EUROPEAN CENTRAL BANK

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Economic Bulletin

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Economic, financial and monetary developments

Summary

The Governing Council is committed to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term. In line with this commitment, at its meeting on 11 June 2026 it decided to raise the three key ECB interest rates by 25 basis points. The war in the Middle East is generating inflation pressures, and the decision to raise rates is robust across a range of scenarios mapping out how the shock might evolve and affect the medium-term outlook for the euro area.

In the baseline of the June 2026 Eurosystem staff macroeconomic projections for the euro area, headline inflation is expected to average 3.0% in 2026, 2.3% in 2027 and 2.0% in 2028. For inflation excluding energy and food, the baseline foresees an average of 2.5% in 2026 and 2027, and 2.2% in 2028. Compared with the March 2026 ECB staff macroeconomic projections for the euro area, staff have revised up their baseline projection for inflation in 2026 and 2027 owing to a higher path for energy prices, which, to some extent, is expected to feed into food, goods and services inflation. The baseline sees economic growth at an average of 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028. This is a downward revision for 2026 and 2027, reflecting a more pronounced impact of the war on commodity markets, real incomes and confidence.

The outlook remains uncertain, with upside risks for inflation and downside risks for economic growth. The full implications of the war for medium-term inflation and growth will depend on the intensity and duration of the energy price shock, as well as the scale of its indirect and second-round effects. This uncertainty is also reflected in the broad range of outcomes for inflation and growth in the updated illustrative scenarios put together by Eurosystem staff, as published as part of the June 2026 projections on the ECB's website.

With its decision on 11 June, the Governing Council remains well positioned to navigate the uncertainty caused by the war. It will closely monitor the situation and follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

Economic activity

Adjusting for a temporary factor in Ireland, the euro area economy grew in the first quarter of 2026, supported by domestic demand and exports. Yet the war in the Middle East is weighing on activity and survey results are pointing to a slowdown, especially in services. Manufacturing has held up so far. In part, this is because firms have been building up stocks to cope with supply chain pressures. It also reflects higher defence spending.

The labour market remains resilient. Unemployment, at 6.3% in April 2026, remains close to historical lows. The first quarter saw additional jobs being created, although at a slower pace than in the last quarter of 2025. Labour demand has cooled further, and firms and households expect the labour market to weaken.

Looking ahead, staff expect domestic demand to be weaker than they projected in March 2026 as the war weighs on confidence and higher energy costs erode real incomes. At the same time, household balance sheets are solid overall, and consumption should remain the main driver of growth. Higher energy costs and lower confidence will dent private investment in the short run, but it should be underpinned by firms investing in new digital technologies. Governments spending more on defence and infrastructure should continue to support public investment. These factors are expected to provide some cushioning against the fallout from the war.

The Governing Council highlighted the urgent need to strengthen the euro area economy while maintaining sound public finances. Fiscal sustainability is a crucial anchor for broader economic stability. Fiscal responses to the energy price shock should be temporary, targeted and tailored, as emphasised in the European Commission's 2026 European Semester Spring Package. Reforms to enhance the euro area's growth potential and accelerate the energy transition to reduce reliance on fossil fuels are more vital than ever. Completing the savings and investments union is key to funding innovation, supporting the green and digital transitions and improving productivity. The digital euro and tokenised wholesale central bank money will enhance Europe's strategic autonomy, competitiveness and financial integration, and will boost innovation in payments. It is thus essential to swiftly adopt the Regulation on the establishment of the digital euro. Simplifying and harmonising rules across the EU's Single Market will help European firms grow faster.

Inflation

Inflation rose to 3.2% in May 2026, from 3.0% in April. Energy price inflation ticked up to 10.9%, after 10.8% in April, while food price inflation fell from 2.4% to 2.0%. Inflation excluding energy and food picked up to 2.5%, from 2.2% in April, as goods inflation edged up to 0.9% and services inflation increased from 3.0% to 3.5%.

Domestic cost pressures eased in the first quarter of 2026, supported by slower growth in wages and profits. The ECB's wage tracker and the results of surveys on wage expectations continue to indicate that wage growth should ease over the year. However, it is becoming more expensive for firms to source other inputs and they therefore expect to put up their selling prices. Moreover, some indicators of underlying inflation have already been driven higher by the energy shock. Inflation expectations over shorter horizons remain well above levels before the outbreak of the war in the Middle East. At the same time, most measures of longer-term inflation expectations stand at around 2%, supporting the stabilisation of inflation around target in the medium term.

The increase in energy prices will lift inflation further over the summer and keep it well above target into the first half of 2027. It will also have an impact on food, goods and services inflation. Inflation should then return to target in the second half of 2027, supported by falling energy prices and slower increases in other prices. However, the war in the Middle East remains a major source of uncertainty. The longer energy prices stay high, the more likely they are to drive up broader inflation through indirect and second-round effects. The Governing Council will therefore closely monitor the size and persistence of the energy price increase, and how it feeds through to price and wage-setting, inflation expectations and overall economic dynamics.

Risk assessment

The risks to the growth outlook are to the downside, mainly owing to the war in the Middle East, which has added to the volatile global policy environment. Prolonged disruption of energy supplies could increase energy prices further and for longer than currently expected. These factors would erode real incomes even more and make firms and households more reluctant to invest and spend. The drag on growth would intensify if the closure of major shipping routes were to cause acute shortages of key inputs that forced euro area firms to curtail output. A worsening of global financial market sentiment or a tighter supply of credit could dampen demand. Additional frictions in international trade could also further disrupt supply chains, reduce exports and weaken consumption and investment. Other geopolitical tensions, in particular Russia’s unjustified war against Ukraine, remain a major source of uncertainty. By contrast, growth could turn out to be higher if the economy and energy markets were to adapt more quickly than expected to the disruption caused by the war in the Middle East or if the war was resolved promptly and sustainably. Moreover, planned defence and infrastructure spending, reforms to enhance productivity and euro area firms adopting new technologies may drive up growth by more than expected. A deeper integration of the Single Market could also boost growth beyond current expectations.

The risks to the inflation outlook are to the upside. If energy prices were to rise by more and for longer than currently expected, euro area inflation would increase further. This could be reinforced and become more persistent if higher energy prices were to spill over by more than expected to other prices and to wages, if longer-term inflation expectations were to rise in response, or if global supply chains were disrupted more broadly. Ongoing trade tensions could also give rise to more fragmented global supply chains, curtail the supply of critical raw materials and worsen capacity constraints in the euro area economy. Extreme weather events, and the unfolding climate and nature crises more broadly, could drive up food prices by more than expected. By contrast, inflation could turn out to be somewhat lower if the economic effects of the war in the Middle East proved to be more short-lived than currently expected or if indirect or second-round effects proved less pronounced than anticipated. More volatile and risk-averse financial markets could weigh on demand and thereby lower inflation as well.

Financial and monetary conditions

Financial conditions have been broadly unchanged since the Governing Council's meeting on 30 April 2026, but remain tighter than before the war. The cost of issuing market-based debt rose to 4.0% in April, from 3.9% in March. Bank lending rates for firms remained at 3.6% in April and mortgage rates at 3.4%.

The annual growth rate of bank lending to firms increased to 3.4% in April, from 3.2% in March, while the growth rate of corporate bond issuance rose to 4.6%. Mortgage lending in April again grew by 3.0%.

In line with its monetary policy strategy, the Governing Council thoroughly assessed the links between monetary policy and financial stability. Euro area banks are resilient, supported by strong capital and liquidity ratios, solid asset quality and robust profitability. However, a sudden, sharp drop in asset prices, potentially amplified by the non-bank financial sector and deteriorating asset quality, particularly in energy and trade-sensitive sectors, would pose risks to financial stability. These risks increase the longer the current geopolitical conflicts last. Macroprudential policy remains the first line of defence against the build-up of financial vulnerabilities, enhancing resilience and preserving macroprudential space.

Monetary policy decisions

At its meeting on 11 June 2026, the Governing Council decided to raise the three key ECB interest rates by 25 basis points. Accordingly, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility were increased to 2.25%, 2.40% and 2.65% respectively, with effect from 17 June 2026.

The asset purchase programme and pandemic emergency purchase programme portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

Conclusion

The Governing Council is committed to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. Its interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

In any case, the Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises sustainably at its medium-term target and to preserve the smooth functioning of monetary policy transmission.

1 External environment

Global economic activity remained resilient in early 2026, but the prolonged war in the Middle East is dampening the outlook through higher energy prices, tighter financial conditions and heightened uncertainty. At the start of the year, global economic activity and trade were supported by strong manufacturing output and AI-related investment. Furthermore, this activity was supported by the precautionary stockpiling of energy-sensitive goods, which was particularly visible in the United States, China and other emerging Asian economies. The direct impact of the spillover of the war in the Middle East on non-energy trade and maritime shipping has so far been limited, but supply pressures have intensified for oil, refined fuels and other energy-sensitive goods. At the same time, global inflation has risen, as higher energy costs have started to feed into broader price pressures. Therefore, the June 2026 Eurosystem staff macroeconomic projections for the euro area point to weaker global growth in 2026 than in the previous projection exercise, alongside higher global inflation in both 2026 and 2027.

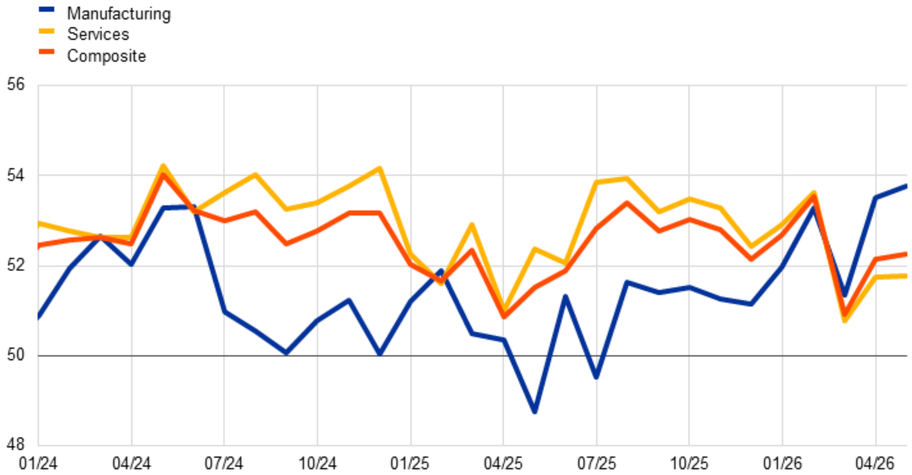
Global economic activity remained resilient at the start of 2026, supported by manufacturing output and the precautionary stockpiling of energy-sensitive goods. Incoming national accounts data suggest that global economic output expanded by 0.7% quarter on quarter in the first quarter of 2026, compared with 0.8% in the fourth quarter of 2025. Survey indicators point to continued resilience at the beginning of the second quarter of 2026, with the global composite output Purchasing Managers’ Index (PMI) rebounding in April and May 2026 following a sharp decline in March (Chart 1, panel a). This pick-up was driven mainly by the manufacturing sector, whereas the recovery in the services sector was more subdued. References to “frontloading”, “safety stocks” and related terms in earnings calls from energy and energy-intensive sectors increased substantially, suggesting that firms have been creating buffers in response to heightened uncertainty associated with the war in the Middle East and the potential supply disruptions (Chart 1, panel b). According to the June 2026 Eurosystem staff macroeconomic projections for the euro area, strong growth in the first quarter of 2026 and the temporary factors supporting global economic activity partly mitigate the adverse effects of the war in the Middle East in the near term, but they are not expected to prevent a broad-based slowdown in this activity in 2026.

Chart 1

Global output PMI (excluding euro area) and global firms’ earnings calls references

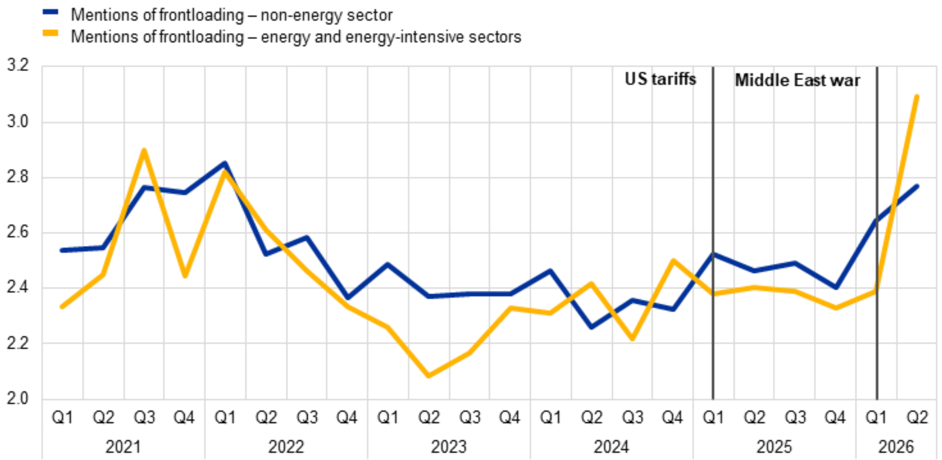
a) PMIs

(diffusion indices)



b) Firms’ earnings calls

(number of sentences per earnings call)



Sources: S&P Global Market Intelligence, NL Analytics and ECB staff calculations.
Notes: In panel a), the horizontal line at 50 marks the neutral baseline dividing expansion and contraction. In panel b), earnings calls refer to the average number of times companies worldwide mention “frontloading” and related terms during their earnings calls. Energy and energy-intensive sectors include fossil fuels, renewable energy, uranium, chemicals, transport, food and drug retailing, and applied resources. US tariffs refers to the first major implementation of tariff measures introduced during President Trump’s second term. The war in the Middle East refers to the start of the conflict. The latest observations are for May 2026 for panel a) and for 15 May 2026 for panel b).

The global economic growth outlook has weakened as the conflict in the Middle East weighs on energy prices and financial conditions, thereby amplifying uncertainty. The disruptions around the Strait of Hormuz and the absence of a final peace agreement have continued to exert upward pressure on energy prices, particularly on oil prices. While robust AI-related investment, resilient trade flows and supportive policy measures are providing some relief, higher energy costs and tighter financial conditions are expected to weigh increasingly on private demand going forward. Global real GDP growth excluding the euro area is projected to slow from 3.6% in 2025 to 3.0% in 2026, before gradually recovering to 3.2% in 2027 and 3.3% in 2028.[1]

Commodity prices remain highly volatile, with energy markets continuing to be shaped by the blockade of the Strait of Hormuz and with shifting expectations regarding a potential final peace agreement. Oil prices declined by 15% to USD 94 per barrel over the review period (19 March to 10 June 2026), yet they are still 32% higher than pre-war levels. This initial decline followed the announcement of a ceasefire between the United States and Iran in April, and the subsequent weakening in oil prices reflected renewed expectations that an extended ceasefire could pave the way for a broader peace agreement between the two countries. Nevertheless, oil prices remained highly volatile throughout the review period, as energy goods exports through the Strait of Hormuz continued to face severe disruptions. Persistent constraints on transit through the Strait of Hormuz mechanically tighten global energy supply conditions, thereby exerting sustained upward pressure on energy prices. European gas prices also fell markedly, declining by 21%. As was the case in the oil markets, expectations of a prolonged ceasefire were the main drivers of the decrease in gas prices over the review period. In addition, subdued imports of liquefied natural gas (LNG) into Asia helped contain upward pressure on gas prices in March and April 2026, reflecting milder weather conditions and increased substitution from gas to coal in China. The situation remains highly volatile and uncertain, however, as LNG flows also continue to be disrupted.[2] Food prices remained broadly stable overall, as lower coffee prices – supported by strong production in Brazil – were largely offset by higher cocoa prices amid concerns over a potentially strong El Niño season later in the year. Metal prices increased by 13%, driven by disruptions to aluminium supply in the Middle East and expectations of lower copper production in Chile.

Supply pressures have increased, but current evidence points to concentrated shortages of specific inputs rather than broad-based disruptions to global logistics. PMI supplier delivery times lengthened in April, particularly in the euro area and in the United Kingdom, with firms reporting worsening shortages of oil, polymers and chemicals. While these shortages remain above normal levels, evidence does not yet point to widespread disruption to global logistics. Container shipping outside of the Strait of Hormuz has remained largely unaffected. In this respect, the current situation resembles an isolated input-supply shock rather than the broader disruptions to global logistics that was seen in 2021 and 2022. However, physical shortages could intensify if the closure of the Strait of Hormuz persists, especially for oil, refined fuels and other energy-intensive inputs. This continues to represent a significant downside risk to economic activity and an upside risk to global inflation.

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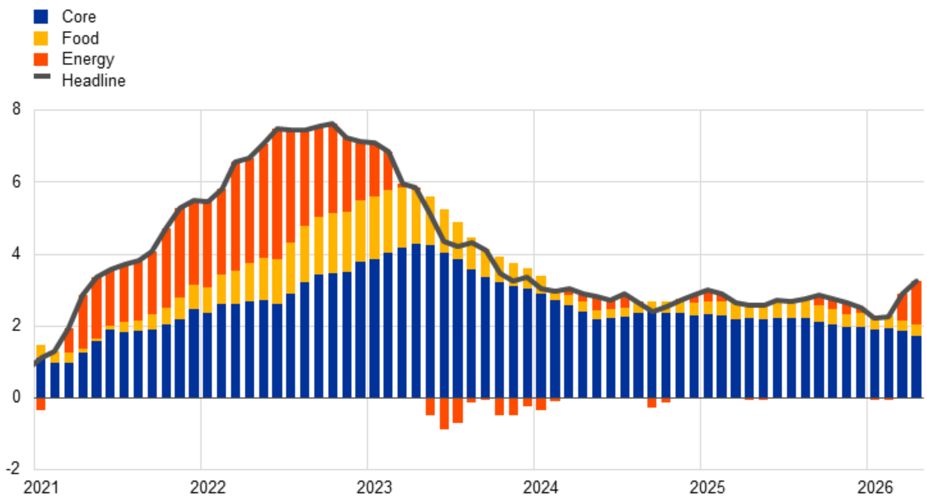
1 For further details, see Box 1 of "Eurosystem staff macroeconomic projections for the euro area, June 2026", published on the ECB's website on 11 June 2026.

2 Note that this section discusses changes in spot prices between March and June 2026. These may differ from the changes in technical assumptions between the March and June 2026 projection exercises owing to differences in market cut-off dates, as well as to the use of oil spot and futures prices averaged over several business days during the projection production process.

Global inflation increased in April, and pipeline price pressures have since intensified as the energy shock has begun to spread. Global headline inflation across the member countries of the Organisation for Economic Co-operation and Development (OECD) excluding Türkiye rose from 3.3% in March 2026 to 3.5% in April, mainly reflecting higher energy inflation (Chart 2).[3] The energy shock is also expected to push up core inflation through higher production costs. Global PMI manufacturing input prices rose in April, suggesting that a broader share of firms reported rising input costs, whereas services input price indicators increased more moderately. Since PMI indicators measure the share of respondents to have reported price increases rather than the magnitude of price changes, these data point to broader pipeline price pressures. Global inflation excluding the euro area is projected to rise to 3.5% in 2026 before easing to 3.0% in 2027 and 2.5% in 2028.

Chart 2
OECD CPI inflation

(year-on-year percentage changes, percentage point contributions)



Sources: OECD and ECB staff calculations.
Notes: The OECD aggregate includes euro area countries that are OECD members and excludes Türkiye. It is calculated using OECD consumer price index (CPI) annual weights. The latest observations are for April 2026.

Global import growth surprised on the upside in the first quarter, but momentum is expected to weaken as stockpiling effects wane. National accounts data point to robust growth in the first quarter of 2026, supported by buoyant imports in the United States, China, South Korea and other advanced Asian economies. This strength in import growth reflected resilient economic activity, AI-related trade and the precautionary stockpiling of energy-sensitive goods, with stockpiling expected to decrease over the next few quarters. That said, global import momentum is expected to weaken in the second quarter, as the war in the Middle East weighs on energy-intensive economies through higher energy, freight and insurance costs. Global import growth excluding the euro area is projected to decline to 4.2% in 2026, before slowing further in 2027 and 2028. This reflects stronger

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[3] The Eurosystem staff macroeconomic projections for headline CPI inflation include a broader range of countries, including major emerging economies such as China, India, Brazil and Russia, which are not accounted for in OECD CPI inflation.

incoming data, and more resilient underlying trade dynamics, which are supported by sturdier trade in AI- and technology-related inputs.

In the United States, real GDP growth rebounded in the first quarter of 2026, but the underlying momentum in private demand weakened. GDP growth recovered to 0.4% quarter on quarter, from 0.1% in the fourth quarter of 2025, as economic activity rebounded following the federal government shutdown. This recovery was supported by public consumption and investment, whereas private consumption slowed. Private fixed investment remained robust, bolstered by AI-related spending on computer equipment and software, although the net contribution of AI-related activity to GDP growth remains modest, given its high import content. Looking ahead, US growth is expected to remain broadly in line with potential. Higher oil prices and tighter financial conditions are likely to weigh on private consumption, although this is expected to be offset by strong AI-related investment.

US inflation accelerated in April as the impact of higher oil prices broadened despite a slowing pass-through from tariffs. Consumer price index (CPI) inflation rose from 3.3% in March 2026 to 3.8% in April, as energy inflation increased sharply to 17.9%, up from 12.5% in March. Retail petrol prices continued to rise in May towards levels last seen in mid-2022, suggesting further upward pressure on energy inflation in the near term. Price pressures also seemed to be broadening, driven by higher prices for freight transport and passenger air fares. Non-energy CPI and core inflation also edged up. This increase has transpired despite a slowing pass-through from tariffs, with inflation in consumer goods excluding food, energy, and used cars and trucks appearing to have peaked in March 2026. Higher oil prices have also lifted consumer inflation expectations. PMI surveys indicate increasing price pressures, notably in manufacturing industries. Personal consumption expenditures inflation is projected to continue rising until the first quarter of 2027 and to only return towards the Federal Reserve System’s 2% target in 2028.

In China, economic momentum weakened at the start of the second quarter of 2026 following a strong first quarter. Real GDP growth expanded by 1.3%, quarter on quarter, in the first quarter of 2026, supported by resilient exports and helpful policy measures. However, the data for April pointed to a broad-based slowdown. This reflects weaker retail sales and investment, and the rate of growth of industrial production slowed to 4.1% year on year – the weakest pace since mid-2023 – as higher oil prices weighed on activity in energy-intensive industries. The property sector remained a drag, with declines in house prices persistent and broader real estate indicators subdued. Exports continued to support economic activity, underpinned by AI-related trade, such as semi-conductors and competitive pricing, whereas domestic demand remained weak. Inflationary pressures from the energy shock have so far been more visible in producer prices than in consumer prices. Headline CPI inflation increased modestly to 1.2% year on year in April, while producer price inflation accelerated sharply to 2.8%. This suggests that higher energy costs are weighing more directly on industry and energy-intensive sectors than on households. Overall, economic activity is expected to slow gradually, as resilient exports only partially mitigate weak domestic demand and the ongoing adjustment in the real estate sector.

In the United Kingdom, economic activity picked up sharply in the first quarter of 2026, but this rebound is expected to prove temporary. GDP growth accelerated to 0.6% quarter on quarter, supported by both private and public consumption, whereas investment declined and net exports dampened growth. Incoming short-term indicators point to weaker momentum at the start of the second quarter, as higher energy prices and uncertainty weighed on confidence. Headline inflation fell in April, mainly reflecting lower services inflation, but is expected to rise again as higher energy costs pass through to household bills when the energy price cap is reset. Overall, growth momentum is expected to moderate after the first-quarter rebound, and renewed inflationary pressures are likely to emerge over the coming months.

2 Economic activity

The euro area economy (excluding volatile Irish data) grew moderately in the first quarter of 2026, supported by domestic demand and exports. The labour market remains resilient, with the first quarter seeing additional jobs being created, albeit at a slower pace than in the fourth quarter of 2025. With the outbreak of the war in the Middle East, short-term indicators of activity have declined since March, pointing to a weakening in consumption spending, deteriorating sentiment and lengthening supplier delivery times. Together, these developments suggest that the war in the Middle East is weighing on both current and expected activity. Much of the deterioration in overall sentiment is being driven by households and the services sector. Over the medium term domestic demand should be bolstered by a recovery in real income, fostered by falling energy prices, a resilient labour market and rising government spending on infrastructure and defence. These factors are expected to be complemented by increased investment related to artificial intelligence and the energy transition.

This outlook is broadly reflected in the June 2026 Eurosystem staff macroeconomic projections for the euro area, which foresee annual average real GDP growth of 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028. This implies a small downward revision for 2026 and 2027, reflecting a more pronounced impact of the war on commodity markets, real incomes and confidence than previously expected. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. Given the very high levels of uncertainty about the impact of the war, which will depend strongly on its duration and intensity, the baseline is accompanied by updated illustrative alternative scenarios published with the staff projections on the ECB website.[4]

The euro area economy (excluding volatile Irish data) grew moderately in the first quarter of 2026. According to the latest Eurostat estimate, euro area real GDP fell by 0.2%, quarter on quarter, in the first quarter of 2026, after expanding by 0.2% in the fourth quarter of 2025. However, when excluding Ireland, real GDP increased by 0.3%, slightly down from 0.4% in the fourth quarter of 2025. Dynamics in domestic demand components saw a slowdown in the first quarter (Chart 3). Private and public consumption growth both weakened, and investment contracted. At the same time, changes in inventories decreased slightly, contributing negatively to GDP growth. Although net trade was negative in the headline figures, it turned positive when volatile Irish trade flows were excluded. Production in the first quarter was largely driven by services, once again supported by the information and communication services sector. Momentum in the construction sector dropped as a result of adverse weather conditions in parts of Europe, causing a contraction in construction activity following four quarters of growth. Developments in the manufacturing sector varied significantly across the euro area and were heavily affected by volatility in some countries, in particular a 35% drop reported by Ireland. While the sector is still facing headwinds stemming from higher tariffs and geopolitical uncertainty, at the same time it is being supported by production related

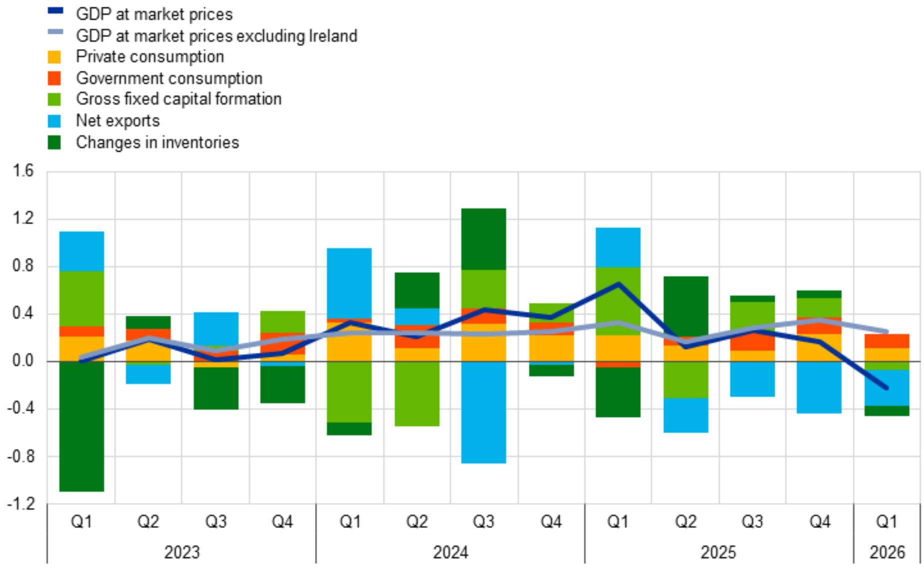
4 See "Eurosystem staff macroeconomic projections for the euro area, June 2026", published on the ECB's website on 11 June 2026.

to the defence industry. Notwithstanding the notable differences across countries, most Member States displayed positive GDP growth in the first quarter of 2026.

Chart 3

Euro area real GDP and its components

(quarter-on-quarter percentage changes; percentage point contributions)

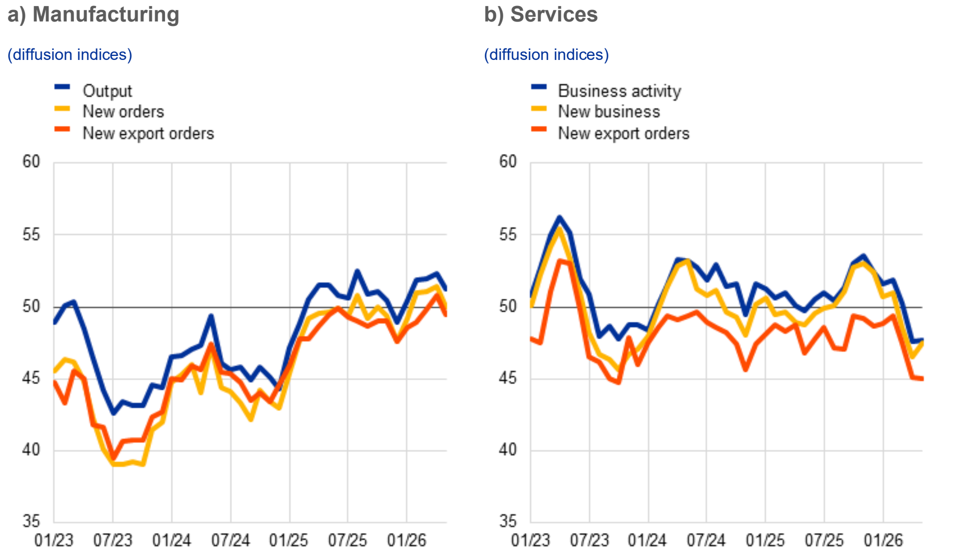


Sources: Eurostat and ECB calculations.
Notes: The chart also shows GDP excluding Ireland, as Irish data are particularly volatile. However, the subcomponents display the GDP breakdown including Ireland. The latest observations are for the first quarter of 2026.

Short-term indicators have declined since March, pointing clearly to the adverse impact of the war in the Middle East on economic activity. The euro area flash composite output Purchasing Managers' Index (PMI) declined further in May, thus remaining in contraction territory for two months in a row. The accumulated fall from 51.9 to 48.6 recorded between February and May 2026 highlights the adverse impact of the war in the Middle East on production perceptions. While this decline was driven by both manufacturing and services, the accrued fall in the services sector was significantly steeper, with the services business activity index reaching levels not seen since the beginning of 2021 (Chart 4). The European Commission's business and consumer surveys portray a similar picture, with most of the deterioration in overall sentiment stemming from households and the services sector. PMI data also show that the more forward-looking survey results for new orders have deteriorated in parallel with output, while supplier delivery times have lengthened further, with vendor delays the worst seen since June 2022.

Chart 4

PMI indicators across sectors of the economy



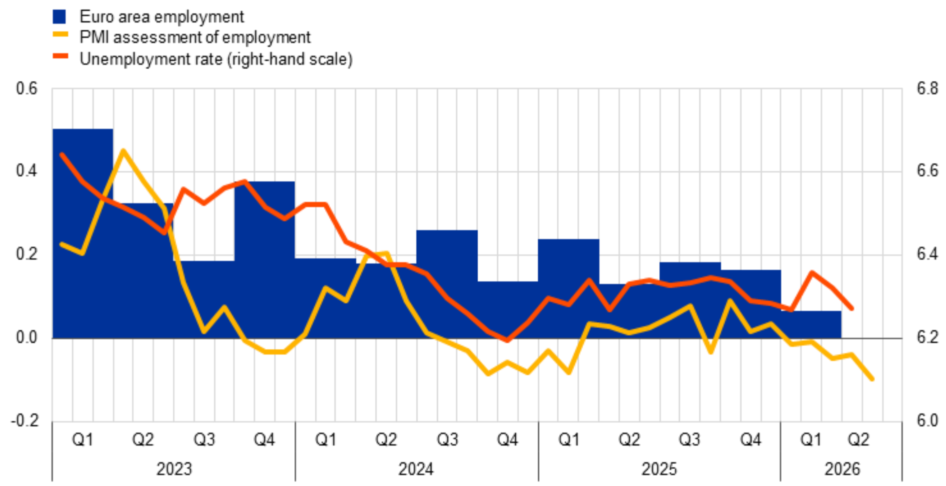
Source: S&P Global Market Intelligence.
Note: The latest observations are for May 2026.

The unemployment rate remains low, but job creation has slowed and labour demand continues to soften. The unemployment rate stood at 6.3% in March and April, having remained broadly stable at this level since mid-2024 (Chart 5). While total hours worked decreased by 0.2%, quarter on quarter, in the first quarter of 2026, employment continued to grow, supported by an expanding labour force. Thus, average hours worked per employee declined. Yet the pace of job creation moderated further to 0.1%, quarter on quarter, and 0.5%, year on year, at the beginning of 2026, following increases of 0.7% in 2025, 0.8% in 2024 and 1.4% in 2023. The gradual moderation in employment growth partly reflects a continued softening in labour demand. The job vacancy rate has been on a downward trend since the second half of 2022. After edging up slightly at the end of 2025, driven by developments in the construction sector, it fell further to 2.2% in the first quarter of 2026. Sectoral trends have diverged over the past year, with vacancies in construction rising, while vacancies in market services and industry have continued to decline.

Chart 5

Euro area employment, PMI assessment of employment and unemployment rate

(left-hand scale: quarter-on-quarter percentage changes, diffusion index; right-hand scale: percentages of the labour force)



Sources: Eurostat, S&P Global Market Intelligence and ECB calculations.
Notes: The two lines indicate monthly developments, while the bars show quarterly data. The PMI is expressed in terms of the deviation from 50, then divided by 10 to gauge quarter-on-quarter employment growth. The latest observations are for the first quarter of 2026 for euro area employment, May 2026 for the PMI assessment of employment and April 2026 for the unemployment rate.

Short-term labour market indicators suggest weak employment momentum in the second quarter of 2026. The monthly composite PMI employment index fell below the neutral threshold of 50 at the beginning of the year. It continued to decline to 49.0 in May from 49.6 in April, suggesting broadly unchanged employment in the second quarter of the year. The index now stands at its lowest level since November 2020. The PMI for employment in the services sector fell into contractionary territory in May 2026, reaching 49.4, while the PMI for employment in manufacturing deteriorated further to 47.8. Moreover, media-reported, firm-level restructuring announcements suggest subdued employment dynamics in the second quarter of 2026, particularly in the manufacturing sector (see Box 5).

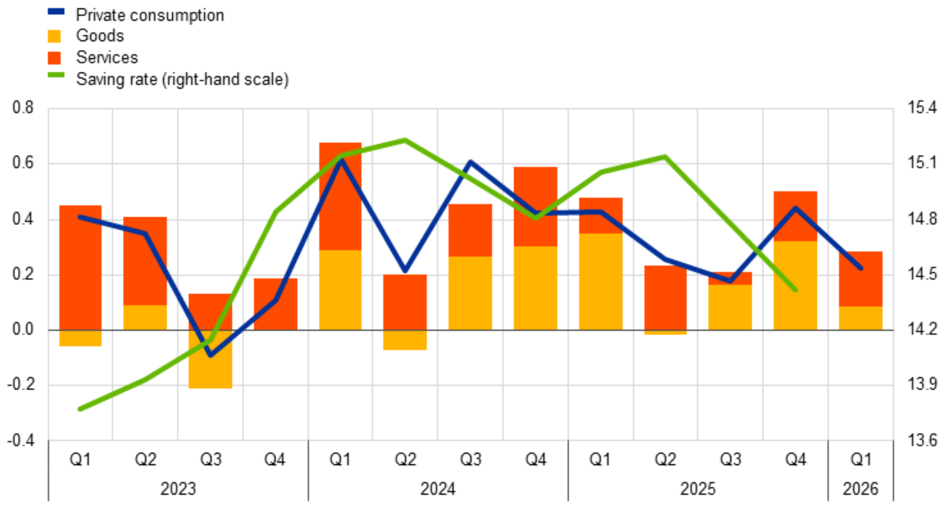
Private consumption moderated in the first quarter of 2026, and this momentum is likely to weaken further in the near term. Private consumption expanded by 0.2%, quarter on quarter, in the first quarter of the year, following stronger growth of 0.4% in the previous quarter (Chart 6, panel a). Domestic spending was mainly driven by services, which were supported by tourism, being partly offset by goods, which were dragged down by spending on non-durables. Turning to the second quarter, high-frequency indicators point to a marked slowdown in consumption momentum as the economic impact of the war in the Middle East gradually unfolds (see Box 4). Retail sales declined by 0.4%, month on month, in April, standing a notch below their average level in the first quarter (Chart 6, panel b). The European Commission's consumer confidence indicator fell sharply in April and May on average, mainly owing to households' expectations for individual major purchases and the general economic outlook. Based on the European Commission's business surveys across sectors, consumer expected activity also dropped markedly in April and May, driven by retail trade, accommodation and food services, as well as travel services. These signals were confirmed by the Consumer Expectations Survey, which indicated that consumer confidence plummeted and spending on holidays and luxury items lost momentum in April, as higher-income households delayed discretionary spending. Looking ahead, the surge in energy prices and uncertainty triggered by the war in the Middle East is likely to have an adverse impact on private consumption. These negative consumption effects may be cushioned by robust balance sheets, which have largely recouped the losses in real net wealth incurred after the inflation surge in 2022. However, these losses are still sizeable for liquid assets, such as deposits, as well as for households in the bottom part of the wealth distribution, which typically exhibit a higher marginal propensity to consume. Hence, the cushioning effects of balance sheets for private consumption may be smaller this time than in the 2022 episode.

Chart 6

Household consumption and savings; consumer confidence, expected activity and uncertainty, and retail sales

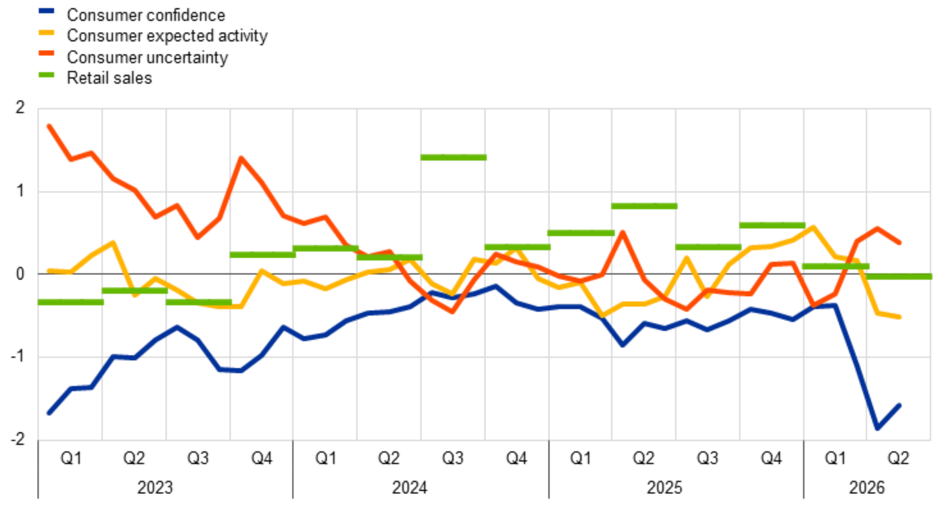
a) Household consumption and savings

(quarter-on-quarter percentage changes, percentage point contributions; percentages of gross disposable income)



b) Consumer confidence, expected activity and uncertainty, and retail sales

(standardised percentage balances; retail sales: quarter-on-quarter percentage changes)



Sources: Eurostat, European Commission and ECB calculations.
Notes: In panel a), the levels of real domestic goods and services consumption are scaled to add up to the level of real private consumption in the main national accounts. In panel b), "consumer expected activity" refers to a weighted average of business expectations for the next three months with regard to production for manufacturing, employment for construction, business for trade and demand for services from the European Commission business survey, weighted according to the sectoral shares in euro area private consumption from the FIGARO input-output tables for 2023. "Consumer uncertainty" stands for the European Commission's Consumer Economic Uncertainty Index. All series are standardised for the whole sample from January 1999, except consumer uncertainty, which is standardised for the whole sample from April 2019, owing to data availability. The latest observations are for the first quarter of 2026 in panel a), and for the second quarter of 2026 (based on April 2026) for retail sales and May 2026 for all other items in panel b).

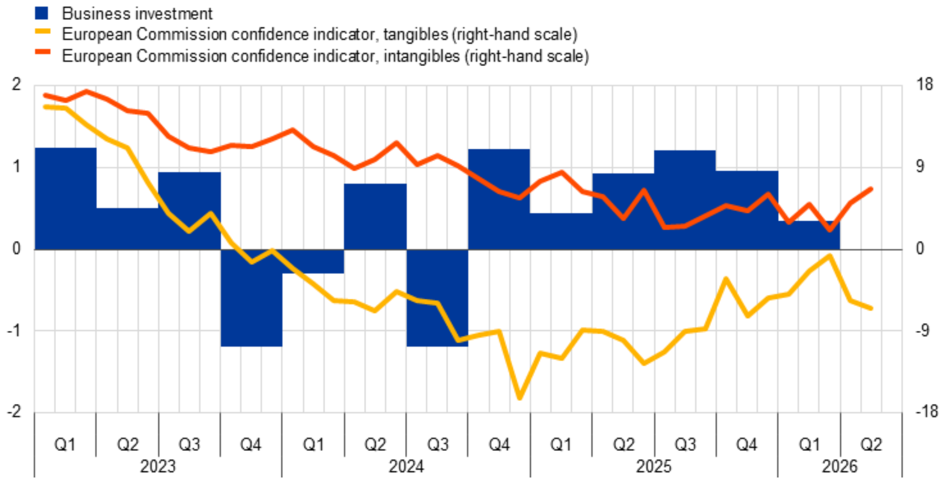
Business investment grew moderately in the first quarter of 2026, but the war in the Middle East is expected to weigh more heavily on the second quarter. Non-construction investment (excluding volatile Irish intellectual property products) grew by 0.4%, quarter on quarter, in the first quarter of the year, with positive contributions from both intangibles and machinery and equipment (Chart 7, panel a). However, this aggregate outcome masks significant cross-country heterogeneity even among the largest economies (with Germany posting a decrease of 0.7%, quarter on quarter, while Italy saw growth of 1.8%). Looking ahead, business investment is expected to weaken in the second quarter as heightened uncertainty related to the war dampens confidence in the capital goods sector and weighs on output and production expectations among both producers of tangibles and intangibles. Consistent with this, the PMI new orders in both segments fell below the growth threshold in May. As long as the war continues, downside risks to the investment outlook for the rest of 2026 are likely to intensify. The biannual investment survey conducted by the European Commission (carried out in March and April) points to weak but positive annual growth for 2026. At the time of the survey, firms largely expected only temporary disruptions from the war, basing their investment plans for the year on solid pre-war fundamentals (including improving corporate profits, healthy balance sheets and low debt/service ratios). However, as the war continues, downside risks are likely to increase amid high uncertainty, weaker demand growth, rising costs and tighter financing conditions. Nonetheless, the underlying conditions remain in place for a recovery in business investment once the conflict has been resolved. These include ongoing digital needs and higher defence and infrastructure spending, supported by continuing Next Generation EU funds (see also Section 6 of this Economic Bulletin on Fiscal developments).

Chart 7

Real investment dynamics and survey data

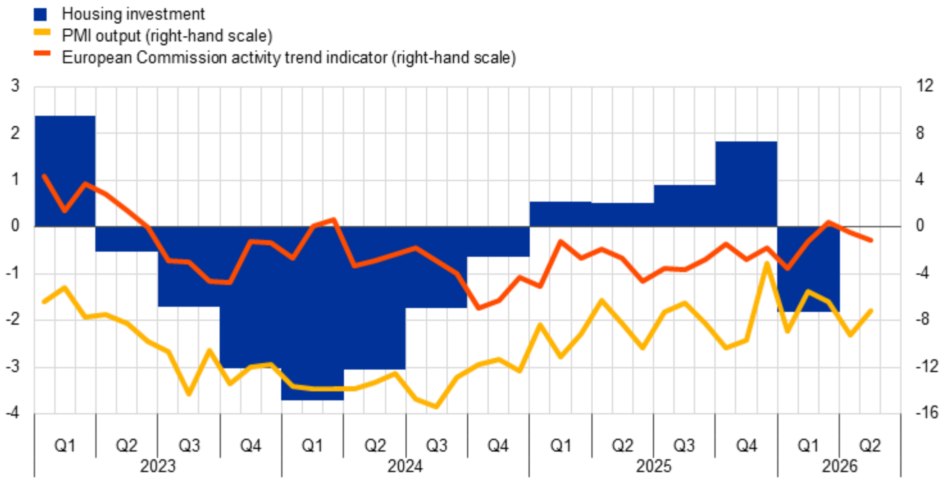
a) Business investment

(quarter-on-quarter percentage changes; percentage balances and diffusion index)



b) Housing investment

(quarter-on-quarter percentage changes; percentage balances and diffusion index)



Sources: Eurostat, European Commission, S&P Global Market Intelligence and ECB calculations.
Notes: The lines indicate monthly developments, while the bars refer to quarterly data. The PMIs are expressed in terms of the deviation from 50. In panel a), business investment is measured by non-construction investment excluding Irish intangibles. For the confidence indicators, “tangibles” refers to the capital goods sector (the producers of tangible machinery and equipment) and “intangibles” is a weighted average of the subsectors supplying investment related to intellectual property products, i.e. publishing activities (NACE J58); computer programming and consultancy (NACE J62); and information activities (NACE J63). In panel b), the line for the European Commission activity trend indicator refers to the weighted average assessment of the building and specialised construction sectors of the trend in activity over the preceding three months, rescaled to have the same standard deviation as the PMI. The line for PMI output refers to housing activity. The latest observations are for the first quarter of 2026 for investment, May 2026 for PMI output and May for the European Commission indicators.

Housing investment declined significantly in the first quarter of 2026 but is expected to return to positive growth in the near term. Housing investment fell by 1.8%, quarter on quarter, in the first quarter of 2026, after expanding over the previous four quarters (Chart 7, panel b). This decline was partly related to unfavourable weather conditions, as also reflected in the unusually high share of managers in building and specialised construction reporting weather-related constraints in the first two months of the year, according to the European Commission survey. With weather conditions having normalised vis-à-vis the first quarter, housing investment is likely to have rebounded in the second quarter. This assessment is supported by the continued upward trend in residential building permits, which in January and February stood, on average, around 5% above their average level in the fourth quarter of 2025, pointing to a strengthening pipeline of residential construction activity. At the same time, the war in the Middle East appears to be weighing on the recovery in housing investment through rising supply-side pressures and weaker demand. Survey-based activity indicators – including the European Commission's indicator of recent trends in building and specialised construction activity, and the PMI housing output index – weakened following the outbreak of the war. In addition, PMI survey data point to a marked intensification of input cost pressures, while the European Commission survey indicates weaker intentions among households to purchase or build a home and to undertake home improvements over the next 12 months. These developments are likely to weigh on near-term housing investment momentum. Nevertheless, the available indicators do not currently point to a renewed decline in housing investment.

