

Business Cycle Monitor

December 2025

Economic growth expected to hold steady at 0.3% in the fourth quarter of 2025¹

- According to the latest statistics, Belgian economic growth came in at 0.3% in the third quarter of 2025, in line with the September 2025 Business Cycle Monitor (BCM) estimate.
- Household consumption growth slowed markedly in the third quarter, despite an ongoing rebound in consumer confidence. Retail-related indicators have softened somewhat. However, labour demand remains robust and purchasing power should continue to expand. All in all, we expect household consumption growth to recover in the final quarter of 2025.
- Business investment surged in the third quarter of 2025, exceeding our expectations. Growth in business investment appears robust, even after correcting for a number of exceptionally large transactions. However, business confidence – although up on average since the third quarter – has stalled in the fourth quarter and managers' demand expectations have softened somewhat, which could weigh on investment. Moreover, capacity utilisation is still below average. Overall, business investment growth should moderate slightly in the fourth quarter. Housing investment, meanwhile, is expected to continue to fall.
- General government consumption growth is forecast to ease while public investment should continue to expand in the fourth quarter of 2025.
- Net exports made a marginally positive contribution to GDP growth in the third quarter of 2025. With improving Belgian competitiveness, lower uncertainty and currently stable trade conditions, exports are expected to recover modestly in the fourth quarter. At the same time, resilient domestic demand and deliveries of defence equipment from abroad should buoy imports. Overall, the contribution of net exports to GDP growth is likely to turn slightly negative.
- The NBB's nowcasting models are yielding varying predictions for fourth-quarter growth: C3PO forecasts growth of 0.3%, while both Bosphorus and Brel Jr. predict an expansion of 0.5%, which is in line with the median of the one-indicator models.
- Based on currently available data, a growth rate of 0.3% appears to be the most plausible estimate for the fourth quarter of 2025. The balance of risks for this nowcast is assessed as skewed to the upside. Household consumption growth was unexpectedly weak in the third quarter and could rebound more than currently predicted due to anticipation effects related to planned VAT increases, despite concerns regarding purchasing power growth.

¹ This is a short-term NBB estimate which should not be confused with the official statistics published by the National Accounts Institute (such as the flash estimate of GDP, which is released one month after the end of each quarter). This estimate is based on nowcasting models and expert judgment and incorporates information up to 5 December 2025. As is the case for all estimates and forecasts, it is subject to a degree of uncertainty.

Euro area GDP growth expected to stay broadly stable in the fourth quarter of 2025

Recent statistics show that euro area economic growth edged up to 0.3% in the third quarter of 2025, as expected. Year-on-year growth came in at 1.4%. Unlike in 2024 and early 2025, GDP growth in Ireland has remained remarkably moderate in recent quarters, meaning its impact on the third-quarter euro area aggregate was negligible.²

Table 1

Real GDP growth

(%, adjusted for seasonal and calendar effects)

	Quarter-on-quarter change				Year-on-year change
	2024Q3	2024Q4	2025Q1	2025Q2	2025Q2
Euro area (EA)	0.4	0.6	0.1	0.3	1.4
EA excl. Ireland	0.4	0.6	0.1	0.3	1.4
Germany	0.2	0.3	-0.2	0.0	0.3
France	0.0	0.1	0.3	0.5	0.9
Italy	0.1	0.3	-0.1	0.1	0.6
Spain	0.8	0.6	0.8	0.6	2.8
Netherlands	0.5	0.3	0.3	0.4	1.4
Belgium	0.1	0.4	0.2	0.3	1.1
Ireland	3.3	7.4	0.3	-0.3	10.9
EU	0.5	0.5	0.3	0.4	1.6
UK	0.2	0.7	0.3	0.1	1.3
US	0.5	-0.2	0.9	-	-
Japan	0.7	0.2	0.6	-0.4	1.1

Sources: EC, US Department of Commerce, Cabinet Office Japan.

Euro area growth remained quite uneven in the third quarter of 2025. In Germany, GDP stagnated; gross fixed capital formation increased but net exports weakened again; and while government consumption rose, household consumption declined. Overall, the German economy saw only marginal growth over the first three quarters of 2025. Italian growth was also weak and came in at 0.1%. The country's net exports bounced back in the third quarter but were offset by a sharp decline in stocks. Growth remained positive due to moderately positive contributions from investments and household consumption. However, activity growth in both the Netherlands and France edged upwards, boosted by robust export figures and a rise in government spending. Among the euro area's larger economies, Spain again posted the highest GDP growth, thanks to very robust domestic demand offsetting a sharp decline in net exports.

