

THE WEEK AHEAD, 12 DECEMBER 2025

# A glass steadily filling

“Is the glass half full or half empty?” is typically a question asked to expose how observers’ biases influence their perception of even objectively neutral situations. Trying to avoid imposing our own biases, we think that as the Christmas holiday season approaches, **Europe** has good reason to look back on 2025 with more reasons for comfort than unhappiness. Especially as we move towards the holiday period, it seems appropriate to say that Europe’s glass is filling nicely.

Many things could have gone badly wrong in 2025: the **Ukraine** conflict has been a running sore, **President Trump’s tariffs** were a major shock to international trading relationships on which many euro area countries depend, while the euro area economy was not in a great position to start the year.

Yet, reviewing the latest **Q3 GDP (Gross Domestic Product)** figures, it seems increasingly clear that the **euro area** has weathered these storms better than feared. Growth in Q3 – whilst not stellar by any means – again surprised to the upside,

reinforcing the sense that past shocks are fading and that underlying momentum is gradually improving. GDP grew by 0.3% quarter-on-quarter, accelerating modestly from Q2’s 0.1% growth. The composition of growth shows positive contributions from gross fixed capital formation (+0.9%), government consumption (+0.7%) and more modestly from household consumption (+0.2%). **Domestic demand**, for so long the source of much disappointment, is now the primary source of expansion – see the chart on the following page. Indeed, net exports in Q3 contributed -0.2 percentage points to growth.

The country breakdown amongst the larger economies shows that growth was led by **Spain** (+0.6%) and **France** (+0.5%), with the latter’s strength unlikely to be sustained. By contrast, **Italy** (+0.1%) barely grew and **Germany** (0.0%) stagnated. Germany has been a drag on the broader euro area for so long that next year’s fiscal expansion should provide a welcome relief.

This constructive growth backdrop provides a clear backdrop for next week’s **European Central Bank (ECB)** meeting. The ECB enters December’s meeting in Frankfurt with confidence that policy is “in a good place.” Inflation has hovered near

## PUBLICATIONS

### → Outlook 2026:

#### Navigate new pathways

As we enter a new year, an investment landscape is emerging that requires a combination of vigilance and ambition.

### → Venezuela instability: market implications

The potential for regime change in Venezuela presents a complex mix of opportunities and risks for global oil markets, US-China relations, and regional stability.

### → Behavioural Finance:

#### Outsmart yourself!

Rising gold and oil prices, fears of inflation and recession – geopolitics are at the top of the agenda. Particularly in times of heightened uncertainty, there is an increased risk that our actions will be determined by behavioural patterns that are anything but rational. This is why the findings of behavioural finance are more important than ever. But even more important than self-knowledge is the ability to outsmart oneself.

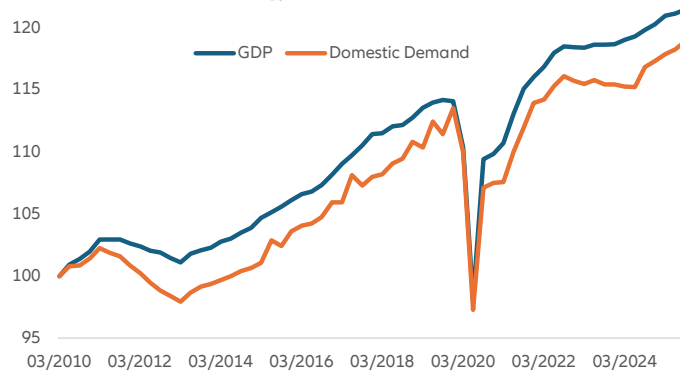


**Sean Shepley**  
Senior Economist

target—headline at 2.2% YoY and core at 2.4%—while growth is close to trend and labour markets are stable. This backdrop makes an immediate rate cut unlikely and, although we think that the Governing Council may keep the option for a fine-tuning cut in early 2026, improving forecasts are narrowing that window.

The surprise Q3 GDP gain of 0.3% QoQ will likely prompt an upward revision of the ECB’s 2025 growth forecast to 1.4% (from 1.2%), with 2026 nudged to 1.2%. Inflation projections for 2026 could edge up to 1.8%, reflecting fading energy effects and ETS adjustments. Still, policymakers—including traditionally dovish voices—signal that small deviations from target do not warrant action. Expect ECB President Lagarde to reaffirm stability, acknowledging improved growth and diminishing downside risks while avoiding any pushback against market pricing for a hike as the next move.

#### Euro area enters recovery phase, Q1 2010 = 100



Source:  
Bloomberg, 09.12.2025. Past performance does not predict future returns.

