

Macro Rapid Response

Eurozone GDP: an Ireland-induced revision

In Q2, GDP growth in the euro area was revised up by two tenths to 0.6% q/q (+1.2% y/y). The revision is, once again, entirely attributable to Ireland; excluding Ireland, growth remained unchanged at 0.3% q/q. Looking ahead, the available hard data point to some downside risks for economic activity in Q3. However, it is still too early to draw conclusions based on a limited number of observations and confidence surveys provide much more encouraging signs. Taking into account a possible rise in gas prices towards the end of the year, we continue to believe that a scenario of moderate growth in the Eurozone excluding Ireland in H2 2026 remains plausible.

The upward revision to the eurozone's GDP in Q2 is entirely attributable to Ireland, which is notoriously volatile, and whose sequential pace of growth was revised up to 10.2% from the previous 3.9%. **Excluding Ireland, growth in the euro area was confirmed at 0.3% q/q (1.2% y/y), stable compared with the previous quarter.** This figure therefore confirms the underlying resilience of the European economy to the shocks of recent years: excluding Ireland, the euro area has in fact continued to grow for over two years at a rate broadly in line with its potential.

A breakdown of the components shows an acceleration in private consumption growth (0.4% q/q from the previous 0.1%), although the figure for the start of the year was revised downwards by two tenths. The data indicates that household spending has held up well in the face of the energy shock. Public expenditure grew by 0.2% q/q from 0.5%. **Fixed investment, however, remained weak, falling for the second consecutive quarter** (-0.1% q/q from -0.2%; the figure for the previous quarter was revised upwards by one-tenth). In particular, investment in machinery and equipment contracted again (-0.3% q/q from +0.2%) for the first time in six quarters. Investment in construction (+0.1% q/q from -1.0%) and in intellectual property (-0.1% q/q from +1.4%) remained essentially stagnant. **On the foreign trade front, exports recorded a marked acceleration** (+3.4% q/q after -0.6%), posting the highest growth rate since the end of 2020. Imports also rose (+1.3% q/q from +0.3%), but at a significantly slower pace than exports. As a result, **net exports contributed 0.9 percentage points to GDP growth** during the spring, whilst **domestic demand contributed 0.2 points and changes in inventories subtracted around half a percentage point.**

The level of economic activity in **Ireland**, following the sharp fluctuations of recent quarters, has returned to levels close to those seen in Q2 of last year. However, Irish GDP is influenced to a far greater extent by the accounting practices of large multinationals than by domestic economic factors, and this makes it **likely that high volatility will persist in the coming quarters as well.** Prior to today's revision, our growth forecast for the eurozone as a whole in 2026 stood at 0.8%; the updated data would automatically bring this figure to around 1%. However, the exceptional volatility of the Irish economy makes it difficult to attribute any significant informative value to this revision and, consequently, to incorporate it into a precise forecast.

Even excluding Ireland, however, there are still some elements of uncertainty regarding the current quarter. **A divergence is beginning to emerge between the signs of weakness evident in the available hard data and the far more encouraging signals provided by confidence surveys.** The first hard data for Q3, such as retail sales and July German industrial production (although the latter has been affected by one-offs), are mostly on the soft side. Even the June data on services activity, whilst typically volatile, leave an unfavourable overhang on the summer quarter. **It is still too early to draw conclusions based on a limited number of observations** but, whilst taking into account these downside risks and a possible rise in gas prices towards the end of the year, **we continue to regard moderate growth rates for the Eurozone (excluding Ireland) between 0.2% and 0.3% q/q on average in the second half of the year as plausible.**

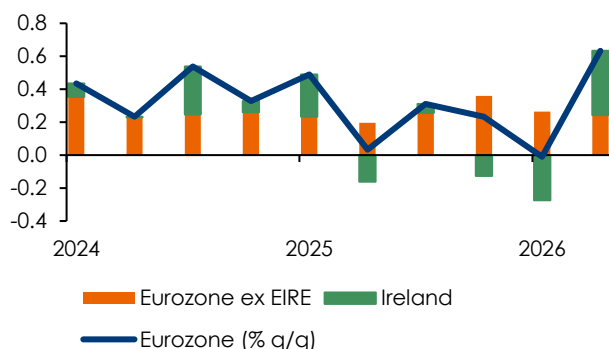
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Research Department

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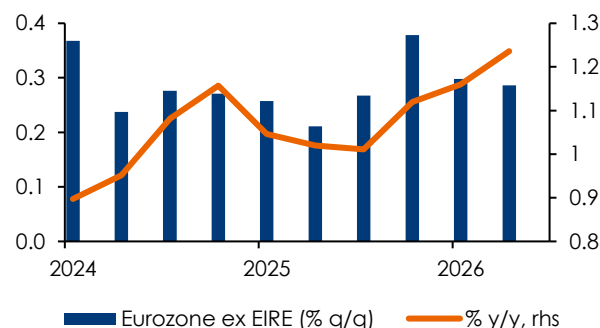
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GDP growth in Q2 was driven by the typically volatile Irish figure



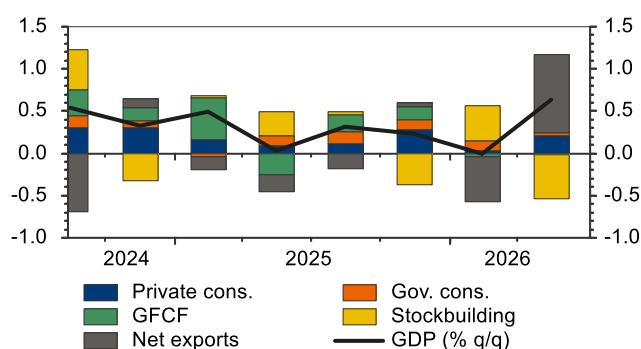
Source: Intesa Sanpaolo elaborations, Eurostat data

Excluding Ireland, GDP growth remains stable at a comfortable 0.3%



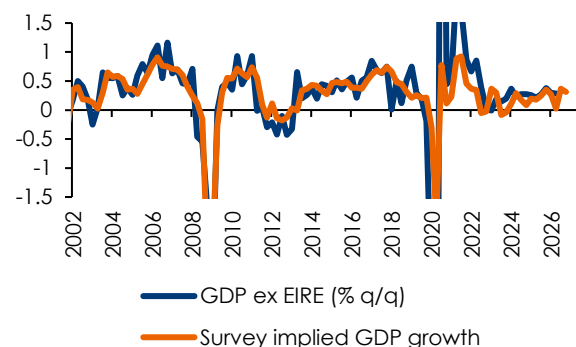
Source: Intesa Sanpaolo elaborations, Eurostat data

Contributions to GDP growth (% q/q): exports were the driving force, whilst consumer spending showed resilience



Source: Intesa Sanpaolo elaborations, Eurostat data

The initial July figures were weak, but surveys point to encouraging signs that the economic cycle will hold up in H2 2026



Source: Intesa Sanpaolo elaborations

Appendix

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