EUROPEAN CENTRAL BANK
EUROSYSTEM

The euro area outlook and monetary policy

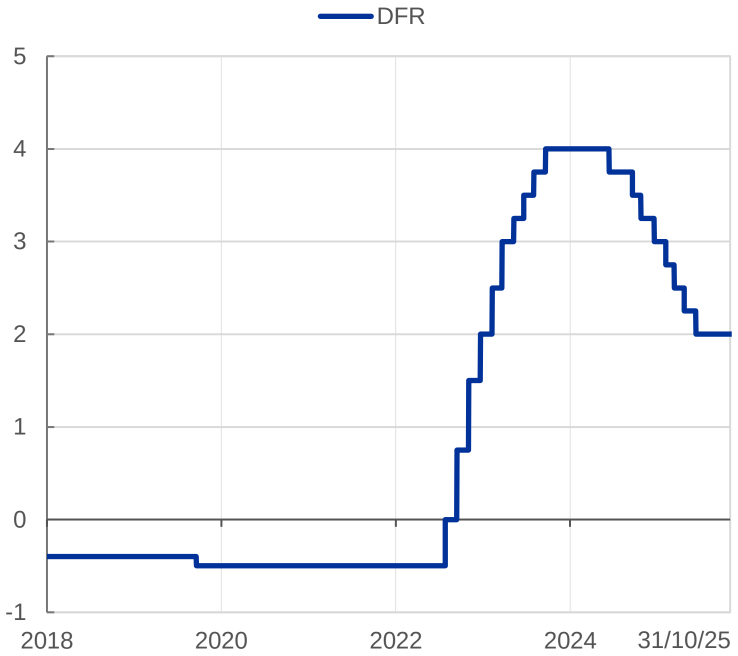
Technological University Dublin

3 November 2025

Philip R. Lane
Member of the Executive Board

Deposit Facility Rate

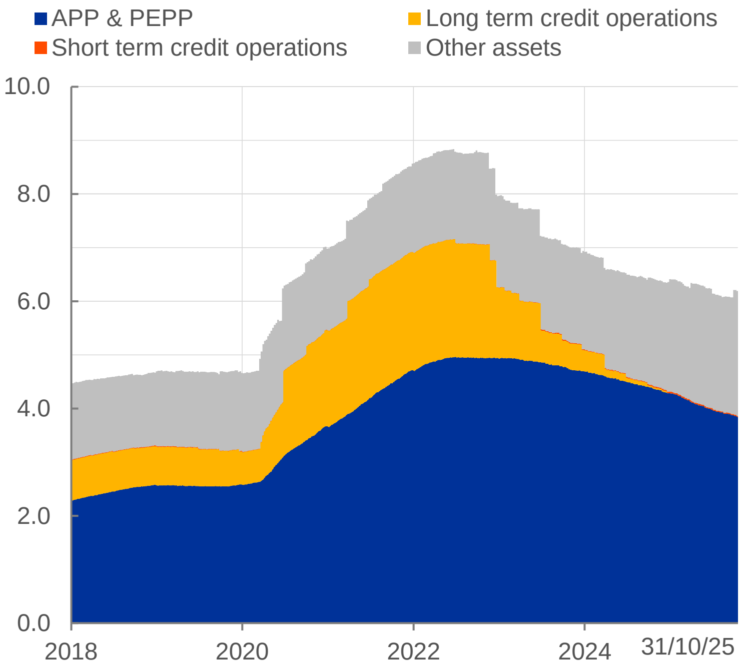
(percentages per annum)



Source: ECB.

