

Economic Briefing

Eurozone GDP – solid growth with some flaws

The eurozone economy grew by 0.4% in the third quarter compared with the previous quarter. There are, however, significant differences even among the larger eurozone countries. While Spain's real gross domestic product once again posted strong growth of 0.6%, France's actually declined slightly. In the coming quarters, the eurozone economy is expected to continue growing, albeit at a slower pace than in the third quarter, when it benefited from another sharp rise in Ireland's highly volatile gross domestic product.

Strong growth despite headwinds

There is also good news from the economy across the entire eurozone. Real gross domestic product in the eurozone countries rose by 0.4% in the third quarter compared with the previous quarter. While this is weaker than in the second quarter, it is still higher than what is typically expected from the eurozone economy over the long term. This is particularly encouraging given that the eurozone economy is currently suffering from high energy prices.

Q3 growth once again overstated by strong Irish gains, ...

When evaluating the Q3 figures, however, it should be noted that a significant portion of this growth comes from Ireland, whose GDP often fluctuates sharply. If we exclude the Irish economy's quarter-over-quarter growth rate of 5.5% – a pace that is unlikely to be sustained over the long term – the remaining eurozone countries still posted average growth of just over 0.2% (Chart 1).

30 October 2026

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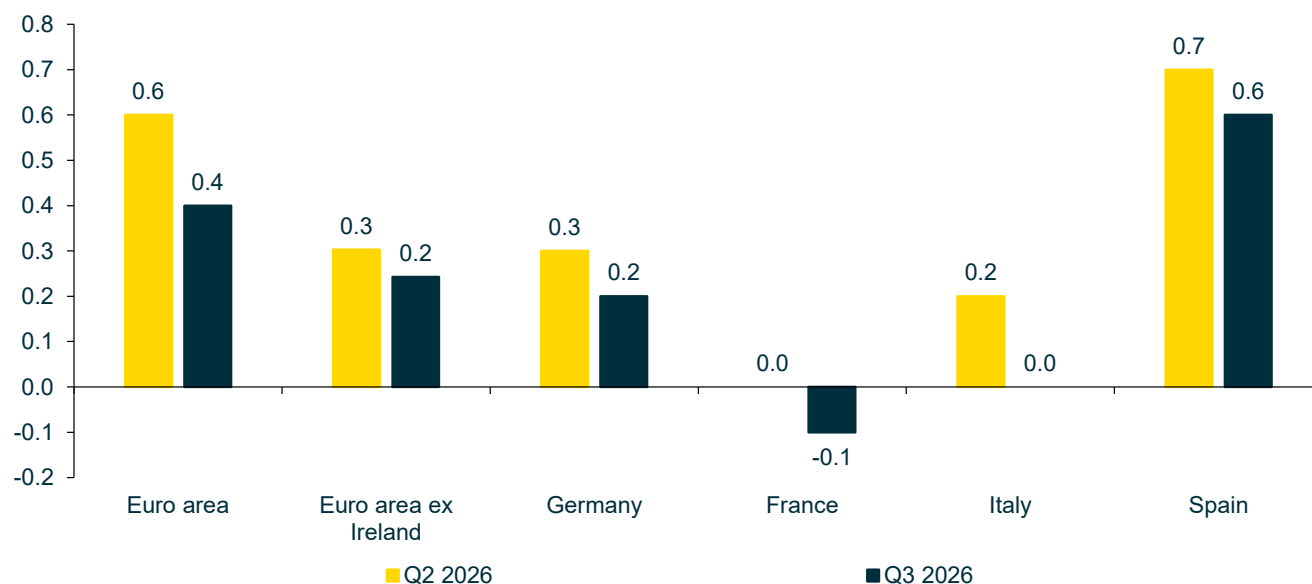
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Chart 1 - Significant differences between national growth rates

Real gross domestic product, seasonally adjusted quarter-on-quarter change in %



Source: Eurostat, Commerzbank Research

... and France's economy is faltering

Another weak point in the figures is the performance of the French economy, which actually contracted slightly in the third quarter. Since the beginning of the year, the trend has been downward. Consequently, the French government is not receiving any tailwind from the economy in its efforts to consolidate the national budget. This further dims the prospects that it will succeed in significantly reducing the deficit next year and thereby gradually regaining the confidence of the markets.

Moderate growth in the coming quarters

In the coming quarters, real gross domestic product growth is likely to slow again, as the Irish economy is unlikely to grow as strongly each time as it did in the last two quarters. Overall, however, we expect moderate growth, partly because the burden of high energy prices is likely to ease over the course of the coming year. For 2026, we expect average annual growth of 1.0%, although based on current figures, there is a slight upside risk here. In 2027, growth is expected to be only marginally higher at 1.1%.



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This report was completed 30/10/2026 11:35 CET and disseminated 30/10/2026 11:35 CET.

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