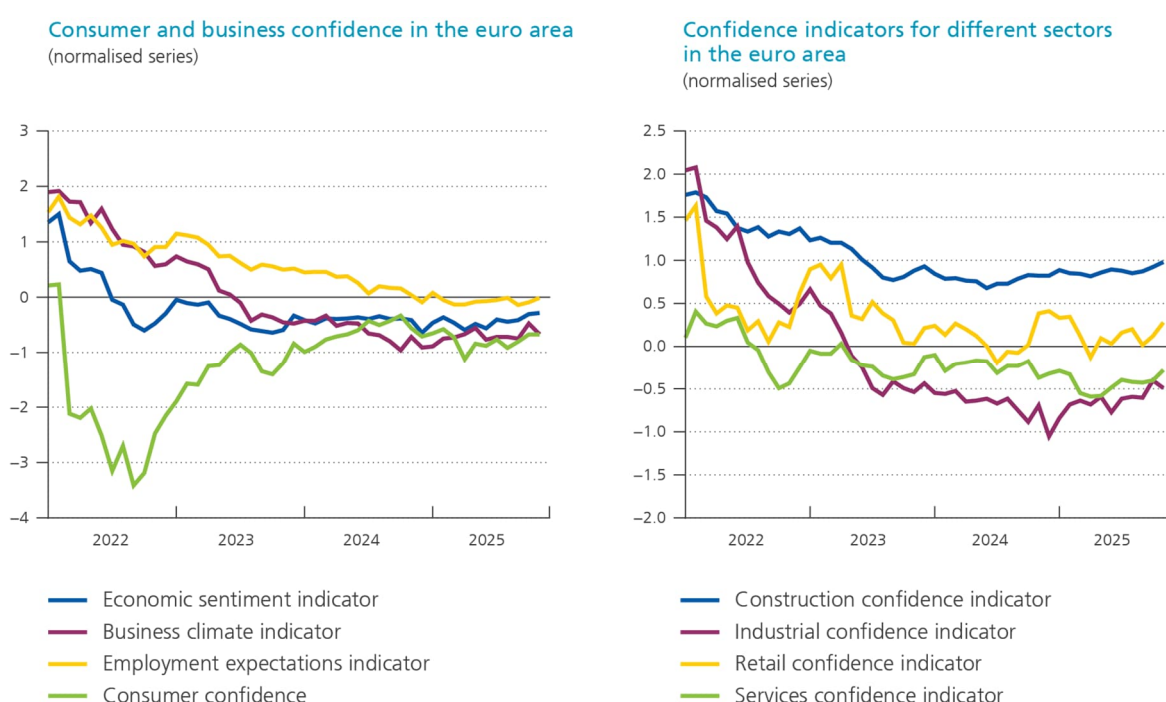
GDP growth weakened in other major advanced economies. The UK enjoyed only very marginal GDP growth, with a moderate expansion in most demand components largely offset by a strongly negative contribution from stocks. Japanese GDP declined by 0.4% in the third quarter, leaving year-on-year growth at 1.1%. Figures for US third-quarter GDP growth were unavailable for this issue of the BCM due to the recent federal government shutdown.

² The volatility in Irish GDP statistics is mostly due to operations involving intangible assets. These transactions usually do not reflect the Irish or euro area business cycle and are related to tax optimisation by large foreign-owned multinationals. See [Andersson et al \(2023\)](#) for a detailed discussion.

Confidence indicators have been recovering gradually in recent months. The European Commission's Economic Sentiment Indicator (ESI) reached its highest level in two years in November and is steadily approaching its long-term average. This improvement is being driven by stronger confidence in the construction, retail and services sectors, alongside stable consumer sentiment. In contrast, confidence in manufacturing declined, and the Business Climate Indicator (BCI), which is closely tied to conditions in the manufacturing industry, also fell back in November. The Employment Expectations Indicator (EEI), on the other hand, edged upwards again in November but has remained close to its historical average since late 2024 (see Figure 1), suggesting that the labour market outlook remains quite stable. Consumer confidence in the euro area rebounded moderately from its second-quarter dip but remains below average levels; while consumers' assessment of the current economic situation improved, this was offset by a slight weakening in their assessment of both their current and future financial situation.

Figure 1

Euro area confidence indicators



Source: EC.

Note: The original series are standardised around their historical averages and divided by their standard deviations.

