announce further tax increases in the Autumn Budget. The context remains inflationary, and the BoE is concerned about rising household inflation expectations. Future rate cuts may have to wait.

Some good surprises in activity during the first half of the year ...

After a very strong 0.7% QoQ increase in Q125, real GDP was again higher than expected in Q225, rising 0.3% QoQ (against +0.1% QoQ expected). However, details were less positive, with the government (public consumption and investment) being the main growth driver, while household consumption decelerated sharply in Q2 (+0.1% QoQ) and business investment contracted in Q2 (-1.1% QoQ).

For Q3, we expect GDP growth of 0.3% QoQ, the same as in Q2. GDP was stable in July after a 0.4% increase in June, which leaves a positive carry-over effect for growth in Q3. Growth has been driven by the services sector for the past three months, while industrial production has fallen. Exports rebounded in July after the entry into force of the UK-US trade deal on 30 June with goods exports towards the US up by 20% MoM. The latter remain below their pre-tariff levels though. Business and consumer confidence improved during Q3 as a whole.

... But a more challenging outlook

However, we look for a softer end of the year (0.1% QoQ in Q425) due to increased headwinds, given a more challenging domestic political context. The UK monetary and fiscal policy mix is set to be tighter than previously expected. The BoE is expected to pause its monetary policy easing until 2026, keeping its Bank rate at 4% until the end-2025 while continuing its quantitative tightening at a slightly reduced pace. The

government is set to announce further tax increases at its Autumn Budget, potentially inflicting another blow to the fragile business and consumer confidence.

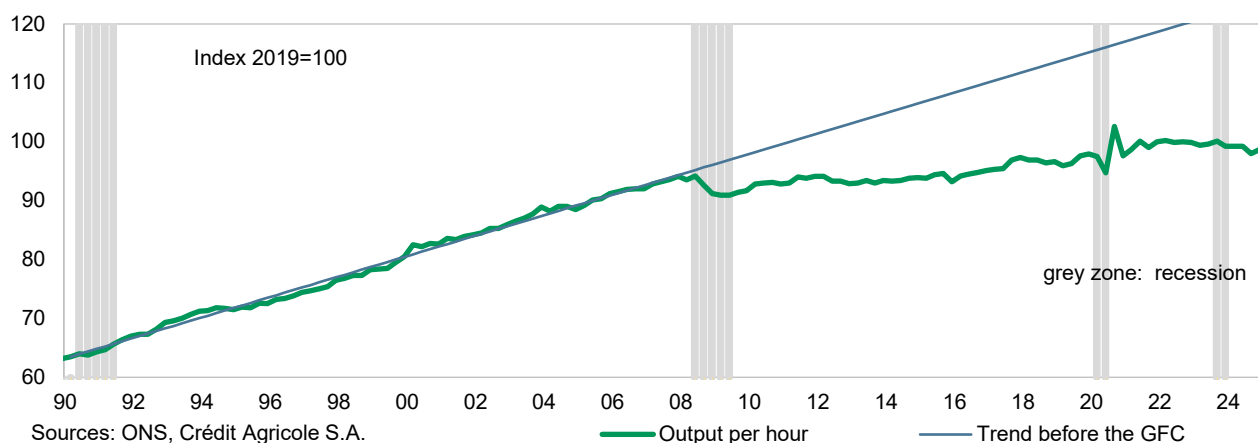
The prospects of fundamentals of household consumption appear therefore more deteriorated. Real disposable income growth is expected to fall sharply due to moderating wage growth, prospects of tax rises and above-target inflation. The labour market is likely to continue to loosen with the unemployment rate expected to rise to 4.9% with both labour supply on the rise and weaker labour demand. Therefore, households will have to increasingly rely on their stock of accumulated savings or diminish their

	2023	2024	2025	2026
GDP (y/y, %)	0.3	1.1	1.5	1.1
Domestic demand (contribution to GDP, pps)	0.3	0.9	1.4	1.5
Change in inventories (contribution to GDP, pps)	-0.1	0.1	-0.1	0.0
Net exports (contribution to GDP, pps)	-0.2	-0.6	-0.4	-0.5
Private consumption (y/y, %)	-0.4	-0.2	0.9	1.0
Investment (y/y, %)	0.5	1.8	2.9	3.1
Inflation (y/y, %)	7.3	2.5	3.5	2.5
Unemployment rate (%)	4.1	4.3	4.7	4.9
Fiscal balance (% of GDP)	-5.9	-5.9	-4.5	-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.

UK: productivity growth is a major challenge





saving ratio (10.7% in Q225) in order to sustain spending.

We continue to expect positive, albeit sluggish growth in household consumption, supported by a decline in the saving ratio from very high levels. Business investment is likely to remain weak given the persistent global uncertainty, the weakness in corporate profitability and the BoE's restrictive monetary policy stance.

By far, **net exports remain the biggest drag on growth** in our scenario as the UK now faces average US tariffs of 9% vs 1% prior to Trump 2.0. Even though this is significantly less than the US average tariff to the rest of the world (16%), the increased cost of importing implies a deterioration in UK exports' competitiveness relative to US-produced goods or relative to imports from countries subject to lower tariffs (Mexico, Canada). The negative impact on total UK exports will be compounded by the ongoing slowdown of the US economy and weaker global demand.