After a positive outturn in the first quarter of 2026, the outlook for euro area exports has deteriorated, weighed down by the services sector and fading support from precautionary stockbuilding. Total euro area exports, excluding Ireland, expanded by 0.7% in the first quarter of 2026. This increase was driven by a more moderate decline in goods exports, which slowed to 0.1%, and robust growth in services exports of 2.7%, quarter on quarter. Survey indicators for manufacturing export orders point to an expansion at the beginning of the second quarter, partially driven by the precautionary stockbuilding that had supported goods exports in March. At the same time, euro area services export orders fell at their fastest rate since October 2023, driven by particularly steep drops in new orders for tourism and transportation. Growth in euro area imports stalled in the first quarter amid lower imports from the United States, while imports from China continued to increase even though imports from other Asian economies declined. The terms-of-trade deterioration remained moderate in the first quarter but is expected to strengthen as energy import prices rise and disinflationary pressures from China diminish, with the peak loss projected at around 0.4% of GDP in 2026, compared with 1.7% of GDP in 2022.

The economic outlook for the euro area remains highly uncertain amid the adverse effects of the war in the Middle East, the blockade of the Strait of Hormuz and elevated oil price volatility. Some of the risks identified in the March 2026 projections have partly materialised, with higher oil prices, emerging supply bottlenecks and markets now expecting the impact of the war to be more protracted.

The baseline projections foresee annual real GDP growth of 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028. GDP growth has been revised slightly down for both 2026 and 2027, reflecting the stronger than initially expected impact of the war in the Middle East, while for 2028 it has been slightly revised up as this impact unwinds. Alternative assumptions about the magnitude and persistence of the war in the Middle East and the energy price shock, its impact on the international environment and uncertainty, as well as its propagation via indirect and second-round inflationary effects, would lead to markedly different macroeconomic outcomes. To illustrate this uncertainty, staff have prepared three alternative scenarios: a milder scenario, an adverse scenario and a severe scenario (see "Eurosystem staff macroeconomic projections for the euro area, June 2026").

3 Prices and costs

Annual euro area headline inflation, as measured by the Harmonised Index of Consumer Prices (HICP), is 1.2 percentage points above the Governing Council's 2% medium-term target. It increased to 3.2% in May 2026, from 3.0% in April, driven by a rise in energy inflation and in HICP excluding energy and food (HICPX), while food inflation declined.[5] *HICPX inflation picked up to 2.5% in May, from 2.2% in April, owing to an increase in goods and services inflation. Indicators of underlying inflation have recently increased somewhat. Annual growth in compensation per employee decreased to 3.5% in the first quarter of 2026, from 3.7% in the last quarter of 2025.*

The June 2026 Eurosystem staff macroeconomic projections for the euro area foresee headline inflation averaging 3.0% in 2026, before declining to 2.3% in 2027 and 2.0% in 2028. Compared with the March 2026 ECB staff macroeconomic projections for the euro area, headline inflation in 2026 and 2027 has been revised up owing to a higher path for energy prices, which, to some extent, is expected to feed into food, goods and services inflation. The upside risks to inflation reflect the consequences of the war in the Middle East. With the inflation outlook contingent on the intensity and duration of the energy price shock, as well as the scale of its indirect and second-round effects, the baseline projection is complemented by updated illustrative scenarios that are published as part of the June 2026 projections on the ECB's website.[6]

Euro area HICP inflation rose to 3.2% in May 2026, up from 3.0% in April (Chart 8). This increase was driven by higher energy and HICPX inflation, while food inflation declined. The annual rate of change in energy prices edged up marginally to 10.9% in May, from 10.8% in April, reflecting a strong upward base effect, while energy inflation declined by 1.1% on a month-on-month basis. Food inflation fell from 2.4% in April to 2.0% in May. Within the food component, inflation for both processed and unprocessed food declined over the same period. The annual rate of change in processed food prices decreased from 4.6% to 4.2%, while that of unprocessed food prices fell from 1.6% to 1.1%. HICPX inflation picked up to 2.5% in May, from 2.2% in April, owing to increases in both non-energy industrial goods (NEIG) inflation and services inflation. NEIG inflation went up slightly from 0.8% in April to 0.9% in May, with services inflation rising from 3.0% to 3.5% over the same period. Although a detailed breakdown is not yet available, the acceleration in services inflation likely reflects stronger price pressures in transport and travel-related services, where the pass-through of higher energy costs tends to be more pronounced.

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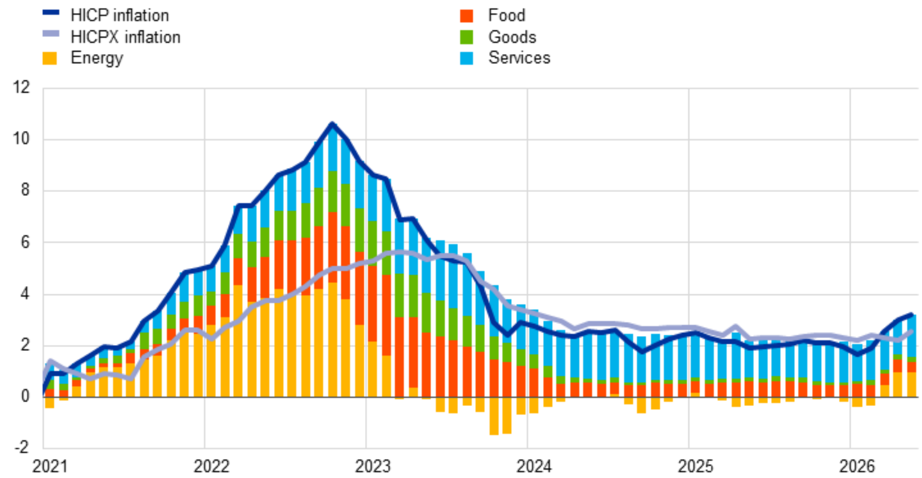
5 The cut-off date for data included in this issue of the Economic Bulletin was 10 June 2026. According to the full HICP data release published by Eurostat on 17 June 2026, annual euro area inflation stood at 3.2% in May 2026.

6 See "Eurosystem staff macroeconomic projections for the euro area, June 2026", published on the ECB's website on 11 June 2026.

Chart 8

Headline inflation and its main components

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: “Goods” refers to non-energy industrial goods; HICPX stands for HICP excluding energy and food. The latest observations are for May 2026 (flash estimate).

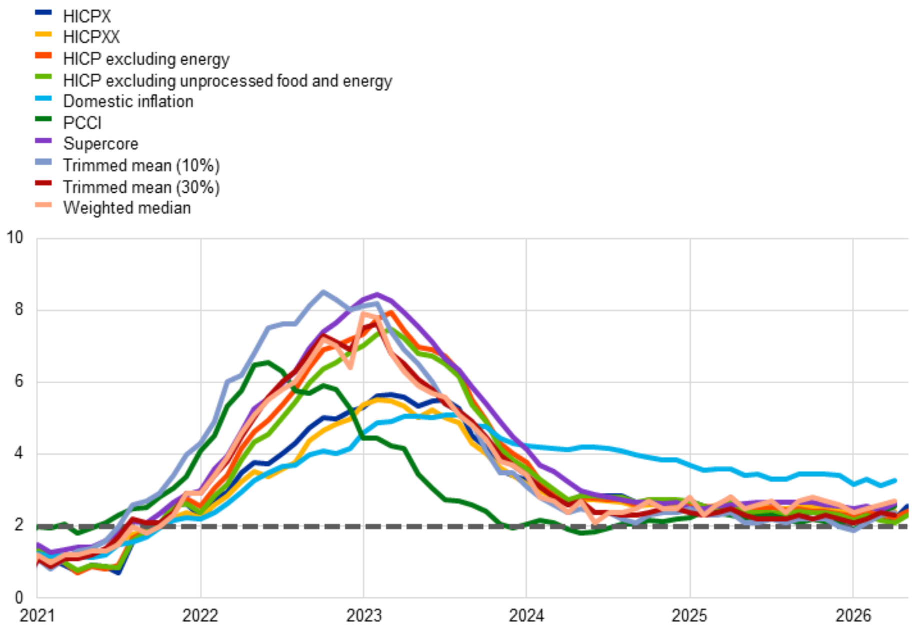
Measures of underlying inflation have increased somewhat recently (Chart 9).[7] After mixed signals in April 2026, available exclusion-based measures went up in May. In April underlying inflation indicators ranged between 2.1% and 2.6%, with all model-based measures of underlying inflation recording an increase. The Persistent and Common Component of Inflation (PCCI) rose to 2.6% in April, up from 2.4% in March. At the same time, the PCCI excluding energy increased to 2.3% from 2.2%. The Supercore indicator, which comprises HICP items sensitive to the business cycle, edged up to 2.6% from 2.5% over the same period.

7 The outcomes of the underlying indicators of inflation are now based on the European Classification of Individual Consumption According to Purpose version 2 (ECOICOP 2), which includes revised historical weights and the addition of games of chance as a new item in the product coverage of the HICP. These methodological changes entail some loss of comparability with the previous outcomes, although this is expected to be limited for the main aggregates. For more details, see Eurostat, *Questions & Answers on the improvements in the Harmonised Index of Consumer Prices (HICP) effective January 2026*, European Commission, Luxembourg, 25 February 2026. The methodology for compiling the Supercore indicator has also been refined.

Chart 9

Indicators of underlying inflation

(annual percentage changes)

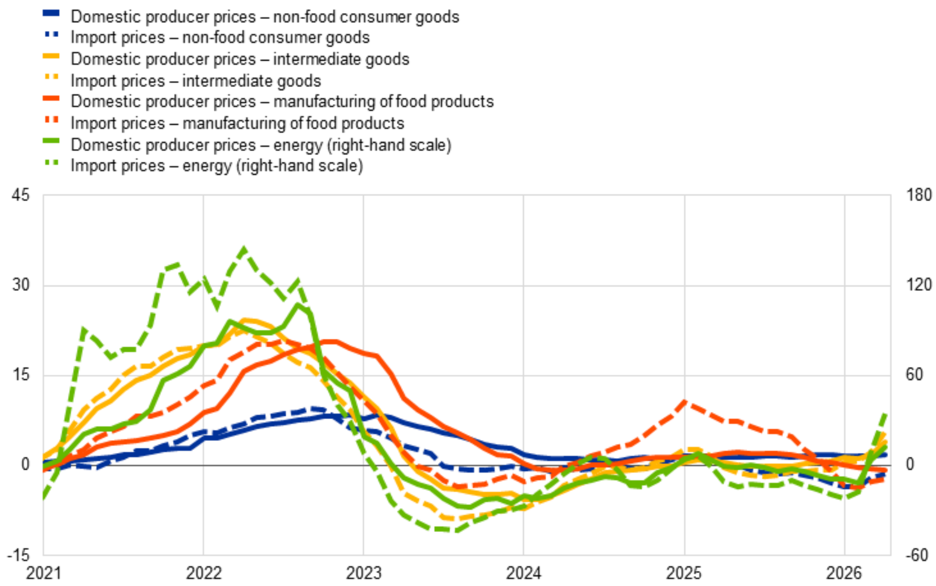


Sources: Eurostat and ECB calculations.
Notes: The grey dashed line represents the Governing Council's inflation target of 2% over the medium term. HICPX stands for HICP excluding energy and food; HICPXX stands for HICPX excluding travel-related items, clothing and footwear. The latest observations are for May 2026 (flash estimate) for HICPX, HICPXX and HICP excluding energy, and April 2026 for the remaining measures.

Indicators of pipeline pressures for goods pointed to a strengthening of inflationary pressures at most stages of the pricing chain in April (Chart 10). At the early stages of the pricing chain, energy producer price inflation increased sharply to 12.3% in April 2026 from 4.0% in March, and energy import prices quadrupled to 34.8% in April from 8.7% in March. Pressures remain elevated for intermediate goods, owing to large increases in domestic producer prices and import prices, which jumped 3.9% and 5.7% respectively. Overall, at the later stages of the pricing chain, indicators of pipeline pressures on consumer goods signalled stronger inflationary pressures, with increases in both import price inflation (-1.4%) and domestic producer price inflation for non-food consumer goods (1.9%). At the same time, pipeline pressures on prices for food continued to be weak. For manufactured food, the annual growth rate of producer prices continued to decline, reaching -0.8% and extending the gradual downward trend observed since September 2025, while that of import prices has been rising since March 2026 and reached -2.2% in April, up from -3.6% in February. Owing to the ongoing war in the Middle East, developments in energy and food prices, as well as pipeline pressures more broadly, are being closely monitored.

Chart 10
Indicators of pipeline pressures

(annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: The latest observations are for April 2026.

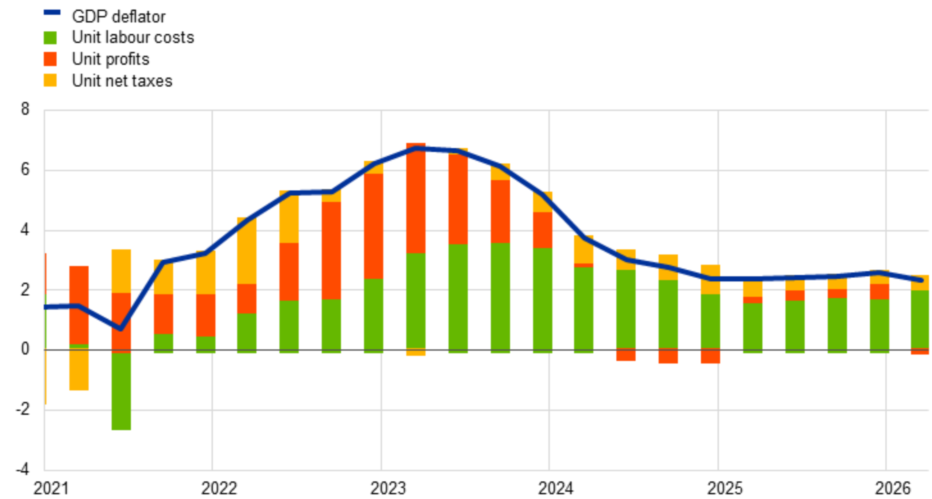
Domestic cost pressures, as measured by growth in the GDP deflator, decreased to 2.3% in the first quarter of 2026, from 2.6% in the previous quarter (Chart 11). This reflects a fall in contributions from unit profits (from 0.5% to -0.1%), while contributions from unit labour costs increased and contributions from unit net taxes remained unchanged. The rise in the annual growth rate of unit labour costs (from 3.2% to 3.7%) was driven by a decline in labour productivity growth (from 0.5% to -0.2%). However, it was partially offset by a decrease in the annual growth rate of compensation per employee (from 3.7% to 3.5%). This decrease reflected a decline in the growth rate of negotiated wages, which slowed to 2.5% in the first quarter of 2026, down from 2.9% in the fourth quarter of 2025, and was partially offset by an increase in the contribution from the wage drift component to 1.4 percentage points, up from 1.1 percentage points over the same period. Looking ahead, the ECB wage tracker, which has been updated with data on wage agreements negotiated up to the end of May 2026, suggests that pressures on negotiated wages will moderate in the first half of 2026 before stabilising at lower levels to end the year at around 2.6%, down from 3.0% in 2025.[8] The June 2026 projections expect the annual rate of growth in compensation per employee to slow from 3.9% in 2025 to 3.2% in 2026, and then to remain around this level in 2027 and 2028 in line with the signs of easing wage pressures reflected in recent data and wage agreements.

8 For further details, see "New data release: ECB wage tracker points to stable negotiated wages pressures in 2026", *press release*, ECB, 17 June 2026.

Chart 11

Breakdown of the GDP deflator

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: Compensation per employee contributes positively to changes in unit labour costs; labour productivity contributes negatively. The latest observations are for the first quarter of 2026.

During the review period from 19 March to 10 June 2026, short-term market-based measures of inflation compensation changed little, on net, despite notable intra-period volatility driven by oil price swings related to the war in the Middle East, while longer-term inflation expectations remained firmly anchored at around 2% (Chart 12, panel a). Investors' near-term inflation outlook varied widely over the review period. However, it ultimately returned close to the levels observed around the time of Governing Council's meeting on 19 March 2026, as oil prices moderated in May on hopes of a peace deal that would end the war in the Middle East. By the end of the review period, the one-year forward inflation-linked swap rate one year ahead was only marginally up at 2.2%. For medium and longer-term maturities, inflation compensation measures displayed a relatively stable pattern, with the five-year forward inflation-linked swap rate five years ahead broadly unchanged over the review period, at around 2.2%. Once adjusted for inflation risk premia, i.e. the compensation that investors require for bearing the risk that future inflation outcomes could differ from inflation expectations, the market-based measures of medium and longer-term inflation expectations were even closer to the 2% inflation target. In both the ECB Survey of Professional Forecasters for the second quarter of 2026 and the ECB Survey of Monetary Analysts for April 2026, average and median longer-term inflation expectations remained at 2%.

Chart 12

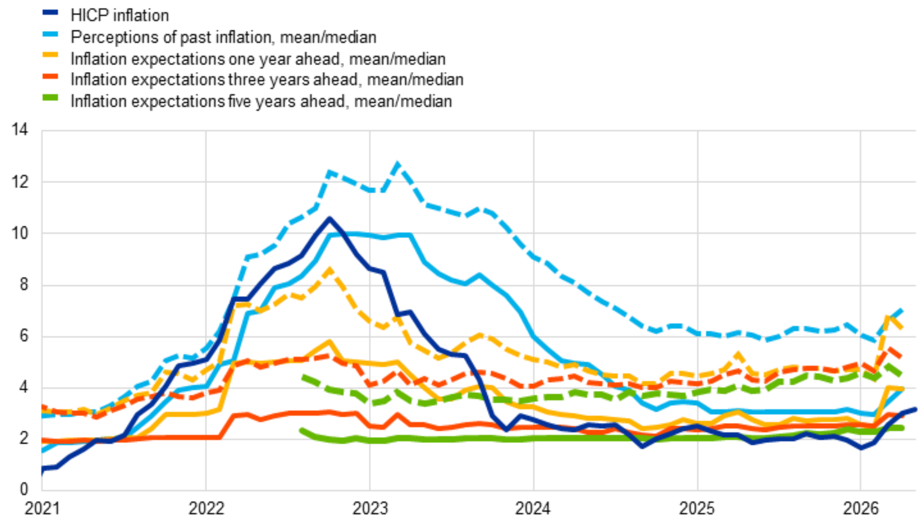
Market-based measures of inflation compensation and consumer inflation expectations

a) Market-based measures of inflation compensation

(annual percentage changes)

b) Headline HICP inflation and the ECB Consumer Expectations Survey

(annual percentage changes)



Sources: LSEG, Eurostat, ECB Consumer Expectations Survey and ECB calculations.
Notes: Panel a) shows forward inflation-linked swap rates over two different time horizons for the euro area. The vertical grey line indicates the start of the review period on 19 March 2026. In panel b), the dashed lines show the mean rate and the solid lines show the median rate. The latest observations are for 10 June 2026 for panel a) and, for panel b), for May 2026 (flash estimate) for HICP inflation and April 2026 for the remaining measures.

Consumers' short and medium-term inflation expectations moved broadly sideways in April 2026, while perceptions of past inflation picked up (Chart 12, panel b). According to the ECB Consumer Expectations Survey for April 2026, the median rate of perceived inflation over the previous 12 months increased to 4.0%, up from 3.5% in March.[9] Median expectations for inflation over the next 12 months remained stable at 4.0%, while those for three years ahead edged down to 2.9%

9 The fieldwork for the April 2026 ECB Consumer Expectations Survey concluded on 4 May 2026.

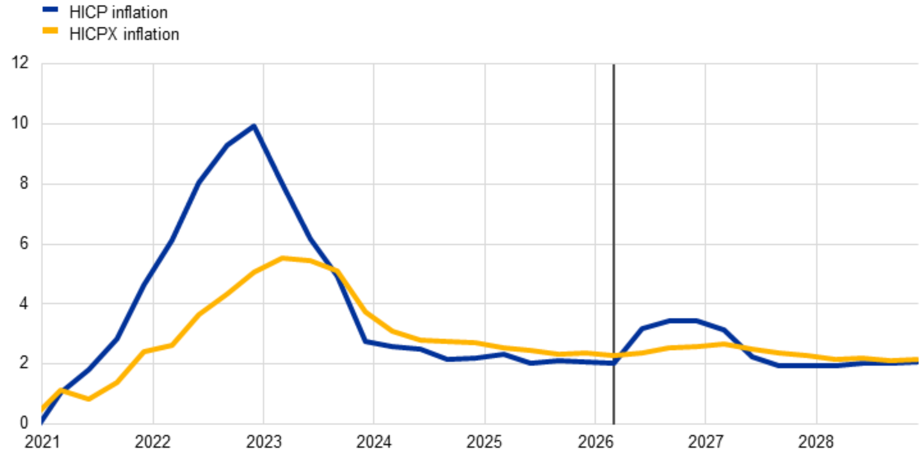
from 3.0% in March. Median expectations for five years ahead were unchanged at 2.4%.

The June 2026 projections expect headline inflation to increase from 2.1% in 2025 to 3.0% in 2026, before declining to 2.3% in 2027 and then returning to 2.0% in 2028 (Chart 13). Headline HICP inflation is expected to peak at 3.4% in the third and fourth quarters of 2026 and remain above 3.0% until early 2027, driven by a surge in energy inflation as a result of the conflict in the Middle East. In the second quarter of 2027, it is projected to fall sharply to 2.3% and stabilise at around 2.0% over the medium term. Decreases in energy commodity prices, as embedded in futures prices, as well as large base effects, imply that energy inflation would decline, turning negative in 2027, and would then tick up in 2028, owing to the introduction of the EU Emissions Trading System 2 (ETS2). Food inflation is projected to increase in the short term, before receding later in the projection horizon towards 2%. Similarly, HICPX is projected to peak at 2.7% in early 2027, driven mainly by a pronounced increase in NEIG inflation, and then to moderate from the second quarter of the year, down to 2.2% in 2028. Compared with the March 2026 projections, headline HICP inflation has been revised up by 0.4 percentage points for 2026 and 0.3 percentage points for 2027. For 2028, it has been revised down by 0.1 percentage points. HICPX inflation has been revised up by 0.2, 0.3 and 0.1 percentage points for 2026, 2027 and 2028 respectively, reflecting higher services and NEIG inflation. Given the uncertainty surrounding the war in the Middle East and its impact on energy prices and the economy, the projections are complemented with a set of updated illustrative scenarios that differ in three main respects: the size of the energy shock, the degree of uncertainty and the strength of the transmission of the energy shock to non-energy prices.

Chart 13

Euro area HICP and HICPX inflation

(annual percentage changes)



Sources: Eurostat and Eurosystem staff macroeconomic projections for the euro area, June 2026.
Notes: The grey vertical line indicates the last quarter before the start of the projection horizon. The latest observations are for the first quarter of 2026 for the historical data and the fourth quarter of 2028 for the projections. The June 2026 projections were finalised on 27 May 2026 and the cut-off date for the technical assumptions was 21 May 2026. Both historical and projected data for HICP and HICPX inflation are reported at a quarterly frequency.

4 Financial market developments

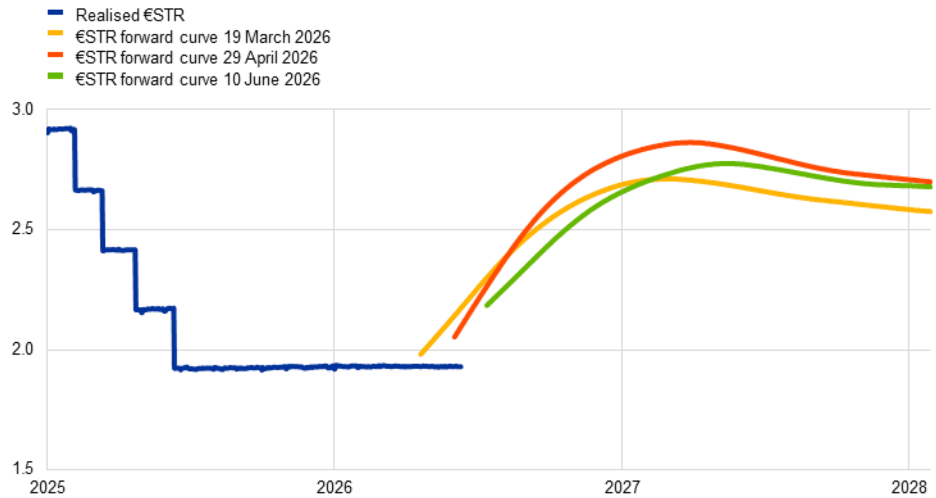
Euro area financial markets experienced elevated volatility over the review period from 19 March 2026 to 10 June 2026, as market participants continuously reassessed the evolution of the war in the Middle East and its economic repercussions. Risk-free rates and sovereign yields rose over the first half of the review period, as the conflict pushed oil prices to their highest levels since June 2022, but later broadly retraced as emerging hopes of a peace deal pulled energy prices off their peak. At the end of the review period, the euro short-term rate (€STR) forward curve was pricing in around 70 basis points of cumulative policy rate hikes by the end of 2026, little changed from the level priced in on 19 March. Meanwhile, long-term risk-free rates ended the review period higher. Euro area sovereign bond markets generally proved resilient, with yields moving largely one-for-one with risk-free rates. Euro area equities recorded sizeable gains on the back of a robust earnings season, especially in the technology and financial sectors. However, they underperformed their US counterparts, which benefited more significantly from the rally in stocks related to artificial intelligence (AI). Corporate bond spreads narrowed in both the investment-grade and high-yield segments. In foreign exchange markets, the euro was broadly stable against the US dollar (+0.4%) and in trade-weighted terms (-0.1%).

Euro area short-term risk-free rates ended the review period broadly unchanged, amid volatility driven by the ongoing war in the Middle East, while longer-term risk-free rates increased (Chart 14). The benchmark €STR stood at 1.93% at the end of the review period, following the Governing Council's decisions at its meetings on 19 March 2026 and 30 April 2026 to keep the three key ECB interest rates unchanged. Excess liquidity decreased by around €148 billion to €2,216 billion, which mainly reflected the continuing decline in the portfolios of securities held for monetary policy purposes. Near-term forward rates moved higher between the March and April Governing Council meetings in the wake of concerns about a potential escalation of the Middle East war, reaching a peak on 29 April. They subsequently reverted as hopes emerged that the Middle East tensions would be resolved and global energy prices moderated. The €STR forward curve at the end of the review period implied cumulative interest rate hikes of about 70 basis points by the end of the year, similar to the level priced in on 19 March. Looking beyond 2026, €STR forward rates at the end of the review period had risen slightly relative to March. The ten-year nominal overnight index swap (OIS) rate increased by almost 15 basis points over the review period, to stand at 2.9%.

Chart 14

€STR forward rates

(percentages per annum)

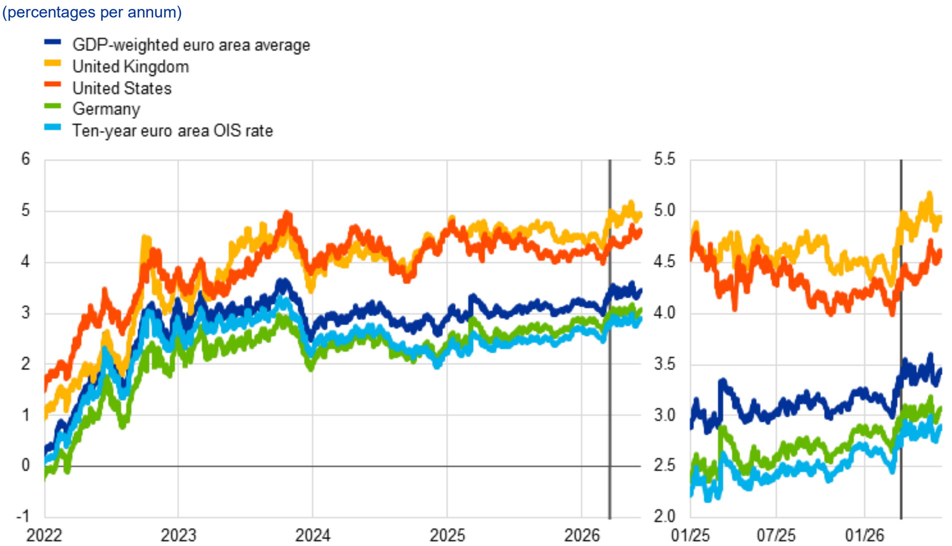


Sources: Bloomberg Finance L.P. and ECB calculations.
Note: The forward curve is estimated using spot OIS (€STR) rates.

Euro area long-term sovereign bond yields rose slightly overall during the review period, with spreads relative to risk-free rates little changed, while more heavily indebted countries experienced some volatility (Charts 15 and 16). The ten-year GDP-weighted euro area sovereign bond yield increased slightly, closing the review period at around 3.5%. Ten-year sovereign yields across the euro area broadly tracked the risk-free OIS rate, and cross-country dispersion in sovereign spreads over risk-free rates remained at historically low levels. Sovereigns that are particularly exposed to the Middle East energy shock or have higher levels of debt recorded somewhat greater intra-period volatility. The ten-year US Treasury yield increased by around 30 basis points to stand at 4.6%. Ten-year UK gilt yields fluctuated significantly intra-period, reaching levels exceeding 5.0% before ending around 10 basis points higher, at 4.9%.

Chart 15

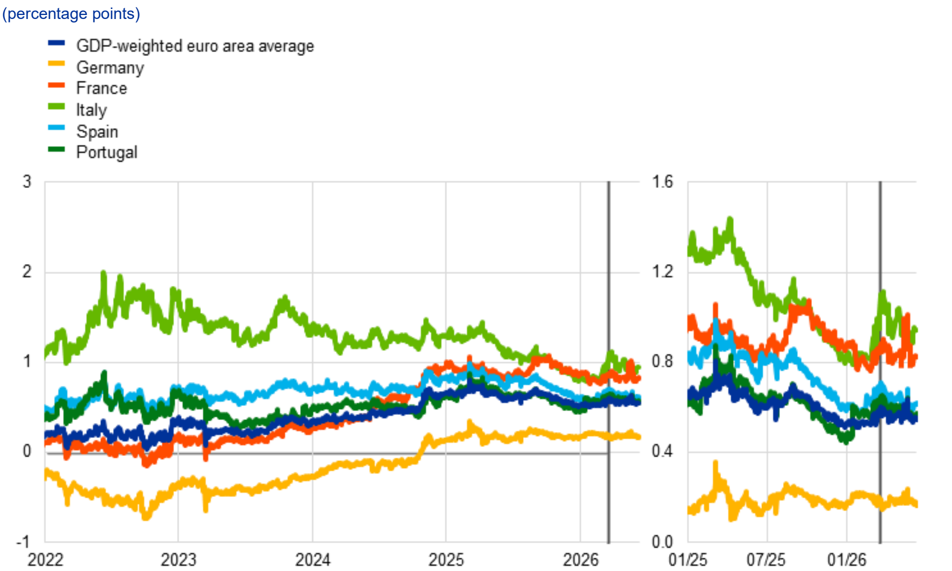
Ten-year sovereign bond yields and the ten-year OIS rate based on the €STR



Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 19 March 2026. The latest observations are for 10 June 2026.

Chart 16

Ten-year euro area sovereign bond spreads vis-à-vis the ten-year OIS rate based on the €STR



Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 19 March 2026. The latest observations are for 10 June 2026.

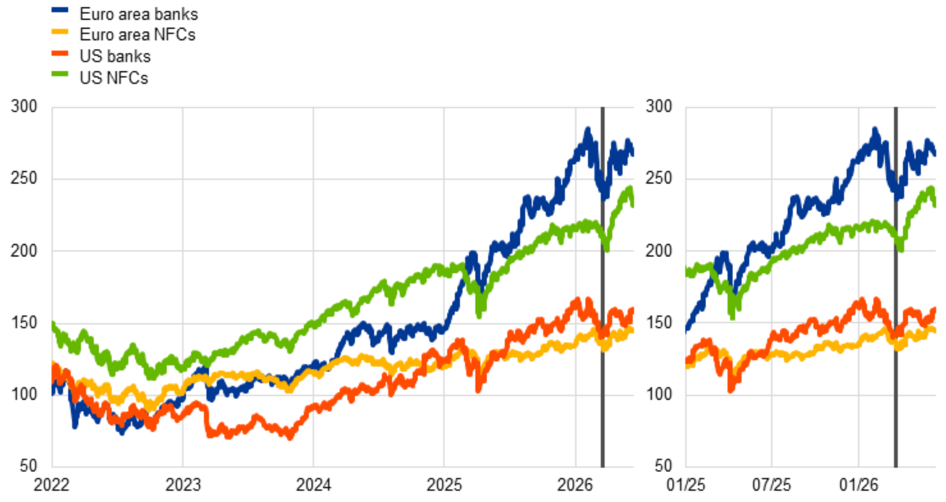
Euro area equities rebounded over the review period, offsetting the losses recorded during the first month of the Middle East war, as corporate earnings remained resilient and risk appetite improved following the ceasefire announcement on 8 April (Chart 17). Overall, euro area stock markets gained 7.7% over the review period, with the sub-index for non-financial corporations (NFCs) rising by 7.5% and bank stock prices moving up by 11%. In the United

States, the broad equity market index rose by 10%, with NFCs and banks posting increases of 10.4% and 11.5% respectively. Listed firms on both sides of the Atlantic reported strong earnings, particularly in the technology sector, reinforcing optimism about the global AI infrastructure buildout. However, optimistic expectations for the long-term earnings growth of AI-related companies in the United States underpinned the outperformance of US equities over their euro area counterparts.

Chart 17

Euro area and US equity price indices

(index: 2 January 2020 = 100)



Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 19 March 2026. The latest observations are for 10 June 2026.

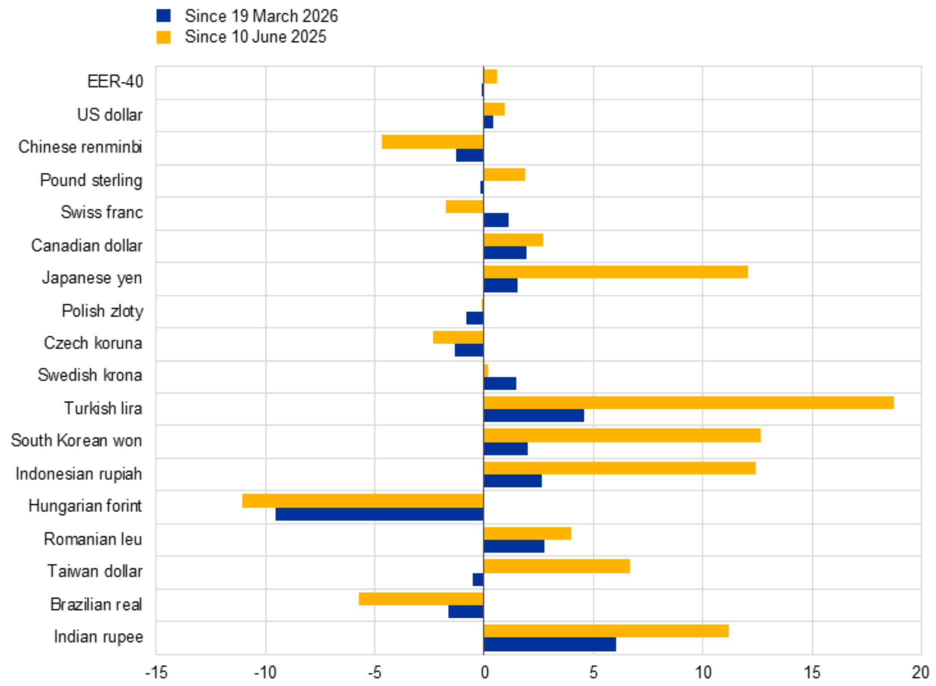
In corporate bond markets, euro area investment-grade and high-yield spreads narrowed over the review period, returning to their pre-war levels. The compression in euro area corporate spreads reflected an improvement in risk appetite following the initial deterioration triggered by the outbreak of the war. The narrowing was most pronounced in the high-yield segment, where spreads tightened by about 40 basis points. Investment-grade spreads declined by approximately 10 basis points for both NFCs and financial firms.

In foreign exchange markets, the euro was broadly stable against the US dollar and in trade-weighted terms (Chart 18). The nominal effective exchange rate of the euro – as measured against the currencies of 40 of the euro area's most important trading partners – was largely stable over the review period (-0.1%). The euro was little changed against the US dollar, settling at USD 1.15 per euro (+0.4%) at the end of the period. Having initially weakened against the US dollar following the outbreak of the war in the Middle East, the euro started to recover after the ceasefire agreement in early April. It later weakened again as uncertainty persisted around a potential peace deal, which continued to put upward pressure on energy prices. Since then, the currency pair has traded in a narrow range of USD 1.15-1.18 per euro. The euro appreciated against the Japanese yen (+1.5%), which weakened continuously throughout the period and rebounded only temporarily following foreign exchange interventions by Japanese authorities. By contrast, the euro lost ground against the Hungarian forint (-9.6%) following parliamentary elections in Hungary that supported the forint, and also weakened against the Brazilian real (-1.6%) and Chinese renminbi (-1.3%).

Chart 18

Changes in the exchange rate of the euro vis-à-vis selected currencies

(percentage changes)



Source: ECB calculations.
Notes: EER-40 is the nominal effective exchange rate of the euro against the currencies of 40 of the euro area's most important trading partners. A positive (negative) change corresponds to an appreciation (depreciation) of the euro. All changes have been calculated using the foreign exchange rates prevailing on 10 June 2026.

5 Financing conditions and credit developments

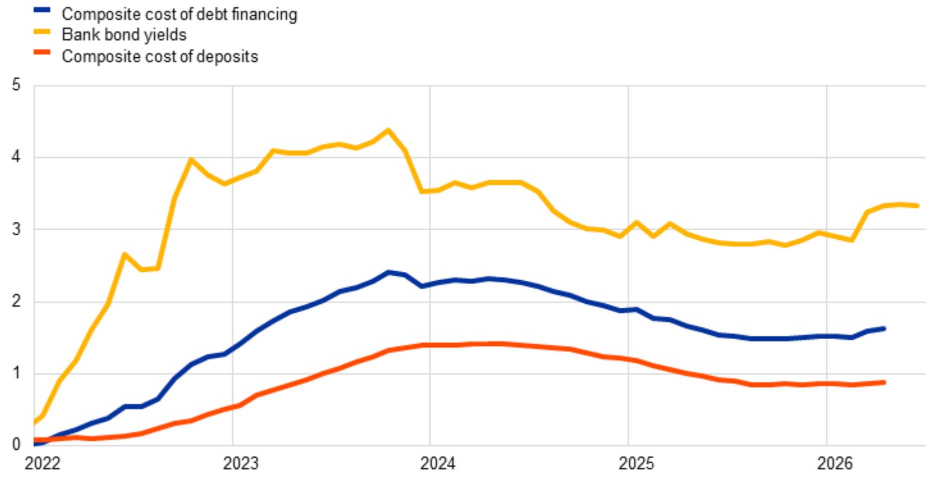
Following the outbreak of the war in the Middle East, financing conditions for firms and households have tightened. In April, bank lending rates for firms remained at 3.6% and mortgage rates held steady at 3.4%. Over the review period from 19 March to 10 June 2026, the cost to non-financial corporations of market-based debt changed little, while the cost of equity increased, driven by both a rising equity risk premium and higher risk-free rates. Growth in loans to firms increased further in April to 3.4%, while growth in loans to households was stable at 3%. The annual growth rate of broad money (M3) decreased to 2.7%.

Bank funding costs increased slightly following the outbreak of the war in the Middle East. The relatively muted increase in the composite cost of debt financing for euro area banks – to 1.6% in April from 1.5% in February (Chart 19) – was mainly driven by developments in risk-free rates. Following the outbreak of the war in the Middle East on 28 February, bank bond yields increased by around 70 basis points, levelling off by the end of April. At the same time, the composite deposit rate remained stable at 0.9% in April. Interest rates on overnight deposits and savings accounts remained the same, as did interbank rates, while rates on time deposits saw a small increase from March.

Chart 19

Composite bank funding costs in the euro area

(annual percentages)



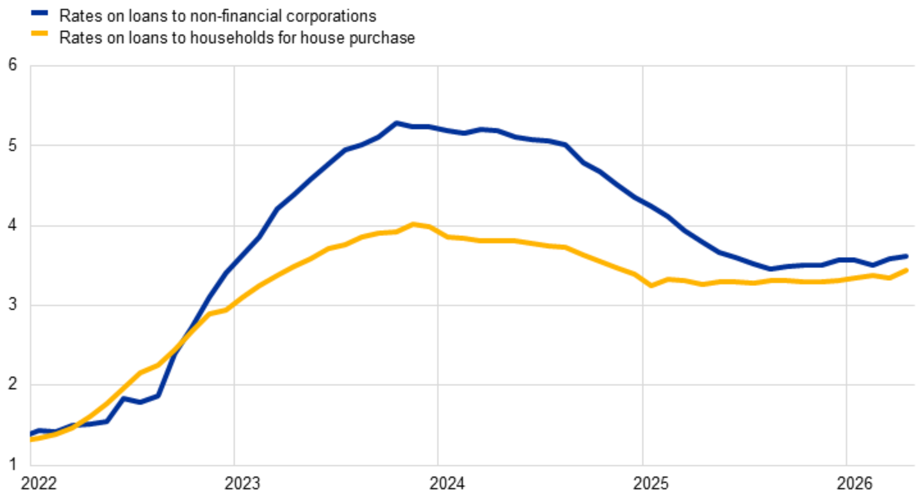
Sources: ECB, S&P Dow Jones Indices LLC and/or its affiliates, and ECB calculations.
Notes: The composite cost of debt financing is an average of new business costs for banks for overnight deposits, deposits redeemable at notice, time deposits, bonds and interbank borrowing, weighted by their respective outstanding amounts. The composite cost of deposits is calculated as the average of new business rates on overnight deposits, deposits with an agreed maturity and deposits redeemable at notice, weighted by their respective outstanding amounts. The latest observations are for April 2026 for the composite cost of debt financing and the composite cost of deposits, and 10 June 2026 for bank bond yields.

Bank lending rates for firms increased slightly overall following the outbreak of the war in the Middle East, with rates for households also edging up (Chart 20). The cost of bank borrowing for non-financial corporations increased by 11 basis points from February to stand at 3.6% in April, which is around 170 basis points below its October 2023 peak. Rates increased for loans with medium-term fixation periods (between one and five years) and were broadly unchanged for loans with shorter-term fixation periods (below one year) and longer-term fixation periods (over five years). The spread between interest rates on small and large loans to firms remained broadly stable at low levels. The cost of borrowing for households for house purchase edged up by 7 basis points from February to stand at 3.4% in April, around 60 basis points below its November 2023 peak. This development reflects an increase in rates across all fixation periods, with rates for medium and longer-term loans rising more than those for short-term loans.

Chart 20

Composite bank lending rates for firms and households in the euro area

(annual percentages)



Sources: ECB and ECB calculations.
Notes: Composite bank lending rates are calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes. The latest observations are for April 2026.

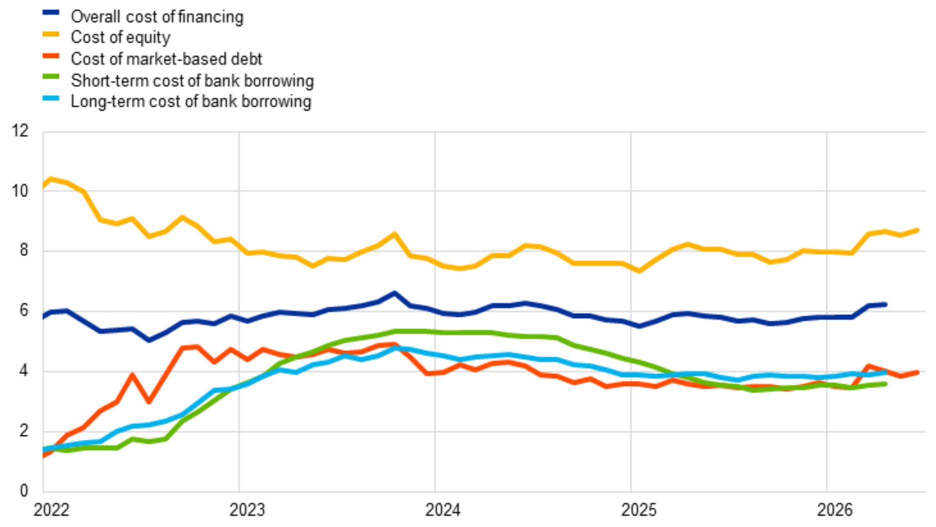
Over the review period from 19 March to 10 June 2026, the cost of market-based debt issued by firms changed little, while the cost of equity financing increased. The overall cost of financing for non-financial corporations – the composite cost of bank borrowing, market-based debt and equity – stood at 6.2% in April 2026 for the second consecutive month (Chart 21).[10] Following a significant jump in March, the cost of equity increased further in April. The impact of this increase in the cost of equity and a parallel increase in the cost of long-term bank borrowing on the overall cost of financing in April was compensated by a decline in the cost of market-based debt, which was due to the compression of the spreads on bonds issued by non-financial firms. Over the review period as a whole, the cost of market-based debt remained virtually the same, thanks to lower corporate bond spreads compensating for higher risk-free rates (see Section 4, "Financial market developments"). The increase in the cost of equity financing is primarily attributable to a higher equity risk premium, while rising long-term risk-free rates also contributed, albeit to a lesser extent.

[10] Owing to lags in the availability of data on the cost of borrowing from banks, data on the overall cost of financing for non-financial corporations are only available up to April 2026.