Looking at specific sectors, the November decline in industrial confidence was mainly driven by lower production expectations and a more negative assessment of order books. Assessments of export orders – though not included in the overall industrial confidence indicator – fell even more sharply. In construction, sentiment improved slightly thanks to stronger employment expectations. Retail confidence also strengthened, largely due to managers' more positive assessment of recent business conditions, although their short-term outlook weakened somewhat. In the services sector, sentiment improved across the board, with both recent activity and activity expectations assessed more favourably.

The euro area Purchasing Managers' Index (PMI) also points to moderately positive overall conditions for the fourth quarter of 2025. The composite PMI sits at 52.5, signalling slightly expansionary conditions for the economy as a whole. This is largely driven by sentiment in services, while conditions in the manufacturing industry point to a stagnation of activity (see Figure 2, left-hand graph).

Price pressures have largely normalised, and inflation is broadly in line with expectations.

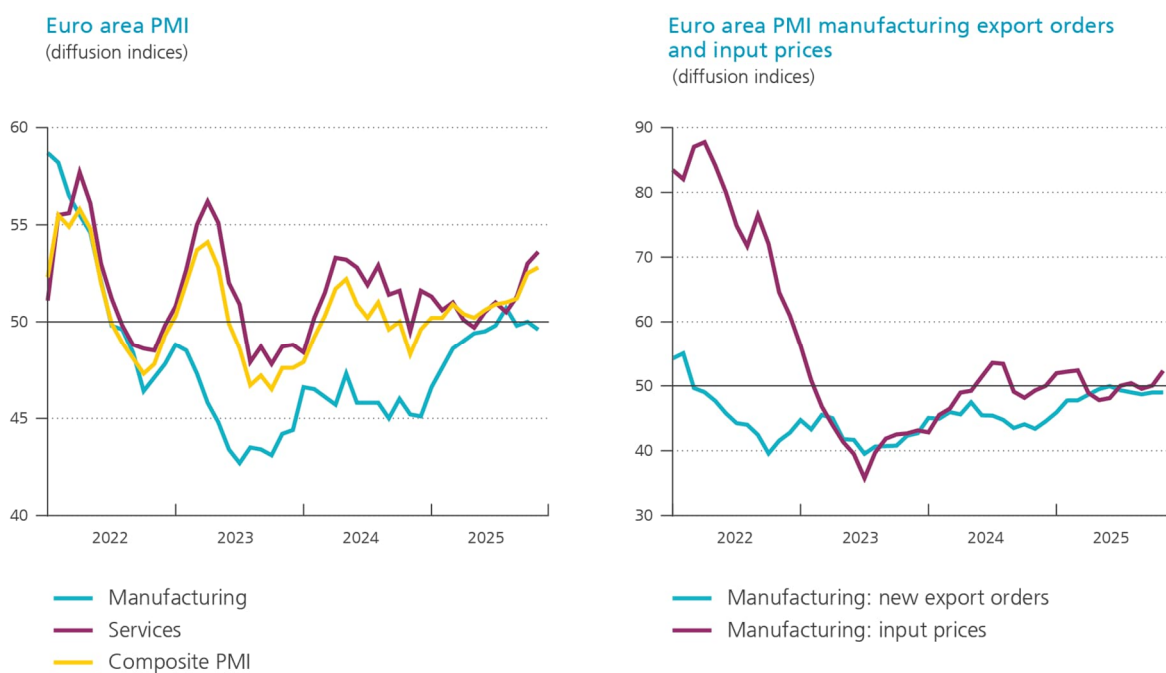
Euro area HICP inflation edged up to 2.2% in November from 2.1% in October. Core inflation remained at 2.4%, with non-energy industrial goods inflation unchanged at 0.6% but services inflation inching higher and currently proving quite “sticky”. Energy inflation is still negative. The normalisation of price pressures is also visible in the PMI for manufacturing input prices which has been hovering at or near 50 points since the second quarter of 2025; this indicates, in principle, stable input cost developments (see Figure 2, right-hand graph).

The PMI for new export orders in the manufacturing industry remains anaemic, sitting at a level just below 50. This means that the impact of US tariffs on the euro area’s global exports has been very limited to date, but implies stability, at best, in the near term. Looking further ahead, European exports face headwinds from slower global growth and strong competition from Asia and North America, where energy costs and the regulatory burden are often lower. However, supply chain diversification and nearshoring trends may benefit some niche European sectors.

Overall, current conditions suggest that euro area GDP growth will remain broadly stable in the fourth quarter of 2025.

