WEEKLY ANALYSIS

M. Alain Freymond — Associé & CIO

MODERATE OUTLOOK FOR THE EUROZONE IN 2026

GDP growth in Q4. Sluggish economic recovery in 2026. Household confidence too cautious. Inflation under control. ECB on hold for the foreseeable future. Complex situation for the euro. Bond market without clear trend. Moderate outlook for equities.

Key points

- Resilience in Q3 points to a positive Q4 as well
- Positive but fragile growth in 2026
- Leading indicators point to a sluggish recovery
- Household confidence remains defensive
- Prices set to stabilize at the end of the year
- No further rate cuts on the horizon for the ECB
- The ECB's pause reshuffles the cards on the interest rate market
- Another complex situation for the euro
- Securitized real estate remains undeniably attractive
- The discount on European stock market indices is struggling to disappear

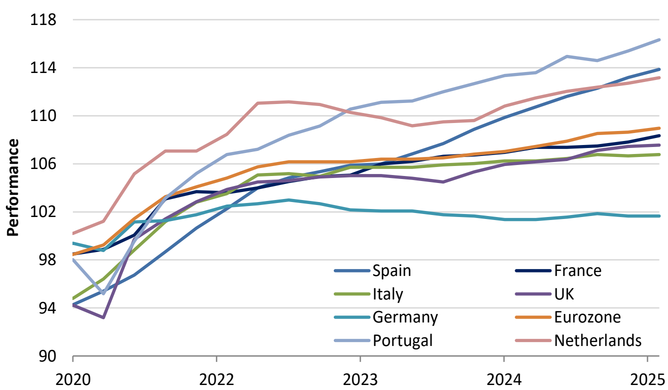
Resilience in Q3 points to a positive Q4 as well

The momentum of the recovery, although real, is proving to be somewhat more volatile than expected in the face of persistent political uncertainty and slowing industrial demand. Third-quarter GDP was confirmed at +0.3%, while year-on-year growth stood at +1.4%. The eurozone economy thus grew slightly more than expected thanks to higher investment and consumption. Net trade, on the other hand, slowed growth. Overall, the eurozone is showing good resilience in the context of the current tariff disruptions, undoubtedly thanks to a still-strong labor market that is keeping household and business spending at a healthy level. Low interest rates and more competitive financing have also contributed to this positive trend. The recovery is therefore well underway, but the trend still needs to be confirmed, particularly in the industrial sector and in Germany.

The resilience of the region is based in particular on the outperformance of France, Spain, and Portugal, which are acting as the new pillars of activity. Portugal (+0.8%) and Spain (+0.6%) are confirming their current status as driving forces with robust growth, supported by a still-flourishing services sector. Meanwhile, France has surprised observers with a notable acceleration to +0.5%, compared with +0.3% in the previous quarter. This strength in France can be explained by domestic demand that is holding up better than elsewhere and by temporary supportive effects linked to more dynamic household consumption, benefiting from lower inflation. These three nations were clearly on a more positive trajectory, but, in contrast to this dynamism, the traditional industrial heartland of Europe was struggling to recover, casting doubt on the scenario of Germany catching up.

Germany recorded zero growth, narrowly avoiding technical recession but failing to rebound. Its economic model remains immobilized by persistently weak global demand, particularly from China, and by production costs that weigh on its industrial competitiveness. This German sluggishness directly affects Italy, whose productive fabric in the north is partly integrated into German value chains. Rome thus posted an anemic performance of +0.1%, signaling a sharp slowdown compared to the beginning of the year. Ultimately, the third quarter of 2025 does not show any intensification of joint momentum between countries, but rather a decoupling of national dynamics. Uncertainty over tariffs certainly affected Germany more in Q3, but this factor should have a more favorable impact on the eurozone's largest economy in Q4. It should also be noted that the global economy has weathered the tariff shock fairly well and will now be able to build on improving domestic and international conditions in early 2026.

Quarterly GDP growth — Europe



Sources: Bloomberg, BBGI Group SA