Chart 21

Nominal cost of external financing for euro area firms, broken down by component

(annual percentages)



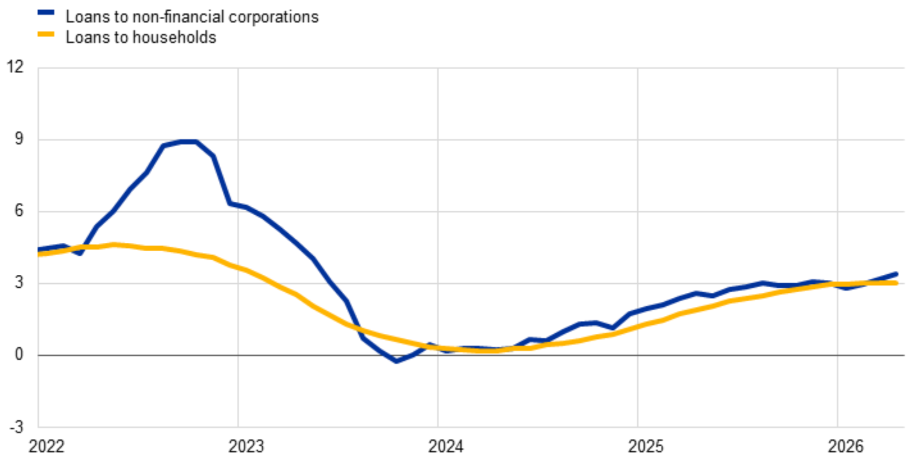
Sources: ECB, Eurostat, Dealogic, Merrill Lynch, Bloomberg Finance L.P., LSEG and ECB calculations.
Notes: The overall cost of financing for non-financial corporations is based on monthly data and is calculated as an average of the long and short-term costs of bank borrowing (monthly average data) and the costs of market-based debt and equity (end-of-month data), weighted by their respective outstanding amounts. The latest observations are for 10 June 2026 for the cost of market-based debt and the cost of equity (daily data), and April 2026 for the overall cost of financing and the long and short-term cost of borrowing from banks (monthly data).

Growth in loans to firms increased further in April, while growth in loans to households remained stable (Chart 22). The external financing of firms has strengthened since the outbreak of the war in the Middle East, driven by borrowing from banks, especially in the form of short and medium-term loans, and a rebound in the net issuance of debt securities. The annual growth rate of bank lending to non-financial firms rose to 3.4% in April, from 3.2% in March – still below its historical average of 4.3% since the start of 1999. Meanwhile, the annual growth rate of debt financing by firms increased to 3.7% in April from 3.4% in March, compared with 2.8% in January. By contrast, the annual growth rate of loans to households was stable at 3.0% in April, also standing below its historical average of 4.1% since the start of 1999. The growth in loans to households was mainly supported by strong growth in consumer credit and, to a lesser extent, in mortgage loans. By contrast, growth in other forms of lending to households, including loans to sole proprietors, remained weak. According to the latest ECB Consumer Expectations Survey for April 2026, the war in the Middle East has adversely affected household expectations regarding credit access, which in April were at their tightest level since the peak of the last policy rate hiking cycle in December 2023.

Chart 22

MFI loans in the euro area

(annual percentage changes)



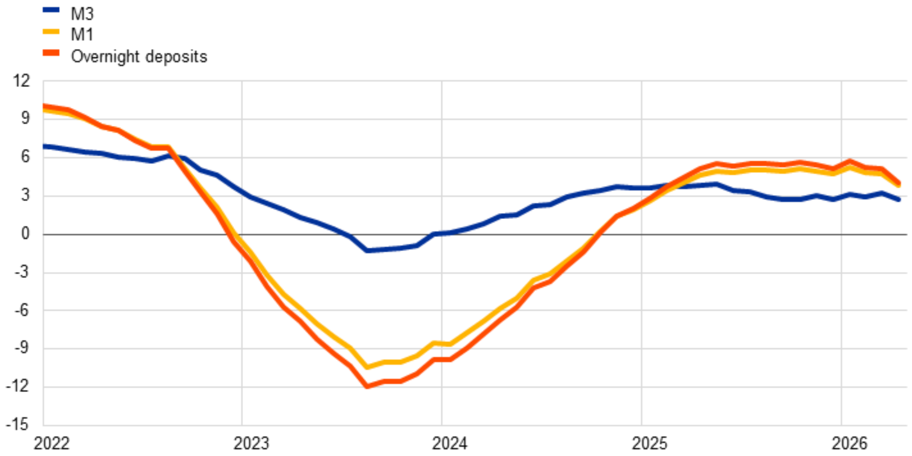
Sources: ECB and ECB calculations.
Notes: Loans from monetary financial institutions (MFIs) are adjusted for loan sales and securitisation; in the case of non-financial corporations, loans are also adjusted for notional cash pooling. The latest observations are for April 2026.

The annual growth rate of broad money (M3) decreased in April, amid sizeable deposit outflows from non-bank financial intermediaries (Chart 23). Annual growth in M3 declined to 2.7% in April, from 3.2% in March, returning to the level observed for most of the second half of 2025 and remaining well below its historical average of 5.2% since the start of 1999. The annual growth rate of narrow money (M1) – comprising the most liquid instruments, namely currency in circulation and overnight deposits – decreased from 4.7% in March to 3.8% in April, amid sizeable deposit outflows from non-bank financial intermediaries, reversing inflows seen in the previous month. From a counterpart perspective, money creation was supported by bank lending, while net foreign monetary outflows from the euro area and the reduction of the Eurosystem balance sheet weighed on M3 growth.

Chart 23

M3, M1 and overnight deposits

(annual percentage changes, adjusted for seasonal and calendar effects)



Source: ECB.
Note: The latest observations are for April 2026.

6 Fiscal developments

According to the June 2026 Eurosystem staff macroeconomic projections for the euro area, the general government budget deficit, which stood at 2.9% of GDP in 2025, is expected to increase substantially to 3.6% of GDP in 2026 and to peak at 3.7% in 2027. The euro area fiscal stance is projected to loosen in 2026, before tightening again in 2027 and 2028. The projected loosening in 2026 is mainly attributable to government investment and fiscal transfers, with the increase in investment primarily reflecting high defence and infrastructure spending, as well as projects under the Next Generation EU (NGEU) programme. The tightening in 2027 and 2028 is mainly explained by non-discretionary factors. The euro area debt-to-GDP ratio is expected to follow an upward path to reach 90% of GDP in 2028, as the continuous primary deficits and positive deficit-debt adjustments outweigh the favourable, though diminishing, effects of interest rate-growth differentials. As part of its 2026 European Semester Spring Package as released on 3 June, the European Commission notes that measures to strengthen energy security and reduce dependence on fossil fuels may benefit from existing flexibility in the framework.

According to the June 2026 Eurosystem staff macroeconomic projections, the euro area general government budget balance is expected to deteriorate, with the deficit peaking in 2027 well above the 3% threshold (Chart 24).[11] Looking back, the euro area budget deficit declined slightly from 3.0% of GDP in 2024 to 2.9% in 2025. Looking forward, it is projected to increase markedly to 3.6% of GDP in 2026, peak at 3.7% in 2027 and decline marginally to 3.6% in 2028. Most of the deterioration in the budget balance over the projection horizon reflects the steady rise in interest payments. In addition, the sharper increase in the budget deficit in 2026 reflects the loosening of the fiscal stance – as measured by the cyclically adjusted primary balance adjusted for NGEU grants – and a slight deterioration in the cyclical component, which reflects developments in the output gap.[12] The cyclical component is expected to continue to deteriorate slightly in 2027 – contributing to a higher deficit – before reversing in 2028 when, together with the projected fiscal tightening, it leads to a slight improvement in the fiscal position. Compared with the March 2026 ECB staff macroeconomic projections for the euro area, the budget deficit ratio turned out to be 0.1 percentage points lower in 2025 and is projected to be 0.2 percentage points higher in 2026, while remaining broadly unchanged in 2027 and 2028.

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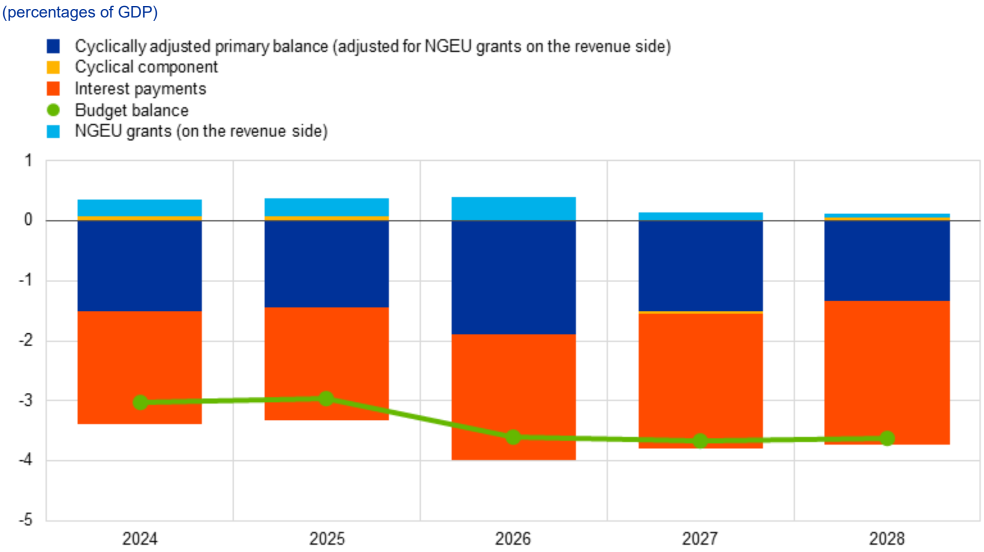
11 See "Eurosystem staff macroeconomic projections for the euro area, June 2026", published on the ECB's website on 11 June 2026.

12 The fiscal stance reflects the direction and size of the stimulus from fiscal policies to the economy beyond the automatic reaction of public finances to the business cycle. It is measured here as the change in the cyclically adjusted primary balance ratio net of government support to the financial sector. Given that the higher budget revenues related to NGEU grants from the EU budget do not have a contractionary impact on demand, the cyclically adjusted primary balance is adjusted to exclude those revenues. For more details on the euro area fiscal stance, see the article entitled "The euro area fiscal stance", *Economic Bulletin*, Issue 4, ECB, 2016.

Chart 24

Budget balance and its components



Sources: ECB calculations and Eurosystem staff macroeconomic projections for the euro area, June 2026.
Note: The data refer to the aggregate general government sector of all 21 euro area countries.

Following a slight tightening in 2025, the euro area aggregate fiscal stance is projected to loosen in 2026 before tightening somewhat over 2027 and 2028. The 2026 loosening is expected to amount to 0.5 percentage points of GDP, driven primarily by higher government investment and transfers to households. The increase in investment reflects higher defence and infrastructure spending in Germany and a number of other, smaller countries, as well as NGEU-funded expenditure, though the latter is expected to be largely reversed over the subsequent years. The tightening in the fiscal stance foreseen for 2027 and 2028 is mainly explained by non-discretionary factors, notably fiscal drag and the decoupling of tax bases from GDP.[13] Compared with the March 2026 ECB staff macroeconomic projections, the fiscal stance is expected to be somewhat looser in 2026 and tighter to a similar degree in 2027, while remaining unchanged in 2028. The revisions mainly reflect the new temporary energy support measures adopted by governments since the start of the war in the Middle East (amounting to about 0.1% of GDP), as well as developments in government consumption.

The euro area debt-to-GDP ratio is expected to follow an upward path over the projection horizon, reaching 90% of GDP in 2028 (Chart 25). The significant reduction in the debt-to-GDP ratio observed between 2021 and 2023, which had been driven almost exclusively by favourable interest rate-growth differentials, came to an end in 2024. The debt-to-GDP ratio is now expected to increase from 87.4% in 2025 to 90.0% in 2028. This increase reflects continuous primary deficits and small but consistently positive deficit-debt adjustments, which are only partly offset by still favourable, albeit diminishing, interest rate-growth differentials. The general government debt ratio has been revised up throughout the projection horizon

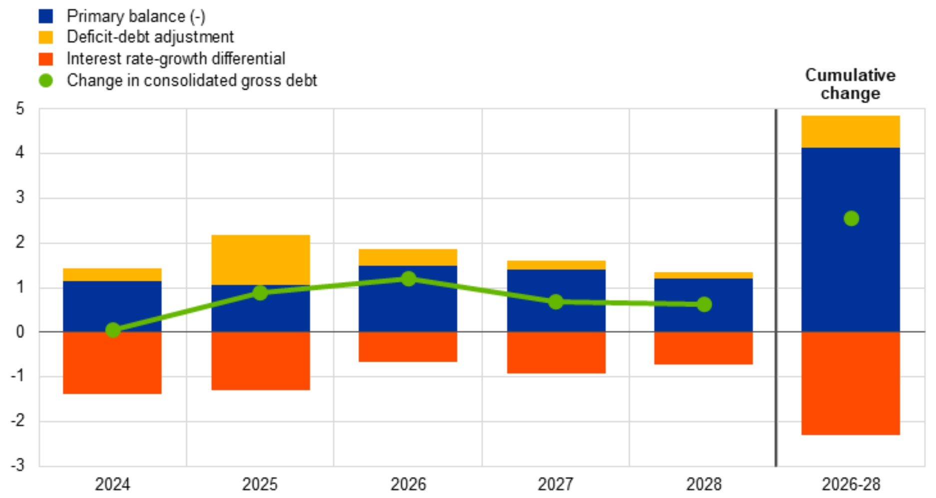
13 Fiscal drag refers to the increase in tax revenue that occurs when nominal tax bases grow, but the parameters of a progressive tax system are not adjusted accordingly.

compared with the March 2026 ECB staff macroeconomic projections, mainly owing to less favourable interest rate-growth differentials and higher deficit-debt adjustments.

Chart 25

Drivers of change in the euro area government debt-to-GDP ratio

(percentage points of GDP, unless otherwise indicated)



Sources: ECB calculations and Eurosystem staff macroeconomic projections for the euro area, June 2026.
Note: The data refer to the aggregate general government sector of all 21 euro area countries.

The Commission released its 2026 European Semester Spring Package on 3 June.[14] The EU Council has so far approved the activation of the national escape clause for 14 euro area countries, with the request from Spain approved at the Council meeting of 12 June.[15] The Council has also abrogated the excessive deficit procedure (EDP) for Malta. After taking into account the flexibility provided under the national escape clause, where relevant, the Commission considers that effective action has been taken by the euro area countries subject to an EDP.[16] It is considering whether to open a procedure for Bulgaria. Furthermore, the Commission notes that measures to strengthen the structural resilience of the European energy system and accelerate the transition away from fossil fuels may benefit from existing flexibility in the framework. Specifically, it proposes broadening the scope of the national escape clause to accommodate temporary measures aimed at reducing dependence on imported fossil fuels, while maintaining the existing flexibility for defence spending. It proposes that, within the existing cap of 1.5% of GDP for additional defence spending under the national escape clause, a dedicated annual cap of 0.3% of GDP be applied to energy-related support measures over 2026-28, subject to a cumulative cap of 0.6% of GDP over the same period.

[14] For further details, see "2026 European Semester: Spring package".

[15] The national escape clause has been activated for Belgium, Bulgaria, Germany, Estonia, Greece, Spain, Croatia, Latvia, Lithuania, Austria, Portugal, Slovenia, Slovakia and Finland. Further information on the national escape clause for defence expenditure is available on the Council's website.

[16] The euro area countries currently subject to an EDP are Belgium, France, Italy, Austria, Slovakia and Finland. The Commission expects Italy to correct its excessive deficit in 2026, in line with the deadline set by the Council.

Boxes

1 AI and the US labour market: effects on employment growth

Prepared by Isabella Moder and Til Pommer

As firms around the world adopt AI tools, the impact of AI on labour markets is being widely discussed.[1] While AI's potential to disrupt job markets could be significant, its effects on aggregate employment appear to be muted so far. Still, there is growing evidence that AI is negatively affecting employment for specific occupational sub-groups, particularly junior workers in highly exposed occupations.[2] This box analyses the effects of AI on employment growth in recent years, focusing on the United States, where such effects are likely to have become visible earlier than in other major economies, given that it is home to some of the most advanced early-adopting firms and has a relatively flexible labour market.

The impact of AI on job growth can be both positive and negative, as highlighted in recent literature on the subject. A well-known framework developed by Acemoglu and Restrepo (2018) distinguishes between the positive effect new technologies have on employment growth by enabling higher productivity, and the negative effect they create owing to job displacement, with the net impact on a country's employment depending on the relative importance of those effects. Empirically assessing the impact of AI on employment at this early stage is difficult (Lane, 2026). Hampole et al. (2025) show that while in the United States firm-wide adoption of AI generates positive employment effects, these effects mask substantial heterogeneity across occupational groups. Initial evidence for the European Union suggests that firms that adopt AI technologies experience higher productivity gains, without the technology replacing labour in the short term (Aldasoro et al., 2026). This aligns with recent ECB survey findings that firms with high levels of AI adoption or AI-related investment are more likely to employ additional staff (Lebastard and Sondermann, 2026).

In the United States, the number of jobs in occupations with a high AI substitution risk has fallen in recent years. Applying an index developed by Pizzinelli et al. (2023) to measure AI substitution risk, each occupation is categorised into one of three categories, corresponding to a low, medium and high risk of AI

1 The box focuses on the labour market effects of AI adoption on the demand side and does not explicitly capture potential employment gains arising from the supply side, such as job creation linked to investment in AI development and deployment.

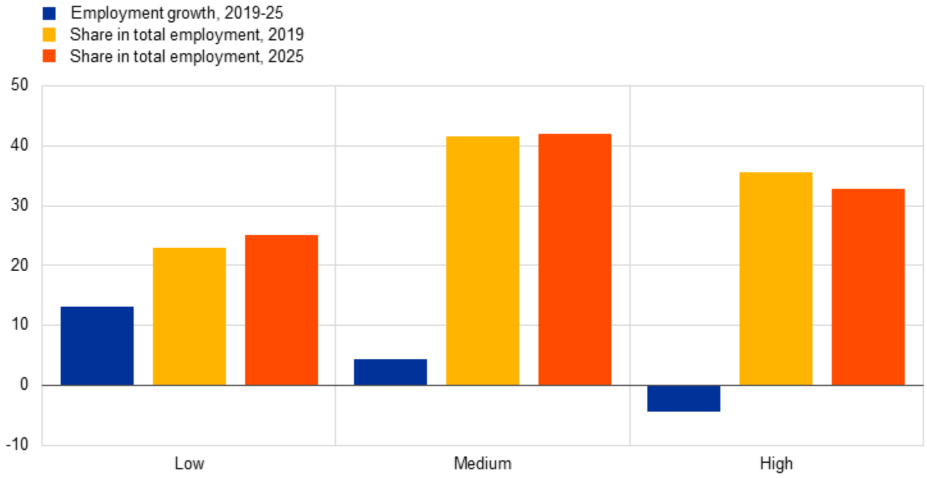
2 See, for example, Brynjolfsson et al. (2025) for an analysis of US payroll data. Note that Lambert and Schindler (2026) question the finding that generative AI is replacing junior workers. They find that exposure to generative AI is strongly correlated with another post-pandemic shock: working from home.

substitution.[3] A calculation of average employment growth for each of those categories in the United States suggests that employment in jobs with a high risk of AI substitution (e.g. economists, graphic designers) declined on average by more than 4% between 2019 and 2025 (Chart A).[4] By contrast, employment in jobs with a low risk of AI substitution (e.g. electricians, high school teachers) increased by 13% over the same period. As a consequence, the composition of US employment has changed. The share of low-risk jobs in total US employment has increased from 23% to 25%, while the share of high-risk jobs has dropped from 35% to 33%.

Chart A

Employment growth and share in total employment of occupations grouped by AI substitution risk – United States

(percentages)



Sources: Bureau of Labor Statistics, Pizzinelli et al. (2023) and ECB staff calculations.

An empirical analysis confirms that AI has already led to a reallocation of jobs within the US labour market. The impact of AI substitution risk on employment growth is estimated using the same classification of occupations by level of AI substitution risk as before. The analysis uses a difference-in-difference approach and separately estimates the impact of an occupation's risk of AI substitution on its employment growth for each year (2020-2025) compared with the base year (2019). It also includes a constant and sector-specific fixed effects corresponding to three-digit North American Industry Classification System (NAICS) subsectors, controlling for shocks (e.g. COVID-19), sector-specific developments and unobserved

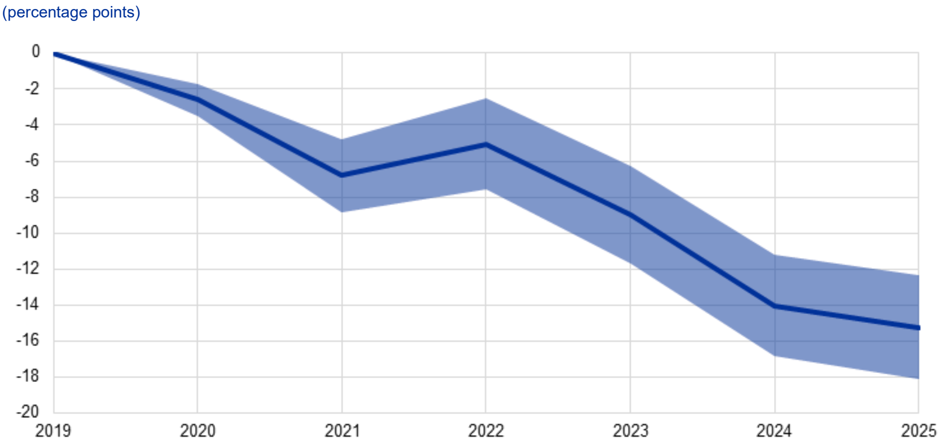
3 Pizzinelli et al. (2023) adapt the widely used index created by Felten et al. (2021) by factoring in the complementarity of occupations to AI, assuming that a lower complementarity to AI coupled with a high exposure to AI bears a higher risk of AI substitution and therefore job loss. For example, according to this extended index, a computer programmer and a computer science teacher have the same exposure to AI. However, as AI is more complementary to the teacher's tasks, the teacher has a lower risk of job substitution than the computer programmer. Pizzinelli et al. call their index "complementarity-adjusted AI occupational exposure". For ease of reading, it is referred to as "AI substitution risk" in this box. It should also be noted that AI does not only include large language models, but also other – earlier available – applications such as image recognition and automated translation.

4 As the focus lies on recent developments, the last pre-pandemic year (2019) is taken as the base year for the analysis. However, AI is likely to have already impacted the US labour market prior to 2019.

heterogeneities.[5] The results indicate a growing wedge between job growth in occupations with a high AI substitution risk compared with occupations with a low AI substitution risk (Chart B).[6] All else being equal, between 2019 and 2025 jobs with a high substitution risk grew by around 15 percentage points less than jobs with a low substitution risk. This is in line with studies showing that AI is affecting job growth for specific occupational sub-groups. Overall, while the consequences of AI for aggregate employment to date remain inconclusive, the analysis finds that it has had a relative impact on US employment growth since 2019.[7] This impact has accelerated since the launch of ChatGPT in late 2022.

Chart B

Impact of AI on US employment growth – difference between high and low risk of substitution



Sources: Bureau of Labor Statistics, Pizzinelli et al. (2023) and ECB staff calculations.
Notes: The line shows the estimated relative impact of AI exposure on employment growth for each year compared with 2019. The model uses a difference-in-difference approach and separately estimates the impact of an occupation's risk of AI substitution on its employment growth for each year (2020-2025) compared with the base year (2019). The top and bottom 1% of employment growth have been winsorised to control for outliers. The model also includes a constant and sector-specific fixed effects corresponding to three-digit NAICS subsectors. Results have been rescaled to indicate the difference between high and low AI substitution risk. The shaded area corresponds to the 95% confidence interval.

The relative impact of AI on job growth has not yet translated into significant differences in wage growth. As is the case for employment effects, although the impact of AI on wages and inequality is fiercely debated in the literature, empirical evidence of it is scarce. Using the same methodology as before, an analysis of median hourly wage growth by occupation reveals that AI substitution risk has had no significant impact on wage growth since 2019 (Chart C).[8] Over time, as the

5 For example, a decline in manufacturing jobs might be unrelated to AI and instead be driven by other structural developments such as offshoring. As some manufacturing jobs run a high risk of AI substitution (e.g. inventory management or order picking), such a decline could mistakenly be attributed to AI.

6 It should be noted that the framework does not explicitly control for AI adoption.

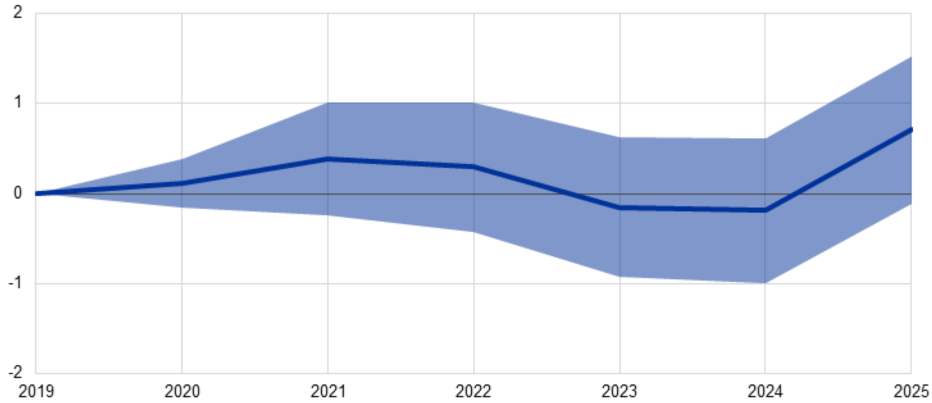
7 Massenkoff and McCrory (2026) undertake a similar analysis for US unemployment rates and find no significant rise in the unemployment of workers in the most exposed occupations. This could also point to a reallocation of jobs within the US labour market.

8 The impact of AI on wages also depends on labour supply and demand dynamics, which cannot be distinguished in the framework used here.

labour market continues to adjust and AI tools become more generative, income effects may be more pronounced.[9]

Chart C
Impact of AI on US wage growth – difference between high and low risk of substitution

(percentage points)



Sources: Bureau of Labor Statistics, Pizzinelli et al. (2023) and ECB staff calculations.
Notes: The line shows the estimated relative impact of AI exposure on median hourly wage growth for each year compared with 2019. The model uses a difference-in-difference approach and separately estimates the impact of an occupation's risk of AI substitution on its wage growth for each year (2020-2025) compared with the base year (2019). The model also includes a constant and sector-specific fixed effects corresponding to three-digit NAICS subsectors. Results have been rescaled to indicate the difference between high and low AI substitution risk. The shaded area corresponds to the 95% confidence interval.

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9 In one of the few available empirical studies in this area, Hui et al. (2024) assess the impact generative AI models have had on freelancers registered on a large online hiring platform since 2022 and find reductions in both the employment and earnings of highly affected occupations.

Hui, X., Reshef, O. and Zhou, L. (2023), "The Short-Term Effects of Generative Artificial Intelligence on Employment: Evidence from an Online Labor Market", *CESifo Working Paper Series*, No 10601, CESifo.

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2 How US financial markets react to geopolitical shocks hitting oil supply

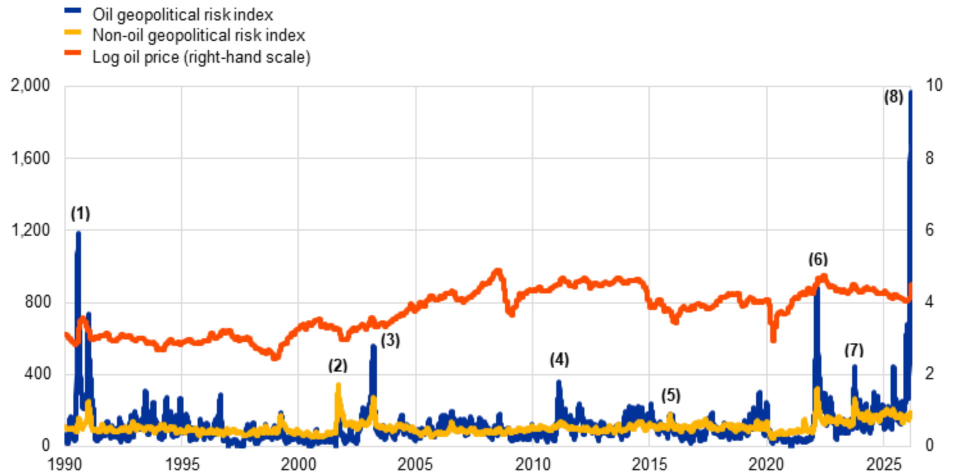
Prepared by Massimo Ferrari Minesso, Bruno Lopes Mendes, Arthur Stalla-Bourdillon and Viktória Vidaházy

Recent geopolitical shocks have disrupted global energy markets. The two largest geopolitical shocks in recent years – Russia's invasion of Ukraine and the current war in the Middle East – triggered sharp energy price spikes in the two weeks following the start of the conflict, with oil prices rising by about 30% and 50% respectively (Chart A). While geopolitical shocks typically weigh on economic growth (Caldara and Iacoviello, 2022), their inflationary effects are less clear (Ferrari Minesso et al., 2023; Brignone et al., 2024).[1] However, shocks involving global energy supply disruptions, such as the closure of the Strait of Hormuz, drive oil prices up. This fuels inflation, likely amplifying the contractionary effect on growth and affecting the reactions of financial markets. Focusing on the United States, this box examines these reactions using a new measure of oil-related geopolitical shocks from Iacoviello and Tong (2026).

Chart A

Geopolitical risk and oil prices

(left-hand scale: index; right-hand scale: log of US dollars per barrel)



Sources: Iacoviello and Tong (2026), Haver Analytics and ECB staff calculations.
Notes: The numbered peaks refer to the following geopolitical events: (1) Gulf War, (2) 9/11 terrorist attacks, (3) invasion of Iraq, (4) Arab Spring and civil war in Libya, (5) Paris terrorist attacks, (6) Russia's invasion of Ukraine, (7) Israel-Hamas war, (8) current war in the Middle East. The latest observations are for March 2026.

A new index developed with the help of artificial intelligence (AI) identifies geopolitical events linked to global energy markets. Iacoviello and Tong (2026) use AI to analyse over five million US newspaper articles, refining the keyword-based approach used by Caldara and Iacoviello (2022) to measure geopolitical risks.

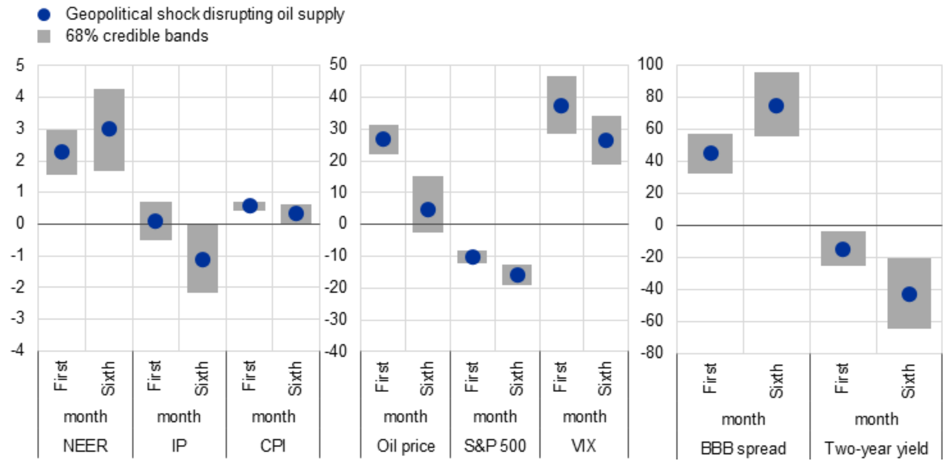
[1] Ferrari Minesso et al. (2023) highlight the mixed effects of geopolitical risk on oil prices and inflation. Brignone et al. (2024) show that uncertainty-driven shocks increase oil prices and inflation but that realised adverse events are deflationary.

Their method identifies geopolitical events affecting energy supply (e.g. the Gulf War or the current war in the Middle East), distinguishing them from those without direct energy-market disruptions (e.g. the 2015 Paris terrorist attacks). The current war in the Middle East has caused a sharp spike in the oil geopolitical risk index, which clearly stands out in a historical perspective. By identifying specific events disrupting energy supply, the new index improves on existing frameworks linking geopolitical events and the oil market.[2,3] As in Iacoviello and Tong (2026), we focus on days when the index is two standard deviations above its average. The monthly sums of changes in oil prices on those days are used as instruments for oil-related geopolitical shocks in a Bayesian vector autoregression (BVAR) model of US financial markets, augmented with key macroeconomic indicators.

Chart B

Response of US variables to geopolitical shocks disrupting oil supply

(left-hand and middle panels: percentages; right-hand panel: basis points)



Sources: Iacoviello and Tong (2026), Haver Analytics and ECB staff calculations.
Notes: The chart shows the responses of the variables shown to a geopolitical shock disrupting oil supply, scaled to a 10% fall in the S&P 500 index on impact. The BVAR model includes: the oil geopolitical risk index (Iacoviello and Tong, 2026), the Brent crude oil price, the two-year US bond yield, the S&P 500, the nominal effective exchange rate of the US dollar (NEER), the VIX index of expected volatility, the US BBB corporate bond spread, US industrial production (IP) and the US consumer price index (CPI). All variables other than the yield and spread enter the model in monthly log levels. To identify shocks, the index is instrumented by summing, for each month, the changes in the oil price on days when the index is two standard deviations above its mean (Iacoviello and Tong, 2026). The model is estimated from February 1990 to February 2026.

Geopolitical shocks that disrupt oil supply reduce economic activity, increase prices and are associated with higher risk premia. Following an oil-related geopolitical shock, calibrated to a 10% fall in US stock prices in the first month, oil prices rise by around 30% and remain above pre-shock levels for around two quarters (Chart B). The increase in oil prices feeds through to US consumer prices, although the effect is modest, while industrial production contracts with a lag (falling by up to 1% after six months). By contrast, the impact on financial markets is stronger. Stock prices remain about 20% below their pre-shock level after two quarters. The dollar appreciates continuously, reflecting both higher oil prices and

2 For example, using the original geopolitical risk index developed by Caldara and Iacoviello (2022), Verduzco-Bustos and Zanetti (2026) show that geopolitical tensions affecting oil markets are contractionary and inflationary, highlighting the role of inventories. The evidence in Pinchetti (2025) is in line with the general equilibrium model of Kilian et al. (2024).

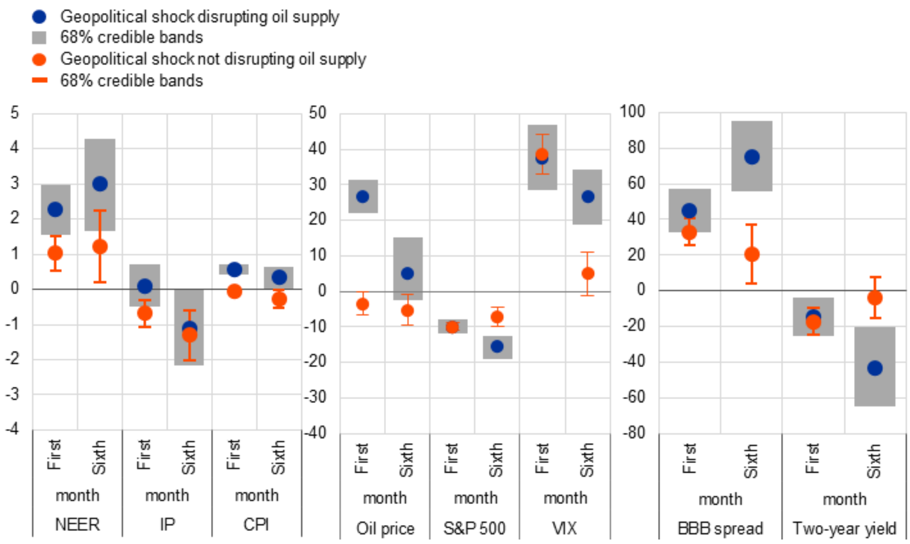
3 The new approach singles out events that reduce oil supply, whereas the current literature blends all geopolitical shocks. As non-oil-related shocks typically lower oil prices, this approach makes it possible to identify the impact of oil-related geopolitical tensions more precisely.

safe-haven dynamics.[4] There are increases in risk indicators, such as the VIX index of expected volatility and corporate bond spreads. Risk-free rates decline, reflecting either safe-haven considerations or expectations that monetary policy will be loosened as output declines more persistently than inflation increases.

Chart C

Comparison of geopolitical shocks disrupting and not disrupting oil supply

(left-hand and middle panels: percentages; right-hand panel: basis points)



Sources: Iacoviello and Tong (2026), Haver Analytics and ECB staff calculations.
Notes: The chart shows the responses of the variables shown to a geopolitical shock disrupting oil supply (blue) versus responses to shocks that do not affect oil supply (red), both scaled to a 10% fall in the S&P 500 index, estimated with the same BVAR model. Geopolitical shocks that are independent of oil supply are identified using the non-oil geopolitical risk index of Iacoviello and Tong (2026) instrumented by changes in the gold price (Georgiadis et al., 2024; Piffer and Podstawski, 2018).

Oil price dynamics are a key amplifying channel for the effects of geopolitical shocks. Financial market reactions to geopolitical events are much milder when shocks do not affect global oil supply than when they do (Chart C). Oil prices fall slightly instead of increasing, as higher geopolitical risk weighs on industrial production and aggregate demand, reducing the demand for oil. This supports the economic recovery, as lower oil prices translate into higher real incomes for households and lower production costs and inflation, cushioning the blow to activity. As a result, the decline in stock prices is less pronounced over time. While US yields decrease, the fall fully reverses after six months. The dollar appreciates less without support from higher oil prices, which generally strengthen it, as the United States has been a net primary energy exporter since 2019 and a large share of oil trade is invoiced in dollars (Ricci, 2024). Although risk metrics increase temporarily, they also recede after two quarters. On the real economy side, industrial production recovers faster after six months, and consumer prices fall in the medium term instead of increasing. These results show how oil prices amplify geopolitical shocks, putting upward pressure on inflation in particular.

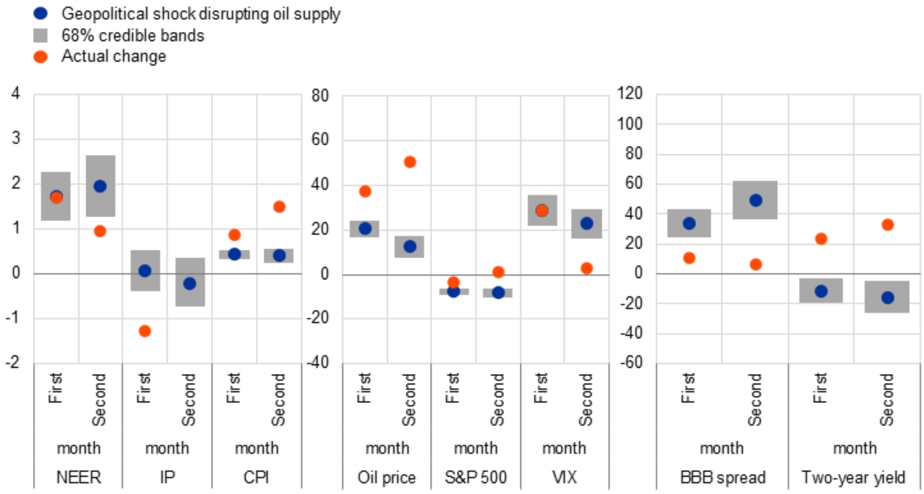
4 As oil is generally traded in dollars, higher oil prices mechanically increase the demand for dollars and cause the US currency to appreciate. In periods of higher risk, global investors may buy US Treasuries, which are generally viewed as a safe asset, also increasing the demand for US dollars.

Market reactions to the war in the Middle East have been contained relative to historical patterns. Chart D compares the market reactions to the conflict with model-implied elasticities.[5] The associated shock has indeed been substantial. Around 20 million barrels of oil normally pass through the Strait of Hormuz every single day and, although some mitigating factors have been at play (e.g. redirection of flows through pipeline networks), the net supply loss has amounted to 10-15 million barrels per day (10-15% of global supply). Oil prices temporarily rose to nearly USD 120 per barrel, exceeding what historical patterns would predict for an oil-related geopolitical shock of this size. By contrast, the reaction of other financial variables has been muted. Stock prices fell but started to rise again after about one month, while the dollar appreciated in March but by April had returned to almost the same level as at the start of the year. Risk spreads widened slightly at the start of the conflict, to about half the levels suggested by historical patterns, before returning to pre-war levels. Risk-free rates increased instead of falling, possibly reflecting concerns about inflation following a shock of that size. Strong underlying US macroeconomic fundamentals, oil exports from the United States and strong investment in AI-related stocks may help explain the overall benign response. But the limited repricing remains striking given the scale of the oil shock. Markets may be treating the disruption as temporary, and therefore as not warranting continued high risk repricing. If the conflict persists or monetary policy reacts more aggressively than expected, this may expose financial assets to sudden repricing and potentially rapid sell-offs.

Chart D

Current pricing of geopolitical risk

(left-hand and middle panels: percentages; right-hand panel: basis points)



Sources: Iacoviello and Tong (2026), Haver Analytics and ECB staff calculations.
Notes: The chart shows the responses of the variables shown to a model-implied geopolitical shock disrupting oil supply (blue), scaled to match the VIX reaction at the start of the war in the Middle East in February 2026. Actual changes (red) are the changes in the financial variables between February and March 2026 (first month) and February and April 2026 (second month). For IP and CPI, the latest observations are for March 2026.

5 We scale the BVAR impulse responses to a geopolitical risk shock disrupting oil supply that matches the VIX reaction at the start of the war in the Middle East between February and March 2026.

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3 State aid in the EU: an evolving landscape

Prepared by Roberto Bernasconi, Emma Domingo Enrich, Vasileios Kostakis, Steffen Osterloh and Lucia Quaglietti

State aid expenditure in the EU has risen sharply in recent years, driven by economic shocks and a global resurgence of interventionist industrial policy. This has triggered a wider debate, with proponents underscoring the need for public intervention to address market failures and strategic vulnerabilities (Evenett et al., 2024), and critics cautioning against the attendant risks of inefficiency, rent seeking and Single Market fragmentation (Hodge et al., 2024). From an ECB perspective, State aid warrants attention due to its implications for fiscal policy, resource allocation and competition. Against rising geopolitical tensions and new EU State aid Temporary Frameworks permitting a more flexible deployment of aid (most recently in support of sectors affected by the Middle East crisis), this box examines its evolving role and allocation.

State aid covers public interventions that provide financial support to firms or confer a selective advantage. Such measures are generally prohibited under Article 107 of the Treaty on the Functioning of the European Union, as they can distort competition in the Single Market. However, the Treaty leaves room for a number of exemptions. To be compatible with the Single Market, State aid must facilitate the development of an economic activity and must not adversely affect trading conditions among Member States to an extent contrary to the common interest.[1]

Despite legal constraints, the scope and scale of State aid have expanded markedly over time. Between 2000 and 2013, State aid expenditure remained broadly stable at 0.5-0.8% of GDP. From 2014, reforms expanding the categories of aid exempt from approval by the European Commission enabled Member States to provide support more flexibly, with expenditure almost doubling by 2019.[2] Aid rose further in 2020 and 2021, peaking at €330 billion (2-2.5% of GDP), driven by Temporary Frameworks introduced during the COVID-19 pandemic and extended following Russia's full-scale invasion of Ukraine. Although it fell to 1% of GDP in 2024, State aid remains above historical averages (Chart A, panel a). More recently, the conflict in the Middle East has led the Commission to adopt a new Temporary Framework, relaxing the conditions under which EU Member States may grant aid to acutely affected sectors.[3]

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1 Articles 107 to 109 of the Treaty define State aid, set the prohibitions and list possible exceptions.

2 The General Block Exemption Regulation set out the conditions under which State aid may be granted without prior approval from the Commission. Later revisions expanded its scope.

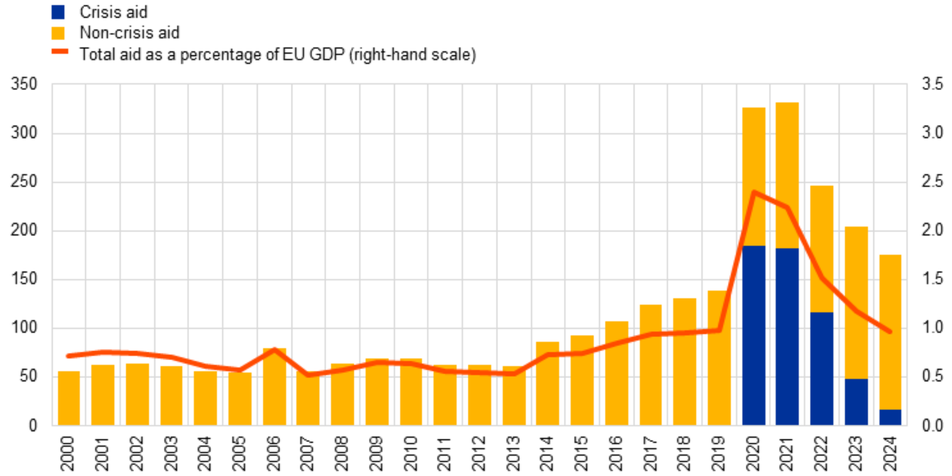
3 The Middle East Crisis Temporary State Aid Framework will be in place until December 2026. It permits support for agriculture, fisheries and aquaculture, land transport, and intra-EU short-sea shipping. Aid can be provided to cover up to 70% of extra costs arising from the crisis.

Chart A

State aid expenditure by policy objective

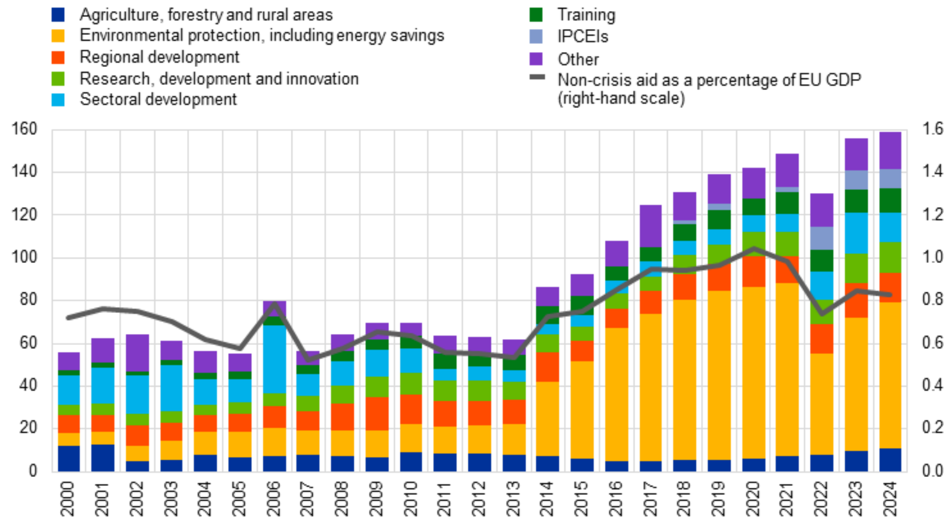
a) Crisis and non-crisis State aid in the EU

(left-hand scale: EUR billions; right-hand scale: percentages of EU GDP)



b) Non-crisis aid

(left-hand scale: EUR billions; right-hand scale: percentages of EU GDP)



Sources: State Aid Scoreboard, Eurostat and ECB calculations.
Notes: The panels show nominal aid expenditure approved by the European Commission or granted under exemption rules, reflecting the economic advantage conferred on beneficiaries. Panel a) decomposes State aid into crisis and non-crisis aid. Panel b) further decomposes non-crisis aid.