Figure 2

Purchasing managers’ indices (PMI)



Source: HCOB.

Belgian GDP expanded by 0.3% in the third quarter of 2025

According to the latest statistics, Belgian economic growth edged up slightly to 0.3% in the third quarter of 2025, slightly higher than the euro area average. This figure is exactly in line with the 0.3% nowcast published in the September 2025 BCM, as well as the NAI's earlier flash estimate.

Individual demand components were mostly correctly anticipated. The further fall in residential investment and the near zero contribution of net exports to GDP growth matched our expectations, as did the moderation of government consumption and the slight expansion of government investment.

On the other hand, current statistics show that business investment accelerated markedly, partly due to certain exceptional transactions, whereas we expected growth to remain moderate. In addition, household consumption growth clearly moderated in the third quarter, contrary to our expectation of broadly constant expansion.

On the production side, third-quarter growth was broad-based. Private-sector value added expanded by 0.3%. Activity growth in the construction sector reached 0.9%, while activity in manufacturing expanded by 0.3% - its strongest rate since 2022. In the services sector, market services saw 0.3% growth while non-market services grew by 0.4%.

Household consumption growth should rebound in the fourth quarter of 2025

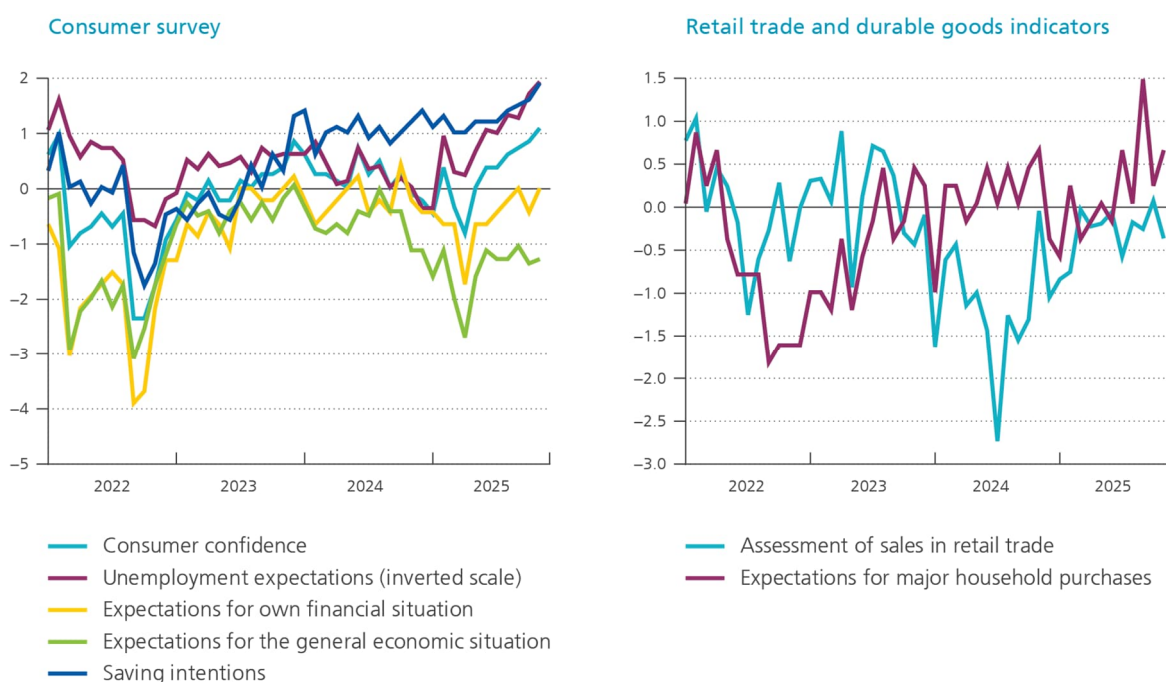
Household consumption growth was just 0.1% in the third quarter of 2025, well below its long-run average of around 0.4%. In year-on-year terms, private consumption growth is now back to just 1.5%.

Looking at the indicators for the current quarter, consumer confidence as measured by the NBB's monthly consumer survey continued to rebound in recent months and hit its highest level since mid-2021 in November. As regards the subcomponents of the indicator, unemployment expectations – typically a strong predictor of actual consumption – continued to improve in the first two months of the fourth quarter. However, this recent improvement is unlikely to translate into consumption growth as it may also have been driven by the imminent introduction of limits on the duration of unemployment benefits. In that sense, it may be less useful as a cyclical indicator than is usually the case. Labour market statistics show continued moderate employment growth, although this is largely related to public sector employment and self-employment. Other subcomponents paint a mixed picture. Household expectations regarding the general economic situation remain subdued. Since the summer, this indicator has moved broadly sideways and continues to hover at a low level. Meanwhile, household saving intentions have increased in parallel with improved unemployment expectations and now stand well above their long-run average. Household expectations for their own financial situation have improved, but only up to their historical average.

