

Snap | 29 September 2025

Eurozone businesses grow cautiously more optimistic for months ahead

The economy remains on track to see a small improvement in GDP growth in the third quarter as uncertainty fades and big shocks to trade have been avoided



Risks are persisting, but European businesses had braced for worse

The eurozone had braced for economic turmoil on the back of the trade war. With more clarity on the trade relationship with the US (for now) and a decent domestic performance, the reality is that the economy is doing fine so far. Not great, but fine. GDP growth was slightly positive in the second quarter, and we expect the third quarter to see small positive growth as well, perhaps even slightly faster at 0.2% quarter-on-quarter.

The economic sentiment indicator for September reflects this, as cautious optimism is returning about the future. The overall indicator saw a minor increase from 95.3 to 95.5. While the manufacturing and service sectors both showed slightly weaker judgments of recent output, their expectations for the coming months did improve. Consumer confidence ticked up by 0.6 points, although it remains low by historical standards.

But this is not by any means the start of a strong economic revival either. With modest output

growth at the moment and weaker overall employment and price expectations, the current environment continues to be sluggish overall.

Overall, risks are persisting – but European businesses had braced for worse. While many effects from the structurally changing economic environment still have to play out, the score so far is okay. And that will likely be reflected in a small positive growth rate for the third quarter.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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