The orientation of State aid has also shifted, including towards broader industrial priorities. Historically, the support targeted innovation, regional cohesion and financing constraints for smaller firms. More recently, it has become increasingly linked to environmental protection, including decarbonisation, as well as industrial competitiveness and strategic resilience (Chart A, panel b). EU policy initiatives like the European Chips Act, the Net-Zero Industry Act and, more recently, the Clean Industrial Deal and the proposed Industrial Accelerator Act, have altered State aid frameworks in support of decarbonisation, energy security and competitiveness.

Energy-related aid has grown significantly, reflecting its strategic importance amid elevated energy prices and the severe shocks that have hit the EU economy.[4]

The growth in spending on Important Projects of Common European Interest (IPCEIs) since 2018 illustrates a shift towards a more strategic use of State aid. IPCEIs enable Member States to finance large-scale, cross-border projects addressing market failures and reducing dependencies in strategic sectors like batteries, hydrogen, microelectronics and health technologies.[5] Combining public and private funds, IPCEIs span complex value chains across multiple countries. With approved aid and associated private investment reaching roughly €90 billion (0.45% of GDP) by 2024, they are now among the EU's most significant coordinated industrial policy instruments, while new dedicated EU-level financial instruments have been proposed by the Commission as part of a European Competitiveness Fund for the Multiannual Financial Framework 2028-2034.

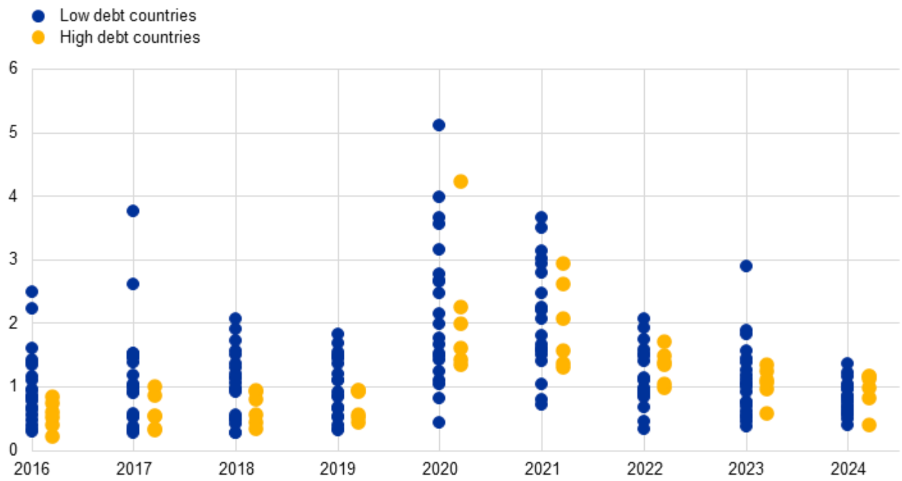
State aid is unevenly distributed across countries and sectors, reflecting differences in fiscal capacity, structural characteristics and policy priorities. During the pandemic, cross-country disparities widened significantly, with several EU countries deploying aid in excess of 3% of GDP in 2020 and 2021, while support remained more limited in others (Chart B). Until 2019 high debt countries tended to spend less on State aid, but the differences have since narrowed. Sectoral allocation has also evolved: firm-level data show that, historically, energy firms received the bulk of the aid (Chart C, panel a), but support shifted towards services during the pandemic, while manufacturing gained in importance after the pandemic. In addition, while standard State aid is broadly distributed across technology levels, IPCEIs focus on high and medium-high technology manufacturing sectors (Chart C, panel b), underscoring their role in fostering strategic value chains.

4 In 2025 the European Commission adopted the Clean Industrial Deal State Aid Framework, replacing the 2022 Temporary Crisis and Transition Framework and extending flexible rules until 2030.

5 IPCEIs must involve multiple Member States, generate significant positive spillovers and contribute to EU-wide objectives.

Chart B
Dispersion of State aid expenditure in EU countries

(percentages of GDP)



Sources: State Aid Scoreboard, Eurostat and ECB calculations.
Note: High debt countries are countries with a debt level greater than 90% of GDP in 2024.

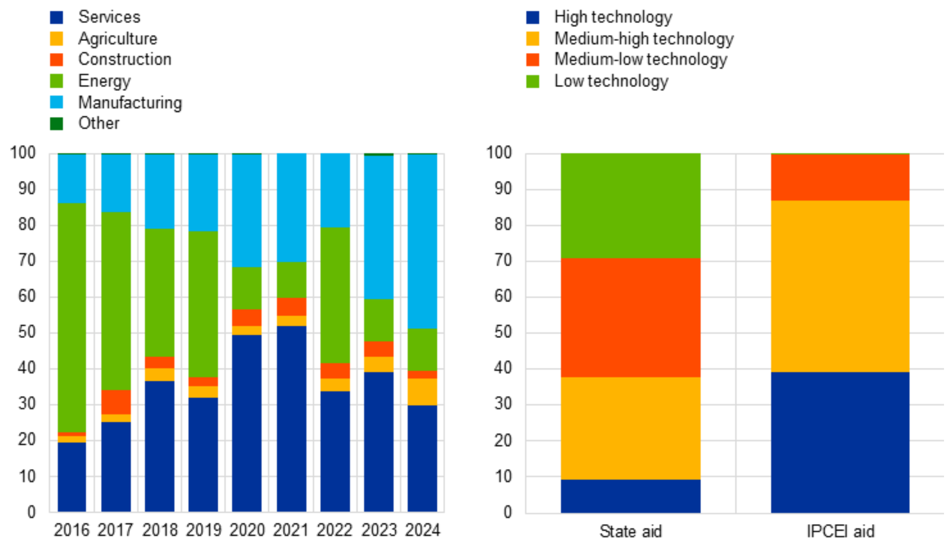
Chart C
State aid expenditure by sector and technology level

a) State aid expenditure by sector

(percentages)

b) State aid expenditure by technology level and aid type

(percentages)



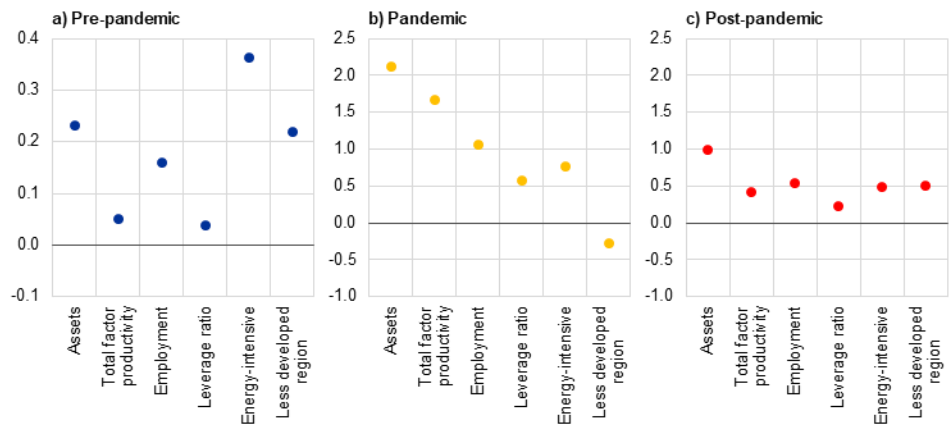
Sources: State Aid Transparency database, European Commission and ECB calculations.
Notes: Figures are based on firm-level data and show aid awarded across 23 EU countries (excluding Spain, Poland, Romania and Slovenia). The services category excludes information and communications technology. Data in panel a) refer to about 70% of total aid reported in Chart A. Panel b) shows the composition of general State aid and aid provided to manufacturing firms under the IPCEI framework by technology level (see High-tech classification of manufacturing industries).

After the pandemic, State aid shifted from crisis-driven liquidity support towards a more selective, competitiveness-oriented allocation. The evolving objectives of State aid are also reflected in the composition of firms receiving it. Using a panel of five million EU firms over the period 2016-2024, we estimate the probability of receiving aid based on firm characteristics.[6] Before the pandemic, large firms, firms in energy-intensive sectors and firms in less developed regions were more likely to receive support, with estimated increases in probability ranging from 0.2 to 0.4 percentage points (Chart D, panel a).[7] During the pandemic, size and productivity remained important, but financial constraints emerged as a key factor, with highly leveraged firms significantly more likely to receive support. At the same time, firms in less developed regions became less likely to receive support (Chart D, panel b). Size and productivity continued to be important determinants of aid allocation in the post-pandemic period. In contrast, the role of leverage has become less pronounced compared with the pandemic period, while firms located in less-developed regions have once again become more likely to receive support (Chart D, panel c).

Chart D

Probability of receiving State aid based on firm characteristics

(percentage points)



Sources: State Aid Transparency database, Orbis database and ECB calculations.
Notes: The chart shows estimated marginal effects from a linear probability model. Coefficients are percentage point changes in the probability of receiving aid relative to non-recipients. Each marker represents the estimated effect of a one standard deviation change in a given firm characteristic. Confidence intervals are narrow and therefore not shown.

State aid in the EU has expanded, becoming increasingly flexible and more aligned with shifting policy priorities in the EU. As industrial policy gains prominence globally and the EU is negotiating its new Multiannual Financial Framework for the period 2028-2034, these developments raise critical questions about how State aid can effectively support shared EU objectives and new policy priorities while safeguarding competition within the Single Market and maintaining fiscal sustainability. Further analysis is warranted to examine these issues in a comprehensive way.

6 Firm data from Orbis are matched with the State Aid Transparency database. The share of firms receiving State aid varies over time (0.2% in the period 2016-2019, 2.5% in 2020-2021 and 1.2% after 2021). A linear probability model is deployed. Firm characteristics are interacted with time-period dummies to capture evolving allocation patterns. The model includes country-year and sector-year fixed effects, with standard errors clustered at the firm level.

7 Assets (defined as the sum of current assets, fixed assets and intangible assets) and employment (measured by the number of employees) are used as proxies for firm size. The leverage ratio is calculated as the ratio of long-term debt to total assets. Less-developed regions are defined according to the European Commission classifications for the period 2014-2020 and the period 2021-2027.

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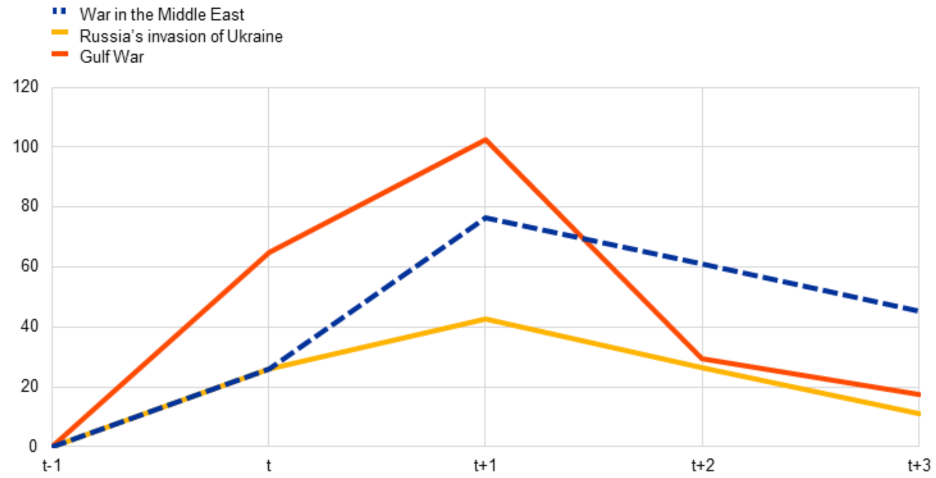
4 Higher oil prices from the war in the Middle East: assessing the headwinds for euro area growth

Prepared by Johannes Gareis

The war in the Middle East has led to a sharp rise in oil prices and is likely to weigh noticeably on euro area economic activity. Following the outbreak of the war in late February 2026, Brent crude oil prices increased markedly, reflecting disruptions to oil flows through the Strait of Hormuz and a decline in oil production in the Middle East. Compared with past major geopolitical oil supply disruptions, the current shock appears to be of intermediate magnitude (Chart A). Although peak oil price levels have been broadly similar to those seen after Russia's invasion of Ukraine in early 2022, the increase in oil prices triggered by the current shock has so far been larger than the rise observed after the Russian invasion. That shock reflected supply interruptions and heightened uncertainty around Russian oil exports, against a backdrop of persistently elevated oil demand in the aftermath of the COVID-19 pandemic and a much sharper rise in natural gas prices.[1] However, the oil price increase from the current shock is smaller than that observed during the Gulf War in the early 1990s, when Iraq's invasion of Kuwait removed significant oil supply from the market.

Chart A
Brent crude oil price dynamics around geopolitical oil supply disruptions

(percentage change relative to the quarter preceding the shock)



Sources: U.S. Energy Information Administration (EIA) and ECB staff calculations.
Notes: The chart shows the percentage change in the price of Brent crude oil, based on quarterly averages of monthly US dollar prices. For the war in the Middle East, t corresponds to the first quarter of 2026; for Russia's invasion of Ukraine, t corresponds to the first quarter of 2022; and for the Gulf War, t corresponds to the third quarter of 1990. The dashed blue line represents the oil price path implied by the June 2026 Eurosystem staff macroeconomic projections for the euro area, which are based on oil futures prices at the cut-off date of 21 May 2026.

The source of these oil price movements is a crucial consideration when assessing their macroeconomic effects. Unlike demand-driven price increases,

1 For a comparison of the current shock with that triggered by Russia's invasion of Ukraine and a discussion of the likely propagation to inflation, see Arce et al. (2026).

which typically reflect stronger global growth and support economic activity, supply-driven price increases weigh on activity in oil-importing economies such as the euro area. This operates through higher production costs, lower real household incomes, weaker global demand and elevated uncertainty – with the latter factor typically more pronounced when shocks are geopolitical in nature.[2] This box quantifies the macroeconomic impact on the euro area of the recent rise in oil prices, using an empirical model with identified geopolitical oil supply shocks to assess past and present oil supply disruptions.[3]

The macroeconomic effects of geopolitical oil supply shocks on the euro area can be assessed using a Bayesian vector autoregressive (BVAR) model. The model includes a series of identified geopolitical oil supply shocks along with the global real price of oil, a global economic activity indicator, euro area real GDP, private consumption, investment, consumer prices, and short and long-term interest rates. The shocks are taken from Verduzco-Bustos and Zanetti (2026) and are constructed using a high-frequency instrumental variable that isolates oil price movements around geopolitical supply disruptions.[4] These shocks are typically associated with sharp increases in oil prices and persistent declines in oil production, making them well suited for analysing the impact of the war in the Middle East.[5] The model is estimated from the first quarter of 1985 to the fourth quarter of 2023.[6] As the oil intensity of the euro area economy has declined steadily since the early 1990s (Chart B), the model is re-estimated over a shorter sample starting from the third quarter of 2003, after the initial phase of the Iraq War, to test whether the transmission of oil supply shocks has changed.[7]

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2 Verduzco-Bustos and Zanetti (2026) show that oil price movements associated with geopolitical risks have distinct dynamics and macroeconomic consequences, driven in part by forward-looking behaviour and a sharp and persistent rise in both macroeconomic and financial uncertainty, which amplifies the negative effects on economic activity relative to conventional oil supply shocks. This mechanism is closely related to the evidence presented by Brignone et al. (2025), who show that large geopolitical risk shocks trigger disproportionate increases in uncertainty and financial stress.

3 For an analysis of how geopolitical shocks associated with energy supply disruptions are transmitted to US financial markets, see the box entitled "How US financial markets react to geopolitical shocks hitting oil supply" in this issue of the Economic Bulletin.

4 The instrument specifically measures the change in one-month West Texas Intermediate (WTI) crude oil futures prices on days when there are spikes in the oil supply geopolitical risk index developed by Iacoviello and Tong (2026). This restricts the identified events to those directly associated with oil supply disruptions.

5 The global real oil price is the WTI crude oil price deflated by the US consumer price index; global economic activity is measured by the industrial production index developed by Baumeister and Hamilton (2019). Both are consistent with the variable choices used to identify the geopolitical oil supply shocks in Verduzco-Bustos and Zanetti (2026).

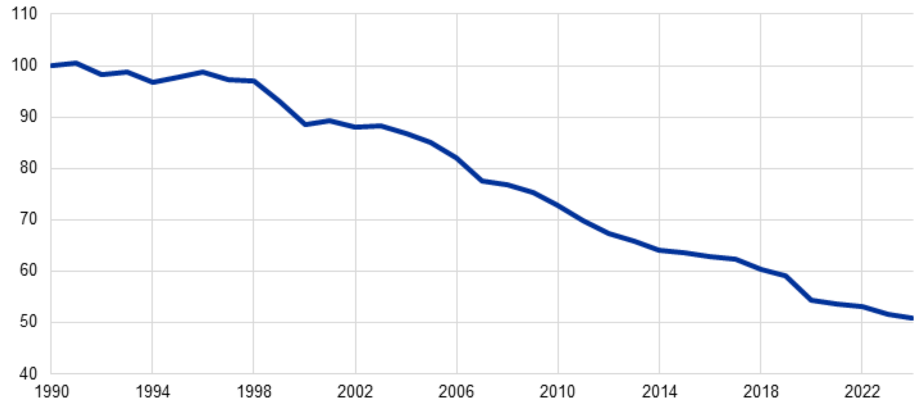
6 The geopolitical oil supply shocks are aggregated to quarterly frequency as simple averages of monthly observations. To trace their dynamic effects, they are ordered first in the BVAR model under a recursive identification scheme.

7 To ensure that the estimation results are not influenced by the elevated volatility during the COVID-19 pandemic, the model includes pandemic dummies.

Chart B

Oil intensity of euro area real GDP over time

(index: 1990 = 100)



Sources: Eurostat, New Area-Wide Model database and ECB staff calculations.
Notes: Oil intensity is measured in kilograms of oil equivalent per euro of real GDP and indexed to 100 in 1990. The latest observation is for 2024.

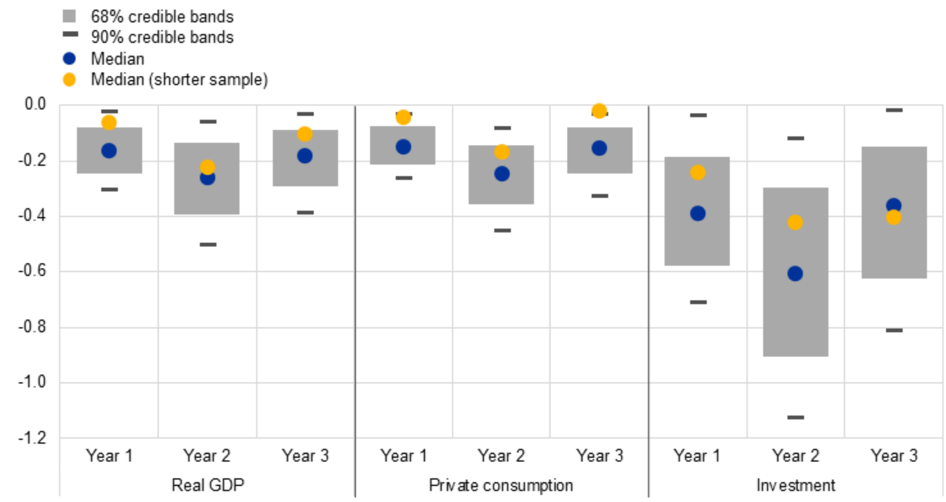
An adverse geopolitical oil supply shock has a persistent negative effect on euro area real GDP growth, operating through both private consumption and investment. Following a geopolitical oil supply shock that raises the real oil price by 10% on impact, euro area real GDP growth is estimated to be around 0.2 to 0.3 percentage points lower in each of the first three years following the shock (Chart C).[8] Both private consumption and investment growth are dragged down, although the effects on investment are more pronounced, since investment is generally more sensitive to the elevated uncertainty that follows geopolitical oil supply disruptions. The subsample estimates for the period since 2003 suggest that the effects may have weakened somewhat over time, owing in particular to a smaller response of private consumption. By contrast, the investment response is broadly stable across subsamples, with the shorter-sample estimates falling within the credible bands of the full-sample response. This may reflect either a less pronounced weakening of the oil intensity channel for investment or an offsetting strengthening of other channels – notably via the heightened uncertainty that geopolitical oil supply shocks entail.

8 The results are qualitatively robust to using the broader oil supply shock series of Mori and Peersman (2026). This broader series refines the shocks estimated by Känzig (2021), which are based on announcements made by the Organization of the Petroleum Exporting Countries (OPEC). The quantitative effects are somewhat smaller when the broader series is used, consistent with the broader identification capturing oil supply shocks beyond those of geopolitical origin.

Chart C

Impact on annual growth of an adverse geopolitical oil supply shock

(percentage points)



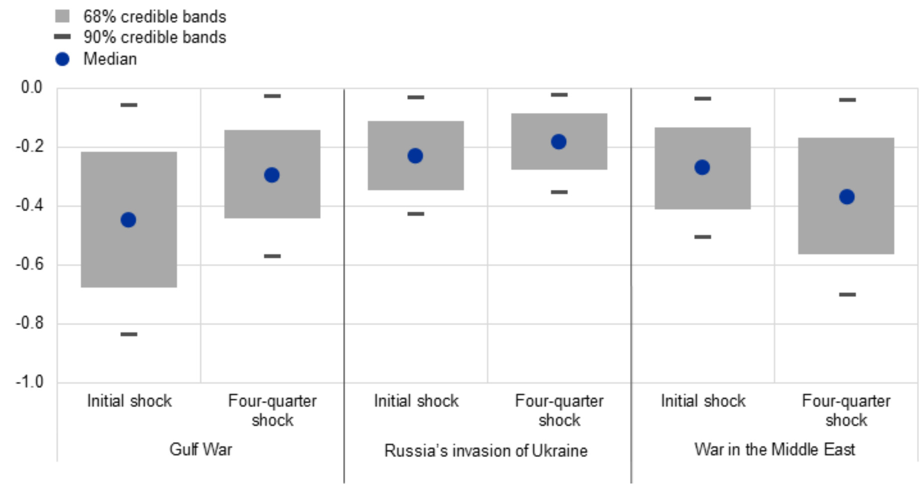
Sources: Verduzco-Bustos and Zanetti (2026), Baumeister and Hamilton (2019), EIA, Bureau of Labor Statistics (BLS), Eurostat, New Area-Wide Model database, ECB and ECB staff calculations.
Notes: The chart shows the estimated impact of a temporary geopolitical oil supply shock that raises the real oil price by 10% on annual growth in euro area real GDP, private consumption and investment in the first three years following the shock. Estimates are reported for the full sample (first quarter of 1985 to fourth quarter of 2023) and for a shorter sample starting from the third quarter of 2003.

The effects of past geopolitical oil supply disruptions – notably the Gulf War and Russia's invasion of Ukraine – were sizeable in the first year, and the war in the Middle East is estimated to have a broadly similar impact on euro area growth this year. Combining the estimated impulse responses with the estimated shocks makes it possible to quantify the macroeconomic effects of past oil supply disruptions and gauge the impact of the current shock. During the Gulf War and Russia's war in Ukraine, geopolitical oil supply shocks are estimated to have driven most of the real oil price movements over the first year. Based on the full-sample estimates – which likely provide an upper bound for recent episodes (including the current shock) owing to declining oil intensity – the resulting net drag on GDP growth over the first year amounted to around 0.3 percentage points during the Gulf War and 0.2 percentage points during Russia's war in Ukraine (Chart D, four-quarter shock). The drag from the initial shock alone was larger. However, oil prices reversed relatively quickly, and the subsequent decline partly offset the initial drag on GDP (Chart D, initial shock). Using the current oil futures curve and assuming that geopolitical oil supply shocks account for most of the implied oil price changes in 2026, the war in the Middle East is estimated to reduce euro area real GDP growth by around 0.4 percentage points over the first year. Unlike in the other episodes, the impact is likely to build up gradually over the year. This reflects the further substantial increase in oil prices expected in the second quarter of 2026 and the more persistent path implied by the futures curve.

Chart D

Estimated first-year impact of geopolitical oil supply shocks on real GDP growth

(percentage points)



Sources: Verduzco-Bustos and Zanetti (2026), Baumeister and Hamilton (2019), EIA, BLS, Eurostat, New Area-Wide Model database, ECB and ECB staff calculations.
Notes: The chart shows the estimated impact on euro area real GDP growth over the first year following the event under two scenarios: the initial shock, capturing only the geopolitical oil supply shock at the start of the event, and a four-quarter shock sequence, capturing shocks materialising over the first full year following the start of the event. For the Gulf War and Russia's invasion of Ukraine, the shocks are derived from the identified historical shock series. For the war in the Middle East, they are derived from actual oil price developments and the oil futures curve.

Overall, the magnitude of the impact of the current shock is still very uncertain and will depend on the size and persistence of the oil price increase. The effects on activity tend to persist beyond the oil price reversal itself, so even a rapid decline in oil prices would still imply non-negligible output losses in the euro area. Should the shock prove more persistent, the cumulative drag on growth could be larger than the estimates presented here. In addition, broader supply chain disruptions and spillovers to the gas market could further amplify the impact beyond that captured by the historical estimates. So far, however, gas prices have remained relatively resilient, possibly reflecting the limited dependence of Europe on natural gas from the Middle East.

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5 Tracking euro area labour market developments through restructuring announcements

Prepared by Claudia Foroni and Nikolaos Papadatos

This box examines the extent to which media-reported, firm-level restructuring announcements covering both job reductions and job creations can provide more timely signals of euro area labour market dynamics than standard statistical measures. It draws on the European Restructuring Monitor (ERM), a firm-level dataset compiled by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) through the daily screening of national business media and company websites across all EU Member States and Norway since 2002. A restructuring event is recorded when at least 100 jobs are affected, or when the affected workforce represents at least 10% of an establishment employing more than 250 people.[1] Events need to materialise within nine months from the announcement and are classified by type (e.g. internal restructuring, expansion, offshoring, merger or bankruptcy), offering information on the nature of the underlying shock which is not available in standard aggregate statistics. As such, the ERM may provide timely, high-frequency insights into labour market developments ahead of official data releases.

By construction, the coverage of media-reported restructuring announcements is biased towards larger firms – reflecting both reporting thresholds and media attention. This bias implies that the ERM is not representative of total employment, particularly in countries where economic activity is concentrated in smaller enterprises. In the euro area, firms with at least 250 employees represent less than 1% of total enterprises but account for approximately 36% of total employment. Extending the threshold to firms with at least 50 employees raises this share to around 50% (Chart A). Accordingly, the ERM captures restructuring announcements in firms employing between one-third and one-half of the total euro area workforce, although the number of workers directly affected by recorded restructuring announcements is considerably lower. Coverage also varies across countries, reflecting differences in industrial structure and the distribution of employment across firm sizes. Germany and France together account for roughly 40% of all announced restructuring events in the euro area recorded in the ERM. The comparatively smaller number of events recorded for Spain and Italy in large part reflects their lower share of employment in larger firms. Hence, the ERM only captures restructuring among larger employers and remains mostly silent on small-firm employment dynamics as well as aspects such as labour force participation and hours worked. It should therefore be interpreted as a complementary, rather than a comprehensive, indicator of labour market conditions.

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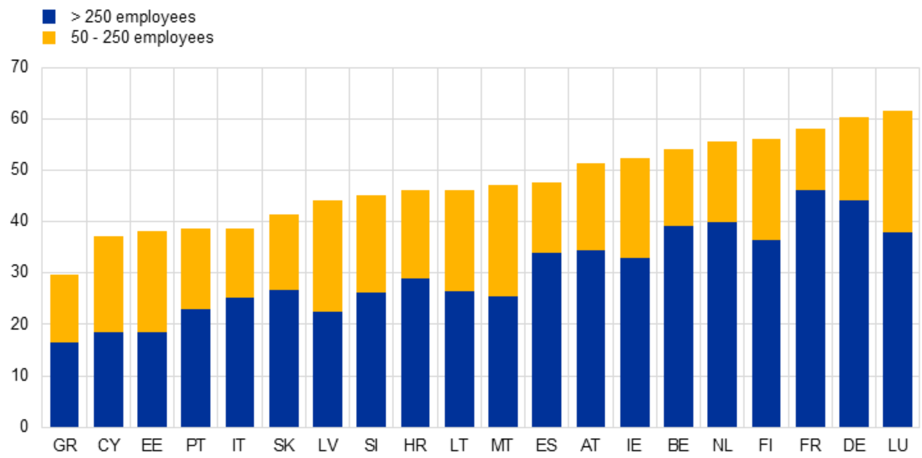
1 For a description of the dataset and methodology, see Litardi and Brattlund (2025).

Chart A

Share of employment in large firms across euro area countries

(percentage share of total employment)



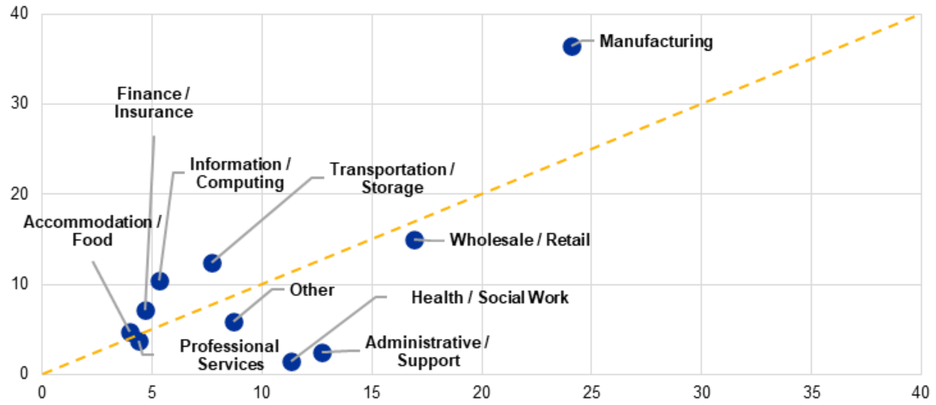
Source: Eurostat Structural Business Statistics.
Notes: The chart shows the share of employment in firms with more than 250 employees and in firms with 50 to 250 employees, by euro area country. The values refer to averages over the period from 2021 to 2024. The countries are ordered by total share.

The sectoral distribution of events recorded in the ERM provides information on where large-scale restructuring is most concentrated within the segment of the economy covered by the dataset, offering a descriptive dimension that complements standard aggregate labour market statistics (Chart B). Using Eurostat Structural Business Statistics data on the sectoral composition of employment in larger firms as a benchmark, manufacturing stands out as the most restructuring-intensive sector. It accounts for 37% of total jobs affected by restructuring events, compared with a 24% share of employment in firms with 50 or more employees.[2] By contrast, health, social and administrative services account for a markedly smaller share of affected jobs recorded in the ERM than their share of employment in larger firms. As the ERM is based on media-reported events, it may favour large, visible cases of restructuring and more abrupt forms of adjustment. Given that such reporting biases can vary across sectors, these differences should be interpreted with caution.

[2] The 50-employee threshold is used as the closest available Eurostat approximation, as no breakdown is published for the 100-employee cutoff. The ERM covers all firms with more than 250 employees and a subset of those with between 50 and 250 employees.

Chart B

Sectoral distribution of announced restructuring events and employment in large firms



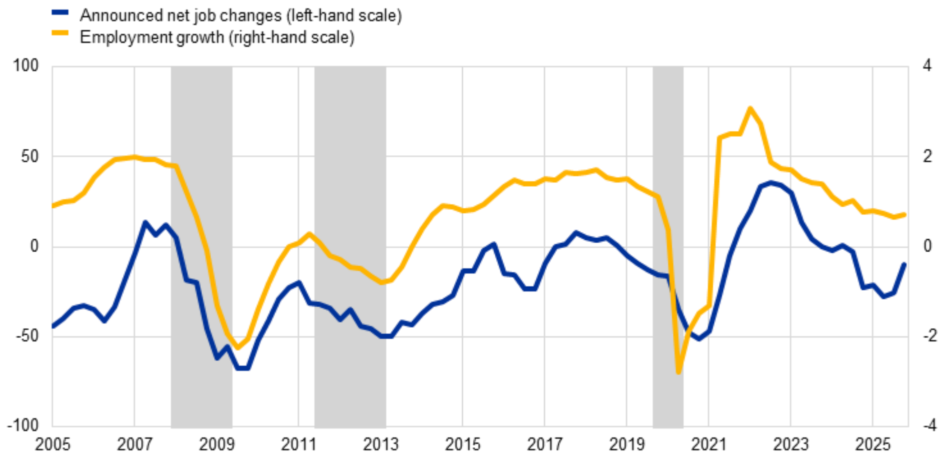
Sources: Eurofound, Eurostat Structural Business Statistics and ECB staff calculations.
Notes: The vertical axis shows the sectoral distribution of jobs affected by restructuring events recorded in the ERM, covering all restructuring types. The horizontal axis shows the sectoral distribution of employment in firms with 50 or more employees. The ten largest sectors are shown, with all remaining sectors grouped under "Other". The dashed line is the 45-degree line, along which a sector's share of restructuring events equals its share of employment in large firms; sectors above the line are over-represented in restructuring activity relative to their share of employment. Data refer to averages over the period from 2021 to 2024, reflecting the most recent period for which sectoral employment data from Eurostat Structural Business Statistics are consistently available and comparable across countries and sectors, following changes in statistical classifications and data coverage in earlier years.

Based on the difference between jobs created and destroyed, an indicator of announced net job changes (NJC) can be calculated, which broadly moves along with euro area employment growth. The NJC indicator is defined as seasonally adjusted announced jobs created minus announced jobs destroyed recorded in the ERM. Using data from 2005 onwards, the sample contains around 190 observations per quarter on average, corresponding to approximately 52,000 announced job losses and 33,000 announced job gains. Job losses exceed job gains on average even though aggregate employment rose over the sample period. This reflects the construction of the database as large-scale job cuts tend to take the form of discrete, well-publicised events that readily cross the ERM reporting thresholds, whereas hiring is typically more gradual, less likely to trigger a qualifying event and attracts less media attention. Nevertheless, when expressed as a four-quarter moving average, the NJC indicator broadly co-moves with euro area employment growth and, more importantly, matches its major turning points over the sample period (Chart C).

Chart C

Euro area employment growth and announced net job changes

(left-hand scale: thousands of jobs; right-hand scale: percentages)



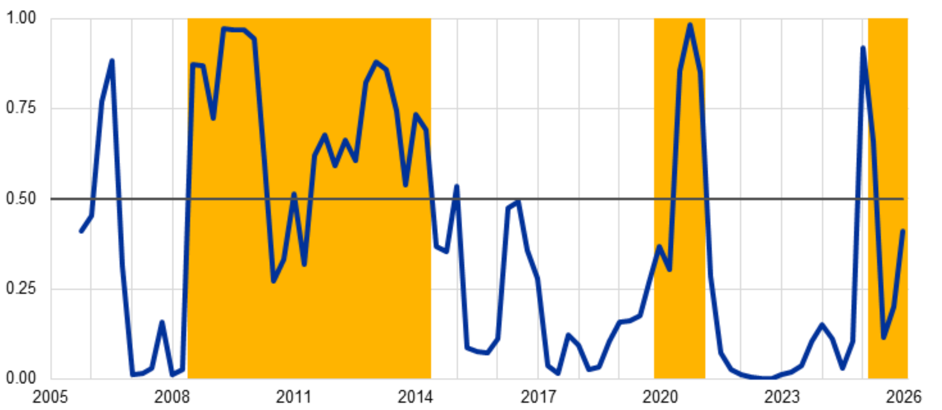
Sources: Eurofound, Eurostat and ECB staff calculations.
Notes: The seasonally adjusted net job changes recorded in the ERM are shown as a four-quarter backward-looking moving average. Euro area employment growth is shown year on year. The shaded areas indicate euro area recessions as identified by the Euro Area Business Cycle Network of the Centre for Economic Policy Research. The data cover the period from the first quarter of 2005 to the first quarter of 2026.

A model-based analysis shows that restructuring announcements contain meaningful leading information about the developments in euro area employment growth. A probit model using announced net job changes is applied to estimate the probability of year-on-year euro area employment growth falling below its historical sample average. By incorporating lagged values of the NJC indicator, the model provides a timely and complementary source of information on labour market conditions alongside official employment statistics, helping to track the reversal of employment growth back to above-average levels (Chart D).

Chart D

Predicted probability of below-average euro area employment growth

(probability)



Sources: Eurofound, Eurostat and ECB staff calculations.
Notes: The chart shows the predicted probability of below-average euro area employment growth from a probit model using contemporaneous announced net job changes along with the indicator’s three lags. Below-average growth is defined as year-on-year employment growth below the historical sample average of 0.7%. The yellow shaded areas indicate quarters of realised below-average employment growth. The horizontal line marks a probability threshold of 0.5. The data cover the period from first quarter of 2005 to the first quarter of 2026.

Recent restructuring announcements suggest that employment growth may remain below its historical average in the first half of 2026. Euro area employment growth has slowed to around or below its historical average since mid-2025, while model-based probabilities of below-average employment growth also rose over the course of the year. Although somewhat volatile, these probabilities indicate a continued likelihood of below-average growth in the first quarter of 2026, consistent with the realised annual employment growth rate of 0.6%. Data for April and May point to a likelihood of continued weak employment growth in the second quarter, albeit with a somewhat more positive balance of restructuring announcements. At the country level, France and Spain are the main drivers of this improvement, with positive net job changes in both economies. In Germany, job reductions continue to outpace job creations. At the sectoral level, the information and computing sector, alongside public administration and defence, continue to make a positive contribution. By contrast, manufacturing is moving into a more negative net position, with jobs destroyed increasingly outpacing jobs created relative to the broadly neutral balance observed in the first quarter.

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6 What has kept goods inflation low? The role of the import exposure to China

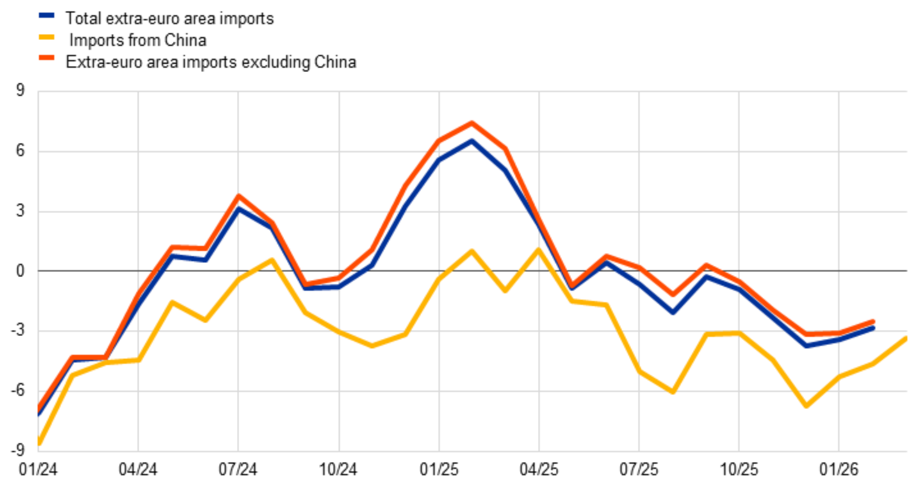
Prepared by Pablo Anaya Longaric, Claudia Esposito, Vanessa Gunnella, Noémie Lecourt, Catalina Martínez Hernández and Giacomo Pongetti

Since the second half of 2025, prices of imports from China have been declining year on year, putting downward pressure on euro area goods inflation. The prices of imports from China fell by 3.3% year on year in March 2026, following a 4.6% decrease in February. This decline was much larger than that of total extra-euro area import prices and the prices of imports from countries other than China, with these latter import prices declining by 2.4% year on year in February 2026 (Chart A). At the same time, the share of China in extra-euro area imports has increased from 14% to 17% since 2024, supported by the increasing competitiveness of Chinese products. High exposure to imports from China and falling prices for some consumer goods have contributed to keeping euro area inflation for non-energy industrial goods (NEIG) subdued. This box analyses how the increase in euro area imports from China, and their relatively low and declining prices, are affecting euro area goods inflation.[1]

Chart A

Euro area import prices

(year-on-year percentage points)



Source: Eurostat.
Note: The latest observations are for February 2026 for total extra-euro area imports and extra-euro area imports excluding China and March 2026 for imports from China.

Euro area consumer goods heavily reliant on imports from China have recently shown relatively subdued price dynamics. This subdued trend is reflected in an NEIG sub-index that focuses on items with a relatively high exposure to imports from China, i.e. items with an above-the-median share of import content from China.

1 See Di Sano et al. (2023), Boeckelmann et al. (2025) and Al-Haschimi et al. (2025).

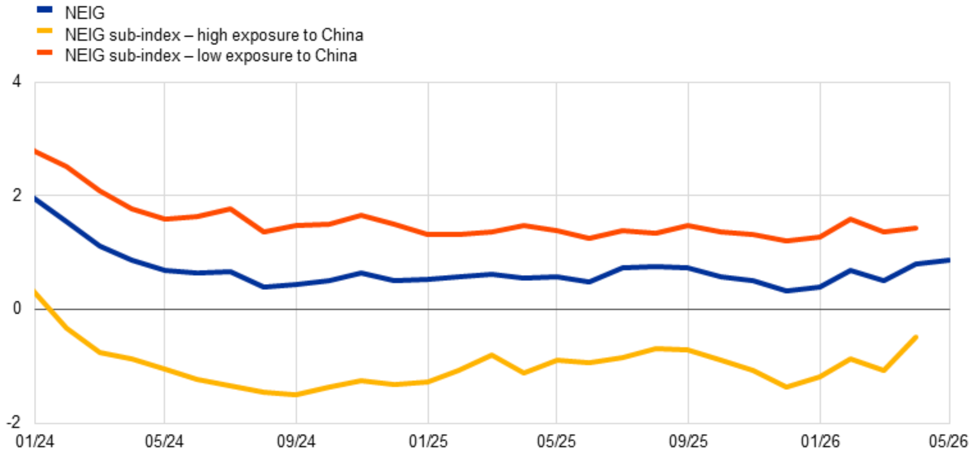
Inflation in these China-exposed goods has consistently been lower than total goods inflation, in contrast to the higher inflation dynamics observed in the NEIG sub-index that captures goods with a low exposure to China (Chart B, panel a). In 2025, items for which the share of imports from China increased, such as bicycles, tools, appliances, furniture, textiles, and information and communication technology goods, experienced particularly pronounced declines in import prices. These items (yellow dots in Chart B, panel b) recorded, on average, lower inflation rates compared with other goods, and in most cases, their inflation rates remained below their historical averages. However, across goods categories, there is no clear-cut contemporaneous correlation between the growth in the prices of imports from China and NEIG inflation, likely due to frictions such as delayed exchange rate effects, margin adjustments, regulated prices and demand rigidities affecting product markets in different ways. To account for this heterogeneity, the analysis adopts a granular, item-by-item approach, modelling the goods inflation rate of each NEIG item separately.

Chart B

Nexus of euro area goods inflation and imports from China

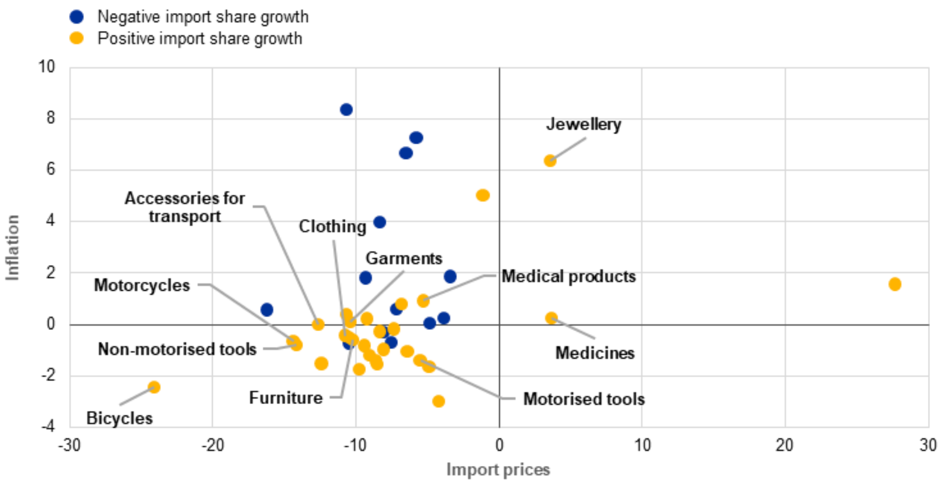
a) NEIG inflation and items with a high exposure to China

(annual growth rates)



b) NEIG inflation, import shares and import price inflation

(percentages)



Sources: Panel a): Eurostat, Trade Data Monitor and ECB calculations. Panel b): Trade Data Monitor, Eurostat and ECB calculations.
Notes: Panel a): The NEIG sub-indexes are the weighted sum of goods inflation in those items with either a high or low import exposure to China (above/below median) respectively. The latest observations are for April 2026. Panel b): Both axes show the year-on-year deviation from the long-term, pre-pandemic trend. The chart includes all items corresponding to NEIG inflation, with the exception of the water supply, for which there are no imports. The changes to the import share from China are computed based on the last 12 months as compared with 2023. The latest observations are for May 2026 (flash estimate) for NEIG inflation, April 2026 for the NEIG sub-indices and February 2026 for import shares and import prices.