Eurosystem balance sheet

(EUR trillion)

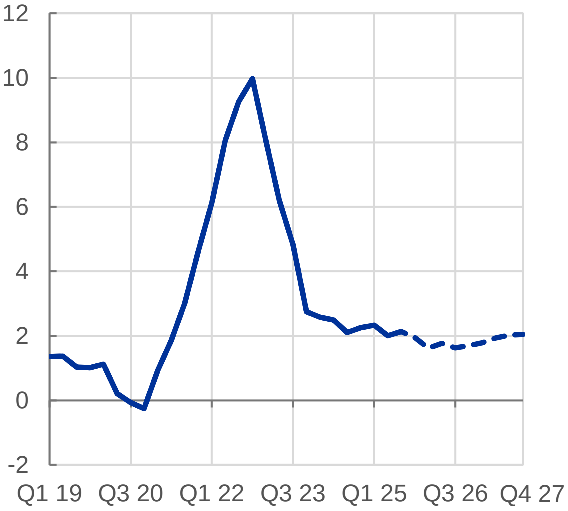


Source: ECB.

Notes: Short term credit operations refer to 3m LTROs and MROs, long-term credit operations refer to LTROs (>3m), TLTROs and other lending operations. Other assets and other liabilities contain all other, non-monetary policy components. Latest observations are for October 2025.

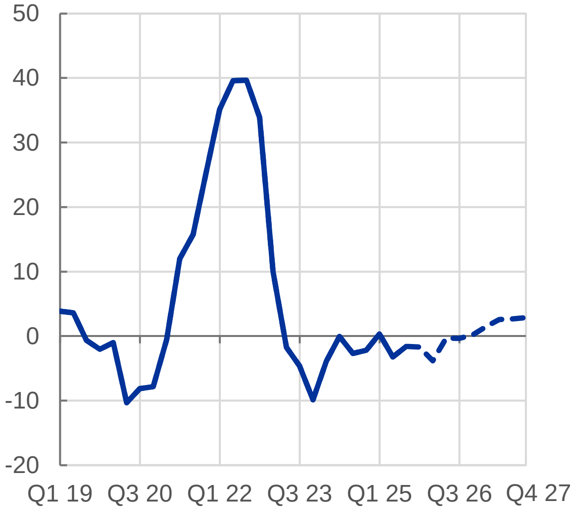
Inflation developments and outlook

HICP inflation and September 2025 projections
(annual percentage points)



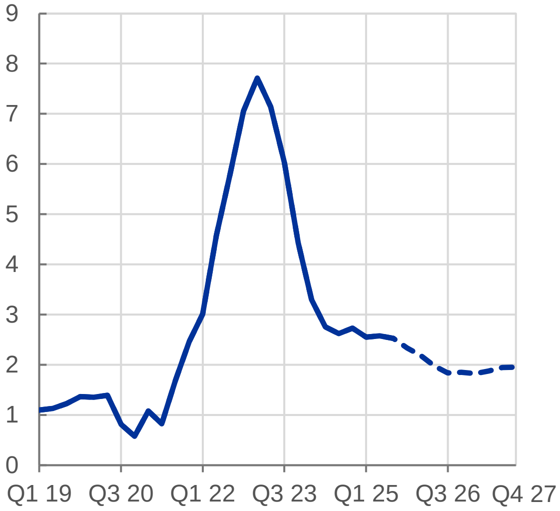
Sources: Eurostat, September 2025 ECB staff macroeconomic projections and ECB calculations.
Note: The latest observations are for the third quarter of 2025.

Energy inflation and September 2025 projections
(annual percentage points)



Sources: Eurostat, September 2025 ECB staff macroeconomic projections and ECB calculations.
Note: The latest observations are for the third quarter of 2025.

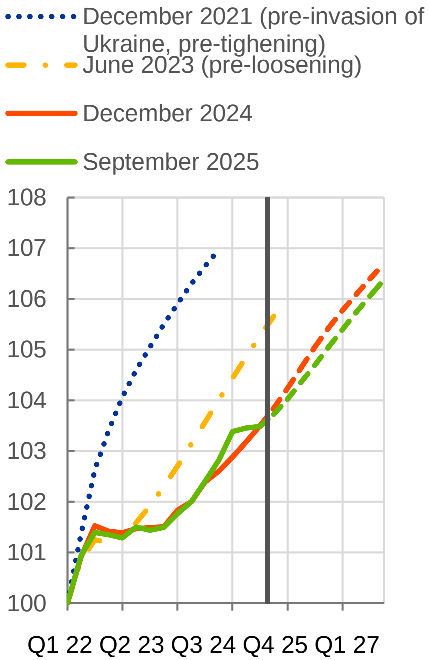
Non-energy inflation and September 2025 projections
(annual percentage points)



Sources: Eurostat, September 2025 ECB staff macroeconomic projections and ECB calculations.
Note: The latest observations are for the third quarter of 2025.