The risks around our growth forecasts (1.5% annual growth in 2025, 1.1% in 2026) remain tilted to the downside due to the still uncertain global trade environment and the challenging domestic fiscal outlook.

Another painful budget in the autumn, bearing more risks for the gilt market

The Chancellor of the Exchequer Rachel Reeves will deliver the Autumn Budget on 26 November. **The government faces a deteriorated fiscal outlook relative to the Spring statement.** Public sector receipts have been weaker than expected. Inflation has surprised to the upside and there was a surge in gilt rates boosting debt-servicing costs. The government had to reverse its proposal of cuts to disability welfare and winter fuel payments, costing GBP5bn a year. Furthermore, the OBR is likely to revise down its

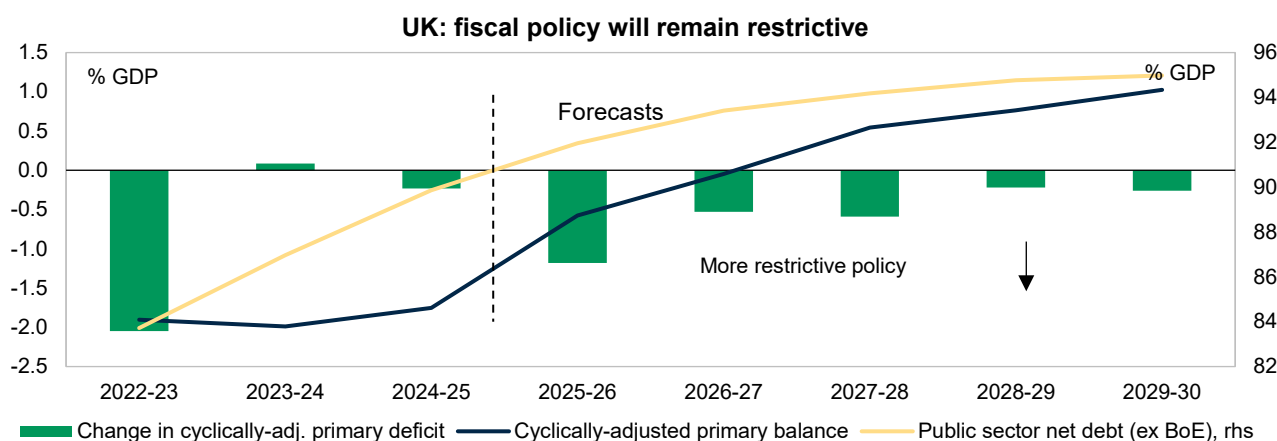
medium-term growth forecasts to take into account the US tariffs which were announced after the Spring statement.

Back in March, the OBR estimated that the fiscal rule (closing the current budget deficit by 2029/30) was met with a very slim margin of error of GBP9.9bn. This headroom has now been largely eroded, and the United Kingdom has also committed within NATO to increase its military spending to 5% of GDP by 2035. **The Chancellor is expected to announce a package of tax hikes of GBP20-40bn** (ie, 0.7-1.4% of GDP) in order to restore or, preferably, build up more headroom relative to its fiscal rule. The estimate of the size of the 'black hole' could be even worse should the OBR revise downwards its upbeat forecasts for productivity growth.

“The government is set to announce further tax increases at its Autumn Budget, potentially inflicting another blow to the fragile business and consumer confidence.”

The options for the government are limited due to its commitment not to raise income tax, employees' NICs, VAT and corporate tax, representing 75% of the tax base. One option is to extend the freeze of the income tax threshold beyond FY28. It may also change various duties (on alcohol, tobacco, gambling) and increase the taxation on property and banks.

The government may also decide to breach its commitment to not increase its key taxes. Given the unfavourable political backdrop, Reeves may also prefer a riskier strategy and opt for a change to the government's fiscal targets in order to avoid fiscal tightening and allow more public borrowing instead. However, this strategy comes with heightened risks as it may significantly unsettle the gilt market.



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



Bank of England: we no longer expect a rate cut in November, next cut delayed to 2026

The BoE has cut its Bank rate by 25bp a quarter since the summer of 2024 to 4%. We continue to expect two more rate cuts in this cycle to a terminal rate of 3.50% but we postpone the next rate cut to February 2026 from November 2025 in our previous forecasts. Indeed, with the current acceleration of inflation, the BoE has become more worried about the possibility of a renewed risk of second-round effects to prices and wages and therefore the risk of persistence in domestic inflationary pressures. At its monetary policy meeting in September, it maintained a hawkish stance noting that “upside risks around medium-term inflationary pressures remained prominent in the Committee’s assessment”.

Indeed, CPI inflation surprised generally to the upside in recent months. It reached 3.8% YoY in July, before stabilising in August, due to sticky core inflation and rising energy and food inflation. We now forecast a peak of CPI inflation at 4% YoY in September – in line with the BoE’s forecast, double its 2% target. We continue to expect a relatively rapid easing in inflation to 3.6% in Q425 and 2.3% in Q426. Indeed, strong base effects should drive down inflation from spring 2026 as the April 2025 hikes in regulated household energy and water bills will drop out of the 12-month comparison and the effects of April’s increase in employers National Insurance

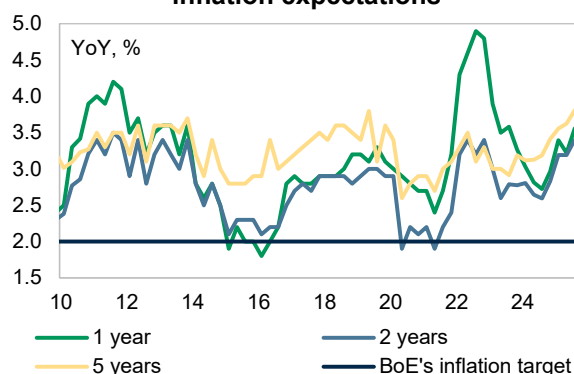
Contributions (NIC) and the National Living Wage (NLW) will dissipate.