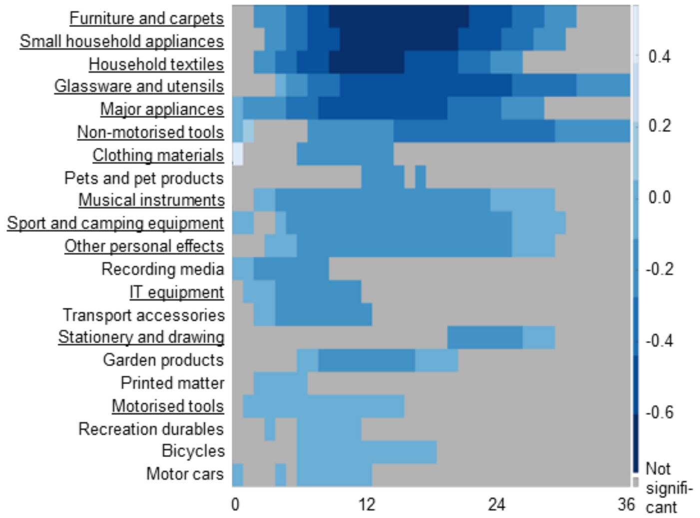
Empirical evidence indicates that the pass-through of import prices from China is very heterogeneous across the items included in NEIG inflation. A Bayesian Vector Autoregression model is used for 39 NEIG items for which data on prices of imports from China are available and the model identifies sector-specific import price shocks for the corresponding NEIG items.[2] Sectors are classified as "China-sensitive" where NEIG inflation rates respond significantly to such shocks. Of 39 goods items, Figure A illustrates the effects for 21 goods items that respond significantly to import price shocks from China, which explain around half of the total NEIG basket, based on the HICP weights for 2026. Our results suggest that a 10% drop in the growth of sector-level prices of imports from China is associated with a peak effect of a 0.1-0.7 percentage point decline in goods inflation in the most sensitive sectors (underlined items in Figure A), i.e. furniture, small electric appliances, household textiles, glassware and tableware, and major electric appliances. Many of these are items with a relatively high exposure to import content from China. However, there are other items with a lower exposure that are also sensitive to import price shocks from China, suggesting that euro area pricing could be influenced by China through indirect channels, such as lower prices via trade redirection from other countries, or through stronger competition from Chinese producers in global markets. The upper end of these estimates is broadly in line with a rough estimate of the impact of import price developments in China given the

2 Each granular Bayesian Vector Autoregression model, with Minnesota priors and fat tails, includes oil prices in euro, global economic conditions (from Baumeister et al. 2022), the EUR/USD exchange rate, granular import unit value indices from China, industrial production and granular NEIG. The granular import price shock is identified by a recursive identification scheme following the order above. Only 39 of the 44 NEIG items are used, at the COICOP4 level, since unit values for imports from China are not available for the water supply, mobile telephone equipment, audiovisual media, newspapers and periodicals, or for devotional articles. Together, these excluded items account for 4.6% of the NEIG basket.

import share of China in the NEIG basket, and, assuming full pass-through.[3] The speed of adjustment varies across items, with responses building up gradually and with the strongest negative impact reached after between 9 and18 months.

Figure A
Heatmap of impulse responses of NEIG items sensitive to granular import price shocks from China

(percentage points)



Sources: ECB staff calculations, Eurostat, Statistical Data Warehouse, Trade Data Monitor, Baumeister et al. (2022) for the indicator of global economic conditions.
Notes: The heatmap shows the median impulse responses of NEIG items sensitive to import price shocks from China in the same NEIG item sector, up to the three-year horizon. The responses are normalised to a 1% decrease in the import price year-on-year inflation of the corresponding NEIG item. Negative numbers are portrayed in the blue scale and non-significant segments of the impulse responses are shown in grey, based on the 68% credibility bands. Items with a high import content from China are underlined.

Estimates of the impact of import price shocks from China implied by this granular analysis point to an increasingly negative, albeit contained, contribution to NEIG inflation in 2025 and early 2026. The historical decomposition of total NEIG inflation is constructed by aggregating the estimated impact of such import price shocks on individual goods inflation and applying HICP weights. The estimated effect of import price shocks from China has been persistently negative and seems to have supported the decline in NEIG inflation in the second half of 2025 and the first quarter of 2026 (Chart C). This is consistent with prices of imports from China remaining below those from other countries and with China-exposed NEIG items recording negative inflation for most of 2025 (Charts A and B). The historical decomposition shows that import price shocks from China reduced NEIG inflation by around 0.27 percentage points in April 2026.[4] By contrast, these shocks made a modest positive contribution of around 0.01 percentage points

3 With total extra-euro area imports explaining around 18% of the total NEIG basket (around 32% when considering direct and indirect contributions) and the imports from China accounting for roughly 24% of extra-euro area NEIGs, a fall in the prices of imports from China of 10% would translate into a 0.4-0.7 percentage point decrease in NEIG inflation.

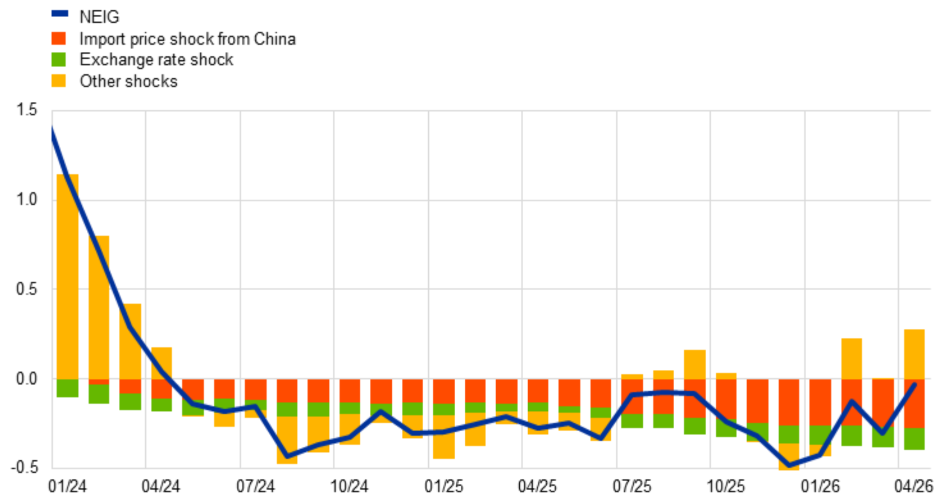
4 While granular HICP data are available until April 2026, granular import price data for China are only available until February 2026. To close this gap, the missing February and March 2026 observations were extrapolated using a Kalman filter embedded in each of the granular models (see footnote 2).

in January 2024.[5] One caveat of this exercise is that import price shocks from China may partly reflect exchange rate movements. The model moderates this measurement risk by positioning the USD/EUR exchange rate before prices of imports from China in the model, therefore import price changes linked to US dollar movements are captured first by the specific exchange rate shock. This is important, because a large share of euro area imports from China are invoiced in US dollars. The estimated exchange rate shock should absorb the exchange rate effects stemming from USD/EUR movements. The remaining import price shock from China therefore captures price changes that cannot be explained by exchange rate movements.[6]

Chart C

Historical decomposition of total NEIG inflation

(annual percentage changes, percentage point contribution in deviation from the mean and initial conditions)



Source: ECB staff calculations based on granular Bayesian Vector Autoregression models for NEIG components.
Note: The latest observations are for April 2026.

Overall, prices of imports from China remain an important source of external price pressures for the euro area, even if their estimated effect on consumer goods inflation is limited. Such import prices have increasingly dampened NEIG inflation, especially since 2025. Several factors suggest that this disinflationary pressure could persist. Prices of imports from China could remain relatively subdued because of persistent excess capacity, weak domestic demand and the depreciation of the renminbi. Some redirection of Chinese exports away from the United States may also persist, potentially increasing the supply of Chinese goods to other markets, including the euro area. However, there are emerging signs of upward pressure from higher oil prices and higher producer prices in China, which could support some reflation.

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5 Other shocks include shocks to oil prices, global economic conditions, industrial production and NEIG inflation, all identified using a Cholesky decomposition. The term “constant” reflects the contribution to NEIG inflation by its own steady state value.

6 According to French firm-level custom data, the share of imports from China invoiced in renminbi is relatively small (11% in 2024).

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7 Liquidity conditions and monetary policy operations from 11 February to 5 May 2026

Prepared by Samuel Bieber and Christelle Puyo

This box describes the Eurosystem liquidity conditions and monetary policy operations in the first and second reserve maintenance periods of 2026. Together, these two maintenance periods ran from 11 February to 5 May 2026 (the “review period”).

Average excess liquidity in the euro area banking system continued to decline. Liquidity provision decreased over the review period, mainly owing to lower Eurosystem holdings under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) following the discontinuation of APP reinvestments at the beginning of July 2023 and PEPP reinvestments at the end of December 2024. This decrease was partly offset by a fall in net autonomous factors that increased liquidity in the banking system.

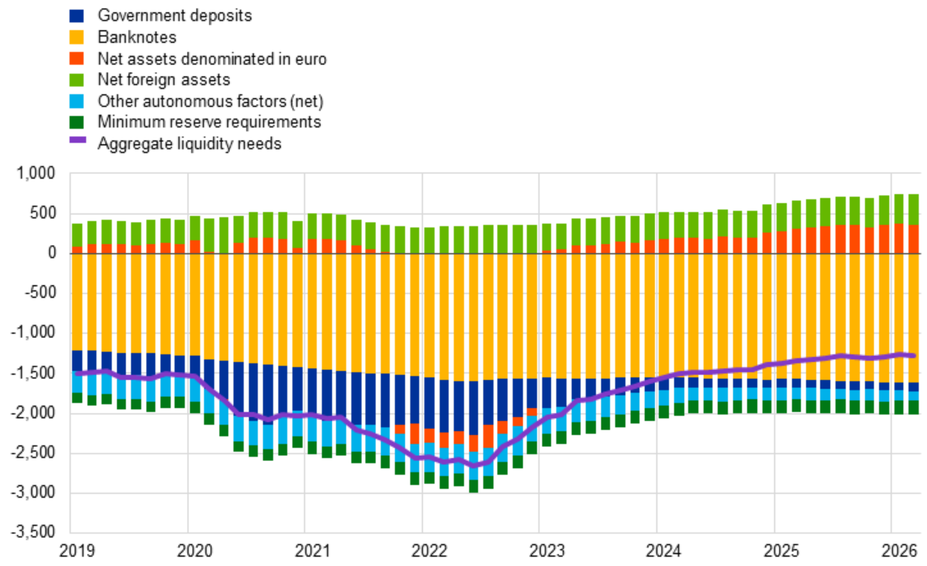
Liquidity needs

The average daily liquidity needs of the euro area banking system, defined as the sum of net autonomous factors and reserve requirements, decreased by €33 billion to €1,273 billion over the review period (Table A). This was the result of the fall in net autonomous factors due to liquidity-providing autonomous factors increasing and liquidity-absorbing autonomous factors remaining stable (Chart A). However, a rise in minimum reserve requirements by €3 billion to €172 billion slightly reduced the impact on liquidity needs.

Chart A

Aggregate liquidity needs by reserve maintenance period

(EUR billions)



Source: ECB.

Notes: Each bar shows the averages for each maintenance period. There are eight maintenance periods a year, with the eighth period extending into the following calendar year. The latest observations are for the second maintenance period of 2026.

Liquidity-providing autonomous factors rose by €35 billion over the review period, owing primarily to an increase of €28 billion in net assets denominated in euro. This increase was attributable to a fall in euro-denominated non-monetary policy deposits, which are liquidity-absorbing, and a rise in euro-denominated non-monetary policy investments, which are liquidity-providing. In addition, net foreign asset holdings went up by €8 billion.

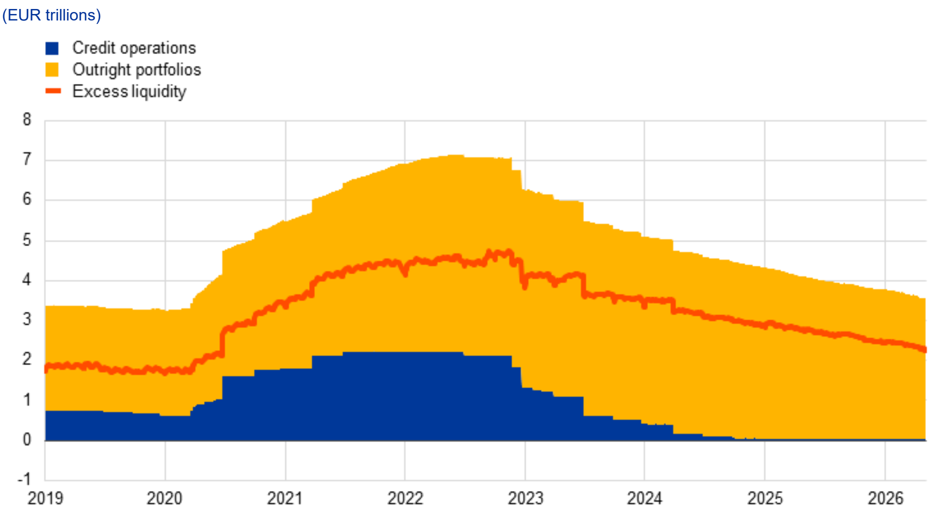
Liquidity-absorbing autonomous factors remained stable over the review period. The slight increases in the average value of banknotes in circulation (€5 billion) and government deposits held with the Eurosystem (€2 billion) were offset by a decline of €8 billion in net other autonomous factors.

Liquidity provided through monetary policy instruments

The average amount of liquidity provided through monetary policy instruments fell by €145 billion to €3,632 billion over the review period (Chart B). This decline was almost exclusively due to the €144 billion reduction in Eurosystem outright monetary policy portfolio holdings, following the continued redemption of APP and PEPP holdings in the absence of any reinvestments. This brought the amount of liquidity provided by these portfolios down to €3,608 billion over the review period.

Chart B

Liquidity provided through open market operations and excess liquidity



Source: ECB.
Note: The latest observations are for the second maintenance period of 2026.

The average amount of liquidity provided through credit operations remained stable at €24 billion over the review period. The average outstanding amounts of main refinancing operations (MROs) and three-month longer-term refinancing operations (LTROs) were unchanged at €13 billion and €11 billion respectively. Participation in these regular operations remains limited, reflecting the comfortable liquidity position of banks and the good availability of alternative market-based funding sources. However, the number of banks that are testing the viability of their participation has been growing in 2026, indicating that they are building up their operational readiness to access these operations as the balance sheet of the Eurosystem continues to contract.

Excess liquidity

Excess liquidity fell by €112 billion to €2,358 billion over the review period (Chart B). Excess liquidity is the sum of the reserves that banks hold in their current accounts in excess of the minimum reserve requirements and their recourse to the deposit facility net of their recourse to the marginal lending facility. It reflects the difference between the total liquidity provided to the banking system via monetary policy instruments and the liquidity needed by banks to cover their minimum reserves. Since peaking at €4,748 billion in November 2022, excess liquidity has declined steadily.

Interest rate developments

During the review period, the Governing Council kept the three key ECB interest rates unchanged – including the deposit facility rate, through which it steers the monetary policy stance. The rates on the deposit facility, MROs and marginal lending facility remained at 2.00%, 2.15% and 2.40% respectively (Table B).

The average euro short-term rate (€STR) went up marginally over the review period, resulting in a slightly less negative spread relative to the deposit facility rate. On average, the €STR was 6.8 basis points below the deposit facility rate, compared with 7.0 basis points during the seventh and eighth maintenance periods of 2025.

The average euro repo rate, as measured by the RepoFunds Rate Euro index, remained closer to the deposit facility rate than the €STR over the review period. On average, the repo rate exceeded the deposit facility rate by 0.7 basis points, which is marginally more than in the previous review period.

Table A

Eurosystem liquidity conditions

(averages; EUR billions)

	Current review period: 11 February 2026-5 May 2026						Previous review period: 5 November 2025-10 February 2026	
	First and second maintenance periods		First maintenance period: 11 February-24 March 2026		Second maintenance period: 25 March-5 May 2026		Seventh and eighth maintenance periods	
Liquidity-providing factors								
Autonomous factors	740	(+35)	746	(+23)	735	(-11)	705	(-8)
- Net foreign assets	371	(+8)	369	(+4)	374	(+5)	364	(+8)
- Net assets denominated in euro	369	(+28)	377	(+19)	361	(-16)	341	(-16)
Monetary policy operations	3,632	(-145)	3,671	(-86)	3,592	(-79)	3,776	(-125)
- MROs	13	(-0)	11	(-4)	14	(+4)	13	(+4)
- LTROs	11	(+0)	11	(-1)	12	(+1)	11	(-1)
- Outright portfolios	3,608	(-144)	3,650	(-81)	3,566	(-84)	3,752	(-128)
- Other liquidity provision	0	(+0)	0	(+0)	0	(+0)	0	(+0)
Liquidity-absorbing factors								
Autonomous factors	1,842	(-0)	1,844	(-9)	1,840	(-4)	1,842	(+9)
- Banknotes in circulation	1,612	(+5)	1,607	(-8)	1,616	(+9)	1,607	(+15)
- Government deposits	104	(+2)	105	(+3)	103	(-3)	102	(-9)
- Other autonomous factors (net)	126	(-8)	132	(-4)	121	(-11)	134	(+2)
Monetary policy operations								
- Other liquidity absorption	0	(+0)	0	(+0)	0	(+0)	0	(+0)
Liquidity and standing facilities								
- Credit institutions' current accounts	177	(+3)	176	(+1)	178	(+2)	174	(+0)
- Minimum reserve requirements[1)]	172	(+3)	171	(+2)	172	(+0)	169	(+1)
- Marginal lending facility	0	(-0)	0	(-0)	0	(+0)	0	(+0)
- Deposit facility	2,353	(-112)	2,397	(-56)	2,308	(-89)	2,465	(-143)
- Excess liquidity[2)]	2,358	(-112)	2,402	(-56)	2,315	(-87)	2,470	(-143)
Other liquidity-based information								
- Aggregate liquidity needs[3)]	1,273	(-33)	1,269	(-30)	1,277	(+8)	1,306	(+18)
- Net autonomous factors[4)]	1,102	(-35)	1,098	(-32)	1,105	(+7)	1,137	(+17)

Source: ECB.
Notes: All figures in the table are rounded to the nearest €1 billion. Figures in parentheses denote the change from the previous review or maintenance period. MROs stands for main refinancing operations and LTROs for longer-term refinancing operations. The historical time series of Eurosystem liquidity conditions can be found in the ECB Data Portal under the table tab of the liquidity report.
1) Memo item that does not appear on the Eurosystem balance sheet and should therefore not be included in the calculation of total liabilities.
2) Computed as the sum of current accounts above minimum reserve requirements and the recourse to the deposit facility minus the recourse to the marginal lending facility.
3) Computed as the sum of net autonomous factors and minimum reserve requirements.
4) Computed as the difference between autonomous liquidity factors on the liabilities side and autonomous liquidity factors on the assets side.

Table B

Interest rate developments

(averages; percentages and percentage points)

	Current review period: 11 February-5 May 2026				Previous review period: 5 November 2025-10 February 2026			
	First maintenance period: 11 February-24 March 2026		Second maintenance period: 25 March-5 May 2026		Seventh maintenance period: 5 November-22 December 2025		Eighth maintenance period: 23 December 2025-10 February 2026	
MROs	2.15	(+0.00)	2.15	(+0.00)	2.15	(+0.00)	2.15	(+0.00)
Marginal lending facility	2.40	(+0.00)	2.40	(+0.00)	2.40	(+0.00)	2.40	(+0.00)
Deposit facility	2.00	(+0.00)	2.00	(+0.00)	2.00	(+0.00)	2.00	(+0.00)
€STR	1.93	(+0.00)	1.93	(-0.00)	1.93	(+0.00)	1.93	(+0.00)
RepoFunds Rate Euro	2.01	(+0.01)	2.01	(-0.00)	2.00	(+0.01)	2.00	(-0.00)

Sources: ECB, CME Group and Bloomberg Finance L.P.
Notes: Figures in parentheses denote the change in percentage points from the previous review or maintenance period. MROs stands for main refinancing operations and €STR for euro short-term rate.

8 The narrowing of the euro area current account balance in 2025

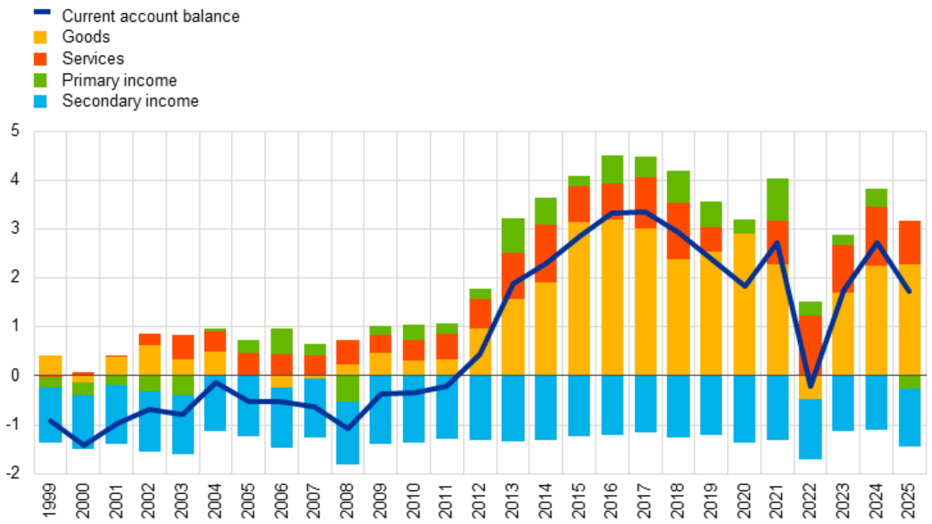
Prepared by Lorenz Emter, Michael Fidora, Fausto Pastoris and Martin Schmitz

The euro area current account surplus narrowed markedly in 2025 under the impact of US trade tariffs, the activities of US multinational enterprises (MNEs), structural shifts in global trade in goods, and rising digital and artificial intelligence (AI)-related investment. The surplus declined to 1.7% of GDP in 2025, from 2.7% in 2024 (Chart A). Excluding the period 2022-2023, which was marked by the energy shock following Russia's full-scale invasion of Ukraine, this was the lowest surplus since 2012, when the euro area current account balance moved from a deficit to a surplus in the wake of the sovereign debt crisis.[1] This box examines the main drivers of the narrowing of the euro area current account surplus in 2025.

Chart A

Euro area current account balance and components

(percentages of GDP)



Source: ECB.

The decline in the euro area current account surplus in 2025 was primarily driven by developments in services trade and income flows, rather than by trade in goods. The goods surplus increased marginally, from 2.2% of GDP in 2024 to 2.3% in 2025. The narrowing of the current account surplus was thus largely due to changes in non-goods components, especially the shift in the primary income balance from a surplus of 0.4% of GDP to a deficit of 0.3% and the reduction in the services surplus from 1.2% of GDP to 0.9%.

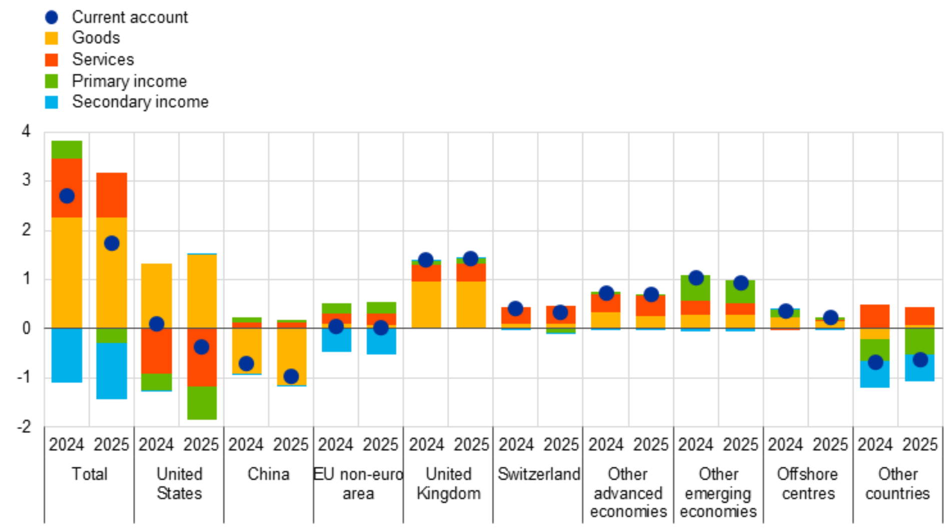
1 See Emter et al. (2023).

The narrowing in the euro area current account surplus in 2025 was mainly due to developments vis-à-vis the United States and China (Chart B). The bilateral current account balance with the United States changed markedly, from a surplus of 0.1% of GDP in 2024 to a deficit of 0.4% in 2025, despite a larger goods surplus, reflecting larger euro area deficits in services and primary income. The euro area current account deficit vis-à-vis China widened from 0.7% of GDP in 2024 to 1.0% in 2025, in line with an increase in the goods deficit.

Chart B

Euro area current account balance: geographical breakdown

(percentages of GDP)



Source: ECB.
Notes: "EU non-euro area" comprises the non-euro area EU Member States and those EU institutions and bodies considered outside the euro area, such as the European Commission and the European Investment Bank. "Other advanced economies" includes Australia, Canada, Japan, Norway and South Korea. "Other emerging economies" includes Argentina, Brazil, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa and Türkiye. "Other countries" includes all countries not otherwise included in the chart as well as unallocated transactions.

The switch from a surplus to a deficit in the euro area current account balance vis-à-vis the United States in 2025 is linked to the activities of US MNEs, whose euro area affiliates supported larger goods net exports, but generated increased services and income deficits. The increase in the goods trade surplus with the United States was primarily driven by exports of pharmaceutical products (Chart C), a sizeable part of which is linked to affiliates of US MNEs resident in the euro area, particularly in Ireland.[2] Notably, some of the export growth also reflected contract manufacturing arrangements, under which goods are recorded as euro area exports in balance of payments statistics even if they were not physically produced in the euro area, in line with international statistical standards. The production structures of euro area affiliates of US MNEs – in both the pharmaceutical and the technology sector – often rely on intellectual property owned by US parent companies. The corresponding charges are recorded as euro area services imports from the United States, while profits generated by US-owned affiliates contribute to primary (foreign direct investment) income payments. Estimates following Emter et al. (2025) suggest that around 40% of the euro area goods surplus with the United

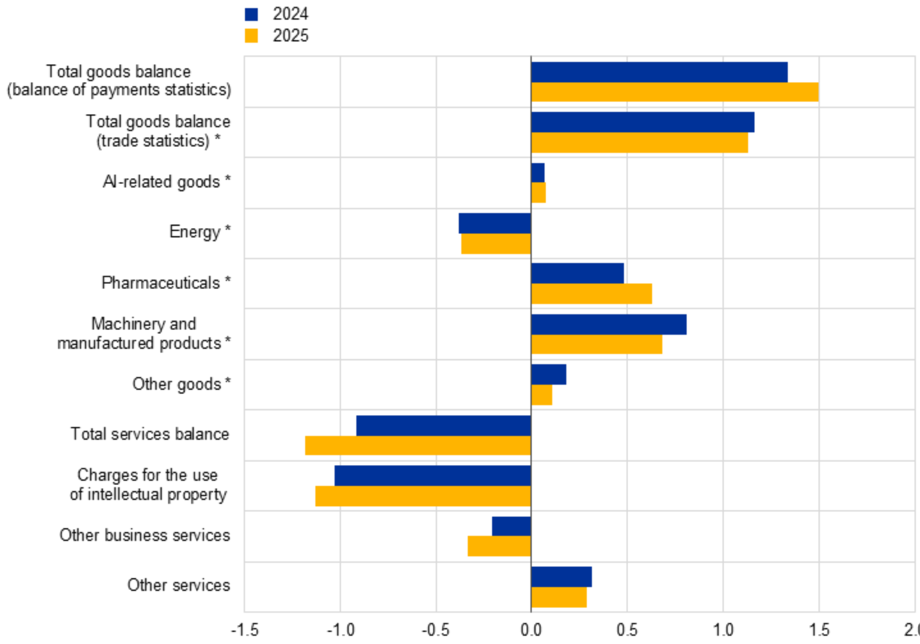
[2] See Emter et al. (2025).

States in 2025 involved trade by euro area affiliates of US MNEs, while these companies accounted for almost 90% of the euro area deficit in services trade. Indeed, Ireland, which has a high share of US MNE activity, contributed 0.3 percentage points of GDP to the narrowing of the euro area surplus between 2024 and 2025, as its extra-euro area services and primary income deficits widened more than its goods surplus. At the same time, euro area exports to the United States of machinery and manufactured products declined in 2025, partly reflecting the impact of US trade tariffs announced in April 2025.[3] Overall, these developments show that the impact of tariffs and trade policy changes on the current account of the euro area cannot be assessed from trade in goods alone, particularly when trade is shaped by the supply chains and intellectual property arrangements of MNEs.

Chart C

Euro area trade balances vis-à-vis the United States

(percentages of GDP)



Sources: ECB, Eurostat and ECB staff calculations.
Notes: Data series marked with an asterisk (*) refer to international trade statistics, while other series refer to balance of payments statistics. The decomposition of the balance of trade in goods by product category follows the Standard International Trade Classification, Revision 3. “AI-related goods” reflects a basket of goods related to the construction and operation of AI data centre infrastructure and is estimated by ECB staff using Eurostat’s COMEXT data classified according to the Combined Nomenclature at 8-digit level (CN8) following the methodology in Waugh (2026).

The second major factor behind the reduction in the euro area current account surplus relates to increasing competition from China. The widening of the euro area current account deficit vis-à-vis China was mainly due to a larger trade deficit in machinery and manufactured products (Chart D). The widening is consistent with China’s strong position in global supply chains, overcapacity against the backdrop of weak domestic demand, and non-market-based industrial policies.[4] These factors have depressed Chinese producer prices, thereby increasing China’s competitiveness in European markets, with import volumes surging by close to 10%

3 See Schaefer et al. (2026).

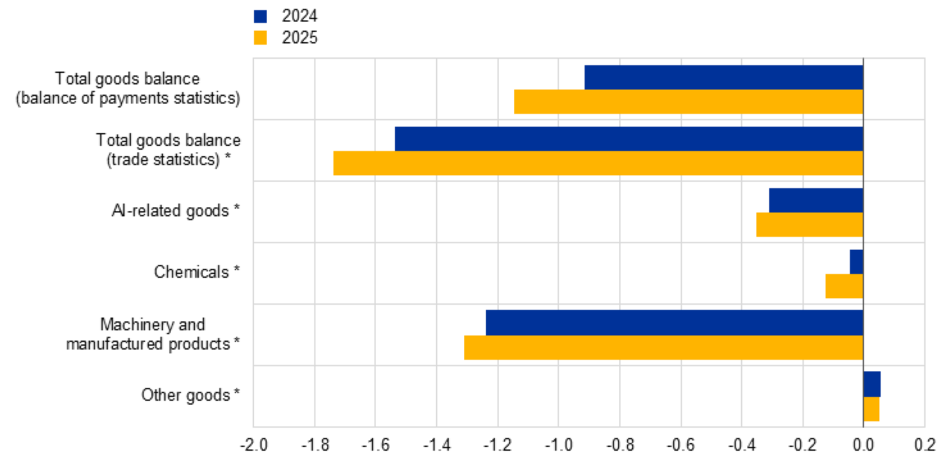
4 See Amicucci et al. (2026).

in 2025. Rising competitive pressures, including from Chinese structural policies promoting self-reliance, in particular in medium and high-technology sectors, also weighed on the competitiveness of euro area exports to China, which declined by 0.3 percentage points of euro area GDP, and to third markets, where the euro area is increasingly losing export market shares to Chinese companies, particularly in medium-tech sectors.[5]

Chart D

Euro area balance of trade in goods vis-à-vis China

(percentages of GDP)



Sources: ECB, Eurostat and ECB calculations.
Note: See notes to Chart C.

Trade in AI-related goods had a relatively limited impact on the euro area goods balance, while it is likely that the increased adoption of AI-linked solutions by euro area customers contributed to the increase in euro area services imports. The euro area is a net importer of goods needed for the production and functioning of AI data centre infrastructure, with the deficit in such products increasing from 0.2% of GDP in 2024 to almost 0.3% in 2025, partly due to larger imports from China (Chart D).[6] AI-related goods accounted for around 13% of euro area goods imports and around 9% of exports in 2025, with the importance of such products gradually increasing in recent years.[7] AI adoption also affects the current account through imports of digital services, especially from the United States, as the deployment of AI systems also requires software, cloud computing capacity, data processing, model access and intellectual property. The rising deficits vis-à-vis the United States in charges for the use of intellectual property and other business services are consistent with increased payments for AI-enabling digital services.[8] China and Taiwan, on the other hand, are key suppliers of AI-related hardware.

5 See Al-Haschimi et al. (2025).

6 AI-related goods are identified following Waugh (2026).

7 Waugh (2026) estimates that AI-related goods accounted for 23% of total goods imports in the United States in 2025, while Rice and Scally (2026) estimate that AI-related goods accounted for 13% of total goods imports in Ireland in 2025.

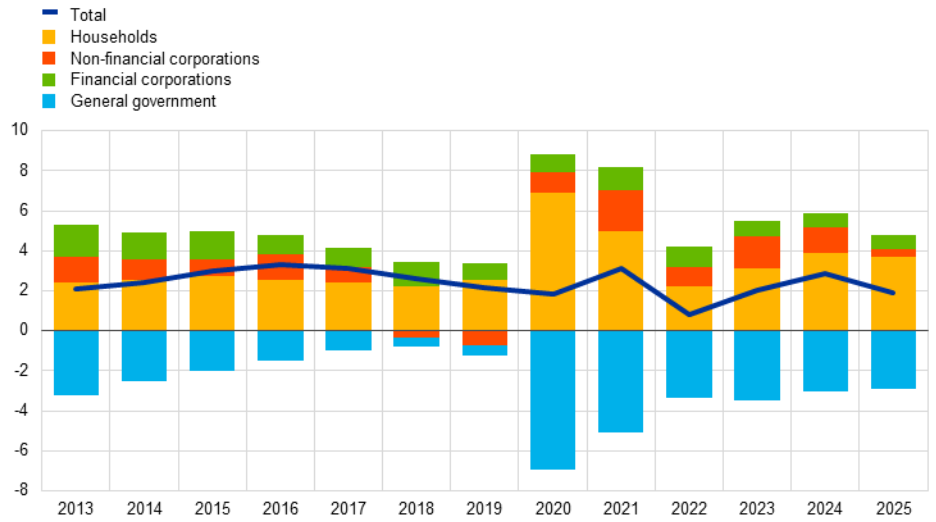
8 See Lane (2026).

From a saving and investment perspective, the narrowing of the euro area external balance reflected a decline in net lending by non-financial corporations consistent with rising domestic investment needs (Chart E). Corporate gross saving fell from 12.3% of GDP in 2024 to 11.7% in 2025, while corporate gross capital formation rose from 12.0% to 12.3%. This reduced the corporate sector's net lending.[9] In part, this points to a greater mobilisation of euro area saving towards domestic investment. As euro area digital investment accelerated in 2025, AI-related investment is likely to be part of this shift.[10] Some AI-related spending by euro area firms is recorded as domestic investment, thereby raising gross capital formation and reducing net lending. Other payments, such as recurring fees for model access, cloud computing and software licences, may instead be treated as intermediate consumption, reducing both corporate profits and saving.

Chart E

Euro area net lending/borrowing

(percentages of GDP)



Sources: ECB and Eurostat.
Note: "Households" includes non-profit institutions serving households.

The euro area current account surplus is expected to remain below its 2024 level over the medium term. The June 2026 Eurosystem staff macroeconomic projections for the euro area point to a further decline in the surplus to around 1.3% of GDP in 2026 in the wake of higher energy import prices as a consequence of the war in the Middle East, followed by a recovery to around 1.5% by 2028. Continued investment needs, including, for instance, those related to digitalisation, AI, defence and the energy transition, are expected to weigh on the external balance. Trade policy uncertainty, including in relation to US trade tariffs, and continued competitive

9 Despite gross capital formation exceeding gross savings in 2025, euro area non-financial corporations remained net lenders in 2025 due to net capital transfers of 0.9% of GDP and net sales of non-produced non-financial assets of 0.1% of GDP.

10 See Andersson et al. (2026).

pressures from China are also likely to remain important dampening factors for the euro area current account.

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Article

1 Five years of the ECB Survey of Monetary Analysts: evolution and insights

Prepared by Felix Hammermann and Martin Strukat

1 Introduction

The European Central Bank's (ECB's) Survey of Monetary Analysts (SMA) is a valuable information set for monitoring the expectations of financial market participants regarding monetary policy and the macroeconomic outlook in the euro area. Launched as a pilot in April 2019 and placed on a fully operational footing in June 2021, the SMA is conducted ahead of each monetary policy meeting of the Governing Council. It provides structured information on the views of a representative panel of financial market institutions.[1]

Over the past five years, the SMA has helped the ECB to understand how market participants interpret macroeconomic, financial and geopolitical developments. SMA information proved to be particularly valuable during the post-pandemic surge in inflation and the subsequent disinflation phase. The systematic collection of forecasts for the economy, the ECB policy rate and the ECB balance sheet across horizons, together with questions on the likelihood of outcomes and qualitative risk assessments, has given the SMA a central role in analysing expectations to inform the regular monetary policy assessment. The questionnaire and the aggregate results of each round are published on the ECB's website.

This article takes stock of how the SMA has evolved over the past five years and how it is used at the ECB. First, it documents the evolution of the survey panel and questionnaire. Second, it outlines the analytical use of SMA information, both for regular economic and policy analysis and from a more structural perspective in enhancing the understanding of expectation formation. Third, it evaluates forecasting performance, disagreement among respondents and dispersion of expectations for key macroeconomic variables.

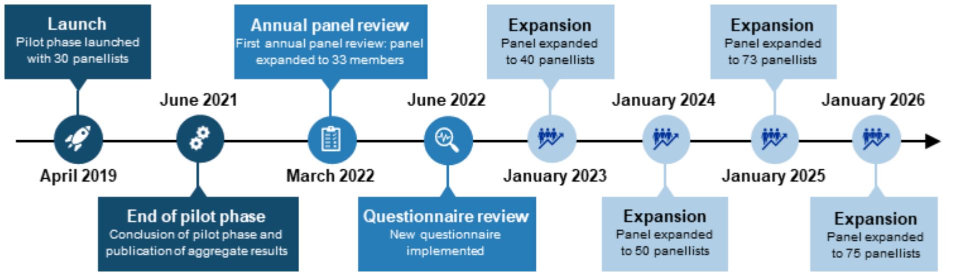
2 Evolution of the SMA panel

The SMA panel is designed to capture the expectations of a representative sample of financial market participants. Through the SMA, the ECB gathers market perspectives in a systematic way that is similar to surveys conducted by other major central banks, such as the Bank of Canada, the Bank of England and the

1 For a description of the design and governance of the SMA and the initial experience during the pilot phase, see Brand and Hutchinson (2021).

Federal Reserve Bank of New York. Building on the initial survey framework, subsequent refinements have focused on strengthening representativeness, maintaining respondent engagement and enhancing the robustness of survey-based insights. Figure 1 summarises the development milestones since the launch of the survey.

Figure 1
SMA timeline



Source: ECB.
Note: The new panel becomes active in the January of the year following the panel review.

Ensuring that the panel remains representative of the views of financial market participants is central to the design of the SMA. In practice, this involves selecting a representative sample from a broad set of financial institutions based on established criteria that capture their market relevance and active engagement in areas covered by the survey while maintaining sufficient continuity to permit comparability across survey rounds.

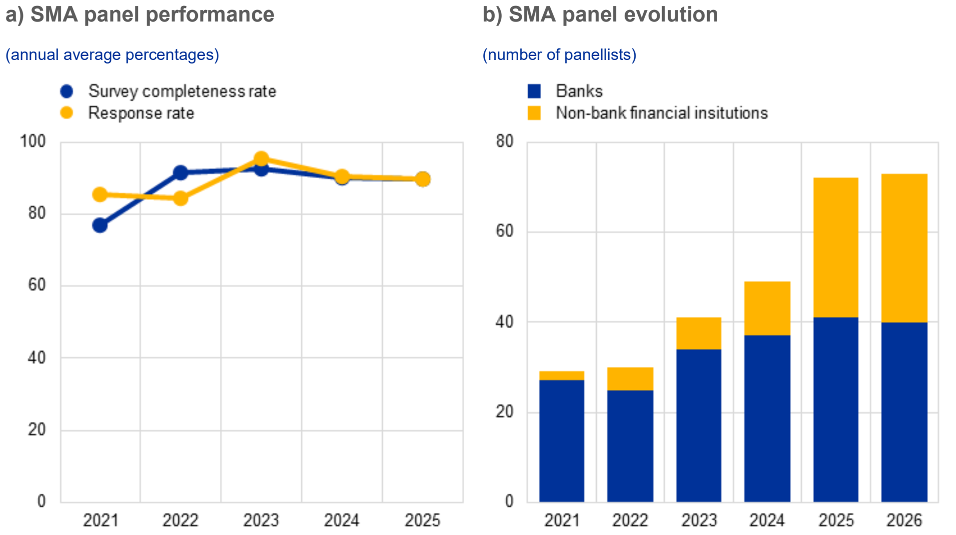
Maintaining high and regular participation of respondents is essential for the reliability of survey results. As a core governance mechanism, the annual panel review monitors participation and response behaviour to facilitate appropriate adjustments to the panel composition. As shown in Chart 1 (panel a), the response rate (share of panellists participating in individual rounds) and the survey completeness rate (proportion of questions answered by respondents) have reached consistently high levels: both were around 90% in 2025, compared with 85% and 76% respectively in 2021.[2]

The size of the panel contributes to the statistical robustness and analytical value of the survey. The number of panellists has increased from 30 in 2021 to 75 in 2026 (Chart 1, panel b). As the panel becomes larger, the relative influence of individual responses decreases, improving the accuracy of aggregate statistics. A larger sample also enhances the analysis of cross-sectional heterogeneity, including disagreement among respondents and differences across types of institution.

2 Inclusion in the survey panel is not permanent: panellists may leave or be removed for a variety of reasons, including non-response, institutional mergers or resource constraints.

Chart 1

SMA panel performance and evolution



Sources: SMA and ECB calculations.
Notes: Panel a): The response rate is the share of invited respondents participating in a given survey round, while the completeness rate is the proportion of questions answered by participating respondents. The response rate and completeness rate are calculated retrospectively for each year by first averaging across respondents within each survey round and then across rounds. Panel b): The annual panel review takes place between September and December, with the new panel composition taking effect from the January of the following year.

The composition of the panel has gradually been broadened to better reflect the diversity of financial market participants. While banks formed the core of the initial panel, expanding the participation has strengthened representativeness. The greater coverage of non-bank financial institutions – such as asset managers (including those that are part of banks), insurance companies, pension funds and hedge funds – provides a more balanced cross-section of market perspectives. These institutions, which also play a central role in the transmission of monetary policy in the euro area, now account for 47% of panellists, while banks account for 53%.

The questionnaire has been refined to ensure greater clarity and consistency of responses. A comprehensive revision in June 2022 streamlined the wording of questions and simplified the visual layout, reducing ambiguity and the burden on respondents while preserving the overall structure of the survey. A key advantage of the ECB conducting its own survey of market analysts is that the questions are formulated from a monetary policy perspective.

These developments have strengthened the SMA as a reliable source of information on financial market expectations and ensured that it provides insights that complement similar surveys conducted by private data providers (Box 1). Private polls provide timely and flexible snapshots of near-term market views from a broad respondent base, while the SMA offers systematic and comprehensive information based on a representative panel of institutions that are central to the transmission of the ECB's monetary policy.

Box 1
The SMA and private data provider polls: comparing panel composition and survey design

Prepared by Martin Strukat

The SMA and polls from private data providers serve complementary but methodologically distinct roles in gathering information on financial sector expectations regarding monetary policy and macroeconomic developments. Both Bloomberg and Thomson Reuters conduct regular polls of market participants ahead of Governing Council monetary policy meetings, and their results are widely used for analytical and benchmarking purposes. While the SMA and private polls share the objective of gauging the sentiment and expectations of market participants, they differ in three important respects: the timing of data collection, the scope of the questionnaire and the composition of the panel.

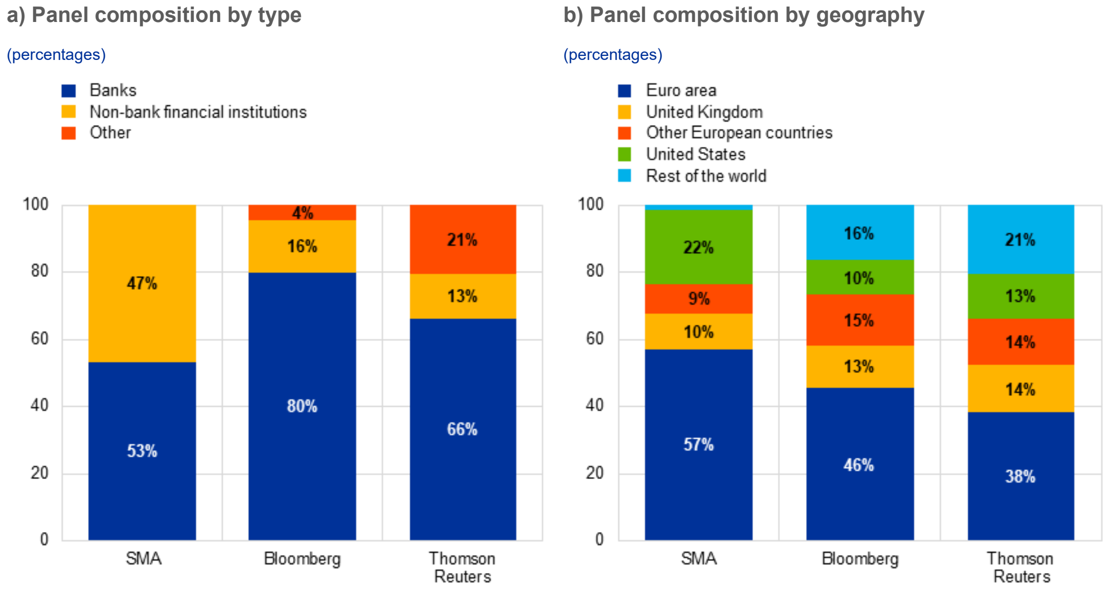
On timing, the SMA follows a fixed schedule aligned with the monetary policy meetings of the Governing Council, with the response period ending two weeks prior to each meeting and results published on the Monday following the meeting. By contrast, private polls are generally conducted one week before the meeting, and the results are released in the same week.

In terms of scope, the SMA questionnaire is distinguished by its breadth, standardisation and long-term analytical design, covering monetary policy instruments, financial conditions and the macroeconomic outlook in a coherent and consistent framework. Questions are formulated to ensure consistency and comparability across survey rounds and thereby enable tracking of expectation dynamics over time. Consequently, SMA data facilitate the study of the interplay between individual macroeconomic expectations and policy expectations. Private polls usually contain only a question on policy rate expectations, which is complemented by ad hoc questions on current topics and developments.