Retail-related indicators point to consumer caution. On the plus side, household expectations for major purchases have been trending upwards since early 2025 and now sit comfortably above their long-run average. However, the assessment of retail sales managers, which account for the bulk of household purchases, has remained broadly flat since the second quarter (see Figure 3, right-hand graph). Furthermore, the synthetic indicator for retail trade in the NBB's monthly business survey, which had been rising since early 2025, fell back in November (see Figure 4, left-hand graph). This decline is corroborated by business intelligence collected in preparation for the December 2025 issue of Business Echo: retail managers characterised consumer demand as “soft” and “highly price-sensitive” due to a (perceived) erosion of household purchasing power.

Figure 3

Indicators of household consumption growth
(standardised series)



Source: NBB.

Note: The original series are standardised around their historical average.

Looking at the fundamentals, wage growth remains muted and although inflation has declined in 2025, it surprised somewhat on the upside in recent months. Moreover, upcoming government measures and reforms are likely to affect household income in the near term and may dampen consumption growth even before they are implemented due to anticipation effects. While these elements suggest that the prospects for purchasing power growth are limited in the short term, continued expansion is expected. In addition, recent data show that employment growth edged upwards in the third quarter, and interviews conducted for the Business Echo indicate robust labour demand. Household consumption growth clearly exceeded purchasing power growth in recent quarters, and we expect this trend to persist in the short run. **The foundations for continued, albeit moderate, household consumption growth remain in place.**

All in all, household consumption growth should rebound but is likely to remain below its long-run average in the fourth quarter of 2025.

Private investment growth set to moderate in the fourth quarter of 2025

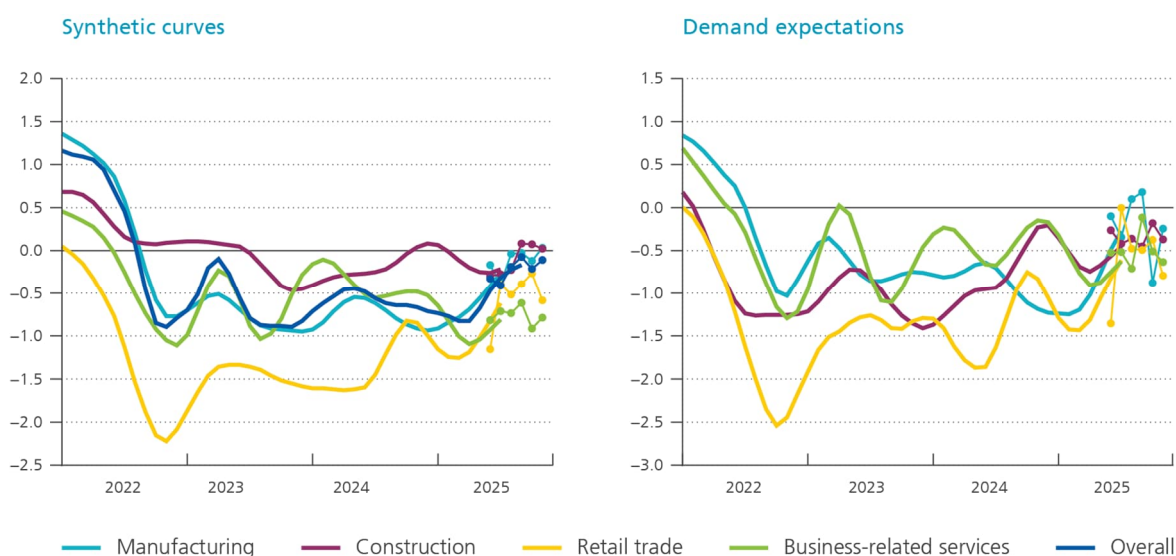
Business investment surprised on the upside in the third quarter, expanding by 2.4% or about three times its long-run average growth rate. Even after correcting for certain exceptional transactions over the summer, quarterly growth was still around 2%.