## The coming week

Partly because of the catch-up following the **US shutdown** and partly with an eye to bringing releases ahead of the Christmas holidays, next week sees a very heavy set of data releases and central bank meetings. For each of the major countries, the release of the **flash PMI (Purchasing Manager Index) data** will show whether manufacturing continues to labour under the effect of tariff increases and hence lag a firmer services sector.

In the **US**, the most important data release will be payroll data for October and November. Market expectations are for a small rise in private payrolls and a stable unemployment rate despite some non-public sources continuing to point to contractions in the level of jobs. Next week also sees the release of October retail sales which are likely to regather momentum after a soft September as well as housing data, CPI and core PCE, the Fed’s target measure of inflation.

In the **euro area**, as described above, we expect the ECB to leave interest rates unchanged while the ZEW survey will provide a gauge of cyclical momentum.

In the **UK**, in contrast to the ECB, the **Bank of England** is expected to cut interest rates by 25bp. In other releases, labour market data have recently suggested that the rate of job losses is slowing while the trend in CPI should continue its slow deceleration and retail sales growth seems likely to remain subdued.

In **Japan**, the **Bank of Japan** is expected to raise interest rates by 25bp, continuing its very slow path of interest rate normalisation. Japan’s primary business survey, the Tankan, will be released at the start of the week while Japan’s CPI data will be released at the end of the week.

Please accept our best wishes for a peaceful and restorative Christmas and New Year.

Yours,  
*Sean Shepley*

## UPCOMING POLITICAL EVENTS 2025

18 Dec	UK	Central Bank Meeting
18 Dec	EZ	Central Bank Meeting
18–19 Dec	EZ	European Council
19 Dec	JPN	Central Bank Meeting
	CHN	Politburo economic meeting
	CHN	Central Economic Work Conference
	US	TCJA Expires

## Calendar Week 51

Monday			Consensus	Previous
JN	Tankan Big Mf Outlook DI	Q4	--	12
CN	Industrial Output YY	Nov	5.0%	4.9%
CN	Retail Sales YY	Nov	2.9%	2.9%
EC	Industrial Production YY	Oct	--	1.2%
US	NY Fed Manufacturing	Dec	--	18.70
US	NAHB Housing Market Indx	Dec	--	38
Tuesday				
UK	Employment Change	Oct	--	-22k
UK	Avg Wk Earnings 3M YY	Oct	--	4.8%
UK	Claimant Count Unem Chng	Nov	--	29.0k
EC	HCOB Mfg Flash PMI	Dec	--	49.6
EC	HCOB Services Flash PMI	Dec	--	53.6
EC	HCOB Composite Flash PMI	Dec	--	52.8
UK	Flash Composite PMI	Dec	--	51.2
UK	Flash Manufacturing PMI	Dec	--	50.2
UK	Flash Services PMI	Dec	--	51.3
EC	Total Trade Balance SA	Oct	--	18.70B
GE	ZEW Economic Sentiment	Dec	--	38.5
US	Non-Farm Payrolls	Nov	--	119k
US	Private Payrolls	Nov	--	97k
US	Unemployment Rate	Nov	--	4.4%
US	Average Earnings YY	Nov	--	3.8%
US	Average Workweek Hrs	Nov	--	34.2
US	Building Permits: Number	Oct	1.349M	--
US	Housing Starts Number	Oct	1.314M	--
US	Retail Control	Oct	0.3%	-0.1%
US	S&P Global Mfg PMI Flash	Dec	--	52.2
US	S&P Global Svcs PMI Flash	Dec	--	54.1
JN	Chain Store Sales YY	Nov	--	2.0%
Wednesday				
JN	Trade Balance Total Yen	Nov	--	-231.8B
UK	Core CPI YY	Nov	--	3.4%
UK	CPI YY	Nov	--	3.6%
GE	Ifo Curr Conditions New	Dec	--	85.6
GE	Ifo Expectations New	Dec	--	90.6
EC	HICP Final YY	Nov	2.2%	2.2%
Thursday				
EC	ECB Refinancing Rate	Dec	--	2.15%
EC	ECB Deposit Rate	Dec	--	2.00%
US	Core CPI YY, NSA	Nov	--	3.0%
US	CPI YY, NSA	Nov	--	3.0%
US	Initial Jobless Clm	8 Dec, w/e	--	--
US	Philly Fed Business Indx	Dec	--	-1.7
UK	BOE Bank Rate	Dec	--	4.0%
Friday				
JN	CPI, Overall Nationwide	Nov	--	3.0%
UK	Retail Sales YY	Nov	--	0.2%
US	Core PCE Price Index YY	Oct	--	2.8%
JN	JP BOJ Rate Decision	19 Dec	--	0.50%

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

**If not mentioned otherwise data and information sources are from LSEG Datastream.**

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