The composition of the SMA panel is specifically designed to capture the views of financial institutions active in the euro area, with a higher share of non-bank financial institutions than either of the private polls (Chart A, panel a). Banks constitute the largest group of respondents across all three surveys. However, in the Bloomberg and Thomson Reuters polls, non-bank financial institutions, on average, account for only 16% and 13% of respondents respectively, compared to 47% in the SMA. In contrast to the SMA, the two private polls also include brokers and research or advisory institutions under the category “Other”. In terms of geographical coverage, the SMA panel is more heavily concentrated on institutions headquartered in the euro area and Europe, complemented by a representative selection of global financial institutions (Chart A, panel b). This composition reflects the SMA’s deliberate focus on institutions with the most direct exposure to, and familiarity with, euro area monetary policy.

Chart A

Panel composition by type and geography



Sources: Bloomberg, Thomson Reuters, ECB and ECB calculations.
Notes: The Bloomberg and Thomson Reuters columns reflect the average composition in 2025. Panel a): "Other" denotes research institutions and economic advisors or consultants. Panel b): "Other European countries" includes the Czech Republic, Denmark, Sweden, Liechtenstein, Norway and Switzerland.

3 What the SMA reveals about monetary policy expectations

The SMA gathers market perspectives to support monetary policy analysis, including via an understanding of expectation formation. The views of market participants matter because their expectations play a key role in the transmission of monetary policy. The SMA serves two main purposes. First, it provides an indication of the views of a representative sample of financial market participants on the economy and the monetary policy outlook, and this is used to inform the analytical work underpinning the preparation of Governing Council monetary policy meetings. The focus is typically on comparing the results with the previous survey round. Second, using multiple rounds, the SMA helps the ECB to analyse and identify systematic patterns in how financial market participants assess the development of the financial, macroeconomic and monetary policy environment and what drives revisions of their assessments. This perspective improves, at a more structural level, the understanding of expectations and the role they play in the transmission of monetary policy.

3.1 SMA-based insights into monetary policy expectations

SMA data provide valuable insights that serve as analytical inputs for the Governing Council's monetary policy meetings. The focus of the first reading of incoming SMA data is on the median forecasts for interest rates and key macroeconomic variables. The evidence derived from the SMA complements information extracted from financial market instruments and serves as a valuable cross-check against Eurosystem/ECB staff macroeconomic projections. Material changes in the median relative to the previous survey round shed light on the shifting views of market participants on the economic outlook and monetary policy.

In addition, the distribution of expectations can provide important information beyond movements in the median. The December 2025 SMA is a useful example. While the median path for the expected deposit facility rate (DFR) remained broadly unchanged relative to the previous round in October 2025, the surrounding distribution narrowed (Chart 2, panel a). The interquartile range (between the 25th and 75th percentiles), which serves as a measure of disagreement, collapsed to the median in the short term, indicating a substantial reduction in disagreement among respondents. Taken together, the combination of a stable median and a narrowing distribution pointed to greater consensus on policy expectations, highlighting how measuring distribution can enrich the interpretation of aggregate statistics.

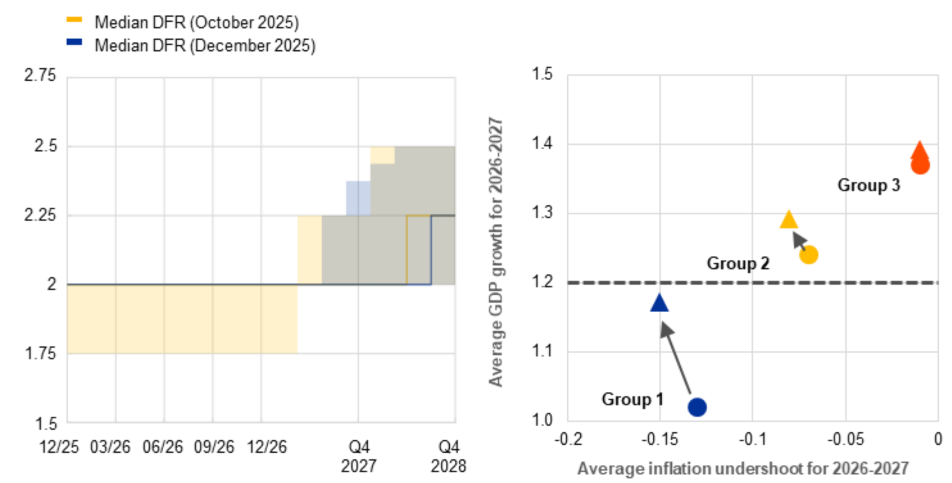
Chart 2
Evolution of DFR expectations

a) Median DFR expectations from consecutive SMA rounds in October and December 2025

(percentages per annum)

b) Expected deviation of inflation from target and expected GDP growth by evolution of DFR rate expectation between July and December 2025

(x-axis: percentage points; y-axis: percentages per annum)



Sources: ECB and ECB calculations.
Notes: Panel a): Shaded areas indicate the interquartile range (the blue shaded area denotes the December round and the yellow shaded area the October round). The expected DFR path is given at Governing Council frequency until the end of 2026, and at quarterly frequency thereafter. Panel b): The coloured dots and triangles represent the positions in the July 2025 and December 2025 SMA rounds respectively for three groups of respondents: those anticipating cuts in the DFR in both rounds (Group 1, blue); those who anticipated cuts in the July 2025 round but not in the December 2025 round (Group 2, yellow); and those not anticipating rate cuts in either round (Group 3, red). The dashed grey line represents long-run average GDP growth.

To gain deeper insights into the underlying drivers of individual interest rate expectations, the December 2025 SMA can be compared with the July 2025 SMA round. Looking at the evolution of expectations over a longer period, such as half a year instead of just the previous survey round, can uncover changes in the views of market analysts. Although the aggregate results of the December 2025 SMA suggested a consensus regarding the path of the DFR, detailed analysis linking policy rate expectations to the economic forecasts of individual respondents revealed notable differences across three groups (Chart 2, panel b). Respondents who still anticipated a cut in the DFR over the forecast horizon (Group 1, blue markers) expected weaker inflation outcomes and subdued GDP growth prospects, despite their growth outlook having improved much more than for the other two groups. Respondents who did not expect rate cuts in December 2025 but had done so half a year earlier in July 2025 (Group 2, yellow markers) took an intermediate position: they maintained their slightly subdued inflation outlook while revising their growth outlook up a little. Finally, respondents maintaining expectations of no further rate cuts (Group 3, red markers) projected inflation broadly at target and growth well above the long-run average. Overall, these groups differed in their expectations for inflation, GDP growth and policy rates, highlighting how the SMA can uncover heterogeneity in macroeconomic assessments that shape policy expectations, even when aggregate indicators suggest a broadly stable outlook.

The joint behaviour of inflation, growth and policy rates embedded in SMA expectations can be benchmarked against simple policy reaction functions, such as Taylor rules, to assess whether market participants form expectations consistent with systematic monetary policy. Box 2 makes this comparison, showing that median expectations in the SMA interact in the direction that typical monetary policy rules would suggest – most notably, policy rate expectations rise with inflation expectations. However, the strength of this relationship varies over time, reflecting the size and nature of the shocks factored into survey expectations.

Box 2
What Taylor rules reveal about SMA-based monetary policy expectations

Prepared by Michael Dobrew and Martin Strukat

Taylor rules provide a simple and widely used framework for summarising stylised relationships between policy rates and macroeconomic conditions. In their standard formulation, they describe the level of the policy rate as a function of the deviation of inflation from its target and of economic activity from its potential, thereby encoding key trade-offs that central banks face (Taylor, 1993). In empirical work, such rules are often used as simple analytical benchmarks for examining how expected policy rate paths co-move with macroeconomic conditions.

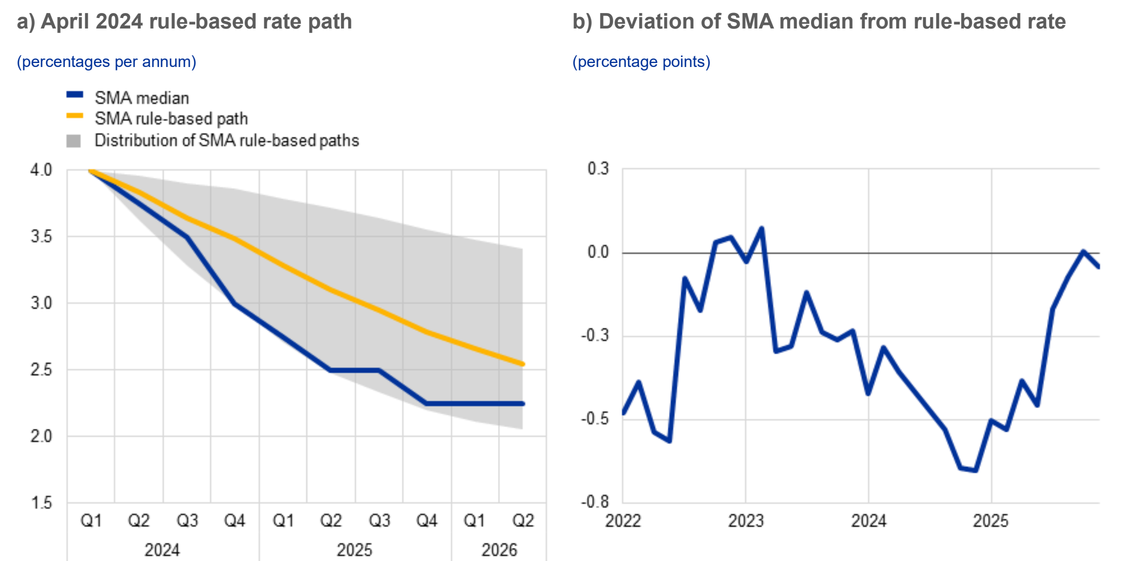
Comparing policy expectations from SMA survey data with calibrated Taylor rules provides insights into how SMA respondents map their macroeconomic forecasts into policy rate expectations. Using a thick-modelling framework created by calibrating a range of Taylor rules as in Bernardini and Lin (2024), it is possible to derive a range of policy rate paths implied by the SMA median macroeconomic expectations and compare these with the SMA median expected rate path.[3] As shown in the example in Chart A (panel a) for the April 2024 SMA, the median expected DFR path can be compared with a range of rule-based predictions calibrated from the median expected paths for inflation and economic slack. This comparison offers a simple diagnostic of how expectations are formed: when the two are closely aligned, expectations are broadly consistent with a stylised, rule-like reaction function; when they diverge, expectations are likely to reflect additional

3 The thick-modelling approach computes a set of Taylor rule implied interest rate paths based on the SMA median expectations of core inflation and unemployment by varying the response coefficients of the Taylor rule using a large range of values considered to be standard in the literature.

considerations – such as risk assessments, views about the policy outlook or the interpretation of central bank communications – beyond what can be captured by a simple rule.

Chart A

Taylor rule based policy rate path for April 2024 and deviation of SMA expectations from the contemporaneous rule-based policy rate over time



Sources: ECB and ECB calculations.
Notes: Panel a) shows the range of all calibrated implied Taylor rules together with the SMA median expectation for the April 2024 eight-quarter horizon. Panel b) shows the average deviation of the SMA median expectation from the rule-based rate over an eight-quarter horizon for each survey round from 2022 to the end of 2025.

In the past, SMA median policy rate expectations aligned closely with the Taylor rule implied rate paths based on SMA median macroeconomic expectations during the hiking phase, but pointed to a more accommodative policy trajectory during the subsequent cutting phase. For each survey round from 2022 to the end of 2025, Chart A (panel b) shows the average deviation of the SMA median expected rate from the rule-implied rate path over an eight-quarter horizon. In the tightening phase up to 2023, survey-based and rule-based expectations moved broadly in tandem, suggesting that market participants were broadly forming their policy rate expectations in a rule-like manner, consistent with the evolution of inflation and economic activity. From late 2023 to the middle of 2025, however, the SMA median policy rate fell below the median rate derived from the Taylor rule framework.

This gap points to expectations of a faster decline in policy rates than would be implied by the SMA median macroeconomic outlook alone. At that time, the disinflation process was slowing as inflation approached the ECB's target, while expectations of inflation at horizons beyond one year had moved temporarily below target, and the balance of risks reported by SMA participants was tilted to the downside for both inflation and growth. These factors are likely to have contributed to market participants anticipating a rate path declining more steeply than a simple rule-based framework would suggest.

In the second half of 2025 in particular, market commentary increasingly referred to the possibility of a "rate reversal", whereby policy rates were expected not only to return to levels consistent with the long-run rate implied by the survey (around 2%) but to move temporarily below that level, before eventually rising again. Some analysts characterised this pattern as involving "insurance cuts", reflecting precautionary easing in response to downside risks to inflation and growth. These risks are not necessarily reflected in analysts' forecasts of inflation and growth and are therefore not captured by the Taylor rule implied rate path.

Overall, SMA median, macroeconomic and policy expectations interact in the direction that typical monetary policy rules would suggest; in particular, policy rate expectations rise with inflation expectations. However, the strength of this relationship can vary over time, depending on the size and nature of shocks factored into survey expectations.

SMA data have also been used to investigate the drivers and determinants of expectations and their revisions across several survey rounds. Analytical work based on individual SMA responses shows that policy rate expectation errors and revisions of policy rate expectations can be linked both to changes in the macroeconomic outlook and to changes in SMA respondents' perceptions of the ECB's reaction function, i.e. how the ECB would respond in a given economic environment. In other words, the data allow a decomposition of expectation errors into components related to misperceptions of policy and evolving economic conditions (Akkaya, Bitter et al., 2024). More broadly, survey-based expectations provide a useful framework for assessing how incoming information and monetary policy communications are incorporated into expectations over time, including through their interaction with market sentiment and broader macroeconomic developments (Akkaya and Ilieva, 2024). Within this framework, joint analysis of the SMA and expectations extracted from financial market prices can help the ECB to align its communication with market participants by detecting and clarifying possible misperceptions of its reaction function.

Taken together, the decompositions of the expectation errors of individual respondents and the Taylor rules calibrated in Box 2 reveal that expectation formation in the SMA is largely determined by the macroeconomic environment. During calmer periods, signals from market prices and official ECB communications carry more weight, showing that, in general, the formation of SMA expectations is consistent with the ECB's reaction function. However, when uncertainty prevails in the economy, as in periods of high volatility, it is difficult to forecast inflation and growth accurately, and this has repercussions for policy rate expectations. Against this background, we discuss next the forecast accuracy of SMA expectations.

3.2 Forecast accuracy, disagreement and perceived risks

Forecast accuracy, disagreement and perceived risk together provide a multidimensional picture of the expectation landscape that enhances the value of the SMA as a tool for monetary policy assessment. Forecast accuracy is a natural benchmark for the SMA: small and unbiased errors signal that participants process available information efficiently, lending credibility to their expectations as inputs to the policy assessment of the ECB alongside other sources, including the Eurosystem/ECB staff projections, additional surveys and market-based signals such as inflation fixing contracts. Beyond accuracy, the cross-sectional dispersion of point forecasts across respondents (a measure of disagreement) captures the degree of heterogeneity in views among informed market participants. Finally, the balance of risk assessments embedded in the SMA provides an insight into whether analysts perceive risks as broadly symmetric or tilted in a particular direction. Together, these three dimensions – forecast accuracy, disagreement and perceived risk – offer a richer and more granular characterisation of expectations than point estimates alone, providing the monetary policy assessment with a more complete map of the expectation landscape.

There were two clearly distinct phases in SMA inflation forecast errors that differ markedly in character, separated by a structural break around mid-2023. Regarding forecast accuracy for headline inflation over the review period from mid-2021 to the end of 2025, Chart 3 (panel a) shows one-quarter-ahead forecast errors. Two distinct phases emerge. Prior to the peak of inflation in mid-2023, the SMA median exhibited sizeable and mostly positive forecast errors. Eurosystem/ECB staff projections and inflation fixings recorded errors of a similar magnitude to the SMA, albeit with some variation across indicators and survey rounds. This failure in forecasting has been documented for institutional and survey-based forecasters alike (Chahad et al., 2023; IMF, 2023). For the forecast errors in the Eurosystem/ECB staff projections, Chahad et al. (2023) identified the unprecedented sequence of price shocks – from pandemic-related supply and demand mismatches and Russia's invasion of Ukraine – as the primary driver.

During the subsequent normalisation phase, the picture changed markedly as forecast errors shrank substantially. With energy price pressures dissipating and inflation moving back towards target, forecast errors across all three indicators converged towards zero, reflecting an improvement in forecastability as macroeconomic conditions stabilised. During this period, SMA forecast errors were frequently marginally smaller in absolute terms than those of both Eurosystem/ECB staff projections and inflation fixings, suggesting that the aggregation of informed analyst judgement compares favourably with institutional projections and market-based signals under more normal conditions – a finding that is consistent with the broader evidence reviewed in ECB (2025). This pattern holds robustly across horizons, from the current quarter to four quarters ahead, as reported in Ploj (2025).

Chart 3

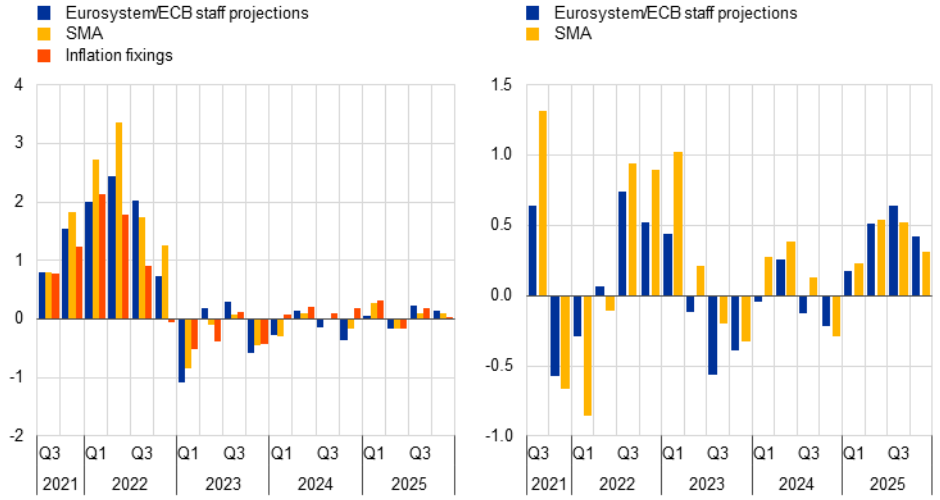
Comparison of SMA and Eurosystem/ECB staff projections forecast errors one quarter ahead

a) HICP inflation

(percentage points)

b) Real GDP growth

(percentage points)



Sources: SMA and ECB calculations.
Notes: Forecast errors are defined as the difference between the SMA median point forecast and the outturn. Positive (negative) errors indicate that the median underestimated (overestimated) actual inflation. Panel a): Inflation fixings are swap contracts tied to monthly releases of euro area HICP (all items excluding tobacco), available from the current month up to 23 months ahead.

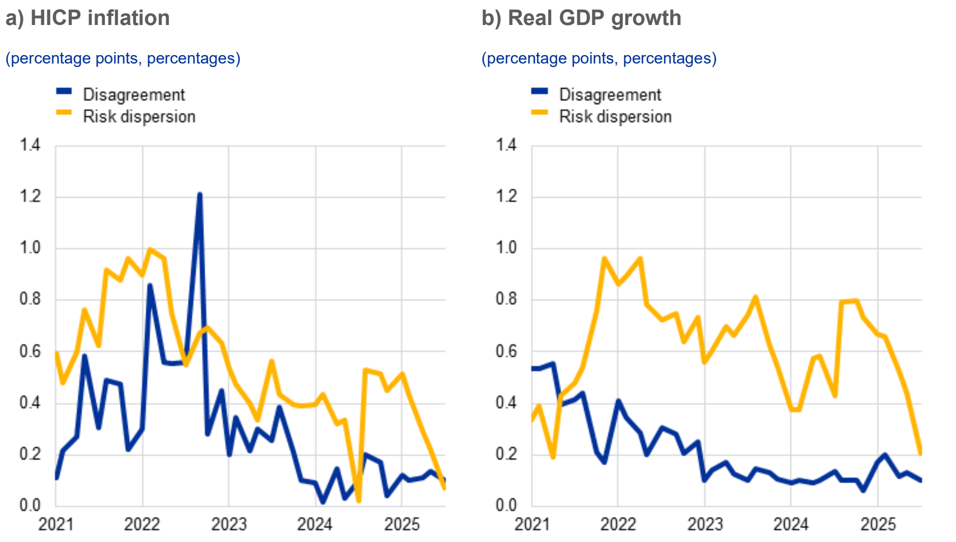
For real GDP growth, the picture is more mixed (Chart 3, panel b). Both the SMA and Eurosystem/ECB staff projections recorded notable forecast errors around the pandemic shock and the subsequent rebound, with errors alternating in sign across survey rounds and neither indicator systematically outperforming the other over the full sample. This absence of a clear hierarchy in GDP forecast performance is not surprising given the inherent difficulty of anticipating turning points in real activity in real time, and it underscores the value of tracking the full distribution of SMA responses – including disagreement and perceived risk – rather than relying on point forecasts alone.

Beyond forecast accuracy, the informational advantage of the SMA lies in its capacity to characterise the full distribution of expectations across market participants, capturing not only where analysts expect the economy to go but also how much they disagree about it and whether perceived risks are tilted. To capture these dimensions, two complementary indicators can be derived from the survey: disagreement and risk dispersion. Disagreement is measured by the interquartile range of individual point forecasts, reflecting the cross-sectional spread of central expectations across respondents, while risk dispersion reflects the net balance of the share of respondents reporting upside and downside risks around their baseline, derived from the qualitative risk assessment question. Taken together, these indicators map onto distinct features of the implied distribution of expectations: disagreement captures its width, while risk dispersion captures the asymmetry of perceived tail risks around the central tendency.

Regarding inflation, disagreement and risk dispersion among SMA panellists increased markedly during the inflation surge and declined rapidly as the subsequent disinflation progressed. For HICP inflation, disagreement and risk dispersion peaked at around 1.2 and 1.0 percentage points respectively before falling back to low levels by mid-2023 (Chart 4, panel a). For GDP growth, disagreement gradually declined over the review period (Chart 4, panel b). By contrast, risk dispersion remained more elevated, indicating that, while baseline views have converged, differences in risk assessment persist.

Chart 4

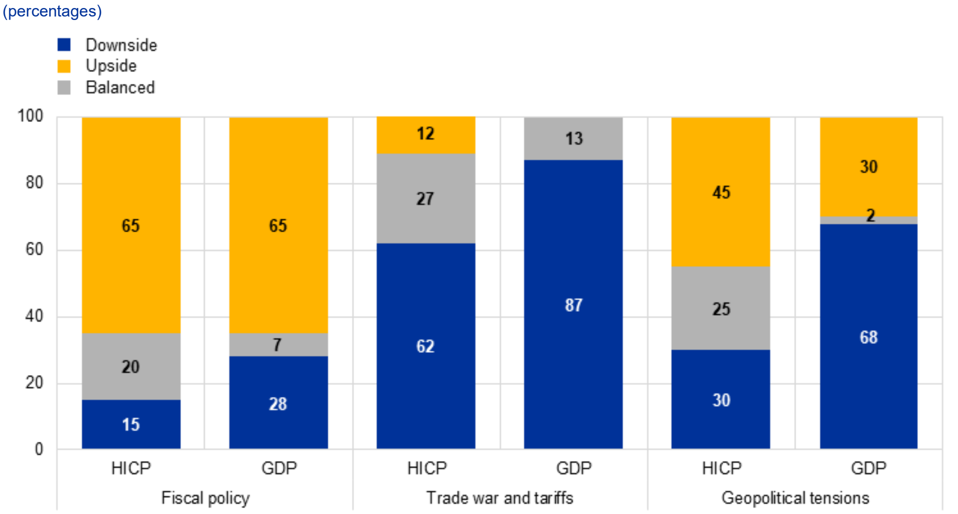
SMA disagreement and risk dispersion for HICP inflation and real GDP growth



Sources: SMA and ECB calculations.
Notes: Disagreement, measured as the width of the interquartile range, is shown for one-quarter-ahead expectations. Risk dispersion is based on annual expectations for the corresponding variable from the balance of risks question in the SMA. Risk dispersion is defined as the net balance between the share of respondents expecting upside risks and the share expecting downside risks.

Finally, the indications of SMA participants regarding the risks to their macroeconomic forecasts are used to assess whether an economic shock has a greater effect on the supply side or the demand side. In the December 2025 SMA, after grouping the individual responses, the top three categories were “fiscal policy”, “trade war and tariffs” and “geopolitical tensions” (Chart 5). Regarding “fiscal policy”, many respondents referred to the German fiscal package and the announced increases in defence and infrastructure spending, so the shock was mostly seen as having a positive effect on demand, posing upside risks to both inflation and growth. “Trade war and tariffs” was clearly judged to be a downside risk to growth with mostly dampening effects on prices, qualifying as a potentially negative demand shock. “Geopolitical tensions” was also expected to have a largely negative effect on growth, but the implications for prices appeared to be less clear. These risks could materialise on either the demand or the supply side. The nature of risks surrounding the economic outlook matters, because monetary policy can more effectively accommodate demand shocks, whereas the monetary policy response to supply-side shocks tends to be less aggressive in order to limit any adverse impact on the economy.

Chart 5
Classification of risks in the December 2025 SMA



Sources: SMA and ECB calculations.
Notes: Percentages may not add up to 100% due to rounding. The latest observations are for December 2025.

4 Conclusion

Over its first five years of full operation, the SMA has developed into a core tool for monitoring and analysing the macroeconomic forecasts and monetary policy expectations of financial market participants. The systematic enlargement and rebalancing of the panel, together with refinements to the questionnaire and a structured governance framework, have strengthened the statistical underpinnings of the survey and improved its stability, coverage and representativeness.

SMA information is systematically used for monetary policy purposes, both in the preparation of Governing Council meetings and for addressing more structural policy questions. The survey provides a benchmark for prevailing market expectations, facilitates the assessment of how news and ECB communications are incorporated into views on the macroeconomic outlook and the policy path, and helps in analysing the formation, revision and dispersion of market participants' expectations beyond market prices. The analysis in this article shows that SMA expectations are broadly consistent with macroeconomic fundamentals and simple policy benchmarks and, when viewed as a forecasting instrument, deliver an overall accuracy that is broadly comparable to Eurosystem/ECB staff projections.

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Statistics

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Further information

Data published by the ECB can be accessed from the ECB Data Portal:	https://data.ecb.europa.eu/
Detailed tables are available in the ”Publications” section of the ECB Data Portal:	https://data.ecb.europa.eu/publications
Methodological definitions, general notes and technical notes to statistical tables can be found in the ”Methodology” section of the ECB Data Portal:	https://data.ecb.europa.eu/methodology
Explanations of terms and abbreviations can be found in the ECB’s statistics glossary:	https://www.ecb.europa.eu/home/glossary/html/glossa.en.html

Conventions used in the tables

-	data do not exist/data are not applicable
.	data are not yet available
...	nil or negligible
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted

Composition of euro area data

Unless otherwise indicated, all data series including observations for 2026 relate to the group of 21 countries that are members of the euro area.

1 External environment

1.1 Main trading partners, GDP and CPI

	GDP[1)] (period-on-period percentage changes)						CPI (annual percentage changes)				
	G20	United States	United Kingdom	Japan	China	Memo item: euro area	United States	United Kingdom (HICP)	Japan	China	Memo item: euro area[2)] (HICP)
	1	2	3	4	5	6	7	8	9	10	11
2023	3.3	2.9	0.3	0.7	5.4	0.5	4.1	7.4	3.2	0.2	5.4
2024	3.2	2.8	1.0	-0.2	5.0	1.0	2.9	2.5	2.7	0.2	2.4
2025	3.3	2.2	1.4	1.1	5.0	1.4	.	3.4	3.2	0.1	2.1
2025 Q2	0.9	0.9	0.1	0.3	1.1	0.1	2.4	3.5	3.5	0.0	2.0
Q3	0.9	1.1	0.2	-0.6	1.1	0.3	2.9	3.8	2.9	-0.2	2.1
Q4	0.7	0.1	0.2	0.2	1.2	0.2	.	3.4	2.7	0.6	2.1
2026 Q1	.	0.4	0.6	0.5	1.3	-0.2	2.7	3.1	1.4	0.8	2.0
2025 Dec.	-	-	-	-	-	-	2.7	3.4	2.1	0.8	2.0
2026 Jan.	-	-	-	-	-	-	2.4	3.0	1.5	0.2	1.7
Feb.	-	-	-	-	-	-	2.4	3.0	1.3	1.3	1.9
Mar.	-	-	-	-	-	-	3.3	3.3	1.5	1.0	2.6
Apr.	-	-	-	-	-	-	3.8	2.8	1.4	1.2	3.0
May	-	-	-	-	-	-	.	.	.	.	3.2

Sources: Eurostat (col. 6, 11); BIS (col. 7, 8, 9, 10); OECD (col. 1, 2, 3, 4, 5).
1) Quarterly data seasonally adjusted; annual data unadjusted.
2) Data refer to the changing composition of the euro area.

2 Economic activity

2.1 GDP and expenditure components
(quarterly data seasonally adjusted; annual data unadjusted)

	GDP											
	Total	Domestic demand								External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation				Changes in inventories [2]	Total	Exports [1]	Imports [1]
					Total	Total construction	Total machinery	Intellectual property products				
	1	2	3	4	5	6	7	8	9	10	11	12
Current prices (EUR billions)												
2023	14,765.3	14,236.4	7,807.8	3,115.2	3,239.2	1,650.8	942.9	639.0	74.2	-528.9	7,437.9	6,909.0
2024	15,353.3	14,686.2	8,100.4	3,279.3	3,223.3	1,640.2	941.7	635.2	83.2	-667.1	7,553.1	6,886.1
2025	15,951.9	15,334.8	8,388.9	3,430.4	3,384.8	1,698.1	972.9	707.1	130.8	-617.1	7,750.9	7,133.8
2025 Q2	3,970.5	3,810.0	2,087.9	851.5	835.6	421.8	241.3	170.8	35.0	-160.5	1,929.1	1,768.6
Q3	4,002.0	3,851.5	2,102.8	861.5	849.9	426.7	245.3	176.2	37.3	-150.5	1,938.1	1,787.6
Q4	4,042.5	3,900.5	2,125.9	876.9	862.7	434.5	249.3	177.1	35.0	-142.1	1,934.8	1,792.7
2026 Q1	4,055.0	3,918.9	2,147.6	879.7	863.9	432.3	250.2	179.7	27.6	-136.2	1,952.9	1,816.8
as percentage of GDP												
2025	100.0	96.1	52.6	21.5	21.2	10.6	6.1	4.4	0.8	-3.9	-	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q2	0.1	0.4	0.3	0.4	-1.4	0.2	1.0	-8.2	-	-	-0.7	-0.2
Q3	0.3	0.6	0.2	0.7	1.2	0.4	1.3	3.1	-	-	0.7	1.4
Q4	0.2	0.6	0.4	0.6	0.8	1.2	1.2	-0.6	-	-	-0.6	0.3
2026 Q1	-0.2	0.1	0.2	0.5	-0.3	-1.2	0.1	1.4	-	-	-0.2	0.5
annual percentage changes												
2023	0.5	0.1	0.5	1.5	2.6	1.1	3.0	6.2	-	-	-1.2	-2.0
2024	1.0	0.7	1.3	2.3	-2.4	-2.6	-1.7	-3.1	-	-	0.6	0.0
2025	1.4	2.0	1.4	1.4	3.0	1.2	2.0	9.3	-	-	2.1	3.5
2025 Q2	1.6	2.5	1.7	1.2	3.6	1.0	0.6	16.1	-	-	0.8	2.7
Q3	1.4	1.8	1.3	1.3	3.3	2.1	3.7	5.7	-	-	2.9	3.8
Q4	1.2	2.0	1.3	1.5	3.3	2.6	3.6	4.5	-	-	2.1	3.8
2026 Q1	0.3	1.7	1.1	2.3	0.3	0.6	3.6	-4.7	-	-	-0.9	1.9
contributions to quarter-on-quarter percentage changes in GDP; percentage points												
2025 Q2	0.1	0.4	0.1	0.1	-0.3	0.0	0.1	-0.4	0.5	-0.3	-	-
Q3	0.3	0.6	0.1	0.1	0.3	0.0	0.1	0.1	0.1	-0.3	-	-
Q4	0.2	0.6	0.2	0.1	0.2	0.1	0.1	0.0	0.1	-0.4	-	-
2026 Q1	-0.2	0.1	0.1	0.1	-0.1	-0.1	0.0	0.1	-0.1	-0.3	-	-
contributions to annual percentage changes in GDP; percentage points												
2023	0.5	0.1	0.3	0.3	0.6	0.1	0.2	0.3	-1.1	0.4	-	-
2024	1.0	0.7	0.7	0.5	-0.5	-0.3	-0.1	-0.1	0.0	0.3	-	-
2025	1.4	1.9	0.8	0.3	0.6	0.1	0.1	0.4	0.2	-0.5	-	-
2025 Q2	1.6	2.4	0.9	0.3	0.8	0.1	0.0	0.6	0.5	-0.8	-	-
Q3	1.4	1.7	0.7	0.3	0.7	0.2	0.2	0.2	0.0	-0.3	-	-
Q4	1.2	1.9	0.7	0.3	0.7	0.3	0.2	0.2	0.2	-0.7	-	-
2026 Q1	0.3	1.6	0.6	0.5	0.1	0.1	0.2	-0.2	0.5	-1.3	-	-

Sources: Eurostat and ECB calculations.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade.
2) Including acquisitions less disposals of valuables.

2 Economic activity

2.2 Value added by economic activity

(quarterly data seasonally adjusted; annual data unadjusted)

	Gross value added (basic prices)											Taxes less subsidies on products
	Total	Agriculture, forestry and fishing	Manufacturing energy and utilities	Construction	Trade, transport, accomodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services	
	1	2	3	4	5	6	7	8	9	10	11	12
Current prices (EUR billions)												
2023	13,356.4	225.3	2,638.9	713.6	2,489.7	705.2	605.0	1,482.7	1,613.1	2,469.4	413.5	1,408.9
2024	13,823.0	235.3	2,621.8	729.6	2,581.4	741.6	642.0	1,535.8	1,685.6	2,614.2	435.7	1,530.3
2025	14,332.5	246.4	2,712.4	761.5	2,660.2	776.3	664.4	1,569.1	1,744.8	2,745.5	452.0	1,619.4
2025 Q2	3,569.4	62.2	676.9	190.2	663.7	192.3	163.8	391.1	433.5	682.8	112.9	401.1
Q3	3,592.8	62.6	672.7	191.7	667.7	195.1	167.4	393.4	439.5	689.0	113.7	409.2
Q4	3,633.3	60.8	682.8	194.0	673.2	198.3	169.4	397.5	443.3	699.8	114.3	409.2
2026 Q1	3,637.9	59.3	672.7	194.4	679.3	198.4	172.6	399.4	445.6	701.0	115.1	417.1
as percentage of value added												
2025	100.0	1.7	18.9	5.3	18.6	5.4	4.6	10.9	12.2	19.2	3.2	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q2	0.1	-0.5	0.2	0.1	0.4	0.4	-1.0	0.1	0.2	0.0	0.0	-0.1
Q3	0.3	0.6	-0.1	0.2	0.3	1.3	0.4	0.2	0.5	0.4	0.3	-0.1
Q4	0.1	0.1	-0.2	0.2	0.1	0.8	0.7	0.3	0.0	0.2	0.0	0.5
2026 Q1	-0.3	0.0	-2.5	-0.5	0.3	0.4	-0.4	0.5	0.4	0.2	0.5	0.4
annual percentage changes												
2023	0.7	-2.9	-1.6	1.8	-0.2	7.1	-2.9	2.2	1.8	1.1	3.7	-1.7
2024	1.0	0.1	-0.2	-1.3	1.1	2.8	1.6	1.0	1.5	1.8	1.9	0.9
2025	1.4	2.1	2.3	0.6	1.5	3.3	0.1	0.9	0.8	1.1	0.3	1.5
2025 Q2	1.5	2.2	3.1	0.5	1.6	3.5	-0.5	1.0	0.4	1.1	0.7	2.6
Q3	1.5	2.6	2.4	1.3	1.6	3.3	0.2	1.0	0.8	1.1	-0.6	1.0
Q4	1.3	2.0	1.9	1.6	1.4	3.3	0.7	0.9	1.0	0.8	0.5	0.0
2026 Q1	0.3	0.2	-2.6	0.1	1.1	2.8	-0.2	1.1	1.1	0.8	0.7	0.7
contributions to quarter-on-quarter percentage changes in value added; percentage points												
2025 Q2	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-
Q3	0.3	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.0	-
Q4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
2026 Q1	-0.3	0.0	-0.5	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	-
contributions to annual percentage changes in value added; percentage points												
2023	0.7	-0.1	-0.3	0.1	0.0	0.4	-0.1	0.2	0.2	0.2	0.1	-
2024	1.0	0.0	0.0	-0.1	0.2	0.1	0.1	0.1	0.2	0.3	0.1	-
2025	1.4	0.0	0.4	0.0	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
2025 Q2	1.5	0.0	0.6	0.0	0.3	0.2	0.0	0.1	0.0	0.2	0.0	-
Q3	1.5	0.0	0.5	0.1	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
Q4	1.3	0.0	0.4	0.1	0.3	0.2	0.0	0.1	0.1	0.1	0.0	-
2026 Q1	0.3	0.0	-0.5	0.0	0.2	0.2	0.0	0.1	0.1	0.2	0.0	-

Sources: Eurostat and ECB calculations.

2 Economic activity

2.3 Employment [1]

(quarterly data seasonally adjusted; annual data unadjusted)

	Total	By employment status		By economic activity									
		Employ-ees	Self-employed	Agricul-ture forestry and fishing	Manufac-turing, energy and utilities	Const-ruction	Trade, transport, accom-modation and food services	Infor-mation and com-munica-tion	Finance and in-surance	Real estate	Professional, business and support services	Public adminis-tration, education, health and social work	Arts, enter-tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	13
							Persons employed						
							as a percentage of total persons employed						
2023	100.0	85.9	14.1	3.1	14.2	6.4	24.3	3.4	2.3	1.1	14.1	24.7	6.5
2024	100.0	85.9	14.1	3.0	14.1	6.4	24.4	3.4	2.3	1.0	14.1	24.8	6.5
2025	100.0	85.9	14.1	2.9	13.9	6.4	24.3	3.4	2.3	1.1	14.1	24.9	6.6
							annual percentage changes						
2023	1.5	1.6	1.0	-1.1	0.8	1.5	2.0	3.8	0.8	1.9	1.8	1.3	1.8
2024	1.0	1.0	0.6	-1.6	0.3	1.1	1.0	2.2	1.5	-0.5	0.7	1.5	1.3
2025	0.8	0.7	0.8	-1.6	-0.5	1.2	0.7	-0.1	1.4	2.3	1.0	1.3	1.4
2025 Q2	0.8	0.7	1.0	-1.9	-0.5	1.1	1.0	0.2	1.3	3.0	0.9	1.3	1.1
Q3	0.7	0.7	0.9	-1.5	-0.4	1.4	0.6	-0.5	1.5	2.4	0.9	1.2	1.3
Q4	0.7	0.7	1.1	-0.8	-0.5	1.5	0.6	-1.1	1.4	0.8	1.4	1.2	1.4
2026 Q1	0.5	0.4	1.5	-1.0	-0.2	1.9	0.4	-1.8	1.1	0.9	0.9	1.0	0.7
							Hours worked						
							as a percentage of total hours worked						
2023	100.0	81.9	18.1	3.9	14.7	7.3	25.2	3.6	2.4	1.1	14.1	21.9	5.9
2024	100.0	81.9	18.1	3.8	14.5	7.3	25.1	3.7	2.4	1.1	14.1	22.1	5.9
2025	100.0	82.0	18.0	3.7	14.4	7.3	25.0	3.7	2.4	1.1	14.2	22.2	6.0
							annual percentage changes						
2023	1.7	2.0	0.4	-1.9	1.0	1.5	2.1	4.0	0.9	1.7	2.2	1.8	2.5
2024	1.1	1.2	0.6	-0.9	0.2	1.0	1.0	2.4	1.6	0.1	1.4	1.8	1.7
2025	0.4	0.5	0.0	-2.4	-0.8	1.0	0.1	-0.2	1.0	1.7	0.7	1.1	1.9
2025 Q2	0.3	0.4	0.0	-2.6	-1.1	1.3	0.2	-0.1	0.9	2.3	0.6	0.9	1.8
Q3	0.7	0.7	0.7	-2.3	-0.2	1.4	0.5	-0.6	1.2	3.4	1.0	1.3	2.0
Q4	0.7	0.8	0.4	-1.7	-0.2	1.5	0.2	-0.6	1.7	-0.9	1.4	1.5	2.0
2026 Q1	0.5	0.5	0.8	-1.3	0.1	1.1	0.3	-1.8	0.6	0.7	0.8	1.2	0.7
							Hours worked per person employed						
							annual percentage changes						
2023	0.2	0.4	-0.6	-0.8	0.3	-0.1	0.1	0.2	0.1	-0.2	0.4	0.5	0.7
2024	0.2	0.2	0.0	0.7	-0.1	-0.1	0.0	0.2	0.1	0.6	0.6	0.3	0.4
2025	-0.4	-0.3	-0.8	-0.8	-0.4	-0.2	-0.6	-0.2	-0.4	-0.6	-0.3	-0.2	0.5
2025 Q2	-0.5	-0.3	-1.0	-0.7	-0.6	0.2	-0.8	-0.3	-0.4	-0.7	-0.4	-0.4	0.7
Q3	0.0	0.0	-0.2	-0.8	0.2	0.0	-0.1	-0.1	-0.3	1.0	0.2	0.1	0.7
Q4	0.0	0.1	-0.7	-0.9	0.3	0.0	-0.3	0.5	0.3	-1.6	0.0	0.3	0.6
2026 Q1	0.0	0.1	-0.7	-0.3	0.2	-0.8	0.0	0.0	-0.5	-0.3	-0.1	0.3	0.0

Sources: Eurostat and ECB calculations.
1) Data for employment are based on the ESA 2010.

2 Economic activity

2.4 Labour force, unemployment and job vacancies
(seasonally adjusted, unless otherwise indicated)

	Labour force, millions	Under-employment, % of labour force	Unemployment[1]										Job vacancy rate[3]
			Total		Long-term unemploy-ment, % of labour force[2]	By age				By gender			
						Adult		Youth		Male		Female	
			Millions	% of labour force		Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	% of total posts
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
% of total in 2025			100.0			78.7		21.3		51.6		48.4		
2023	172.764	2.9	11.296	6.6	2.4	8.990	5.7	2.306	14.5	5.712	6.2	5.584	6.9	3.0
2024	174.343	2.8	11.054	6.4	2.1	8.715	5.5	2.339	14.6	5.666	6.1	5.388	6.6	2.6
2025	175.842	2.8	11.158	6.4	2.1	8.779	5.5	2.379	14.9	5.754	6.2	5.404	6.6	2.3
2025 Q2	175.831	2.8	11.221	6.4	2.1	8.871	5.6	2.351	14.7	5.833	6.2	5.388	6.5	2.2
Q3	175.923	2.8	11.270	6.4	2.0	8.885	5.6	2.384	14.9	5.807	6.2	5.463	6.6	2.1
Q4	176.187	2.8	11.037	6.3	2.0	8.628	5.4	2.410	15.1	5.707	6.1	5.330	6.5	2.3
2026 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.	2.2
2025 Nov.	-	-	11.083	6.3	-	8.686	5.4	2.397	15.1	5.759	6.1	5.325	6.5	-
Dec.	-	-	11.082	6.3	-	8.688	5.4	2.394	15.1	5.734	6.1	5.349	6.5	-
2026 Jan.	-	-	11.055	6.3	-	8.666	5.4	2.388	15.1	5.704	6.1	5.350	6.5	-
Feb.	-	-	11.221	6.4	-	8.818	5.5	2.403	15.1	5.764	6.2	5.457	6.6	-
Mar.	-	-	11.159	6.3	-	8.772	5.5	2.387	15.1	5.711	6.1	5.448	6.6	-
Apr.	-	-	11.075	6.3	-	8.738	5.4	2.338	14.7	5.669	6.0	5.407	6.5	-

Sources: Eurostat and ECB calculations.
1) Where annual and quarterly Labour Force Survey data have not yet been published, they are estimated as simple averages of the monthly data. Fully break-free euro area and EU time-series were published for the first time in February 2022, following the implementation of the Integrated European Social Statistics Framework Regulation in 2021. For details of the break correction, see Eurostat (2024) EU labour force survey – correction for breaks in time series, Statistics Explained, updated 13 September 2024.
2) Not seasonally adjusted.
3) The job vacancy rate is equal to the number of job vacancies divided by the sum of the number of occupied posts and the number of job vacancies, expressed as a percentage. Data are non-seasonally adjusted and cover industry, construction and services (excluding households as employers and extra-territorial organisations and bodies).

2.5 Short-term business statistics

	Industrial production						Construc-tion production	Retail sales				Services produc-tion[1]	New passenger car regis-trations
	Total (excluding construction)		Main Industrial Groupings										
	Total	Manu-facturing	Inter-mediate goods	Capital goods	Consumer goods	Energy		Total	Food, beverages, tobacco	Non-food	Fuel		
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2021	100.0	88.7	32.4	33.2	22.5	11.9	100.0	100.0	38.1	54.4	7.5	100.0	100.0
annual percentage changes													
2023	-1.7	-1.3	-6.1	3.1	-1.0	-5.4	2.4	-1.8	-2.5	-0.9	-1.6	2.3	14.6
2024	-3.0	-3.2	-4.0	-4.8	-0.1	-0.1	-1.1	1.3	0.7	1.8	0.6	1.5	-0.1
2025	1.5	1.6	-0.7	0.8	5.5	0.9	2.3	2.4	1.4	3.2	2.3	2.1	1.1
2025 Q2	1.2	1.2	-1.4	0.5	5.7	1.3	2.5	3.1	2.1	3.7	4.0	2.2	-1.9
Q3	1.5	1.6	-0.6	1.1	5.0	0.5	2.5	2.0	0.9	2.9	1.5	2.5	6.4
Q4	2.0	2.1	0.6	3.0	2.5	1.3	2.4	2.3	1.3	3.1	1.8	1.0	3.9
2026 Q1	-1.2	-1.7	-1.4	2.2	-7.7	3.2	-2.5	1.9	1.2	2.7	0.7	1.2	3.5
2025 Nov.	2.1	2.2	0.1	3.5	2.9	0.5	0.9	2.5	1.1	3.8	1.2	0.3	6.3
Dec.	1.9	2.5	1.3	5.2	-0.1	-1.0	1.2	2.1	1.4	2.4	2.0	0.7	0.4
2026 Jan.	-0.6	-1.6	-1.7	1.3	-5.5	6.4	-4.4	2.2	1.8	2.8	0.7	1.3	1.3
Feb.	-0.8	-0.9	-1.5	2.3	-5.3	1.7	-3.0	1.3	1.0	1.7	0.4	1.4	2.1
Mar.	-2.1	-2.4	-1.2	2.9	-11.7	1.2	-1.2	2.1	0.8	3.5	1.0	0.9	7.2
Apr.	.	.	.	.	.	.	.	1.0	0.6	2.0	-3.5	.	4.5
month-on-month percentage changes (s.a.)													
2025 Nov.	0.2	0.6	0.0	2.6	-2.0	-2.5	-1.4	0.1	-0.4	0.4	-0.3	-0.6	3.8
Dec.	-0.7	-0.8	-0.1	-1.0	0.6	-0.4	0.5	0.2	0.5	-0.1	0.5	0.3	-5.7
2026 Jan.	-0.7	-1.5	-1.4	-1.5	-4.4	5.3	-1.1	0.0	0.5	-0.3	-1.1	0.9	-0.4
Feb.	0.2	0.7	0.2	0.8	1.3	-2.1	-0.8	-0.5	-0.6	-0.3	0.3	-0.3	2.0
Mar.	0.2	0.4	0.9	1.1	-3.9	-1.5	0.8	0.8	-0.2	1.7	0.9	0.2	2.3
Apr.	.	.	.	.	.	.	.	-0.4	0.9	-0.9	-2.7	.	-0.1

Sources: Eurostat, ECB calculations and European Automobile Manufacturers Association (col. 13).
1) Excluding trade and financial services.