The acceleration in business investment in the third quarter occurred against the backdrop of a recovery in business confidence which began in the second quarter, as measured by the NBB's monthly business survey. On average, confidence in the fourth quarter is up. **However, the improvement has stalled somewhat**, with confidence remaining just below its long-run average (see Figure 4, left-hand graph). As regards the breakdown, confidence levels in the manufacturing industry and construction are flat, hovering near their long-run average. In contrast, confidence weakened sharply in retail trade in November and remains even lower in business-related services, despite a slight uptick in sentiment that same month.

Forward-looking demand indicators peaked in the third quarter and are weakening in the fourth. This trend is most pronounced in the manufacturing industry, where demand expectations exceeded their long-run average for the first time since mid-2022 after improving strongly in the second and third quarters. However, expectations deteriorated sharply in October and remain below their long-run average despite a moderate improvement in November. The outlook for demand has also softened in retail trade and business-related services. The only exception is the struggling construction industry, where the outlook for demand is broadly flat (see Figure 4, right-hand graph). **Overall, the survey indicators point to a slight downturn in the conditions for business investment.**

Figure 4

Business sentiment and demand expectations
(standardised series)



Source: NBB.

Note: The original series are standardised around their historical average and divided by their standard deviation.

Business intelligence gathered for the Business Echo in October and November also points to a moderation in investment growth. Nearly all business leaders interviewed for the Business Echo struck a relatively cautious tone and many still expect some fall-out from US trade restrictions to materialise. In most cases, investment spending is reported to have moderated and to be focused on maintenance, efficiency improvements and the greening of production processes. Expansion projects in Belgium – and, more broadly, Western Europe – are often being postponed, according to respondents.

Moreover, the need to expand production capacity remains moderate. The capacity utilisation rate, derived from the NBB's quarterly survey on production capacity, edged up to 78% in October, which is still below the long-term average of approximately 80%.

Meanwhile, financing conditions are benign. Respondents to the NBB's quarterly survey on financing conditions reported broadly stable lending conditions in the second quarter of 2025. The current consensus among Business Echo respondents is that external financing conditions are not proving to be an obstacle to investment. In addition, many firms continue to finance at least a part of their investments through (intra-group) cash reserves. Bank lending has not become more restrictive for most firms, although banks continue to scrutinise higher-risk activities such as real estate development.

Overall, business investment growth is expected to moderate in the fourth quarter.

Housing investment fell further in the third quarter of 2025. Recent statistical revisions show that housing investment peaked in early 2023. Compared to the peak, third-quarter investment is nearly 20% lower in real terms, a level last seen during the depths of the Covid-19 crisis and, prior thereto, in 2005. The downturn is largely being driven by the slowdown on the market for residential new builds. The number of building permits issued – a key indicator of upcoming residential projects – fell again in August, the most recent data point. Looking ahead, the fundamentals remain weak at best. Purchasing power growth remains subdued and neither price nor mortgage rate developments are expected to significantly improve affordability. Demand expectations in the construction industry are holding steady near their long-run average. NBB Business Echo respondents indicate historically weak activity, particularly for residential new builds, while renovation-related activity has provided some support. There were tentative signs of a bottoming out in some segments as conditions for investment have improved somewhat, but the outlook for 2026 remains challenging. All in all, **housing investment growth is likely to remain negative in the fourth quarter, although perhaps to a lesser extent than in the third.**

Overall, growth in private investment is expected to moderate this quarter.

Looking at the public sector, government investment rose by 0.6% in the third quarter of 2025. Plans to boost public investment should support growth in the near term, although a significant share of the investments in defence will be imported. In that regard, significant deliveries are expected to take place in the current quarter. Overall, we expect public investment growth to strengthen in the current quarter.

General government consumption projected to slow going forward

In the third quarter of 2025, general government consumption increased by 0.7% in real terms. Considering the long-run average growth rate of around 0.3%, **we expect the growth rate for general government consumption to moderate somewhat in the final quarter of 2025.**

Contribution of net exports to growth likely to turn slightly negative

According to the CPB World Trade Monitor, **global trade volumes rebounded in the third quarter, returning to their long-term growth trajectory.** The decline recorded in the second quarter was largely a normalisation following the surge seen in the first quarter, when US firms massively front-loaded imports in anticipation of tariff increases. Overall, global trade remains resilient, and the impact of recent US trade restrictions has been modest outside the United States.