The labour market has loosened further in the past three months with vacancies down 45% from their peak in May 2022 and the unemployment rate progressing from a low of 3.6% to 4.7%. Employment data has been difficult to read over the past year due to statistical issues such as a low response rate to the labour force survey. While the LFS data shows steady employment growth (+1.9% YoY in July), payrolled employees have been falling (-0.4% YoY). Business surveys show that job losses are partly due to the large rises in the NLW and the employer NIC. Meanwhile, the labour supply has been improving with the participation rate (16+) having increased to 63.9% in Q225, up by more than 1ppt since its lowest level reached in early 2024. Given that upward trend in labour supply and the prospect of weak near-term GDP growth, we continue to expect the unemployment rate to increase going forward to a peak of 4.9% by the end of the year. The deteriorating labour market and slower wage growth are expected to ultimately feed into lower services inflation and core inflation, allowing the BoE to pursue its monetary easing cycle in the course of next year. Meanwhile, we continue to expect the tariffs’ impact to be mildly disinflationary due to lower oil prices and lower imported inflation.

Forecasts established on 08/10/2025.

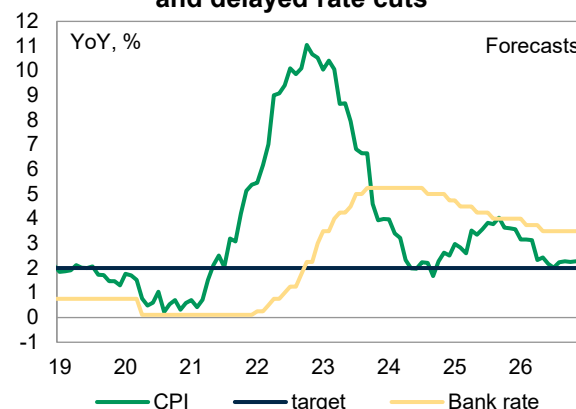
Article completed on 08/10/2025.

UK: a worrying rise in household inflation expectations



Sources: BoE Inflation Attitude Survey, Crédit Agricole S.A.

UK: temporary rise in inflation and delayed rate cuts



Sources: ONS, Crédit Agricole S.A.



ECONOMIC AND FINANCIAL FORECASTS

European macroeconomic scenario

International macroeconomic and financial scenario

Public accounts

EURO AREA MACROECONOMIC SCENARIO

GDP growth (YoY and QoQ)

	2023	2024	2025	2026	2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0,5	0,8	1,3	1,3	0,3	0,2	0,4	0,4	0,6	0,1	0,2	0,2	0,4	0,4	0,4	0,4
Germany	-0,7	-0,5	0,1	1,2	-0,1	-0,3	0,0	0,2	0,3	-0,3	-0,1	0,1	0,4	0,5	0,5	0,4
France	1,6	1,1	0,7	1,2	0,1	0,2	0,4	-0,1	0,1	0,3	0,2	0,1	0,3	0,4	0,3	0,4
Italy	0,8	0,5	0,5	0,6	0,2	0,2	0,0	0,2	0,3	-0,1	-0,1	0,1	0,2	0,1	0,3	0,2
Spain	2,5	3,5	2,8	2,0	1,1	0,9	0,8	0,8	0,6	0,8	0,5	0,3	0,5	0,5	0,6	0,6
Netherlands	-0,6	1,1	1,5	1,4	0,0	1,1	0,7	0,5	0,3	0,1	0,3	0,4	0,4	0,3	0,3	0,3
Belgium	1,2	1,0	1,1	1,2	0,4	0,3	0,3	0,2	0,4	0,2	0,2	0,3	0,3	0,3	0,3	0,3
Ireland	-2,6	2,6	13,7	5,4	1,7	0,4	5,0	4,3	7,5	0,2	-1,2	1,6	1,6	1,6	3,0	1,6
Portugal	3,1	2,1	2,1	2,3	0,6	0,6	0,2	1,2	-0,3	0,7	0,9	0,9	0,4	0,4	0,3	0,5
Greece	2,3	2,3	1,9	2,0	0,3	1,1	0,2	0,8	0,1	0,6	0,6	0,5	0,5	0,4	0,5	0,4
Finland	-0,9	0,4	0,6	1,6	0,7	0,4	0,7	-0,1	0,0	-0,4	0,8	0,6	0,3	0,4	0,4	0,3
Luxembourg	0,1	0,3	0,6	1,9	2,7	-1,1	-1,9	0,4	0,7	0,6	0,5	0,5	0,5	0,5	0,5	0,5
Austria	-0,8	-1,2	0,0	0,8	0,1	-0,4	-0,2	0,0	0,2	0,3	-0,5	0,2	0,3	0,4	0,3	0,2
Slovenia	2,3	1,5	0,8	2,7	1,0	-0,7	0,3	0,4	-0,7	0,7	0,8	0,8	0,7	0,6	0,6	0,5
Malta	10,6	6,8	3,4	3,6	0,7	3,1	0,0	1,5	0,2	0,6	1,2	0,9	0,8	0,8	0,8	0,8

