Paris, 23 July 2026

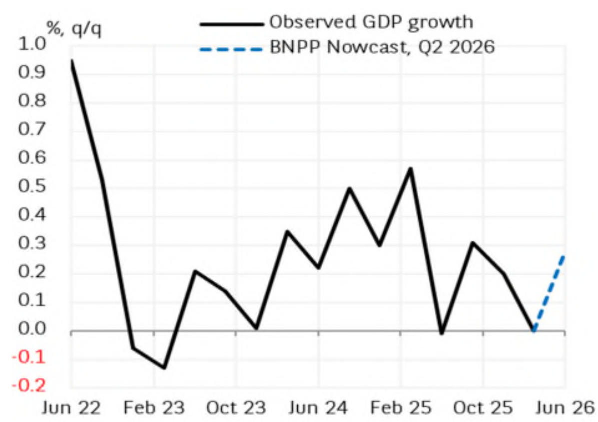
EcoFlash

Q2 growth in advanced economies: resilient despite multiple shocks

Shocks are mounting, but growth is holding up. Although GDP figures for the Eurozone, France, Germany and the United States are due to be published on 30 July, our nowcasts indicate that growth returned to its trend rate in the second quarter. This rate is approximately 1% per annum in the Eurozone, France and Germany, and 2% per annum in the United States. In Q2, the Eurozone is expected to benefit from sustained growth in Germany, with investment plans gaining momentum, while France is expected to see a rebound in exports and residential construction after a poor start in Q1. In the United States, growth is expected to remain driven by non-residential investment and household consumption but will be held back by strong imports.

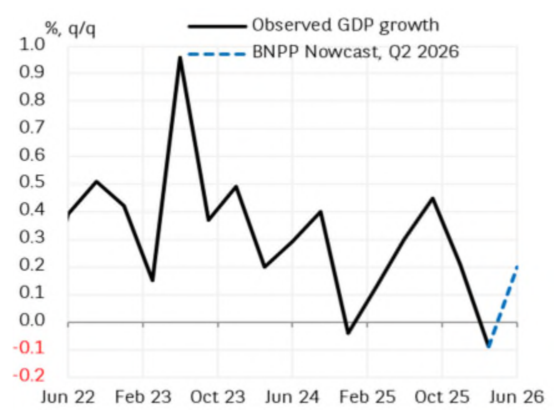
Eurozone: a (fragile) resurgence in momentum. Following a first quarter marred by significant volatility in Irish statistics – assuming this does not disrupt Q2 GDP figures again – **our nowcast points to a rebound in growth of +0.3% q/q in Q2 2026**, in line with our forecast. This nowcast has been recently revised upwards due to improvements in the June PMI surveys and the (unfortunately temporary) fall in the price of Brent crude. Growth in the Eurozone is expected to be driven by Germany and the rebound in economic activity in France (see below). The resilience of the Eurozone labour market is likely to continue providing support for consumption, although household purchasing power is expected to fall by 0.9% q/q in Q2. This decline underscores the two headwinds facing households: geopolitical uncertainty and the temporary rise in inflation, both of which are expected to continue to dampen consumption and keep the savings rate at a high level.