2 Economic activity

2.6 Opinion surveys
(seasonally adjusted)

	European Commission Business and Consumer Surveys (percentage balances, unless otherwise indicated)							
	Economic sentiment indicator (long-term average = 100)	Manufacturing industry		Consumer confidence indicator	Construction confidence indicator	Retail trade confidence indicator	Service industries	
		Industrial confidence indicator	Capacity utilisation (%)				Services confidence indicator	Capacity utilisation (%)
	1	2	3	4	5	6	7	8
1999-22	118.3	14.3	60.0	-4.7	7.5	4.8	17.1	.
2023	96.3	-6.1	80.6	-16.1	-1.1	-4.1	6.7	90.4
2024	95.9	-10.8	78.4	-12.6	-4.2	-6.8	6.3	90.1
2025	95.9	-10.1	77.6	-13.4	-2.6	-6.6	4.1	90.0
2025 Q3	96.0	-9.9	77.8	-13.6	-3.0	-6.7	3.9	89.9
Q4	97.1	-8.5	77.9	-12.9	-1.5	-6.5	4.9	89.9
2026 Q1	97.7	-7.1	78.0	-13.8	-1.9	-6.4	5.2	89.7
Q2	.	.	78.2	.	.	.	.	89.8
2025 Dec.	96.8	-8.6	.	-13.3	-1.1	-7.0	5.1	.
2026 Jan.	99.0	-6.9	78.0	-12.5	-1.3	-6.1	6.4	89.7
Feb.	97.9	-7.3	.	-12.4	-2.2	-5.4	4.5	.
Mar.	96.3	-7.1	.	-16.4	-2.2	-7.7	4.5	.
Apr.	93.2	-7.7	78.2	-20.6	-2.8	-10.0	1.4	89.8
May	93.5	-8.0	.	-19.0	-3.6	-10.9	2.2	.

Source: European Commission (Directorate-General for Economic and Financial Affairs).

2.7 Summary accounts for households and non-financial corporations
(current prices, unless otherwise indicated; not seasonally adjusted)

	Households							Non-financial corporations					
	Saving rate (gross)	Debt ratio	Real gross disposable income	Financial invest-ment	Non-financial investment (gross)	Net worth 2)	Housing wealth	Profit rate 3)	Saving rate (gross)	Debt ratio 4)	Financial invest-ment	Non-financial investment (gross)	Financing
	Percentage of gross disposable income (adjusted) 1)		Annual percentage changes					Percentage of gross value added		Percent-age of GDP	Annual percentage changes		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2023	14.2	84.7	1.2	1.9	2.4	4.0	1.6	37.3	6.0	68.8	1.8	3.4	0.9
2024	15.1	81.7	2.4	2.3	-6.8	5.5	4.7	35.8	4.4	67.3	1.8	-0.6	0.9
2025	14.8	81.4	1.0	2.6	3.5	4.9	4.5	35.5	3.4	65.8	2.1	6.6	1.5
2025 Q1	15.0	81.4	1.0	2.4	-1.0	5.2	5.5	35.8	4.1	67.3	2.9	8.4	1.8
Q2	15.0	81.6	1.4	2.7	3.2	5.5	5.3	35.6	3.7	66.6	2.5	10.9	1.7
Q3	14.9	81.5	0.8	2.6	4.6	4.9	5.0	35.5	3.5	66.2	2.2	6.4	1.5
Q4	14.8	81.4	1.0	2.6	7.0	4.9	4.5	35.5	3.4	65.8	2.1	1.2	1.5

Sources: ECB and Eurostat.
1) Based on four-quarter cumulated sums of saving, debt and gross disposable income (adjusted for the change in pension entitlements).
2) Financial assets (net of financial liabilities) and non-financial assets. Non-financial assets consist mainly of housing wealth (residential structures and land). They also include non-financial assets of unincorporated enterprises classified within the household sector.
3) The profit rate is gross entrepreneurial income (broadly equivalent to cash flow) divided by gross value added.
4) Defined as consolidated loans and debt securities liabilities.

2 Economic activity

2.8 Euro area balance of payments, current and capital accounts
(EUR billions; seasonally adjusted unless otherwise indicated; transactions)

	Current account											Capital account [1]	
	Total			Goods		Services		Primary income		Secondary income			
	Credit	Debit	Balance	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2025 Q2	1,501.5	1,420.9	80.6	718.2	632.2	389.6	352.2	345.9	342.1	47.7	94.5	20.0	19.8
Q3	1,478.3	1,426.0	52.3	722.3	631.4	386.4	357.6	322.6	341.3	47.1	95.7	24.6	22.2
Q4	1,486.3	1,424.5	61.8	711.3	635.3	390.8	344.9	337.3	345.7	46.8	98.6	42.1	20.1
2026 Q1	1,540.4	1,459.8	80.6	717.8	641.7	413.5	368.0	358.2	354.0	50.8	96.0	36.7	25.7
2025 Oct.	498.3	467.9	30.4	237.0	204.2	130.0	114.2	116.0	116.5	15.3	33.0	9.0	4.9
Nov.	495.7	482.0	13.7	235.0	211.5	131.9	116.9	112.4	120.0	16.5	33.7	11.1	5.0
Dec.	492.3	474.5	17.7	239.4	219.6	128.9	113.8	108.9	109.2	15.1	31.9	22.0	10.3
2026 Jan.	514.1	473.9	40.2	238.3	202.8	138.0	121.8	120.7	117.1	17.1	32.2	15.4	13.3
Feb.	520.4	494.8	25.6	243.6	217.3	139.4	124.2	120.1	121.7	17.3	31.6	10.4	7.9
Mar.	505.9	491.1	14.9	235.9	221.6	136.1	122.1	117.5	115.2	16.4	32.2	10.9	4.5
	12-month cumulated transactions												
2026 Mar.	6,006.5	5,731.2	275.3	2,869.7	2,540.7	1,580.3	1,422.6	1,364.0	1,383.0	192.4	384.8	123.4	88.0
	12-month cumulated transactions as a percentage of GDP												
2026 Mar.	37.4	35.7	1.7	17.9	15.8	9.8	8.9	8.5	8.6	1.2	2.4	0.8	0.5

Source: ECB.
1) The capital account is not seasonally adjusted.
Note: Euro area data include Bulgaria.

2.9 Euro area external trade in goods [1], values and volumes by product group [2]
(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total				Memo item:	Total				Memo items:	
			Total	Intermediate goods	Capital goods	Consumption goods	Manufacturing	Total	Intermediate goods	Capital goods	Consumption goods	Manufacturing	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2025 Q2	-0.1	1.7	724.2	338.1	139.0	229.1	602.7	694.5	383.5	118.8	177.3	507.2	60.0
Q3	1.4	2.2	724.1	339.9	145.8	222.9	601.1	694.6	379.7	121.2	177.4	511.1	64.1
Q4	0.3	0.0	718.6	331.7	144.7	223.9	592.6	689.2	373.2	122.7	173.1	512.3	58.3
2026 Q1	-6.5	-1.5	721.3	.	.	.	584.4	700.3	.	.	.	509.0	.
2025 Oct.	1.1	-3.2	237.4	109.7	48.3	74.0	195.6	225.1	121.6	40.4	55.7	167.6	19.0
Nov.	-3.3	-0.4	239.5	111.1	47.4	75.0	197.5	232.1	126.4	40.8	58.6	171.3	19.5
Dec.	3.3	4.2	241.7	110.9	49.1	74.8	199.5	232.0	125.2	41.5	58.8	173.4	19.8
2026 Jan.	-7.2	-6.9	237.8	111.9	47.3	73.2	194.8	226.8	122.0	41.0	57.5	168.6	19.0
Feb.	-6.9	-2.3	239.2	112.3	47.5	72.8	195.6	232.7	128.6	40.8	58.1	171.4	19.3
Mar.	-5.5	4.4	244.3	.	.	.	194.0	240.8	.	.	.	169.0	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2025 Q1	0.5	2.1	97.3	93.1	94.0	106.8	96.8	100.2	95.5	98.4	110.3	100.9	130.3
Q2	-2.9	1.1	93.5	86.9	89.7	108.6	94.1	100.7	95.3	101.7	110.9	101.1	135.5
Q3	0.1	3.2	94.4	87.8	94.9	105.7	94.4	101.8	96.5	104.2	111.0	102.5	139.5
Q4	-0.9	2.3	92.2	83.8	91.7	105.6	92.1	101.8	95.3	105.6	109.3	103.1	141.8
2025 Sep.	6.0	7.1	96.4	92.8	93.3	105.0	95.5	102.6	97.1	105.1	112.4	103.4	142.6
Oct.	-0.2	-2.3	92.3	84.1	92.1	105.8	92.8	98.9	93.0	104.0	105.4	100.3	134.4
Nov.	-4.7	1.9	93.7	85.3	92.0	106.7	92.5	104.0	97.1	107.5	112.3	104.4	144.8
Dec.	2.6	8.3	90.7	82.1	91.1	104.2	90.9	102.4	95.8	105.2	110.2	104.7	146.2
2026 Jan.	-7.0	-3.7	91.1	82.4	91.9	105.0	91.1	98.8	90.7	102.3	108.2	100.2	139.4
Feb.	-5.3	0.5	92.6	85.1	92.7	104.4	91.2	101.4	95.4	104.0	109.1	102.5	144.5

Source: Eurostat.
1) Differences between ECB's b.o.p. goods (Table 2.8) and Eurostat's trade in goods (Table 2.9) are mainly due to different definitions.
2) Product groups as classified in the Broad Economic Categories.
Note: Euro area data include Bulgaria.

3 Prices and costs

3.1 Harmonised Index of Consumer Prices [1)]
(annual percentage changes, unless otherwise indicated)

	Total					Total (s.a.; percentage change vis-à-vis previous period) [2)]						Administered prices	
	Index: 2025 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total	Total excluding food and energy										
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2026	100.0	100.0	72.0	53.3	46.7	100.0	13.8	5.2	25.3	9.0	46.7	87.7	12.3
2023	95.7	5.4	4.9	5.7	4.9	-	-	-	-	-	-	5.5	4.9
2024	97.9	2.4	2.8	1.1	4.0	-	-	-	-	-	-	2.3	3.3
2025	100.0	2.1	2.4	1.0	3.4	-	-	-	-	-	-	2.0	2.9
2025 Q2	100.1	2.0	2.4	0.8	3.5	0.2	0.6	1.0	0.0	-4.1	1.0	1.9	2.9
Q3	100.4	2.1	2.3	1.2	3.2	0.6	0.8	1.1	0.3	0.3	0.7	2.0	2.7
Q4	100.6	2.1	2.4	0.9	3.4	0.4	0.4	0.3	0.0	-0.1	0.8	2.0	2.3
2026 Q1	100.9	2.0	2.3	1.0	3.3	0.8	0.1	1.9	0.2	3.3	0.7	2.0	2.3
2025 Dec.	100.6	2.0	2.3	0.7	3.4	0.1	0.0	0.6	-0.1	-0.9	0.3	1.9	2.2
2026 Jan.	100.1	1.7	2.2	0.4	3.2	0.2	0.1	0.8	0.1	0.8	0.2	1.6	1.8
Feb.	100.7	1.9	2.4	0.7	3.4	0.3	-0.1	0.8	0.2	0.6	0.3	1.8	2.4
Mar.	102.0	2.6	2.3	2.0	3.2	0.8	0.1	0.4	0.0	7.0	0.2	2.6	2.6
Apr.	103.0	3.0	2.2	3.1	3.0	0.5	0.0	0.5	0.2	3.0	0.4	3.0	3.0
May [3)]	103.2	3.2	2.5	.	3.5	0.1	0.0	-0.1	0.1	-1.1	0.5	.	.

	Goods						Services					
	Food (including alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal care	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Total	Rents				
	14	15	16	17	18	19	20	21	22	23	24	25
% of total in 2026	19.0	13.8	5.2	34.3	25.3	9.0	9.7	5.9	6.8	2.1	18.0	10.0
2023	10.9	11.4	9.5	2.9	5.0	-2.0	3.6	2.7	5.2	0.4	6.9	4.0
2024	2.9	3.2	2.1	0.0	0.8	-2.2	3.3	2.9	4.2	-0.7	5.0	4.0
2025	2.8	2.6	3.4	0.0	0.6	-1.4	3.2	2.9	3.9	-1.0	3.7	3.9
2025 Q2	3.1	2.8	3.8	-0.5	0.5	-3.2	3.3	3.0	4.4	-1.8	3.8	3.9
Q3	3.1	2.8	4.2	0.1	0.7	-1.6	3.2	2.9	3.7	-0.9	3.2	3.8
Q4	2.5	2.3	3.0	0.1	0.5	-1.1	3.2	3.0	3.7	0.6	3.7	3.7
2026 Q1	2.5	1.8	4.3	0.2	0.5	-0.7	3.1	2.8	3.2	0.2	3.8	3.2
2025 Dec.	2.5	2.1	3.5	-0.3	0.3	-1.9	3.2	3.0	3.8	0.5	3.6	3.6
2026 Jan.	2.6	2.0	4.2	-0.8	0.4	-4.0	3.2	3.0	2.7	0.0	3.7	3.3
Feb.	2.5	1.8	4.6	-0.4	0.7	-3.1	3.1	2.8	3.4	0.1	4.0	3.2
Mar.	2.4	1.7	4.2	1.8	0.5	5.1	3.1	2.7	3.5	0.4	3.7	3.2
Apr.	2.4	1.6	4.6	3.5	0.8	10.8	3.1	2.7	2.7	0.9	3.2	3.1
May [3)]	2.0	1.1	4.2	.	0.9	10.9	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.
1) Data refer to the changing composition of the euro area.
2) In May 2016 the ECB started publishing enhanced seasonally adjusted HICP series for the euro area, following a review of the seasonal adjustment approach as described in Box 1, Economic Bulletin, Issue 3, ECB, 2016 (https://www.ecb.europa.eu/pub/pdf/ecbu/eb201603.en.pdf).
3) Flash estimate.

3 Prices and costs

3.2 Industry, construction and property prices
(annual percentage changes, unless otherwise indicated)

	Industrial producer prices excluding construction [1]										Construction [2]	Residential property prices	Experimental indicator of commercial property prices [3]
	Total (index: 2021 = 100)	Total		Industry excluding construction and energy						Energy			
		Total	Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods						
							Total	Food, beverages and tobacco	Non-food				
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2021	100.0	100.0	77.8	72.3	30.9	19.3	22.2	15.7	6.5	27.7			
2023	130.0	-2.2	1.9	3.8	-0.2	4.8	8.3	8.4	5.7	-13.4	6.9	-1.0	-8.2
2024	124.6	-4.2	-0.6	-0.1	-2.4	1.6	1.6	0.3	1.2	-12.2	2.1	2.2	-4.7
2025	125.1	0.4	0.4	1.1	0.4	1.7	2.2	1.7	1.6	-0.8	1.0	5.3	2.3
2025 Q2	123.5	0.6	-0.1	1.1	0.2	1.7	2.3	2.1	1.4	-0.4	0.6	5.3	3.3
Q3	124.2	-0.1	0.5	1.0	-0.1	1.7	2.4	2.0	1.5	-2.3	1.1	5.2	1.7
Q4	124.6	-1.2	0.6	1.0	0.5	1.7	2.0	0.9	1.8	-6.0	1.8	5.2	1.9
2026 Q1	126.5	-1.1	1.4	1.2	1.6	1.6	1.3	-0.2	1.7	-5.7	1.9	.	.
2025 Nov.	125.1	-1.3	0.8	1.0	0.5	1.8	2.0	0.9	1.9	-6.0	-	-	-
Dec.	124.7	-2.0	0.3	1.0	0.8	1.7	1.9	0.6	1.8	-8.4	-	-	-
2026 Jan.	125.6	-2.1	0.2	1.2	1.5	1.6	1.4	0.1	1.6	-8.9	-	-	-
Feb.	124.8	-3.0	0.3	1.1	1.3	1.6	1.2	-0.2	1.7	-11.7	-	-	-
Mar.	129.0	2.0	3.7	1.4	2.0	1.7	1.1	-0.5	1.7	4.0	-	-	-
Apr.	129.8	4.9	6.1	2.3	3.9	2.1	0.8	-0.8	1.9	12.3	-	-	-

Sources: Eurostat, ECB calculations, and ECB calculations based on MSCI data and national sources (col. 13).
1) Domestic sales only.
2) Output prices for residential buildings.
3) Experimental data based on non-harmonised sources (see https://www.ecb.europa.eu/stats/ecb_statistics/governance_and_quality_framework/html/experimental-data.en.html for further details).
Note: Euro area data in columns 1 to 12 include Bulgaria.

3.3 Commodity prices and GDP deflators
(annual percentage changes, unless otherwise indicated)

	GDP deflators								Oil prices (Brent spot, US Dollar)	Non-energy commodity prices (EUR)					
	Total (s.a.; index: 2020 = 100)	Total	Domestic demand				Exports [1]	Imports [1]		Import-weighted [2]			Use-weighted [2]		
			Total	Private consumption	Government consumption	Gross fixed capital formation				Total	Food	Non-food	Total	Food	Non-food
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
% of total										100.0	45.5	54.6	100.0	50.4	49.6
2023	114.1	6.2	4.8	6.3	3.8	4.1	0.7	-2.1	83.7	-13.0	-13.7	-12.4	-13.7	-14.0	-13.4
2024	117.5	3.0	2.5	2.4	2.9	2.0	0.9	-0.3	82.0	2.9	2.8	3.0	3.9	4.3	3.5
2025	120.4	2.5	2.3	2.1	3.1	1.9	0.5	0.1	69.9	-0.6	0.2	-1.2	-1.1	-0.6	-1.6
2025 Q2	119.9	2.4	2.3	1.9	3.1	2.1	0.3	-0.2	68.9	-6.1	-2.9	-8.7	-5.6	-2.8	-8.4
Q3	120.6	2.5	2.4	2.1	2.9	1.8	-0.1	-0.5	69.9	-1.9	-1.9	-1.9	-3.0	-3.2	-2.9
Q4	121.6	2.6	2.4	2.3	3.5	2.0	-0.3	-1.0	64.3	-4.8	-9.5	-0.8	-7.3	-11.6	-2.8
2026 Q1	122.2	2.3	1.8	2.2	2.3	2.2	0.6	-0.6	82.9	-6.7	-17.3	2.8	-8.0	-14.5	-0.9
2025 Dec.	-	-	-	-	-	-	-	-	63.4	-6.5	-14.8	0.8	-9.3	-16.1	-1.9
2026 Jan.	-	-	-	-	-	-	-	-	68.2	-4.2	-18.6	8.8	-6.7	-16.9	4.5
Feb.	-	-	-	-	-	-	-	-	73.3	-12.4	-21.6	-4.1	-13.3	-18.4	-7.9
Mar.	-	-	-	-	-	-	-	-	105.7	-3.2	-11.5	4.0	-3.6	-7.7	0.8
Apr.	-	-	-	-	-	-	-	-	133.1	4.4	-8.4	15.9	3.9	-4.5	13.0
May	-	-	-	-	-	-	-	-	111.7	6.6	-6.9	18.6	5.9	-3.4	15.9

Sources: Eurostat, ECB calculations and LSEG (London Stock Exchange Group) (col. 9).
1) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.
2) Import-weighted: weighted according to 2009-11 average import structure; use-weighted: weighted according to 2009-11 average domestic demand structure.

3 Prices and costs

3.4 Price-related opinion surveys
(seasonally adjusted)

	European Commission Business and Consumer Surveys (percentage balance)				
	Selling price expectations (for next three months)				Consumer price trends over past 12 months
	Manufacturing	Retail trade	Services	Construction	
	1	2	3	4	5
1999-22	45.6	45.9	23.1	37.6	62.1
2023	9.0	28.8	19.6	15.0	75.6
2024	6.1	14.6	15.1	4.7	55.9
2025	9.0	16.9	13.9	4.7	48.9
2025 Q2	7.3	15.6	13.4	3.2	49.2
Q3	7.7	16.6	13.3	2.9	48.0
Q4	10.1	17.7	13.5	7.9	48.4
2026 Q1	14.6	18.5	14.4	8.9	46.7
2025 Dec.	11.6	18.3	14.6	8.9	49.1
2026 Jan.	11.2	17.1	14.2	8.7	46.9
Feb.	12.5	17.8	14.0	6.7	45.8
Mar.	20.1	20.6	14.8	11.2	47.5
Apr.	30.2	28.0	17.3	19.3	56.5
May	27.4	27.4	16.2	17.3	57.4

Source: European Commission (Directorate-General for Economic and Financial Affairs).

3.5 Labour cost indices
(annual percentage changes, unless otherwise indicated)

	Total (index: 2020=100)	Total	By component		For selected economic activities		Memo item: Indicator of negotiated wages [1]
			Wages and salaries	Employers' social contributions	Business economy	Mainly non-business economy	
	1	2	3	4	5	6	7
% of total in 2020	100.0	100.0	75.3	24.7	69.0	31.0	
2023	110.8	4.8	4.6	5.2	5.1	4.1	4.3
2024	116.1	4.8	4.8	4.6	4.8	4.6	4.6
2025	120.2	3.6	3.5	3.9	3.8	3.1	2.8
2025 Q2	124.8	4.0	4.0	4.0	4.5	3.1	4.0
Q3	116.3	3.5	3.3	3.9	3.5	3.3	1.9
Q4	127.2	3.4	3.1	4.2	3.3	3.5	2.9
2026 Q1	116.5	3.4	3.6	3.0	3.2	3.7	2.5

Sources: Eurostat and ECB calculations.
1) Experimental data based on non-harmonised sources (see https://www.ecb.europa.eu/stats/ecb_statistics/governance_and_quality_framework/html/experimental-data.en.html for further details).

3 Prices and costs

3.6 Unit labour costs, compensation per labour input and labour productivity
(annual percentage changes, unless otherwise indicated; quarterly data seasonally adjusted; annual data unadjusted)

	Total (index: 2020 =100)	Total	By economic activity									
			Agriculture, forestry andfishing	Manu-facturing, energy and utilities	Con-struction	Trade, transport, accom-modation and food services	Information and commu-nication	Finance and insurance	Real estate	Professional, business and support services	Public ad-ministration, education, health and social work	Arts, enter-tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
						Unit labor costs						
2023	109.5	6.5	6.7	8.3	4.7	7.8	1.3	10.7	3.3	6.1	5.1	3.5
2024	114.4	4.5	3.4	4.8	6.7	4.1	3.4	4.1	2.0	4.0	4.5	4.4
2025	118.1	3.2	0.2	0.9	4.6	3.1	0.8	4.7	4.5	4.0	4.4	4.7
2025 Q2	117.4	3.1	0.0	0.2	5.4	3.0	0.8	5.8	4.8	5.0	4.3	4.7
Q3	118.4	3.2	-0.3	1.2	3.9	2.9	0.9	4.6	5.2	3.9	4.1	6.1
Q4	119.3	3.2	0.2	1.1	3.2	2.8	-0.4	4.2	4.1	3.1	4.9	4.0
2026 Q1	120.5	3.7	2.5	5.8	4.7	3.0	-0.5	5.3	3.8	3.3	3.5	4.0
						Compensation per employee						
2023	115.0	5.4	4.7	5.8	5.0	5.6	4.5	6.6	3.7	6.1	4.9	5.5
2024	120.2	4.5	5.2	4.4	4.2	4.3	3.9	4.2	3.5	4.8	4.8	5.0
2025	124.9	3.9	3.9	3.7	3.9	3.8	4.2	3.3	3.1	3.8	4.2	3.6
2025 Q2	124.4	4.0	4.2	3.9	4.8	3.6	4.1	3.9	2.7	4.4	4.1	4.2
Q3	125.5	4.0	3.9	4.1	3.9	3.9	4.7	3.2	3.8	3.9	4.0	4.1
Q4	126.5	3.7	3.0	3.5	3.3	3.7	4.0	3.6	4.2	2.8	4.5	3.1
2026 Q1	127.4	3.5	3.7	3.2	2.8	3.7	4.2	3.9	4.0	3.5	3.3	4.1
						Labour productivity per person employed						
2023	105.0	-1.0	-1.8	-2.3	0.2	-2.1	3.1	-3.7	0.3	0.0	-0.3	1.9
2024	105.1	0.0	1.7	-0.5	-2.4	0.1	0.5	0.0	1.5	0.7	0.3	0.6
2025	105.8	0.6	3.7	2.8	-0.6	0.7	3.3	-1.3	-1.3	-0.2	-0.2	-1.0
2025 Q2	105.9	0.8	4.2	3.7	-0.6	0.6	3.2	-1.8	-2.0	-0.5	-0.2	-0.5
Q3	106.0	0.7	4.2	2.8	0.0	1.0	3.8	-1.3	-1.3	0.0	-0.1	-1.9
Q4	106.0	0.5	2.8	2.4	0.1	0.9	4.4	-0.6	0.1	-0.4	-0.4	-0.9
2026 Q1	105.7	-0.2	1.1	-2.4	-1.8	0.7	4.7	-1.4	0.2	0.2	-0.1	0.0
						Compensation per hour worked						
2023	108.7	4.9	4.4	5.5	4.6	5.2	4.3	6.4	3.7	5.5	4.3	4.6
2024	113.4	4.3	4.9	4.4	4.3	4.1	3.8	4.0	3.0	3.8	4.5	4.8
2025	118.1	4.1	4.1	4.1	4.1	4.2	4.4	3.8	4.5	4.1	4.4	3.0
2025 Q2	117.4	4.3	4.0	4.4	4.4	4.0	4.2	4.3	4.0	4.9	4.6	3.5
Q3	118.3	3.9	4.8	3.9	3.9	3.7	5.1	3.8	4.4	3.9	3.9	3.6
Q4	118.7	3.5	3.0	3.1	3.4	3.9	3.5	3.3	6.2	2.6	4.2	2.1
2026 Q1	119.9	3.4	4.1	3.0	3.7	3.7	4.4	4.3	4.4	3.3	3.0	3.9
						Hourly labour productivity						
2023	99.1	-1.2	-1.0	-2.6	0.3	-2.2	2.9	-3.8	0.5	-0.4	-0.7	1.2
2024	98.9	-0.1	1.1	-0.4	-2.3	0.1	0.3	-0.1	0.9	0.1	0.0	0.2
2025	100.0	1.0	4.6	3.2	-0.4	1.4	3.5	-0.9	-0.8	0.1	0.0	-1.5
2025 Q2	99.9	1.3	4.9	4.3	-0.8	1.4	3.5	-1.5	-1.3	-0.2	0.2	-1.1
Q3	99.9	0.7	5.1	2.6	-0.1	1.1	3.9	-0.9	-2.3	-0.2	-0.2	-2.5
Q4	99.5	0.5	3.7	2.1	0.1	1.2	3.9	-0.9	1.8	-0.4	-0.7	-1.5
2026 Q1	99.5	-0.2	1.4	-2.7	-1.1	0.7	4.7	-0.9	0.5	0.3	-0.4	0.1

Sources: Eurostat and ECB calculations.

4 Financial market developments

4.1 Money market interest rates
(percentages per annum, period averages)

	Euro area [1]					United States	Japan
	Euro short-term rate (€STR)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	Secured overnight financing rate (SOFR)	Tokyo overnight average rate (TONAR)
	1	2	3	4	5	6	7
2023	3.21	3.24	3.43	3.69	3.87	5.01	-0.03
2024	3.64	3.56	3.57	3.48	3.27	5.15	0.12
2025	2.18	2.12	2.18	2.20	2.22	4.24	0.47
2025 Dec.	1.93	1.92	2.05	2.14	2.27	3.80	0.56
2026 Jan.	1.93	1.96	2.03	2.14	2.25	3.66	0.73
Feb.	1.93	1.95	2.01	2.14	2.22	3.67	0.73
Mar.	1.93	1.93	2.11	2.32	2.57	3.65	0.73
Apr.	1.93	1.97	2.18	2.45	2.75	3.64	0.73
May	1.93	1.96	2.23	2.54	2.80	3.59	0.73

Source: LSEG and ECB calculations.
1) Data refer to the changing composition of the euro area.

4.2 Yield curves
(End of period; rates in percentages per annum; spreads in percentage points)

	Spot rates					Spreads			Instantaneous forward rates			
	Euro area [1,2]					Euro area [1,2]	United States	Japan	Euro area [1,2]			
	3 months	1 year	2 years	5 years	10 years	10 years - 1 year	10 years - 1 year	10 years - 1 year	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2023	3.78	3.05	2.44	1.88	2.08	-0.96	-0.92	0.64	2.25	1.54	1.76	2.64
2024	2.58	2.18	2.01	2.13	2.45	0.27	0.41	0.63	1.86	1.89	2.50	2.91
2025	1.98	2.02	2.11	2.44	2.95	0.92	0.74	1.14	2.09	2.30	3.02	3.78
2025 Dec.	1.98	2.02	2.11	2.44	2.95	0.92	0.74	1.14	2.09	2.30	3.02	3.78
2026 Jan.	1.97	1.98	2.05	2.38	2.90	0.92	0.82	1.21	2.03	2.22	2.97	3.77
Feb.	1.96	1.95	1.98	2.23	2.73	0.78	0.52	1.09	1.96	2.08	2.74	3.59
Mar.	2.09	2.50	2.59	2.69	3.07	0.58	0.71	1.20	2.74	2.63	3.04	3.75
Apr.	2.20	2.51	2.61	2.73	3.09	0.59	0.72	1.40	2.72	2.68	3.05	3.77
May	2.20	2.41	2.50	2.65	3.02	0.60	0.72	1.54	2.57	2.59	2.99	3.69

Source: ECB calculations.
1) Data refer to the changing composition of the euro area.
2) ECB calculations based on underlying data provided by Euro MTS Ltd and ratings provided by Fitch Ratings.

4.3 Stock market indices
(index levels in points; period averages)

	Dow Jones EURO STOXX Indices												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2023	452.0	4,272.0	968.5	292.7	169.2	119.2	186.7	809.8	861.5	367.8	283.1	803.6	4,285.6	30,716.6
2024	502.8	4,870.4	992.6	299.1	161.1	123.9	231.6	951.6	1,069.3	378.7	301.6	792.1	5,430.7	38,395.3
2025	565.6	5,396.9	961.3	270.5	155.2	135.2	321.9	1,153.7	1,104.9	444.9	356.1	855.9	6,216.9	41,794.2
2025 Dec.	604.4	5,730.9	921.2	274.9	150.2	153.8	372.7	1,214.5	1,167.1	498.3	337.6	902.9	6,853.0	50,162.4
2026 Jan.	628.1	5,951.6	940.4	271.3	150.5	162.5	385.3	1,281.0	1,284.1	526.6	343.5	908.5	6,929.1	53,077.3
Feb.	640.9	6,051.7	1,028.4	262.6	162.5	184.9	388.5	1,294.1	1,265.9	559.5	390.5	903.5	6,893.8	56,480.9
Mar.	606.2	5,693.8	978.4	237.0	154.6	201.2	358.9	1,194.9	1,213.6	561.9	402.5	821.8	6,654.4	53,964.9
Apr.	629.5	5,880.4	1,051.6	239.5	154.3	214.2	382.8	1,235.8	1,252.9	584.3	400.3	829.5	6,957.0	57,245.8
May	638.1	5,942.2	1,048.2	237.5	155.1	217.8	384.9	1,246.4	1,374.0	569.6	426.2	786.0	7,412.6	62,773.7

Source: LSEG.

4 Financial market developments

4.4 MFI interest rates on loans to and deposits from households (new business) [1), 2)]

(percentages per annum, period average, unless otherwise indicated)

	Deposits				Revolving loans and overdrafts	Extended credit card credit	Loans for consumption			Loans to sole proprietors and unincorporated partnerships	Loans for house purchase					
	Overnight	Redeemable at notice of up to 3 months	With an agreed maturity of:				By initial period of rate fixation		APRC [3)]		By initial period of rate fixation				APRC [3)]	Composite cost-of-borrowing indicator
			Up tp 2 years	Over 2 years			Floating rate and up to 1 year	Over 1 year			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2025 May	0.29	1.45	1.85	2.21	7.48	16.50	6.77	7.60	8.32	4.22	3.70	3.42	3.45	3.12	3.58	3.30
June	0.27	1.44	1.78	2.19	7.40	16.48	6.68	7.47	8.17	4.10	3.61	3.41	3.47	3.12	3.58	3.30
July	0.25	1.43	1.74	2.19	7.28	16.44	6.68	7.53	8.18	4.11	3.56	3.38	3.45	3.12	3.57	3.28
Aug.	0.25	1.22	1.72	2.16	7.28	16.40	7.12	7.54	8.25	4.15	3.59	3.40	3.46	3.18	3.62	3.31
Sep.	0.25	1.21	1.76	2.14	7.34	16.42	6.75	7.46	8.18	4.14	3.52	3.39	3.49	3.17	3.61	3.31
Oct.	0.25	1.21	1.78	2.16	7.32	16.40	6.40	7.42	8.10	4.18	3.52	3.37	3.48	3.16	3.59	3.31
Nov.	0.25	1.21	1.77	2.21	7.25	16.41	6.19	7.45	8.07	4.17	3.53	3.35	3.48	3.15	3.58	3.30
Dec.	0.25	1.22	1.78	2.27	7.23	16.42	6.36	7.24	7.91	4.01	3.55	3.37	3.48	3.13	3.59	3.32
2026 Jan.	0.25	1.23	1.79	2.30	7.27	16.49	7.17	7.62	8.37	4.13	3.51	3.37	3.51	3.23	3.65	3.35
Feb.	0.25	1.17	1.80	2.24	7.26	16.42	6.83	7.59	8.27	4.20	3.48	3.37	3.55	3.26	3.66	3.37
Mar.	0.26	1.17	1.84	2.27	7.30	16.47	7.02	7.50	8.16	4.12	3.50	3.35	3.52	3.24	3.64	3.35
Apr.	0.26	1.17	1.88	2.41	7.23	16.44	7.09	7.65	8.32	4.30	3.56	3.43	3.61	3.31	3.72	3.44

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) Including non-profit institutions serving households.
3) Annual percentage rate of charge (APRC).

4.5 MFI interest rates on loans to and deposits from non-financial corporations (new business) [1), 2)]

(Percentages per annum; period average, unless otherwise indicated)

	Deposits			Revolving loans and overdrafts	Other loans by size and initial period of rate fixation									Composite cost-of-borrowing indicator
	Overnight	With an agreed maturity of:			Up to EUR 0.25 million			over EUR 0.25 and up to 1 million			over EUR 1 million			
		Up tp 2 years	Over 2 years		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2025 May	0.58	2.06	2.56	3.91	3.78	4.22	4.88	3.67	3.49	3.68	3.30	3.48	3.66	3.66
June	0.53	1.93	2.58	3.82	3.70	4.19	4.89	3.54	3.40	3.63	3.29	3.41	3.54	3.61
July	0.51	1.88	2.49	3.68	3.52	4.06	4.76	3.55	3.41	3.61	3.24	3.41	3.47	3.52
Aug.	0.51	1.88	2.29	3.65	3.59	4.04	4.75	3.54	3.41	3.64	3.07	3.35	3.63	3.46
Sep.	0.52	1.90	2.30	3.69	3.59	4.11	4.90	3.50	3.37	3.62	3.14	3.39	3.61	3.50
Oct.	0.53	1.89	2.47	3.66	3.59	4.12	4.81	3.52	3.41	3.63	3.19	3.26	3.54	3.51
Nov.	0.52	1.92	2.37	3.64	3.67	4.18	4.88	3.49	3.44	3.59	3.15	3.33	3.55	3.50
Dec.	0.52	1.94	2.48	3.68	3.65	4.09	4.82	3.53	3.40	3.64	3.31	3.54	3.60	3.57
2026 Jan.	0.52	1.90	2.42	3.68	3.59	4.07	4.71	3.58	3.40	3.71	3.30	3.45	3.57	3.57
Feb.	0.52	1.90	2.36	3.66	3.66	4.14	4.80	3.55	3.42	3.70	3.19	3.16	3.62	3.51
Mar.	0.54	1.95	2.52	3.67	3.64	4.30	4.83	3.55	3.52	3.71	3.29	3.61	3.59	3.59
Apr.	0.53	1.99	2.71	3.71	3.70	4.33	4.84	3.60	3.59	3.81	3.31	3.50	3.68	3.62

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) In accordance with the ESA 2010, in December 2014 holding companies of non-financial groups were reclassified from the non-financial corporations sector to the financial corporations sector.

4 Financial market developments

4.6 Debt securities issued by euro area residents, by sector of the issuer and original maturity [1)]

(EUR billions; transactions during the month and end-of-period outstanding amounts; market values)

	Outstanding amounts							Gross issues [2)]						
	Total	MFIs	Non-MFI corporations			General government		Total	MFIs	Non-MFI corporations			General government	
			Financial corporations other than MFIs		Non-financial corporations	Total	of which central government			Financial corporations other than MFIs		Non-financial corporations	Total	of which central government
			Total	FVCs						Total	FVCs			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
							Short-term							
2023	1,579.6	628.5	164.1	104.6	85.2	701.8	659.1	537.2	242.2	117.8	91.3	48.7	128.5	104.6
2024	1,604.7	586.7	205.5	121.2	70.7	741.8	674.7	517.5	206.8	133.5	104.2	40.1	137.2	110.1
2025	1,616.9	580.1	213.8	132.6	77.2	745.8	662.7	555.8	227.6	151.6	123.4	42.0	134.6	107.8
2025 Nov.	1,683.0	619.1	210.8	120.5	95.1	757.9	670.3	548.8	221.7	146.4	122.3	40.1	140.6	114.3
Dec.	1,616.9	580.1	213.8	132.6	77.2	745.8	662.7	484.9	175.0	158.9	139.3	28.7	122.3	93.2
2026 Jan.	1,681.7	614.6	203.9	113.7	88.6	774.6	672.7	628.5	256.7	159.1	123.3	45.3	167.4	138.7
Feb.	1,683.2	630.7	207.1	114.1	92.1	753.2	659.4	556.9	231.5	151.9	123.3	41.4	132.1	99.8
Mar.	1,653.4	590.0	198.8	107.7	90.9	773.7	682.6	618.6	237.1	163.9	133.7	48.5	169.1	144.3
Apr.	1,663.1	592.7	193.1	99.3	97.5	779.8	697.3	619.7	224.5	167.4	131.5	59.4	168.4	142.2
							Long-term							
2023	19,430.8	4,456.3	3,241.3	1,434.3	1,544.3	10,188.9	9,449.7	322.1	93.4	68.2	31.0	21.2	139.2	130.8
2024	20,535.5	4,774.9	3,509.0	1,528.6	1,644.3	10,607.2	9,835.4	351.1	89.3	86.1	35.2	27.0	148.7	138.1
2025	21,410.7	4,895.2	3,757.0	1,694.9	1,745.6	11,013.0	10,220.4	384.6	92.9	102.9	44.7	31.0	157.8	146.7
2025 Nov.	21,578.0	4,927.6	3,768.1	1,687.8	1,755.0	11,127.3	10,325.3	385.0	83.6	130.9	55.7	43.6	127.0	117.8
Dec.	21,410.7	4,895.2	3,757.0	1,694.9	1,745.6	11,013.0	10,220.4	265.1	75.1	111.8	57.4	16.9	61.4	54.7
2026 Jan.	21,715.5	4,946.7	3,757.0	1,686.6	1,767.7	11,244.0	10,430.4	537.0	147.4	90.2	27.6	36.3	263.1	236.0
Feb.	21,975.3	4,992.4	3,786.6	1,693.9	1,779.6	11,416.7	10,590.2	392.0	88.5	92.0	35.4	23.2	188.3	174.5
Mar.	21,695.9	4,941.1	3,801.6	1,731.0	1,736.1	11,217.1	10,400.8	448.6	114.5	131.1	64.0	21.7	181.2	163.9
Apr.	21,782.8	5,007.9	3,827.3	1,732.1	1,755.3	11,192.3	10,376.3	425.3	133.7	87.5	33.8	34.7	169.3	159.6

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) In order to facilitate comparison, annual data are averages of the relevant monthly data.

4.7 Annual growth rates and outstanding amounts of debt securities and listed shares [1)]

(EUR billions and percentage changes; market values)

	Debt securities							Listed shares			
	Total	MFIs	Non-MFI corporations			General government		Total	MFIs	Financial corporations other than MFIs	Non-financial corporations
			Financial corporations other than MFIs		Non-financial corporations	Total	of which central government				
			Total	FVCs							
	1	2	3	4	5	6	7	8	9	10	11
						Outstanding amount					
2023	21,010.4	5,084.9	3,405.4	1,538.9	1,629.5	10,890.6	10,108.8	9,667.1	625.3	1,415.4	7,625.8
2024	22,140.2	5,361.6	3,714.6	1,649.8	1,715.0	11,349.0	10,510.1	10,145.8	755.1	1,585.0	7,805.2
2025	23,027.6	5,475.3	3,970.7	1,827.6	1,822.7	11,758.8	10,883.1	11,697.4	1,315.7	1,850.0	8,531.3
2025 Nov.	23,261.0	5,546.7	3,978.9	1,808.3	1,850.2	11,885.2	10,995.6	11,491.0	1,204.0	1,856.2	8,430.3
Dec.	23,027.6	5,475.3	3,970.7	1,827.6	1,822.7	11,758.8	10,883.1	11,697.4	1,315.7	1,850.0	8,531.3
2026 Jan.	23,397.2	5,561.4	3,961.0	1,800.4	1,856.3	12,018.6	11,103.1	11,946.9	1,363.8	1,829.2	8,753.4
Feb.	23,658.5	5,623.2	3,993.7	1,808.0	1,871.7	12,169.9	11,249.5	12,302.3	1,320.4	1,878.7	9,102.8
Mar.	23,349.3	5,531.1	4,000.4	1,838.7	1,827.0	11,990.7	11,083.4	11,333.5	1,177.3	1,774.1	8,381.6
Apr.	23,445.8	5,600.6	4,020.3	1,831.3	1,852.9	11,972.0	11,073.6	11,932.3	1,269.2	1,856.2	8,806.4
						Growth rate [2)]					
2025 Sep.	4.8	3.1	8.6	10.7	3.4	4.7	4.6	0.1	0.7	-0.8	0.1
Oct.	4.9	3.3	9.3	10.4	3.2	4.6	4.6	0.0	0.6	-0.9	0.1
Nov.	5.5	4.0	9.8	11.0	4.0	5.0	4.8	0.0	0.4	-0.9	0.0
Dec.	5.3	3.3	10.3	12.1	4.0	4.9	4.8	0.0	2.9	-1.9	0.1
2026 Jan.	5.5	3.4	9.7	10.3	4.7	5.3	5.0	0.1	2.6	-0.8	0.0
Feb.	5.4	3.9	9.2	9.6	4.9	5.0	4.8	0.2	2.3	-0.7	0.1
Mar.	5.5	3.1	9.7	10.2	4.4	5.5	5.5	0.3	2.3	-0.3	0.2
Apr.	5.7	5.5	9.2	8.8	4.9	4.8	4.7	0.3	1.6	-0.2	0.3

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) For details on the calculation of growth rates, see the Technical Notes.

4 Financial market developments

4.8 Effective exchange rates [1)]
(period averages; index: 1999 Q1=100)

	EER-17						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2023	97.9	93.6	98.0	88.9	65.2	87.1	122.1	94.0
2024	98.2	94.0	98.3	89.5	64.8	88.1	124.4	94.2
2025	100.4	96.0	100.4	91.9	62.8	90.3	128.3	96.1
2025 Q2	100.4	96.1	100.7	92.0	62.9	90.4	128.4	96.2
Q3	102.1	97.7	102.1	93.5	63.9	92.0	130.8	97.9
Q4	101.9	97.4	101.9	93.5	63.2	91.9	130.7	97.5
2026 Q1	101.4	97.2	101.8	.	.	.	130.3	97.2
2025 Dec.	102.2	97.7	102.0	-	-	-	131.1	97.8
2026 Jan.	101.8	97.5	101.9	-	-	-	130.7	97.4
Feb.	101.8	97.4	101.7	-	-	-	130.7	97.3
Mar.	100.8	96.9	101.8	-	-	-	129.6	96.8
Apr.	101.3	97.5	102.3	-	-	-	130.2	97.3
May	100.8	97.3	101.9	-	-	-	129.7	97.0
	Percentage change versus previous month							
2026 May	-0.4	-0.3	-0.3	-	-	-	-0.4	-0.4
	Percentage change versus previous year							
2026 May	0.9	1.8	1.7	-	-	-	1.6	1.4

Source: ECB.
1) For a definition of the trading partner groups and other information see the technical notes, available in the “Methodology” section of the ECB Data Portal.