Euro area

	2023	2024	2025	2026	2024				2025				2026			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
PIB volume (a/a, t/t, %)	0,5	0,8	1,3	1,3	0,3	0,2	0,4	0,4	0,6	0,1	0,2	0,2	0,4	0,4	0,4	0,4
Demande intérieure hors stocks (contribution au PIB, pp)	1,0	0,7	1,4	1,4	-0,1	-0,2	0,8	0,5	0,7	-0,2	0,2	0,3	0,4	0,4	0,4	0,4
Consommation des ménages (a/a, t/t, %)	0,5	1,1	1,2	1,1	0,6	0,2	0,5	0,5	0,3	0,1	0,2	0,2	0,3	0,3	0,3	0,3
Consommation publique (a/a, t/t, %)	1,5	2,3	1,4	1,3	0,1	1,0	0,7	0,5	-0,1	0,5	0,2	0,2	0,3	0,4	0,4	0,3
Investissement (a/a, t/t, %)	1,9	-2,1	2,2	1,9	-1,9	-2,5	1,6	0,6	2,7	-1,8	0,3	0,6	0,7	0,7	0,7	0,7
Variation de stocks (contribution au PIB, pp)	-0,8	-0,3	0,3	-0,1	-0,2	0,2	0,5	-0,1	-0,2	0,5	-0,1	-0,2	0,0	0,0	0,0	0,0
Exportations nettes (contribution au PIB, pp)	0,3	0,4	-0,4	0,1	0,5	0,2	-0,9	0,1	0,1	-0,2	0,1	0,1	0,0	0,0	0,0	0,0
Exportations (a/a, t/t, %)	-0,9	0,4	1,7	1,4	0,2	1,6	-1,4	0,0	2,2	-0,5	0,1	0,4	0,4	0,5	0,5	0,6
Importations (a/a, t/t, %)	-1,7	-0,5	2,6	1,3	-0,9	1,3	0,4	-0,1	2,2	0,0	0,0	0,2	0,4	0,6	0,5	0,5
Inflation (a/a, %)	5,4	2,4	2,1	1,8	2,6	2,5	2,2	2,2	2,3	2,0	2,1	2,0	1,7	1,9	1,7	1,7
Inflation sous-jacente (a/a, %)	4,9	2,8	2,4	1,9	3,1	2,8	2,8	2,7	2,6	2,4	2,3	2,3	2,1	2,0	1,9	1,8
Taux de chômage (%)	6,6	6,4	6,3	6,2	6,6	6,4	6,3	6,3	6,3	6,3	6,2	6,2	6,2	6,2	6,1	6,1
Solde courant (% du PIB)	1,6	2,5	1,6	1,8	-	-	-	-	-	-	-	-	-	-	-	-
Solde budgétaire (% du PIB)	-3,5	-3,1	-3,1	-3,1	-	-	-	-	-	-	-	-	-	-	-	-
Dette publique (% du PIB)	87,5	87,6	88,3	89,3	-	-	-	-	-	-	-	-	-	-	-	-

France

	2023	2024	2025	2026	2023				2024				2025				2026			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP volume, sa-wda (y/y, q/q, %)	1.6	1.1	0.7	1.2	0.1	0.9	0.2	0.4	0.1	0.2	0.4	-0.1	0.1	0.3	0.2	0.1	0.3	0.4	0.3	0.4
Domestic final demand (contribution to GDP, pps) excl. inventories	1.0	0.6	0.4	1.0	-0.1	0.3	0.4	-0.1	0.0	0.1	0.3	0.2	-0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3
Private consumption (y/y, q/q, %)	0.7	1.0	0.4	1.0	0.1	0.0	0.6	0.0	0.2	0.0	0.8	0.1	-0.3	0.0	0.2	0.3	0.3	0.3	0.3	0.3
Public consumption (y/y, q/q, %)	1.5	1.4	1.2	1.0	-0.1	0.4	0.5	0.4	0.3	0.2	0.4	0.4	0.2	0.4	0.2	0.2	0.2	0.4	0.2	0.2
Total investment (y/y, q/q, %)	0.8	-1.3	-0.4	1.0	-0.4	0.9	-0.1	-0.8	-0.6	0.3	-0.8	0.0	-0.1	-0.1	0.1	0.1	0.3	0.4	0.4	0.5
Changes in inventories (contribution to GDP, pps)	-0.3	-0.8	0.9	-0.4	-0.3	-0.2	-0.3	-0.5	-0.3	-0.2	0.7	-0.3	0.7	0.5	-0.2	-0.6	-0.1	-0.1	-0.1	0.0
Net exports (contribution to GDP, pps)	0.9	1.3	-0.6	0.6	0.4	0.8	0.1	1.0	0.4	0.2	-0.6	0.1	-0.5	-0.3	0.2	0.4	0.1	0.1	0.1	0.0
Exports (y/y, q/q, %)	2.8	2.4	0.6	3.1	-1.7	4.2	-0.6	0.5	0.5	1.4	-1.1	0.9	-1.2	0.5	0.9	1.7	0.5	0.5	0.5	0.5
Imports (y/y, q/q, %)	0.1	-1.3	2.7	1.5	-2.8	1.9	-0.9	-2.1	-0.8	0.7	0.7	0.7	0.4	1.3	0.3	0.5	0.3	0.3	0.2	0.4
CPI inflation (y/y, %)	4.9	2.0	1.0	1.1	6.0	5.2	4.7	3.7	2.8	2.2	1.7	1.3	1.1	0.8	1.0	1.0	0.9	1.1	1.2	1.3
Harmonised inflation HICP (y/y, %)	5.7	2.3	1.0	1.3	7.0	6.1	5.5	4.2	3.0	2.5	2.1	1.7	1.2	0.8	0.9	0.9	1.1	1.3	1.3	1.4
Harmonised core inflation (y/y, %) HICP excl. food, alcohol and tobacco	4.0	2.3	1.7	1.4	4.4	4.5	4.0	3.1	2.5	2.4	2.3	2.1	1.9	1.6	1.6	1.7	1.6	1.6	1.5	1.5
Unemployment rate, France excl. Mayotte (%)	7.3	7.4	7.6	7.7	7.1	7.2	7.4	7.5	7.5	7.3	7.4	7.3	7.5	7.5	7.6	7.7	7.7	7.7	7.7	7.6
Unemployment rate, Mainland France (%)	7.1	7.2	7.4	7.5	6.9	7.0	7.2	7.3	7.2	7.1	7.2	7.1	7.3	7.3	7.4	7.5	7.5	7.5	7.5	7.4
General government net lending (% of GDP)	-5.4	-5.8	-5.6	-5.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	109.8	113.2	116.8	118.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Italy