Euro area export volumes showed a tentative uptick at the end of the third quarter but remain well below 2022 levels. While the most acute pressures have eased, the euro area economy continues to grapple with weakened global cost competitiveness. Although energy prices have declined in recent quarters, in absolute terms, European energy costs – along with regulatory and compliance costs – remain relatively higher. These conditions are reflected in the manufacturing PMI for the euro area, which has been hovering near its long-run average since mid-2025. The manufacturing PMIs for Belgium's largest neighbours (and main trading partners) have deteriorated since the summer. Confidence levels in the manufacturing industry in the Netherlands are still rising, but corresponding indicators for France and Germany point to a contraction of activity in the fourth quarter.

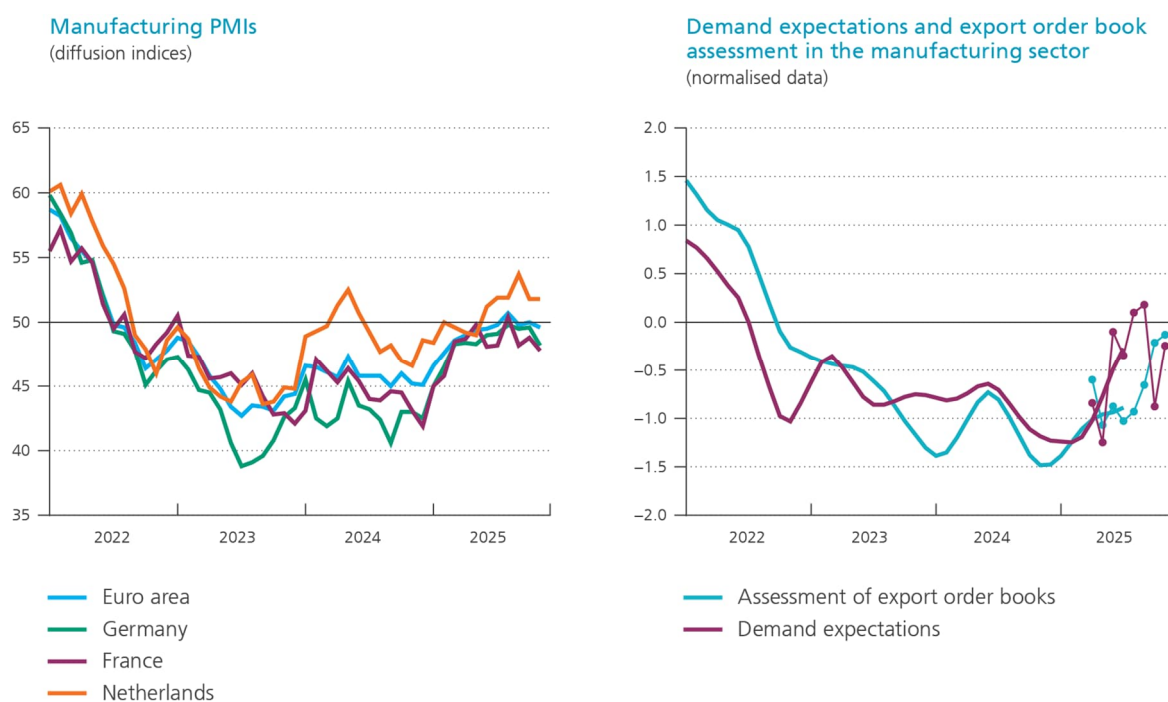
Belgian exports have been trending downwards in recent years but have remained close to neutral when considered net of imports. The sustained fall in goods exports in recent years is largely attributable to declines in a few specific categories (e.g. Covid-19 vaccines and energy products). These had significantly boosted Belgian export figures before falling gradually in late 2022 and more markedly in 2023. A similar pattern can be seen on the imports side, suggesting that re-exports played a key role. The recent US trade restrictions are likely to have led to a further adjustment of certain trade flows. The US has committed to a 15% tariff cap on most EU exports to

the US, including pharmaceuticals, which are an important component of Belgium's trade with the US. Given the relatively low price elasticity of pharmaceuticals, the short-term effects of these trade restrictions on GDP growth are expected to remain contained. The NBB's monthly business survey backs up this view and indicates that demand expectations are close to their long-run average. Similarly, assessments of export order books by business leaders in the manufacturing sector have actually improved significantly and are now approaching their historical norm (see Figure 5, right-hand graph).