4.9 Bilateral exchange rates
(period averages; units of national currency per euro)

	Chinese renminbi	Czech koruna	Danish krone	Hungarian forint	Japanese yen	Polish zloty	Pound sterling	Romanian leu	Swedish krona	Swiss franc	US Dollar
	1	2	3	4	5	6	7	8	9	10	11
2023	7.660	24.004	7.451	381.853	151.990	4.542	0.870	4.9467	11.479	0.972	1.081
2024	7.787	25.120	7.459	395.304	163.852	4.306	0.847	4.9746	11.433	0.953	1.082
2025	8.119	24.688	7.463	397.767	169.043	4.240	0.857	5.0424	11.066	0.937	1.130
2025 Q2	8.197	24.920	7.461	404.114	163.813	4.262	0.849	5.0323	10.955	0.937	1.134
Q3	8.360	24.498	7.464	395.800	172.286	4.258	0.866	5.0703	11.121	0.935	1.168
Q4	8.250	24.272	7.469	386.506	179.223	4.237	0.875	5.0884	10.952	0.930	1.163
2026 Q1	8.103	24.328	7.471	384.158	183.596	4.235	0.868	5.0939	10.695	0.917	1.170
2025 Dec.	8.249	24.259	7.470	384.970	182.497	4.224	0.875	5.0913	10.896	0.933	1.171
2026 Jan.	8.181	24.278	7.470	384.178	183.939	4.213	0.868	5.0919	10.681	0.927	1.174
Feb.	8.168	24.260	7.470	378.607	183.452	4.218	0.870	5.0945	10.635	0.914	1.182
Mar.	7.970	24.438	7.472	389.186	183.399	4.271	0.866	5.0954	10.761	0.909	1.156
Apr.	8.000	24.381	7.473	368.960	186.206	4.250	0.869	5.0991	10.835	0.921	1.171
May	7.935	24.313	7.473	358.231	184.710	4.241	0.866	5.2296	10.861	0.915	1.167
	Percentage change versus previous month										
2026 May	-0.8	-0.3	0.0	-2.9	-0.8	-0.2	-0.4	2.6	0.2	-0.7	-0.3
	Percentage change versus previous year										
2026 May	-2.5	-2.4	0.2	-11.3	13.2	-0.3	2.6	3.1	-0.2	-2.2	3.5

Source: ECB.

4 Financial market developments

4.10 Euro area balance of payments, financial account

(EUR billions, unless otherwise indicated; outstanding amounts at end of period; transactions during period)

	Total [1)]			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets	Memo: Gross external debt
	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities		
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2025 Q1	36,234.7	34,654.4	1,580.3	12,786.0	9,986.3	14,303.7	16,559.5	39.9	7,594.1	8,108.6	1,511.0	17,014.7
Q2	35,913.9	34,533.4	1,380.5	12,563.9	9,760.3	14,385.4	16,751.1	-0.2	7,502.7	8,021.9	1,462.1	16,870.9
Q3	36,834.3	35,241.8	1,592.5	12,613.6	9,816.5	15,099.1	17,385.9	-14.5	7,514.0	8,039.4	1,622.2	16,980.3
Q4	37,592.6	35,833.8	1,758.9	12,798.4	9,798.2	15,457.0	17,986.7	-5.1	7,567.5	8,048.9	1,774.8	16,999.2
	Outstanding amounts as percentage of GDP											
2025 Q4	235.7	224.6	11.0	80.2	61.4	96.9	112.8	0.0	47.4	50.5	11.1	106.6
	Transactions											
2025 Q2	337.0	252.8	84.2	-17.3	-47.9	208.5	208.6	-17.9	155.0	92.1	8.8	-
Q3	304.6	261.0	43.6	41.3	35.8	275.6	200.9	-4.4	-13.6	24.2	5.8	-
Q4	377.3	299.2	78.1	143.4	-3.1	134.6	257.8	-23.5	114.2	44.5	8.6	-
2026 Q1	600.0	571.0	28.9	105.0	57.1	160.0	313.6	-10.7	339.9	200.2	5.7	-
2025 Oct.	212.7	180.5	32.2	13.7	-48.5	34.3	68.6	1.4	162.6	160.4	0.8	-
Nov.	226.5	236.6	-10.1	67.8	66.7	38.7	107.7	-6.4	123.7	62.1	2.7	-
Dec.	-62.0	-117.9	55.9	62.0	-21.4	61.6	81.4	-18.6	-172.1	-178.0	5.1	-
2026 Jan.	385.2	380.4	4.9	25.3	16.4	129.6	138.9	-10.1	238.9	225.1	1.5	-
Feb.	290.9	261.9	29.0	25.1	19.2	107.2	143.6	-0.4	157.5	99.1	1.6	-
Mar.	-76.2	-71.3	-4.9	54.6	21.5	-76.8	31.1	-0.1	-56.4	-123.9	2.6	-
	12-month cumulated transactions											
2026 Mar.	1,618.9	1,384.0	234.9	272.4	41.9	778.7	980.9	-56.6	595.5	361.1	28.9	-
	12-month cumulated transactions as percentage of GDP											
2026 Mar.	10.1	8.6	1.5	1.7	0.3	4.8	6.1	-0.4	3.7	2.2	0.2	-

Source: ECB.
1) Net financial derivatives are included in total assets.
Note: Euro area data include Bulgaria.

5 Financing conditions and credit developments

5.1 Monetary aggregates [1)]

(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

	M3											
	M2							M3-M2				Total
	M1			M2-M1			Total					
	Currency in circulation	Overnight deposits	Total	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Total		Repos	Money market fund shares	Debt securities with a maturity of up to 2 years	Total	
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2023	1,534.0	8,820.5	10,354.5	2,305.6	2,451.9	4,757.5	15,112.0	183.5	743.6	69.4	996.6	16,108.6
2024	1,554.5	9,048.7	10,603.2	2,544.5	2,456.1	5,000.6	15,603.8	253.8	885.7	33.2	1,172.7	16,776.5
2025	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	258.4	855.7	11.9	1,126.0	17,203.3
2025 Q2	1,563.9	9,242.9	10,806.8	2,401.6	2,514.5	4,916.2	15,723.0	257.5	918.6	28.1	1,204.2	16,927.2
Q3	1,574.9	9,321.2	10,896.2	2,348.8	2,543.7	4,892.6	15,788.7	258.6	922.6	12.3	1,193.5	16,982.2
Q4	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	258.4	855.7	11.9	1,126.0	17,203.3
2026 Q1 (p)	1,602.1	9,683.8	11,285.9	2,422.6	2,574.0	4,996.5	16,282.4	223.3	900.9	40.9	1,165.0	17,447.4
2025 Nov.	1,585.5	9,473.5	11,059.0	2,406.2	2,559.4	4,965.6	16,024.6	251.7	901.9	22.4	1,176.0	17,200.6
Dec.	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	258.4	855.7	11.9	1,126.0	17,203.3
2026 Jan.	1,597.0	9,625.9	11,222.9	2,411.0	2,569.2	4,980.2	16,203.1	231.7	858.8	38.3	1,128.8	17,331.9
Feb.	1,598.0	9,636.8	11,234.8	2,435.5	2,574.5	5,010.0	16,244.9	207.6	884.1	18.6	1,110.2	17,355.1
Mar.	1,602.1	9,683.8	11,285.9	2,422.6	2,574.0	4,996.5	16,282.4	223.3	900.9	40.9	1,165.0	17,447.4
Apr. (p)	1,602.9	9,662.2	11,265.1	2,445.3	2,579.4	5,024.8	16,289.9	200.8	900.0	43.2	1,144.1	17,433.9
Transactions												
2023	-5.3	-967.1	-972.4	927.2	-104.0	823.2	-149.2	39.8	94.7	22.2	156.7	7.6
2024	21.2	181.6	202.8	205.5	6.8	212.3	415.0	75.6	131.5	-36.4	170.7	585.7
2025	33.0	465.4	498.4	-123.3	101.4	-21.9	476.6	9.2	-5.2	-13.2	-9.2	467.4
2025 Q2	5.7	141.3	147.0	-75.8	26.1	-49.7	97.3	18.3	19.2	-13.1	24.5	121.8
Q3	11.0	80.4	91.4	-52.6	29.2	-23.4	68.1	1.4	1.4	-13.3	-10.5	57.5
Q4	12.6	149.3	161.9	56.6	21.1	77.7	239.6	-0.1	-34.2	2.3	-31.9	207.7
2026 Q1 (p)	7.0	95.5	102.5	-18.5	8.7	-9.8	92.7	-8.9	43.2	29.8	64.2	156.9
2025 Nov.	6.3	58.1	64.4	52.1	7.2	59.2	123.7	14.6	-9.7	-1.4	3.4	127.1
Dec.	2.1	35.1	37.1	19.2	5.4	24.7	61.8	7.4	-11.8	-8.4	-12.8	49.1
2026 Jan.	2.0	47.2	49.1	-25.6	4.2	-21.4	27.7	0.4	2.3	25.4	28.2	55.9
Feb.	1.0	8.8	9.8	23.5	5.2	28.7	38.5	-24.5	24.8	-19.1	-18.8	19.7
Mar.	4.1	39.5	43.6	-16.4	-0.7	-17.1	26.5	15.1	16.1	23.5	54.7	81.2
Apr. (p)	0.8	-27.7	-26.9	24.9	5.5	30.4	3.5	-21.8	-1.7	3.1	-20.4	-16.9
Growth rates												
2023	-0.3	-9.9	-8.6	67.2	-4.1	20.9	-1.0	32.6	14.6	42.3	19.1	0.0
2024	1.4	2.0	2.0	8.9	0.3	4.5	2.7	41.6	17.6	-54.4	17.2	3.6
2025	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	3.7	-0.6	-51.9	-0.8	2.8
2025 Q2	1.9	5.3	4.8	-5.4	3.4	-1.1	2.9	26.2	11.9	-53.2	11.0	3.4
Q3	2.1	5.5	5.0	-8.4	4.5	-2.1	2.7	11.2	7.0	-72.8	4.3	2.8
Q4	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	3.7	-0.6	-51.9	-0.8	2.8
2026 Q1 (p)	2.3	5.1	4.7	-3.6	3.4	-0.1	3.2	3.9	3.5	28.8	4.2	3.2
2025 Nov.	2.3	5.5	5.0	-6.1	4.6	-0.9	3.1	5.7	3.2	-37.5	2.1	3.0
Dec.	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	3.7	-0.6	-51.9	-0.8	2.8
2026 Jan.	2.2	5.8	5.3	-5.1	4.0	-0.6	3.4	0.7	0.5	10.4	0.6	3.2
Feb.	2.0	5.3	4.8	-3.4	3.8	0.2	3.3	-10.4	0.5	-27.7	-2.4	2.9
Mar.	2.3	5.1	4.7	-3.6	3.4	-0.1	3.2	3.9	3.5	28.8	4.2	3.2
Apr. (p)	2.3	4.1	3.8	-1.7	3.3	0.8	2.9	-11.8	3.3	41.1	1.1	2.7

Sources: ECB.
1) Data refer to the changing composition of the euro area.

5 Financing conditions and credit developments

5.2 Deposits in M3 [1]

(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

	Non-financial corporations [2]					Households [3]					Financial corporations other than MFIs and ICPFs [2]	Insurance corporations and pension funds	Other general government [4]
	Total	Overnight	With an agreed maturity of up to 2 years	Redeemable at notice of up to 3 months	Repos	Total	Overnight	With an agreed maturity of up to 2 years	Redeemable at notice of up to 3 months	Repos			
	1	2	3	4	5	6	7	8	9	10	11	12	13
						Outstanding amounts							
2023	3,318.2	2,403.6	772.2	130.9	11.6	8,406.2	5,105.6	1,014.1	2,285.3	1.3	1,268.0	226.7	542.4
2024	3,417.1	2,479.2	793.5	133.3	11.1	8,733.8	5,188.4	1,255.1	2,289.0	1.3	1,372.2	231.6	548.3
2025	3,505.8	2,575.3	774.3	150.4	5.9	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,474.9	224.2	553.2
2025 Q2	3,438.0	2,506.4	778.5	143.8	9.3	8,844.8	5,334.0	1,174.5	2,335.2	1.1	1,356.2	233.3	544.1
Q3	3,468.6	2,538.4	778.4	145.7	6.0	8,903.2	5,400.7	1,138.3	2,363.0	1.1	1,334.0	229.4	537.2
Q4	3,505.8	2,575.3	774.3	150.4	5.9	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,474.9	224.2	553.2
2026 Q1 (p)	3,568.1	2,626.1	786.5	152.4	3.1	9,101.2	5,564.3	1,150.8	2,385.4	0.7	1,435.8	244.0	554.5
2025 Nov.	3,492.9	2,565.1	773.4	148.8	5.7	8,963.9	5,452.1	1,136.0	2,375.0	0.9	1,442.1	221.8	570.1
Dec.	3,505.8	2,575.3	774.3	150.4	5.9	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,474.9	224.2	553.2
2026 Jan.	3,536.1	2,600.5	778.3	152.7	4.5	9,080.2	5,552.9	1,144.7	2,381.6	1.0	1,403.4	239.5	578.6
Feb.	3,557.7	2,610.2	790.3	152.5	4.6	9,105.5	5,572.1	1,147.6	2,384.9	0.9	1,380.4	244.2	566.6
Mar.	3,568.1	2,626.1	786.5	152.4	3.1	9,101.2	5,564.3	1,150.8	2,385.4	0.7	1,435.8	244.0	554.5
Apr. (p)	3,572.7	2,612.4	801.4	153.6	5.3	9,136.4	5,585.3	1,159.4	2,390.8	0.8	1,386.8	236.8	555.0
						Transactions							
2023	-38.3	-313.8	271.4	-1.6	5.6	13.9	-459.3	571.7	-98.9	0.5	-47.9	-2.1	-29.6
2024	89.5	69.8	16.5	3.1	0.2	290.2	48.7	236.1	5.3	0.1	82.8	3.8	3.2
2025	115.8	111.9	-12.3	17.0	-0.8	262.4	295.0	-116.4	83.9	-0.1	75.9	-4.9	3.4
2025 Q2	33.3	34.4	-5.2	4.8	-0.8	53.5	80.3	-47.6	20.8	0.0	12.0	6.5	4.7
Q3	35.2	32.6	0.2	2.0	0.4	59.1	67.2	-35.9	27.8	0.0	-24.8	-3.8	-7.2
Q4	39.6	38.7	-3.6	4.6	-0.2	86.4	71.6	-2.6	17.2	0.2	90.8	-5.0	15.1
2026 Q1 (p)	34.7	26.5	9.0	2.0	-2.8	54.0	49.8	-0.2	5.0	-0.6	-23.6	12.7	-1.0
2025 Nov.	16.4	8.9	7.1	0.9	-0.4	31.4	29.2	-2.7	5.0	-0.1	62.3	-2.1	24.1
Dec.	15.9	12.2	1.9	1.6	0.2	26.3	20.7	0.0	5.3	0.4	39.3	2.7	-17.1
2026 Jan.	9.3	5.5	2.7	2.4	-1.3	33.6	38.3	-5.6	1.1	-0.3	-48.6	8.8	23.2
Feb.	20.5	9.0	11.6	-0.2	0.1	24.7	18.8	2.7	3.3	-0.1	-24.6	4.5	-12.0
Mar.	5.0	12.0	-5.3	-0.1	-1.5	-4.3	-7.3	2.7	0.5	-0.2	49.7	-0.6	-12.1
Apr. (p)	6.6	-12.4	15.6	1.2	2.2	26.0	11.4	9.0	5.4	0.2	-45.3	-6.9	0.5
						Growth rates							
2023	-1.1	-11.5	54.2	-1.2	90.8	0.2	-8.3	129.4	-4.1	64.0	-3.5	-0.9	-5.2
2024	2.7	2.9	2.2	2.4	2.0	3.4	0.9	23.2	0.2	3.7	6.4	1.7	0.6
2025	3.4	4.5	-1.6	12.7	-8.4	3.0	5.7	-9.3	3.7	-4.3	5.3	-2.1	0.6
2025 Q2	1.8	4.3	-6.8	13.2	-9.4	3.3	4.9	-2.6	2.8	-8.6	7.6	7.2	2.0
Q3	3.1	5.5	-5.6	15.4	-9.2	3.2	6.1	-9.4	3.9	-0.5	2.7	0.0	-2.6
Q4	3.4	4.5	-1.6	12.7	-8.4	3.0	5.7	-9.3	3.7	-4.3	5.3	-2.1	0.6
2026 Q1 (p)	4.2	5.3	0.0	9.7	-50.6	2.9	5.1	-7.1	3.1	-37.9	3.9	4.6	2.2
2025 Nov.	3.5	5.4	-3.7	14.4	-26.7	3.1	5.8	-9.7	4.0	8.1	4.8	-1.6	2.0
Dec.	3.4	4.5	-1.6	12.7	-8.4	3.0	5.7	-9.3	3.7	-4.3	5.3	-2.1	0.6
2026 Jan.	3.6	5.2	-2.6	12.9	-38.4	3.2	6.1	-9.2	3.5	-15.6	4.2	3.2	4.8
Feb.	3.9	5.2	-1.1	11.9	-37.1	3.2	5.8	-8.0	3.3	-19.1	1.8	4.0	3.4
Mar.	4.2	5.3	0.0	9.7	-50.6	2.9	5.1	-7.1	3.1	-37.9	3.9	4.6	2.2
Apr. (p)	3.8	4.4	1.3	9.4	-24.6	2.9	4.7	-5.1	3.0	-8.2	-0.2	-3.6	2.3

Sources: ECB.
1) Data refer to the changing composition of the euro area.
2) In accordance with the ESA 2010, in December 2014 holding companies of non-financial groups were reclassified from the non-financial corporations sector to the financial corporations sector. These entities are included in MFI balance sheet statistics with financial corporations other than MFIs and insurance corporations and pension funds (ICPFs).
3) Including non-profit institutions serving households.
4) Refers to the general government sector excluding central government.

5.3 Claims on euro area residents [1)]

(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

	Claims on general government			Claims on other euro area residents								
	Total	Loans	Debt securities	Total	Loans						Debt securities	Equity and non-money market fund investment fund shares
					Total		To non-financial corpora-tions [3)]	To house-holds [4)]	To financial coprora-tions other than MFIs and ICPFs [3)]	To insurance corpora-tions and pension funds		
					Total	Adjusted loans [2)]						
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2023	6,297.5	988.8	5,283.4	15,501.0	13,045.4	13,251.0	5,130.8	6,649.1	1,127.6	137.8	1,559.1	896.5
2024	6,251.1	986.9	5,238.3	15,788.1	13,258.0	13,502.0	5,189.5	6,678.6	1,250.9	139.0	1,578.8	951.2
2025	6,294.5	1,020.5	5,247.8	16,247.7	13,630.3	13,903.7	5,294.8	6,853.2	1,334.8	147.4	1,572.1	1,045.3
2025 Q2	6,274.4	1,007.9	5,240.6	15,955.8	13,410.2	13,679.7	5,214.8	6,767.1	1,283.8	144.5	1,571.0	974.6
Q3	6,287.6	1,017.1	5,244.4	16,020.7	13,447.1	13,719.9	5,243.5	6,808.9	1,258.7	136.1	1,566.9	1,006.6
Q4	6,294.5	1,020.5	5,247.8	16,247.7	13,630.3	13,903.7	5,294.8	6,853.2	1,334.8	147.4	1,572.1	1,045.3
2026 Q1	6,307.5	1,047.7	5,233.6	16,437.9	13,815.9	14,086.8	5,356.8	6,933.3	1,373.4	152.4	1,571.8	1,050.2
2025 Nov.	6,310.4	1,026.4	5,257.9	16,209.2	13,578.5	13,847.1	5,266.9	6,836.2	1,338.0	137.4	1,589.9	1,040.7
Dec.	6,294.5	1,020.5	5,247.8	16,247.7	13,630.3	13,903.7	5,294.8	6,853.2	1,334.8	147.4	1,572.1	1,045.3
2026 Jan.	6,371.7	1,039.7	5,305.7	16,359.0	13,711.5	13,983.7	5,310.8	6,898.5	1,350.9	151.2	1,588.3	1,059.2
Feb.	6,328.5	1,045.0	5,257.3	16,407.9	13,758.8	14,022.5	5,335.7	6,918.8	1,351.8	152.5	1,585.5	1,063.6
Mar.	6,307.5	1,047.7	5,233.6	16,437.9	13,815.9	14,086.8	5,356.8	6,933.3	1,373.4	152.4	1,571.8	1,050.2
Apr.	6,270.8	1,048.8	5,195.6	16,430.2	13,844.9	14,116.6	5,381.2	6,940.2	1,375.4	148.1	1,530.3	1,054.9
	Transactions											
2023	-161.9	-17.3	-144.9	51.0	23.2	73.3	-6.5	8.5	29.5	-8.3	-17.1	44.9
2024	-63.7	-1.2	-62.9	286.9	228.9	274.3	76.6	45.2	106.2	0.9	10.9	47.1
2025	49.9	33.4	16.2	455.4	406.1	440.4	144.4	187.4	65.5	8.7	-4.7	54.0
2025 Q2	-17.0	11.1	-28.1	105.0	95.5	106.9	26.7	45.8	15.2	7.8	9.9	-0.4
Q3	19.1	8.3	10.7	65.5	45.2	47.5	32.3	44.7	-23.4	-8.4	-6.7	26.9
Q4	10.2	4.7	5.4	181.9	167.1	176.9	57.6	48.4	49.8	11.2	5.8	9.1
2026 Q1	14.4	24.8	-10.5	158.3	153.2	149.6	48.2	57.2	47.4	0.5	0.5	4.6
2025 Nov.	5.3	1.3	4.1	72.9	59.9	58.0	11.9	19.2	26.0	2.8	18.1	-5.1
Dec.	-3.5	-4.6	1.1	40.9	55.3	62.4	32.2	19.3	-6.2	10.0	-16.2	1.7
2026 Jan.	49.4	17.3	32.0	75.1	49.6	47.6	-0.7	17.4	33.4	-0.6	15.2	10.3
Feb.	-60.6	5.2	-65.8	39.9	47.3	37.7	29.4	20.7	-4.0	1.3	-5.2	-2.3
Mar.	25.6	2.3	23.3	43.3	56.3	64.2	19.5	19.0	17.9	-0.2	-9.5	-3.4
Apr.	-40.7	1.2	-41.9	2.2	45.6	43.4	26.7	19.5	3.5	-4.2	-41.9	-1.5
	Growth rates											
2023	-2.5	-1.7	-2.7	0.3	0.2	0.6	-0.1	0.1	2.7	-5.7	-1.1	5.3
2024	-1.0	-0.1	-1.2	1.9	1.8	2.1	1.5	0.7	9.4	0.7	0.7	5.2
2025	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.2	6.3	-0.3	5.6
2025 Q2	0.1	2.7	-0.4	2.7	2.8	3.0	2.4	2.1	7.5	11.0	0.8	4.7
Q3	0.6	3.8	0.0	2.7	2.7	2.8	2.7	2.5	3.7	2.0	0.1	7.3
Q4	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.2	6.3	-0.3	5.6
2026 Q1	0.4	4.9	-0.4	3.2	3.5	3.5	3.2	2.9	6.9	8.1	0.6	4.1
2025 Nov.	0.8	3.6	0.3	3.2	3.3	3.4	3.0	2.7	7.4	1.7	0.9	6.7
Dec.	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.2	6.3	-0.3	5.6
2026 Jan.	0.9	4.3	0.3	3.1	3.2	3.4	2.7	2.8	6.9	7.0	0.8	5.4
Feb.	0.1	4.4	-0.7	3.0	3.2	3.3	3.0	2.8	5.2	9.2	0.7	4.4
Mar.	0.4	4.9	-0.4	3.2	3.5	3.5	3.2	2.9	6.9	8.1	0.6	4.1
Apr.	-0.4	4.8	-1.4	3.0	3.5	3.5	3.5	2.9	6.3	5.2	-2.2	5.3

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) Adjusted for loan sales and securitisation (resulting in derecognition from the MFI statistical balance sheet) as well as for positions arising from notional cash pooling services provided by MFIs.
3) In accordance with the ESA 2010, in December 2014 holding companies of non-financial groups were reclassified from the non-financial corporations sector to the financial corporations sector. These entities are included in MFI balance sheet statistics with financial corporations other than MFIs and insurance corporations and pension funds (ICPFs).
4) Including non-profit institutions serving households.

5 Financing conditions and credit developments

5.4 MFI loans to euro area non-financial corporations and households [1)]

(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

	Non-financial corporations [2)]					Households [3)]				
	Total		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total		Loans for consumption	Loans for house purchase	Other loans
	Total	Adjusted loans [4)]				Total	Adjusted loans [4)]			
	1	2	3	4	5	6	7	8	9	10
					Outstanding amounts					
2023	5,130.8	5,135.7	915.6	1,089.6	3,125.7	6,649.1	6,867.2	731.1	5,229.1	688.9
2024	5,189.5	5,200.3	930.7	1,097.9	3,160.9	6,678.6	6,929.4	744.8	5,255.6	678.2
2025	5,294.8	5,324.3	950.2	1,121.7	3,222.9	6,853.2	7,111.6	777.2	5,403.4	672.7
2025 Q2	5,214.8	5,250.8	929.9	1,115.0	3,169.9	6,767.1	7,016.7	757.7	5,333.4	676.1
Q3	5,243.5	5,281.7	926.6	1,126.6	3,190.3	6,808.9	7,061.1	767.3	5,369.2	672.4
Q4	5,294.8	5,324.3	950.2	1,121.7	3,222.9	6,853.2	7,111.6	777.2	5,403.4	672.7
2026 Q1	5,356.8	5,383.3	966.6	1,141.4	3,248.7	6,933.3	7,188.7	796.3	5,465.3	671.7
2025 Nov.	5,266.9	5,300.8	938.5	1,123.4	3,204.9	6,836.2	7,093.4	775.3	5,386.8	674.1
Dec.	5,294.8	5,324.3	950.2	1,121.7	3,222.9	6,853.2	7,111.6	777.2	5,403.4	672.7
2026 Jan.	5,310.8	5,341.2	953.7	1,122.6	3,234.4	6,898.5	7,156.3	789.3	5,436.1	673.1
Feb.	5,335.7	5,356.7	953.3	1,129.5	3,253.0	6,918.8	7,175.0	791.5	5,453.9	673.4
Mar.	5,356.8	5,383.3	966.6	1,141.4	3,248.7	6,933.3	7,188.7	796.3	5,465.3	671.7
Apr.	5,381.2	5,409.7	969.7	1,148.2	3,263.2	6,940.2	7,193.5	798.3	5,480.8	661.0
					Transactions					
2023	-6.5	23.7	-44.8	10.5	27.8	8.5	26.8	19.1	10.3	-20.9
2024	76.6	88.0	21.8	14.7	40.1	45.2	77.6	26.6	28.3	-9.7
2025	144.4	156.7	31.9	35.2	77.4	187.4	205.0	38.8	148.3	0.3
2025 Q2	26.7	37.7	9.3	8.3	9.2	45.8	47.5	6.9	37.7	1.1
Q3	32.3	33.6	-1.5	11.6	22.2	44.7	46.8	11.2	36.3	-2.8
Q4	57.6	49.4	26.4	-4.4	35.6	48.4	61.7	12.0	34.5	2.0
2026 Q1	48.2	45.3	10.7	20.3	17.2	57.2	53.2	9.3	45.8	2.1
2025 Nov.	11.9	12.3	4.6	-2.0	9.3	19.2	20.8	5.0	13.1	1.1
Dec.	32.2	28.3	13.6	-0.4	19.1	19.3	20.8	2.7	16.7	-0.1
2026 Jan.	-0.7	-0.4	-6.0	0.4	4.9	17.4	16.5	1.2	16.0	0.2
Feb.	29.4	19.0	3.7	7.7	18.0	20.7	18.9	2.6	17.8	0.3
Mar.	19.5	26.7	13.0	12.1	-5.7	19.0	17.9	5.4	12.0	1.6
Apr.	26.7	24.2	4.5	9.4	12.8	19.5	18.3	3.2	15.8	0.5
					Growth rates					
2023	-0.1	0.5	-4.6	1.0	0.9	0.1	0.4	2.7	0.2	-2.9
2024	1.5	1.7	2.4	1.4	1.3	0.7	1.1	3.7	0.5	-1.4
2025	2.8	3.0	3.5	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2025 Q2	2.4	2.8	4.0	4.1	1.3	2.1	2.3	4.5	2.1	-0.3
Q3	2.7	2.9	2.9	4.5	2.1	2.5	2.6	5.0	2.5	-0.1
Q4	2.8	3.0	3.5	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2026 Q1	3.2	3.2	4.9	3.2	2.7	2.9	3.0	5.2	2.9	0.4
2025 Nov.	3.0	3.1	4.0	4.2	2.3	2.7	2.9	5.6	2.7	0.0
Dec.	2.8	3.0	3.5	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2026 Jan.	2.7	2.8	3.1	2.9	2.4	2.8	3.0	5.0	2.8	0.0
Feb.	3.0	3.0	3.5	3.1	2.8	2.8	3.0	5.0	2.8	0.1
Mar.	3.2	3.2	4.9	3.2	2.7	2.9	3.0	5.2	2.9	0.4
Apr.	3.5	3.4	4.8	4.2	2.8	2.9	3.0	5.2	2.9	0.5

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) In accordance with the ESA 2010, in December 2014 holding companies of non-financial groups were reclassified from the non-financial corporations sector to the financial corporations sector. These entities are included in MFI balance sheet statistics with financial corporations other than MFIs and insurance corporations and pension funds (ICPFs).
3) Including non-profit institutions serving households.
4) Adjusted for loan sales and securitisation (resulting in derecognition from the MFI statistical balance sheet) as well as for positions arising from notional cash pooling services provided by MFIs.

5 Financing conditions and credit developments

5.5 Counterparts to M3 other than credit to euro area residents [1]

(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

	MFI liabilities						MFI assets			
	Liabilities to central government [2]	Longer-term liabilities to other euro area residents					Net external assets	Other		
		Total	Deposits with an agreed maturity of over 2 years	Deposits redeemable at notice of over 3 months	Debt securities with a maturity of over 2 years	Capital and reserves		Total	Repos with central counter-parties [3]	Reverse repos to central counter-parties [3]
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2023	476.9	7,338.3	1,827.0	90.5	2,415.1	3,005.6	1,853.9	271.3	152.1	152.6
2024	395.9	7,851.0	1,842.3	117.2	2,590.7	3,300.8	2,664.2	320.1	140.4	136.0
2025	398.3	8,372.3	1,872.6	131.7	2,621.5	3,746.5	3,241.2	190.5	323.3	235.1
2025 Q2	410.9	7,908.1	1,833.7	129.6	2,562.0	3,382.8	2,829.8	186.1	177.9	165.9
Q3	430.1	8,092.7	1,842.7	132.5	2,589.9	3,527.6	3,052.8	144.0	168.3	168.2
Q4	398.3	8,372.3	1,872.6	131.7	2,621.5	3,746.5	3,241.2	190.5	323.3	235.1
2026 Q1 (p)	427.7	8,547.3	1,890.9	133.2	2,650.3	3,873.0	3,532.7	144.3	396.2	257.3
2025 Nov.	423.1	8,325.1	1,874.9	131.8	2,617.1	3,701.3	3,257.5	171.7	407.6	266.9
Dec.	398.3	8,372.3	1,872.6	131.7	2,621.5	3,746.5	3,241.2	190.5	323.3	235.1
2026 Jan.	481.5	8,590.0	1,883.6	131.5	2,613.7	3,961.2	3,530.0	142.7	400.5	250.3
Feb.	426.4	8,697.7	1,885.0	132.1	2,626.2	4,054.4	3,615.7	127.0	404.5	250.2
Mar.	427.7	8,547.3	1,890.9	133.2	2,650.3	3,873.0	3,532.7	144.3	396.2	257.3
Apr. (p)	426.0	8,514.2	1,850.0	132.9	2,667.3	3,864.1	3,511.7	161.6	386.6	275.0
Transactions										
2023	-199.0	325.0	24.9	40.2	227.5	32.5	437.1	-192.5	17.1	9.0
2024	-80.6	279.4	15.2	26.7	164.7	72.8	530.5	30.7	-11.7	-16.7
2025	1.9	192.9	33.2	16.3	104.8	38.5	298.0	-141.1	17.7	29.2
2025 Q2	22.7	39.8	4.3	7.9	33.7	-6.1	126.9	-30.6	-5.0	4.7
Q3	19.2	38.1	9.2	3.6	29.1	-3.8	63.7	-33.4	-9.6	2.3
Q4	-32.8	108.4	24.0	-0.8	32.8	52.4	84.0	7.2	-10.2	-3.0
2026 Q1 (p)	19.0	43.7	14.3	1.3	20.0	8.2	139.2	-92.3	71.2	21.0
2025 Nov.	-18.4	47.2	22.0	-0.6	-0.1	25.8	36.3	41.2	1.9	7.5
Dec.	-24.8	40.7	-4.1	0.0	12.3	32.5	16.7	10.8	-84.3	-31.8
2026 Jan.	73.5	-15.1	9.4	-0.3	3.0	-27.1	59.3	-69.4	76.0	13.5
Feb.	-55.1	32.0	0.9	0.6	8.4	22.1	23.4	-6.1	4.0	0.4
Mar.	0.6	26.8	4.0	1.0	8.5	13.2	56.5	-16.8	-8.8	7.0
Apr. (p)	-1.7	-14.7	-39.2	-0.3	25.2	-0.4	-19.4	24.7	-9.6	17.7
Growth rates										
2023	-29.6	4.7	1.4	80.3	10.7	1.1	-	-	12.4	6.0
2024	-16.9	3.8	0.8	29.5	6.9	2.2	-	-	-7.7	-10.9
2025	0.5	2.4	1.8	14.0	4.1	1.0	-	-	36.6	26.4
2025 Q2	-0.5	2.4	0.6	19.4	3.6	1.9	-	-	-2.6	-6.0
Q3	6.1	2.1	0.8	17.9	3.3	1.5	-	-	-9.0	-10.7
Q4	0.5	2.4	1.8	14.0	4.1	1.0	-	-	36.6	26.4
2026 Q1 (p)	7.6	2.8	2.8	9.9	4.6	1.3	-	-	28.0	16.1
2025 Nov.	0.1	2.7	2.1	15.2	3.8	1.8	-	-	36.8	19.0
Dec.	0.5	2.4	1.8	14.0	4.1	1.0	-	-	36.6	26.4
2026 Jan.	15.1	2.2	2.5	11.8	4.1	0.3	-	-	45.1	24.1
Feb.	0.2	2.5	2.4	11.3	4.2	1.0	-	-	22.0	14.0
Mar.	7.6	2.8	2.8	9.9	4.6	1.3	-	-	28.0	16.1
Apr. (p)	-3.7	2.8	0.7	7.7	5.7	1.5	-	-	17.3	15.4

Sources: ECB.
1) Data refer to the changing composition of the euro area.
2) Comprises central government holdings of deposits with the MFI sector and of securities issued by the MFI sector.
3) Not adjusted for seasonal effects.

6 Fiscal developments

6.1 Deficit/surplus

(as a percentage of GDP; flows during one-year period)

	Deficit (-)/surplus (+)					Memo item:
	Total	Central government	State government	Local government	Social security funds	Primary deficit (-)/ surplus (+)
	1	2	3	4	5	6
2022	-3.4	-3.7	0.0	0.0	0.3	-1.7
2023	-3.5	-3.5	-0.2	-0.2	0.4	-1.8
2024	-3.0	-2.6	-0.2	-0.3	0.1	-1.2
2025	-2.9	-2.6	-0.2	-0.3	0.2	-1.0
2025 Q1	-3.0	.	.	.	.	-1.1
Q2	-2.9	.	.	.	.	-1.0
Q3	-3.0	.	.	.	.	-1.1
Q4	-2.9	.	.	.	.	-1.0

Sources: ECB for annual data; Eurostat for quarterly data.
Note: Euro area data include Bulgaria.

6.2 Revenue and expenditure

(as a percentage of GDP; flows during one-year period)

	Revenue						Expenditure						
	Total	Current revenue				Capital revenue	Total	Current expenditure					Capital expenditure
		Total	Direct taxes	Indirect taxes	Net social contributions			Total	Compensation of employees	Intermediate consumption	Interest	Social benefits	
	1	2	3	4	5	6	7	8	9	10	11	12	13
2022	46.4	45.7	13.2	12.9	14.5	0.8	49.8	44.6	9.8	5.9	1.7	22.3	5.2
2023	45.8	44.9	13.1	12.4	14.4	0.9	49.3	43.9	9.8	5.9	1.7	22.2	5.3
2024	46.3	45.5	13.3	12.4	14.7	0.8	49.4	44.4	10.0	6.0	1.9	22.7	5.0
2025	46.8	46.0	13.3	12.4	15.1	0.8	49.7	44.6	10.1	5.9	1.9	22.9	5.1
2025 Q1	46.5	45.7	13.3	12.4	14.8	0.8	49.5	44.5	10.0	6.0	1.9	22.8	5.0
Q2	46.6	45.8	13.2	12.4	14.9	0.8	49.5	44.5	10.0	5.9	1.9	22.9	5.0
Q3	46.6	45.9	13.2	12.4	15.0	0.7	49.6	44.6	10.0	5.9	1.9	22.9	5.0
Q4	46.9	46.1	13.3	12.4	15.1	0.8	49.8	44.7	10.1	6.0	1.9	22.9	5.1

Sources: ECB for annual data; Eurostat for quarterly data.
Note: Euro area data include Bulgaria.

6.3 Government debt-to-GDP ratio

(as a percentage of GDP; outstanding amounts at end of period)

	Total	Financial instrument			Holder			Original maturity		Residual maturity			Currency	
		Currency and deposits	Loans	Debt securities	Resident creditors		Non-resident creditors	Up to 1 year	Over 1 year	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
					Total	MFIs								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2022	88.9	2.6	13.1	4.8	52.1	39.2	36.8	8.6	80.3	15.9	28.1	44.9	88.0	0.9
2023	86.5	2.4	12.1	4.6	48.9	35.5	37.6	7.7	78.8	14.8	27.8	43.9	85.7	0.8
2024	86.6	2.1	11.7	4.8	46.5	33.5	40.1	7.7	78.9	14.3	28.0	44.2	85.8	0.8
2025	87.4	2.1	11.8	4.6	44.4	31.3	43.0	7.6	79.8	14.6	28.2	44.6	86.7	0.7
2025 Q1	87.2	2.2	11.6	73.4	.	.	.	.	.	.	.	.	.	.
Q2	87.7	2.2	11.6	73.9	.	.	.	.	.	.	.	.	.	.
Q3	88.0	2.2	11.7	74.1	.	.	.	.	.	.	.	.	.	.
Q4	87.5	2.1	11.8	73.6	.	.	.	.	.	.	.	.	.	.

Sources: ECB for annual data; Eurostat for quarterly data.
Note: Euro area data include Bulgaria.

6 Fiscal developments

6.4 Annual change in the government debt-to-GDP ratio and underlying factors [1)]

(as a percentage of GDP; flows during one-year period)

	Change in debt-to-GDP ratio [2)]	Primary deficit (+)/ surplus (-)	Deficit-debt adjustment								Interest-growth differential	Memo item: Borrowing require-ment
			Total	Transactions in main financial assets					Revalua-tion effects and other changes in volume	Other		
				Total	Currency and deposits	Loans	Debt securities	Equity and invest-ment fund shares				
	1	2	3	4	5	6	7	8	9	10	11	12
2022	-4.5	1.7	-0.1	-0.2	-0.6	0.3	0.1	0.1	0.6	-0.5	-6.1	2.7
2023	-2.4	1.8	-0.3	-0.4	-0.5	-0.1	0.1	0.1	0.6	-0.5	-3.8	2.6
2024	0.0	1.2	0.3	0.0	-0.4	0.1	0.2	0.1	0.2	0.1	-1.4	3.1
2025	0.9	1.0	1.2	0.7	0.4	0.0	0.2	0.2	0.3	0.2	-1.4	3.8
2025 Q1	0.3	1.1	0.5	0.2	-0.2	0.2	0.1	0.1	0.2	0.1	-1.3	3.3
Q2	0.4	1.0	0.8	0.6	0.3	0.1	0.1	0.1	0.2	-0.1	-1.4	3.5
Q3	0.8	1.1	1.0	0.6	0.4	0.0	0.2	0.1	0.2	0.2	-1.4	3.8
Q4	0.9	1.0	1.2	0.7	0.4	0.0	0.2	0.2	0.3	0.2	-1.4	3.9

Sources: ECB for annual data; Eurostat for quarterly data.
Note: Euro area data include Bulgaria.
1) Intergovernmental lending in the context of the financial crisis is consolidated except in quarterly data on the deficit-debt adjustment.
2) Calculated as the difference between the government debt-to-GDP ratios at the end of the reference period and a year earlier.

6.5 Government debt securities [1)]

(debt service as a percentage of GDP; flows during debt service period; average nominal yields in percentages per annum)

	Debt service due within 1 year [2)]					Average residual maturity in years [3)]	Average nominal yields [4)]						
	Total	Principal		Interest			Outstanding amounts					Transactions	
		Total	Maturities of up to 3 months	Total	Maturities of up to 3 months		Total	Floating rate	Zero coupon	Fixed rate		Issuance	Redemption
										Total	Maturities of up to 1 year		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2023	12.7	11.4	4.1	1.3	0.3	8.1	2.0	1.2	1.9	2.0	1.6	3.6	2.0
2024	12.3	10.9	4.0	1.4	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
2025	12.5	11.1	3.9	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.8	2.8	2.5
2025 Q2	12.3	10.9	3.1	1.4	0.4	8.3	2.2	1.3	1.7	2.2	2.0	3.1	2.8
Q3	12.7	11.2	3.5	1.5	0.4	8.2	2.2	1.3	1.5	2.2	1.9	2.9	2.6
Q4	12.5	11.1	3.9	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.8	2.8	2.5
2026 Q1	12.6	11.0	4.1	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.6	2.8	2.4
2025 Nov.	12.7	11.3	3.6	1.5	0.4	8.2	2.1	1.2	1.5	2.3	1.8	2.8	2.5
Dec.	12.5	11.1	3.9	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.8	2.8	2.5
2026 Jan.	12.7	11.2	4.4	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.8	2.8	2.5
Feb.	12.7	11.2	4.2	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.8	2.8	2.4
Mar.	12.6	11.0	4.1	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.6	2.8	2.4
Apr.	12.3	10.8	3.7	1.5	0.4	8.3	2.2	1.2	1.6	2.3	1.6	2.8	2.3

Source: ECB.
1) At face value and not consolidated within the general government sector.
2) Excludes future payments on debt securities not yet outstanding and early redemptions.
3) Residual maturity at the end of the period.
4) Outstanding amounts at the end of the period; transactions as 12-month average.

6 Fiscal developments

6.6 Fiscal developments in euro area countries

(as a percentage of GDP; flows during one-year period and outstanding amounts at end of period)

	Belgium	Bulgaria	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus
	1	2	3	4	5	6	7	8	9	10	11
	Government deficit (-)/surplus (+)										
2022	-3.5	-2.9	-1.9	-0.9	1.6	-2.6	-4.6	-4.7	0.0	-8.1	2.7
2023	-4.1	-2.0	-2.5	-2.7	1.4	-1.4	-3.3	-5.4	-1.1	-7.1	1.7
2024	-4.4	-3.0	-2.7	-1.1	4.1	1.3	-3.2	-5.8	-2.3	-3.4	4.1
2025	-5.2	-3.5	-2.7	-2.0	1.8	1.7	-2.4	-5.1	-3.0	-3.1	3.4
2025 Q1	-4.6	-3.0	-2.4	-1.2	4.1	2.4	-3.3	-5.7	-2.7	-3.4	4.3
Q2	-4.7	-3.4	-2.2	-1.5	3.8	2.1	-3.3	-5.6	-2.9	-3.2	3.9
Q3	-5.0	-2.7	-2.2	-1.5	1.2	2.5	-3.0	-5.5	-2.8	-3.3	3.4
Q4	-5.2	-3.5	-2.7	-2.0	1.8	1.7	-2.4	-5.1	-3.0	-3.1	3.4
	Government debt										
2022	103.3	22.5	64.4	19.2	43.0	177.8	109.3	111.4	68.5	138.4	80.1
2023	102.5	22.9	62.3	20.2	41.8	164.3	105.2	109.5	60.9	133.9	71.1
2024	103.9	23.8	62.2	23.5	38.3	154.2	101.6	112.6	57.4	134.7	62.7
2025	107.9	29.9	63.5	24.1	32.9	146.1	100.7	115.6	56.3	137.1	55.0
2025 Q1	106.1	23.7	62.0	23.9	34.5	152.9	103.3	114.2	58.3	137.2	61.9
Q2	106.2	26.3	62.3	23.2	33.4	152.0	103.4	115.9	57.5	138.1	61.1
Q3	107.1	28.4	63.0	22.8	32.8	149.8	103.1	117.8	57.2	137.5	60.3
Q4	107.9	29.9	63.5	24.1	32.9	146.1	100.7	116.2	56.5	137.1	55.0

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Austria	Portugal	Slovenia	Slovakia	Finland
	12	13	14	15	16	17	18	19	20	21
	Government deficit (-)/surplus (+)									
2022	-4.9	-0.7	0.2	-5.3	0.0	-3.4	-0.3	-3.0	-1.6	-0.2
2023	-2.3	-0.7	-0.7	-4.4	-0.4	-2.6	1.1	-2.6	-5.3	-2.9
2024	-1.8	-1.3	0.9	-3.4	-0.7	-4.6	0.6	-0.9	-5.3	-4.4
2025	-2.5	-1.8	-2.0	-2.2	-1.6	-4.2	0.7	-2.5	-4.5	-3.4
2025 Q1	-1.4	-1.3	0.6	-3.1	-1.1	-5.0	0.6	-1.4	-5.2	-4.2
Q2	-2.0	-1.8	-0.1	-4.3	-1.4	-5.0	0.7	-1.7	-4.8	-3.9
Q3	-2.6	-1.8	-0.6	-4.2	-1.5	-4.7	0.2	-1.5	-4.6	-3.6
Q4	-2.5	-1.8	-2.0	-2.2	-1.6	-4.2	0.7	-2.5	-4.5	-3.4
	Government debt									
2022	44.4	38.3	24.9	50.3	48.4	78.1	111.2	72.8	57.8	74.0
2023	44.4	37.1	24.7	46.9	45.8	77.8	96.9	68.3	55.8	77.0
2024	46.2	38.0	26.3	45.9	43.8	80.0	93.5	66.4	59.7	82.4
2025	46.9	39.5	26.5	46.4	44.4	81.5	89.7	65.7	61.4	88.5
2025 Q1	45.0	40.4	26.1	46.5	43.2	83.0	94.8	69.6	63.2	84.2
Q2	47.6	39.0	25.0	46.6	42.7	82.0	96.5	69.5	62.9	88.6
Q3	44.8	40.6	27.5	46.4	42.3	83.5	97.4	67.7	62.3	86.9
Q4	46.9	39.5	26.5	46.4	44.4	81.5	89.7	65.7	61.4	88.5

Source: Eurostat.

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For specific terminology please refer to the ECB glossary (available in English only).

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