	2023	2024	2025	2026	2023				2024				2025				2026			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	0,8	0,5	0,5	0,6	0,5	-0,2	0,1	0,2	0,2	0,2	0,0	0,2	0,3	-0,1	-0,1	0,1	0,2	0,1	0,3	0,2
Domestic demand (contribution to GDP, pps)	2,3	0,4	1,0	0,9	2,4	-0,4	0,3	-0,1	0,5	-0,1	-0,1	0,5	0,3	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Private consumption (y/y, q/q, %)	0,4	0,4	0,5	0,6	1,4	-0,5	-0,3	-0,7	1,2	-0,2	0,3	0,2	0,2	0,0	0,2	0,1	0,2	0,2	0,2	0,2
Public consumption (y/y, q/q, %)	0,6	1,1	0,5	0,5	-0,2	0,3	0,5	0,6	-0,3	0,6	0,4	0,2	-0,3	0,2	0,2	0,1	0,1	0,1	0,1	0,1
Investment (y/y, q/q, %)	9,2	0,0	2,7	2,0	8,0	-0,7	1,8	0,6	-0,6	-0,5	-1,3	1,7	1,1	1,0	0,4	0,6	0,4	0,4	0,4	0,4
Stockbuilding (contribution to GDP, pps)	-2,0	-0,2	0,1	-0,1	-1,5	0,6	-1,3	-0,4	-0,3	1,0	0,4	-0,3	-0,3	0,4	-0,1	-0,1	0,0	-0,1	0,1	0,0
Net exports (contribution to GDP, pps)	0,5	0,3	-0,7	-0,3	-0,4	-0,3	1,1	0,7	0,0	-0,7	-0,4	0,0	0,3	-0,7	-0,2	0,0	0,0	0,0	0,0	0,0
Exports (y/y, q/q, %)	0,5	-0,3	0,0	-0,6	-1,4	0,0	1,1	1,2	-0,5	-1,3	-0,4	-0,2	2,1	-1,7	-0,2	-0,1	-0,3	0,2	0,2	0,3
Imports (y/y, q/q, %)	-1,3	-1,5	2,3	0,4	-0,1	1,2	-2,8	-1,1	-0,6	0,9	0,9	-0,2	1,3	0,4	0,5	-0,2	-0,3	0,3	0,3	0,3
Inflation (y/y, %)	5,9	1,1	1,7	1,2	9,5	7,8	5,8	1,0	1,0	0,9	1,2	1,3	1,8	1,8	1,7	1,5	1,0	1,4	1,2	1,3
Core inflation (y/y, %)	4,5	2,3	1,8	1,5	5,4	5,1	4,3	3,4	2,6	2,2	2,3	2,2	1,9	1,9	1,8	1,8	1,7	1,5	1,5	1,3
Unemployment rate (%)	7,7	6,6	6,3	6,4	7,9	7,7	7,7	7,5	7,1	6,7	6,3	6,2	6,3	6,3	6,2	6,3	6,4	6,4	6,4	6,4
Current account balance (% of GDP)	0,1	1,1	1,1	1,4	-1,6	-0,2	1,3	1,0	0,1	1,1	1,5	1,8	0,0	1,6	1,4	1,4	1,4	1,4	1,4	1,4
Fiscal balance (% of GDP)	-7,2	-3,4	-3,0	-2,9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	134,6	135,3	136,5	138,6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Spain