Eurozone



Source: Refinitiv, BNP Paribas

France

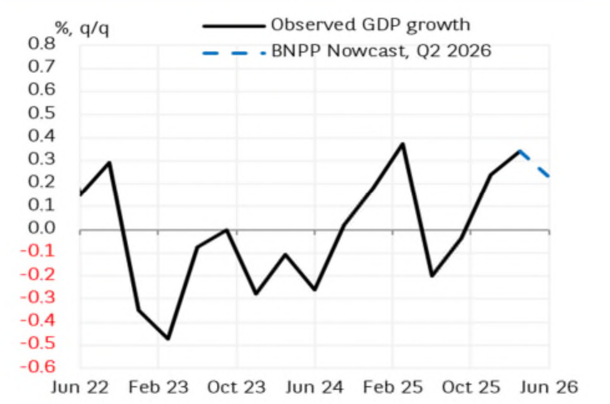


Source: Refinitiv, BNP Paribas

France: a (partial) return to growth. France appears to have returned to growth in the second quarter, with an increase of +0.2% q/q according to our nowcast. Three factors contributed to the 0.1% q/q decline in Q1: i/ exports: however, Airbus deliveries have since rebounded sharply (+40% y/y in Q2 after -16% y/y in Q1), and exports have also risen in the steel, IT/electronics and pharmaceutical sectors; ii/ construction: after a sharp decline across all its sub-sectors in Q1, output is expected to stabilise in Q2 (with a rebound in new housing offsetting ongoing weakness in public works and renovation); 3/ household consumption: this is expected to remain under pressure in Q2 (following a 0.2% q/q decline in Q1) due to rising inflation, which has prompted households to revise their purchasing intentions downwards (a decrease of 9 points in June compared with February in the household confidence survey, 22 points below their historical average).

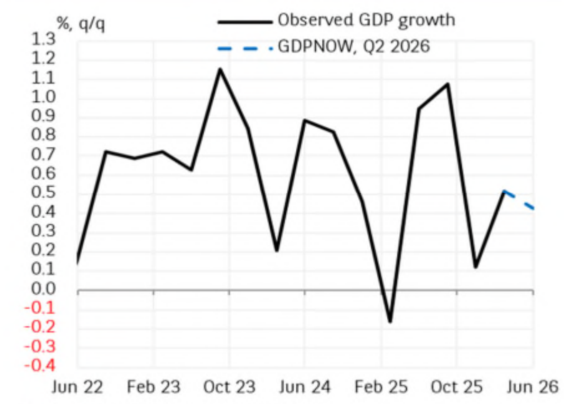
Germany: the return to growth is being confirmed. Germany is implementing its investment plans (**see our analysis**) and this is being reflected in its GDP growth. **Our Germany nowcast (which we are publishing for the first time) indicates that growth reached 0.2% q/q in the second quarter**, marking a third consecutive quarter of growth (+0.2% q/q in Q4, +0.3% in Q1) – a performance not seen since 2022. Public spending is the main driver of this growth, with social spending leading the way (particularly those associated with an ageing population). Defence spending is also gaining momentum: in Q1 2026, government expenditures accounted for a quarter of public consumption growth (compared with a tenth a year earlier). This rise in public spending is supporting public works, with output reaching an all-time high in the first two months of Q2 (+6% q/q). German industry is also reaping the benefits of this, alongside the resurgence in European demand: domestic industrial orders have risen by 2.6% y/y since the start of 2026, with an even more significant rise for orders to the Eurozone (+6.2% y/y).

Germany



Source: Refinitiv, BNP Paribas

United States



Source: Refinitiv, Fed Atlanta BNP Paribas

United States: growth held back by inflationary pressures. Survey data are looking strong. The non-manufacturing ISM index remains high (54 in June, following a peak of 56.1 in February), while the manufacturing ISM index has risen significantly since the start of the year (averaging 52.9, compared with 47.5 in the second half of 2025). However, GDP growth is unlikely to benefit much from this uptick in activity, as the rise in imports (particularly of inputs for AI) has also accelerated. **This limits the Atlanta Fed's nowcast to 1.7% q/q for the second quarter (annualised), while our forecast is slightly more optimistic, at 2.2% annualised (0.55% q/q, non-annualised)**. This figure, which is relatively moderate given the high ISM reading, can also be attributed to the inflationary pressures facing the US economy. These pressures are linked to supply constraints on intermediate goods and the strength of the labour market and have been exacerbated since March by the rise in oil prices. Consequently, while it is conceivable that consumption will continue to be driven in Q2 by the wealth effect among affluent households, the confidence and spending of other Americans are likely to be adversely affected by ongoing inflation.

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