

Snap | 30 July 2025

Small growth for eurozone economy already better than expected

The 0.1% growth compared to the first quarter shows resilience despite US trade volatility. While short-term risks to the outlook remain high, improvements in sentiment provide encouraging signs for the coming quarters as economic uncertainty hopefully eases



We aren't expecting any miracles for the eurozone economy - but at the same time, there are new signs of life starting to emerge

First-quarter growth in the eurozone was very strong at 0.6% and was inflated by the US frontloading of eurozone goods, which made a reality check in the second quarter likely. But so far, we have not seen a big reversal of that trend, which means that the small increase in GDP in the second quarter can be seen as a positive sign for the eurozone economy. Despite uncertainty prevailing in the first half of the year, combined growth in the first two quarters has not disappointed.

Then again, big swings in US demand for eurozone goods are still dominating the broader manufacturing and trade developments. Risks of a larger decline in case frontloading effects have further to reverse are still apparent for the eurozone economy.

Country differences reveal the importance of the US in current growth figures. Most notably, the

Irish economy – heavily influenced by pharmaceutical exports to the US in recent months – contracted by -1% in the second quarter. But that is a far smaller decline than the 7.4% increase in activity seen in the first quarter. Germany and Italy also contracted, while Spain, France and Portugal posted strong growth figures for the quarter.

But don't just look at tariffs when it comes to the eurozone economy, because the most important domestic engine of growth – the service sector – also experienced a sluggish second quarter, according to surveys like the PMI and the European Commission services sentiment indicator. Indeed, services production was down by -0.3% in April compared to March, which is the only hard data we have at this point about the service sector. The weakness in services can be explained by weak confidence from consumers and businesses, although June and July showed more signs of life from the sector.

Looking ahead, expect swings in trade to continue to influence the economy. The eurozone economy is likely to perform sluggishly beneath the surface, but some signs of improvement can be seen. Uncertainty is likely easing somewhat now that a [trade deal](#) with the US has been struck. And already before that, businesses in services and manufacturing were showing renewed signs of optimism. For the short term, don't expect miracles, but at the same time, there are new signs of life starting to emerge for the eurozone economy.

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