	2023	2024	2025	2026	2023				2024				2025				2026			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	2.5	3.5	2.8	2.0	0.5	0.1	0.8	0.8	1.1	0.9	0.8	0.8	0.6	0.8	0.5	0.3	0.5	0.5	0.6	0.6
Domestic demand (contribution to GDP, pps)	3.0	3.0	3.0	2.1	1.8	0.8	0.9	0.4	0.7	0.8	0.9	1.2	0.6	0.6	0.6	0.4	0.5	0.6	0.5	0.5
Private consumption (y/y, q/q, %)	1.8	3.1	3.1	2.2	1.1	0.6	0.9	0.3	0.5	1.2	1.2	0.9	0.6	0.8	0.6	0.4	0.5	0.6	0.6	0.5
Public consumption (y/y, q/q, %)	4.5	2.9	1.3	1.0	1.1	1.5	0.8	0.8	0.6	0.0	1.6	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Investment (y/y, q/q, %)	5.9	3.6	5.1	3.3	5.2	0.7	1.0	0.5	1.5	0.5	-0.6	3.6	1.3	0.8	1.0	0.9	0.8	0.8	0.7	0.7
Change in inventories (contribution to GDP, pps)	-1.4	0.3	0.1	0.1	-0.9	-0.3	0.0	0.1	0.1	0.1	0.1	0.0	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution to GDP, pps)	0.8	0.2	-0.3	-0.1	-0.4	-0.3	-0.1	0.2	0.3	0.0	-0.2	-0.4	0.2	0.0	-0.1	-0.1	0.0	0.0	0.0	0.1
Exports (y/y, q/q, %)	2.2	3.2	4.1	2.3	0.7	-0.6	-1.6	1.7	2.2	0.6	0.3	0.1	2.4	1.3	0.4	0.4	0.6	0.5	0.5	0.8
Imports (y/y, q/q, %)	0.0	2.9	5.5	2.9	2.2	0.3	-1.4	1.2	1.3	0.6	1.2	1.2	2.0	1.6	0.7	0.8	0.7	0.6	0.5	0.5
Inflation (y/y, %)	3.4	2.9	2.5	1.8	5.0	2.8	2.6	3.3	3.2	3.6	2.3	2.4	2.7	2.2	2.6	2.5	1.8	1.8	1.7	2.0
Core inflation (y/y, %)	4.1	2.9	2.6	2.2	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 (%)	12.2	11.4	10.5	9.6	12.8	12.0	12.0	11.9	11.8	11.6	11.3	10.8	10.8	10.6	10.3	10.1	9.9	9.7	9.5	9.4
Current account balance (% of GDP)	2.7	3.1	1.5	1.6	2.8	2.4	3.1	2.3	3.1	3.3	3.7	2.3	1.8	1.0	1.4	1.7	1.7	1.6	1.6	1.6
Fiscal balance (% of GDP)	-3.5	-3.2	-2.8	-2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	105.1	101.8	100.6	101.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Eurostat, Crédit Agricole SA / ECO

United Kingdom

	2023	2024	2025	2026	2023				2024				2025				2026			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	0.3	1.1	1.5	1.1	0.1	0.0	-0.2	-0.3	0.8	0.6	0.2	0.2	0.7	0.3	0.3	0.1	0.3	0.3	0.4	0.4
Domestic demand (contribution to GDP, pps)	0.3	0.9	1.4	1.5	0.2	0.2	-0.8	0.1	0.6	0.3	0.7	0.1	0.5	0.4	0.0	0.2	0.5	0.5	0.5	0.5
Private consumption (y/y, q/q, %)	-0.4	-0.2	0.9	1.0	-0.6	0.1	-1.2	-0.2	0.3	-0.2	0.6	0.2	0.3	0.1	0.2	0.1	0.3	0.3	0.4	0.4
Public consumption (y/y, q/q, %)	2.1	3.4	1.3	1.5	0.1	2.5	1.2	0.2	0.6	1.3	0.6	0.5	-0.2	1.3	-1.0	0.5	0.5	0.5	0.5	0.5
Investment (y/y, q/q, %)	0.5	1.8	2.9	3.1	3.0	-1.8	-1.3	1.2	1.2	0.5	0.9	-0.4	1.9	0.5	0.5	0.3	1.0	1.0	1.0	1.0
Change in inventories (contribution to GDP, pps)	-0.1	0.1	-0.1	0.0	-0.1	0.6	-0.1	0.6	-0.7	0.6	-0.5	0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution to GDP, pps)	-0.2	-0.6	-0.4	-0.5	-1.9	-1.0	0.1	-1.1	1.1	-1.4	1.1	-0.8	0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Exports (y/y, q/q, %)	-2.3	0.7	3.8	2.9	-7.2	-1.8	-1.8	-2.3	2.5	0.8	0.8	1.3	1.7	-0.2	0.8	0.8	0.8	0.8	0.8	0.8
Imports (y/y, q/q, %)	-1.6	2.6	4.7	4.3	-1.8	1.3	-2.1	1.1	-0.9	5.1	-2.5	3.6	1.2	0.0	1.0	1.0	1.2	1.2	1.2	1.2
Inflation (y/y, %)	7.3	2.5	3.5	2.5	10.2	8.4	6.7	4.2	3.5	2.1	2.0	2.5	2.8	3.5	3.9	3.6	3.2	2.3	2.2	2.3
Core inflation (y/y, %)	6.2	3.7	3.7	2.6	6.1	6.9	6.4	5.3	4.6	3.6	3.3	3.3	3.6	3.7	3.7	3.8	3.5	2.6	2.2	2.3
Unemployment rate (%)	4.1	4.3	4.7	4.9	3.9	4.3	4.0	4.1	4.4	4.2	4.3	4.4	4.6	4.7	4.8	4.9	4.9	4.9	4.9	4.9
Current account balance (% of GDP)	-3.6	-2.2	-3.3	-3.4	-2.9	-5.0	-2.3	-4.1	-2.4	-2.7	-1.2	-2.6	-2.8	-3.8	-	-	-	-	-	-
Fiscal balance (% of GDP)	-5.9	-5.9	-4.5	-3.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	98.9	100.1	101.8	103.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ONS, BoE, Crédit Agricole SA