Belgian wage cost competitiveness is improving gradually as domestic wage growth is outpaced by that in the neighbouring countries. Moreover, geopolitical uncertainty is down and trade conditions are currently stable. All in all, exports are expected to recover modestly in the fourth quarter. At the same time, resilient domestic demand should bolster imports. In fact, imports are likely to outpace exports due to the expected delivery of defence equipment from abroad in the fourth quarter. In the coming years, imports are expected to be boosted by increased defence spending, with a substantial share of equipment imported due to domestic capacity constraints and the currently limited integration of domestic suppliers into the value chains for such products. Overall, **the contribution of net exports to GDP growth is likely to turn slightly negative.**

Figure 5

PMIs and manufacturing export orders and demand expectations in neighbouring countries



Sources: Markit, NBB.

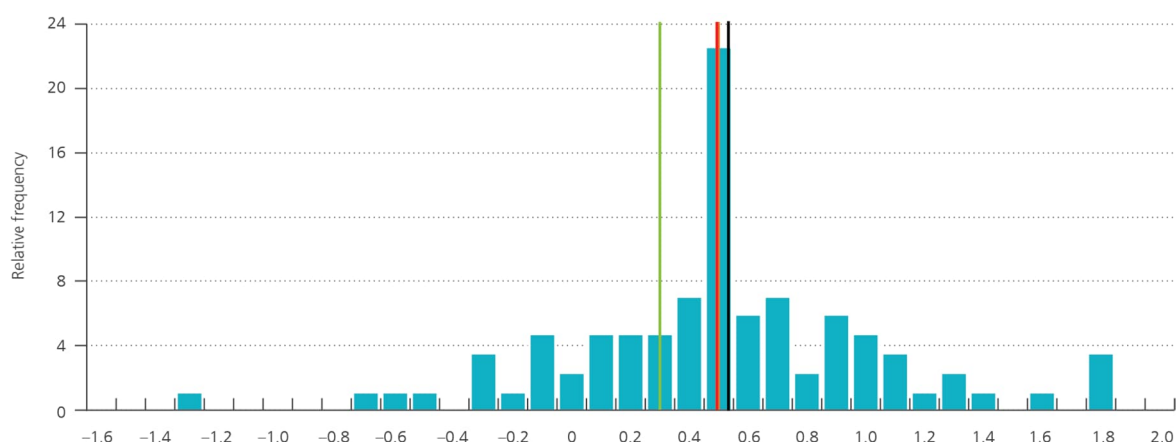
Note: The series displayed on the right-hand graph are normalised around their historical average and divided by their standard deviation.

Median value of the mechanical nowcasts suggests an acceleration in GDP in the fourth quarter of 2025

The informational content of the most recent survey and financial data can be summarised by looking at the range of mechanical GDP predictions of the one-indicator bridge models. **The median of the various predictions points to positive growth of 0.5% in the fourth quarter of 2025** (see Figure 6). The range has narrowed compared to last quarter and is about [-1.3;1.9]. The forecast distribution is broadly symmetrical. It should be noted that past forecasting performance of these simple models suggests that individual predictions should be interpreted with caution, even under normal circumstances.

Figure 6

Histogram of one-indicator bridge model predictions, in percentage terms, using a broad set of survey and financial data and NBB nowcasting model predictions for real GDP growth in the fourth quarter of 2025



Source: NBB.

Note: The black line corresponds to the median of the one-indicator bridge model predictions for current quarterly GDP growth, while the red, orange (currently overlapping) and green lines correspond to the predictions of the BREL Jr., Bosphorus and C3PO nowcasting models, respectively.

NBB's nowcasting models also expect activity growth to edge up

In addition to one-indicator bridge models, more elaborate nowcasting models are used to inform our short-term outlook. **The NBB's nowcasting models diverge somewhat in their forecasts for the third quarter but all suggest moderate to quite strong growth. C3PO's nowcast is on the lower end of the range, at 0.3%. Bosphorus and Brel Jr. both expect GDP growth of 0.5%.**

Economic activity likely to expand by 0.3% in the fourth quarter of 2025

Activity growth will likely stay stable at 0.3% in the current quarter. This projection is well below the median estimate of the single-indicator models and at the lower bound of the range suggested by the three nowcasting models. The two higher nowcast estimates are primarily driven by positive trends in industrial confidence and buoyant financial markets. However, the signals from these factors may be overstated given the prevailing volatility in the economic environment. Furthermore, the recent softening of confidence in business-related services, as corroborated by Business Echo interviews, warrants a degree of caution.

The balance of risks for this nowcast is assessed as skewed to the upside. Household consumption growth was unexpectedly weak in the third quarter and could rebound more than currently expected due to anticipation effects related to planned VAT increases, despite concerns regarding purchasing power growth.