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WEEKLY ANALYSIS

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ENVIRONMENT FAVORING EUROPEAN VALUES

European growth is gaining momentum. Leading indicators confirm the recovery. Inflation stabilizes. The ECB takes a break. Moderate outlook for bonds. More favorable environment for real estate and equity markets.

Key points

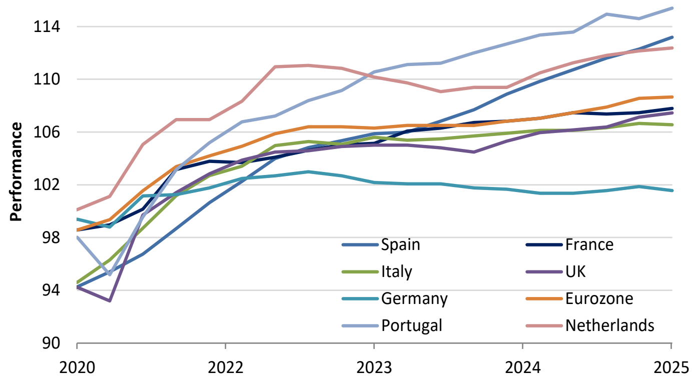
- European recovery takes hold in Q3
- A positive end to 2025
- Leading indicators confirm the upturn
- Household confidence finally confirms its rebound
- Towards price stabilization at the end of the year
- The ECB takes a break, the downward cycle is over
- Stability expected on the bond markets
- The interest rate differential, a new driver for the euro
- Securitized real estate remains undeniably attractive
- A new, more favorable environment for European equities

European recovery takes hold in Q3

Growth momentum in the eurozone strengthened in Q3 2025, with GDP estimated to have grown by +0.4% quarter-on-quarter, confirming the momentum observed in the spring. This performance, which is up on Q2, reflects the initial positive effects of the monetary easing initiated by the ECB. The main driver of this upturn is undoubtedly the revival of household consumption. Stimulated by inflation held at around 2% and renewed confidence, consumer spending rose by +0.5%, bringing the total to around €1,616 billion. This rebound is particularly visible in France and Germany, where purchases of durable goods, long postponed, have picked up again. After several quarters of sluggishness, business investment is finally showing signs of recovery, with a modest increase of +0.1%. Lower key interest rates and improved economic visibility are beginning to remove the brakes on investment, despite credit conditions that remain selective.

Businesses, more confident in demand, began to reduce inventories, resulting in a slightly negative contribution of -0.1 percentage points to GDP from inventory changes, a healthy move that contrasts with the accumulation observed at the beginning of the year. Foreign trade also played a driving role. Benefiting from stronger global demand, particularly from Asia, eurozone exports grew solidly, contributing +0.2 points to growth. This trend was particularly beneficial for export-oriented economies. At the national level, Germany confirmed its emergence from the crisis with robust growth of +0.5%, driven by its industrial sector. France posted a sharp acceleration to +0.3%, thanks to strong domestic demand. Spain (+0.5%) maintained a high cruising speed, while Italy (+0.3%) consolidated its recovery. At the beginning of the year, the situation was much more mixed, with still weak correlation between national performances. The recovery was uneven at that time, but the situation changed in the third quarter, with recoveries becoming more harmonized and confirmation from Germany and Spain. This new convergence suggests that the drivers of the recovery in the eurozone have become more common across the region. Although differences in magnitude persist, the direction now seems clearer for the four main economies. The divergence with the US economy, which is showing signs of slowing down, is now more pronounced. The eurozone therefore appears to be on a path to a more solid recovery, supported by healthier internal fundamentals, even if global geopolitical uncertainties call for continued vigilance.

Quarterly GDP growth — Europe



Sources: Bloomberg, BBGI Group SA