INTERNATIONAL MACROECONOMIC SCENARIO

	GDP (yoy, %)			Consumer prices* (yoy, %)			Current account (% of GDP)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
United States	2.8	1.7	2.0	2.9	2.8	2.9	-4.1	-3.7	-3.5
Japan	0.1	1.0	0.6	2.4	2.9	1.6	4.8	3.5	2.0
Eurozone	0.8	1.3	1.3	2.4	2.2	1.8	2.5	1.6	1.8
Germany	-0.5	0.1	1.2	2.5	2.2	2.0	5.6	5.3	5.0
France	1.1	0.7	1.2	2.3	1.0	1.3	0.4	-0.8	0.0
Italy	0.5	0.5	0.6	1.1	1.7	1.1	1.1	1.1	1.4
Spain	3.5	2.8	2.0	2.9	2.5	1.8	2.8	2.6	2.5
Netherlands	1.1	1.5	1.4	3.2	2.9	2.1	9.1	9.8	10.5
Belgium	1.0	1.1	1.2	4.3	2.9	1.8	-0.9	-0.8	-1.3
Other advanced									
United Kingdom	1.1	1.5	1.1	2.5	3.4	2.5	-2.7	-3.3	-2.9
Canada	1.6	1.1	1.5	2.4	2.0	2.1	-0.5	-0.8	-1.0
Australia	1.2	2.1	2.2	3.3	3.3	3.0	-0.9	-1.1	-1.3
Switzerland	1.4	1.0	1.4	1.1	0.3	0.6	7.7	4.9	5.7
Sweden	0.7	1.0	2.0	2.8	2.5	2.0	7.4	6.0	6.5
Norway	2.1	0.3	1.6	3.2	3.0	2.3	16.9	14.5	12.2
Asia	5.2	4.8	4.7	1.7	1.3	1.9	2.0	1.8	1.4
China	5.0	4.8	4.4	0.2	0.1	0.6	2.2	2.0	1.4
India	6.8	6.3	6.7	4.9	3.6	4.7	-1.4	-1.6	-1.7
South Korea	2.0	0.9	2.1	2.3	2.1	1.8	5.3	4.8	4.9
Indonesia	5.0	4.7	4.9	2.3	2.0	2.2	-0.6	-1.0	-1.2
Taiwan	4.6	4.7	2.2	2.2	1.7	1.8	14.3	14.0	13.0
Thailand	2.5	2.2	2.3	0.4	1.0	1.2	2.2	2.8	3.2
Malaysia	5.1	4.2	4.3	1.8	2.3	2.2	1.7	2.0	2.5
Singapore	4.4	1.7	2.0	2.4	1.0	1.5	17.5	16.6	17.5
Hongkong	2.5	2.3	2.2	1.8	1.6	2.0	11.3	10.7	10.0
Philippines	5.6	5.4	5.5	3.2	2.0	3.2	-3.5	-3.5	-2.9
Vietnam	7.1	6.1	6.0	3.6	3.2	3.3	4.5	5.6	4.1
Latin America	2.8	2.5	2.2	3.7	3.2	2.8	-0.5	-0.8	-1.1
Brazil	3.4	2.3	1.7	4.4	5.0	4.3	-2.6	-2.5	-2.0
Mexico	1.2	0.7	1.2	4.7	3.8	3.3	-0.7	-0.6	-0.8
Emerging Europe	3.2	1.9	2.2	20.9	14.8	8.3	0.6	0.2	0.2
Russia	4.1	1.0	1.4	8.4	8.7	6.0	2.9	2.2	2.1
Turkey	3.0	3.0	3.2	60.1	36.0	17.0	-1.5	-1.5	-1.5
Poland	2.9	3.6	3.3	3.6	3.7	2.9	0.2	-0.2	0.0
Czech Republic	1.0	2.2	2.3	2.5	2.4	2.2	1.8	1.2	0.6
Romania	0.8	1.0	1.7	5.6	7.4	6.5	-8.3	-7.5	-6.1
Hungary	0.5	0.8	2.5	3.7	4.6	4.0	2.1	1.5	1.0
Africa, Middle East	2.4	3.0	3.2	12.8	11.5	9.3	1.8	0.3	0.1
Saudi Arabia	2.0	3.9	3.8	1.7	2.2	2.0	-0.5	-2.6	-3.1
United Arab Emirates	4.0	4.5	4.5	1.8	1.5	2.0	9.1	8.8	8.3
South Africa	0.6	1.4	1.3	4.4	3.7	4.5	-0.6	-1.3	-1.4
Egypt	2.4	4.3	4.6	33.2	20.8	12.5	-5.5	-4.9	-4.1
Algeria	3.6	3.2	2.7	4.4	4.5	5.1	-1.0	-2.5	-3.5
Qatar	2.4	2.6	5.2	1.3	0.5	1.8	17.3	13.7	15.2
Koweit	-2.6	2.7	2.5	2.9	2.3	2.2	29.1	22.4	19.0
Morocco	3.8	4.1	3.7	1.0	1.7	2.0	-1.2	-1.9	-2.2
Tunisia	1.4	1.7	1.5	7.0	6.0	6.5	-1.7	-2.5	-2.8
Total	3.2	2.9	2.9	4.4	3.7	3.1	0.7	0.4	0.2
Advanced economies	1.6	1.5	1.5	2.6	2.6	2.3	-0.3	-0.7	-0.7
Emerging countries	4.4	4.0	3.9	5.8	4.5	3.7	1.5	1.1	0.9

* HICP for euro area countries, CPI for others

	2024				2025				2026			
Real GDP growth, QoQ %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA (annualised)	0.8	3.6	3.3	1.9	-0.6	3.8	1.1	1.5	1.8	2.2	2.4	2.4
Japan	-0.2	0.5	0.6	0.5	0.1	0.5	-0.6	0.1	0.2	0.3	0.4	0.4
Eurozone	0.3	0.2	0.4	0.4	0.6	0.1	0.2	0.2	0.4	0.4	0.4	0.4
Germany	-0.1	-0.3	0.0	0.2	0.3	-0.3	-0.1	0.1	0.4	0.5	0.5	0.4
France	0.1	0.2	0.4	-0.1	0.1	0.3	0.2	0.1	0.3	0.4	0.3	0.4
Italy	0.2	0.2	0.0	0.2	0.3	-0.1	-0.1	0.1	0.2	0.1	0.3	0.2
Spain	1.1	0.9	0.8	0.8	0.6	0.8	0.5	0.3	0.5	0.5	0.6	0.6
United Kingdom	0.8	0.6	0.2	0.2	0.7	0.3	0.3	0.1	0.3	0.3	0.4	0.4

	2024				2025				2026			
Consumer prices, YoY %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	3.2	3.2	2.6	2.7	2.7	2.5	2.9	3.1	3.1	3.0	2.8	2.7
Japan	3.2	2.2	2.0	2.3	2.7	3.2	3.2	2.6	2.0	1.5	1.3	1.4
Eurozone (HIPC)	2.6	2.5	2.2	2.2	2.3	2.0	2.1	2.0	1.7	1.9	1.7	1.8
Germany	2.7	2.6	2.2	2.5	2.6	2.1	2.1	2.2	2.0	2.0	2.0	1.9
France	3.0	2.5	2.1	1.7	1.2	0.8	1.0	1.0	1.1	1.4	1.4	1.5
Italy	1.0	0.9	1.2	1.3	1.8	1.8	1.7	1.4	0.9	1.3	1.1	1.2
Spain	3.2	3.6	2.3	2.4	2.7	2.2	2.6	2.5	1.8	1.8	1.7	2.0
United Kingdom	3.5	2.1	2.0	2.5	2.8	3.5	3.9	3.6	3.1	2.3	2.2	2.3

	2024				2025				2026			
Unemployment rate, %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	3.8	4.0	4.2	4.1	4.1	4.2	4.3	4.5	4.4	4.3	4.2	4.1
Japan	2.6	2.6	2.5	2.5	2.5	2.6	2.7	2.7	2.6	2.6	2.6	2.6
Eurozone	6.6	6.5	6.4	6.3	6.4	6.4	6.3	6.3	6.3	6.2	6.2	6.1
Germany	3.3	3.4	3.4	3.4	3.6	3.7	3.6	3.6	3.6	3.5	3.4	3.4
France	7.5	7.4	7.4	7.3	7.5	7.6	7.6	7.7	7.7	7.7	7.7	7.6
Italy	7.1	6.7	6.3	6.2	6.3	6.3	6.2	6.3	6.4	6.4	6.4	6.4
Spain	11.8	11.6	11.3	10.8	10.8	10.6	10.3	10.1	9.9	9.7	9.5	9.4
United Kingdom	4.4	4.2	4.3	4.4	4.5	4.7	4.8	4.9	4.9	4.9	4.9	4.9

PUBLIC ACCOUNTS

	Government balance (% of GDP)			Public debt (% of GDP)		
	2024	2025	2026	2024	2025	2026
United States	-6.5	-6.8	-6.6	99.5	101.9	104.0
Japan	-4.5	-3.5	-2.5	232.4	223.3	215.3
Eurozone	-3.1	-3.0	-3.1	87.6	88.3	89.1
Germany	-2.8	-3.5	-3.8	62.1	64.1	66.0
France	-5.8	-5.6	-5.3	113.2	116.8	118.8
Italy	-3.4	-3.0	-2.9	135.3	136.5	138.8
Spain	-3.2	-2.9	-2.8	101.8	100.5	101.4
Netherlands	-0.9	-2.2	-2.8	43.8	45.7	48.7
Belgium	-4.5	-5.4	-5.6	104.7	107.3	110.1
Greece	1.3	2.4	1.8	153.8	144.0	138.0
Ireland	4.3	6.0	5.8	40.9	31.8	24.9
Portugal	0.7	0.3	0.1	93.8	89.7	86.1
United Kingdom	-5.9	-4.5	-3.8	101.1	101.8	103.1

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