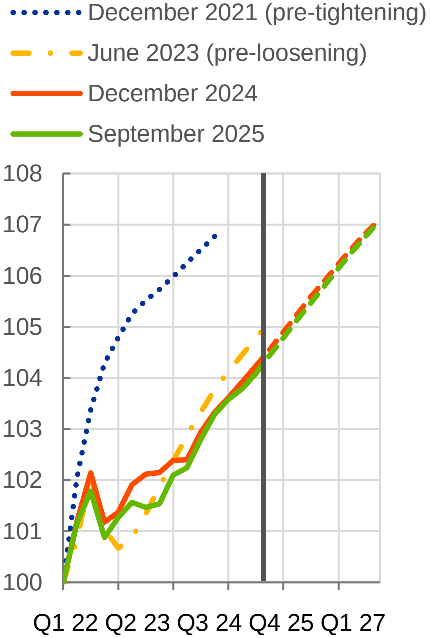
GDP and components across different projection vintages

Real GDP
(index, Q1 2022 = 100)



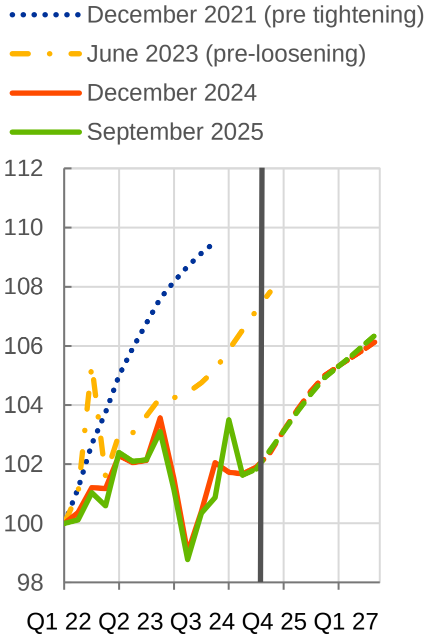
Sources: December 2021, June 2023, December 2024 and September 2025 ECB/Eurosystem staff projections.

Real private consumption
(index, Q1 2022 = 100)



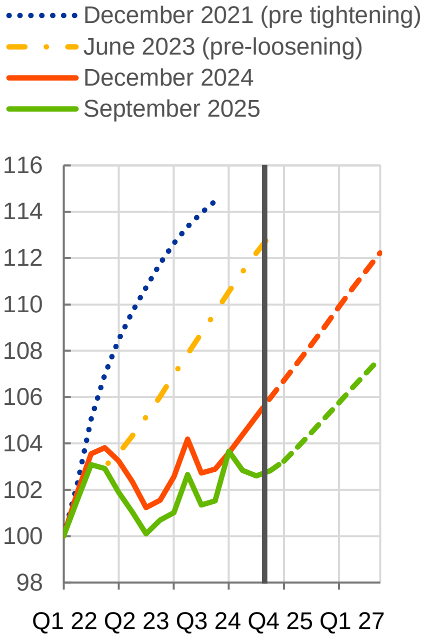
Sources: December 2021, June 2023, December 2024 and September 2025 ECB/Eurosystem staff projections.

Real total investment
(index, Q1 2022 = 100)



Sources: December 2021, June 2023, December 2024 and September 2025 ECB/Eurosystem staff projections.

Real exports
(index, Q1 2022 = 100)

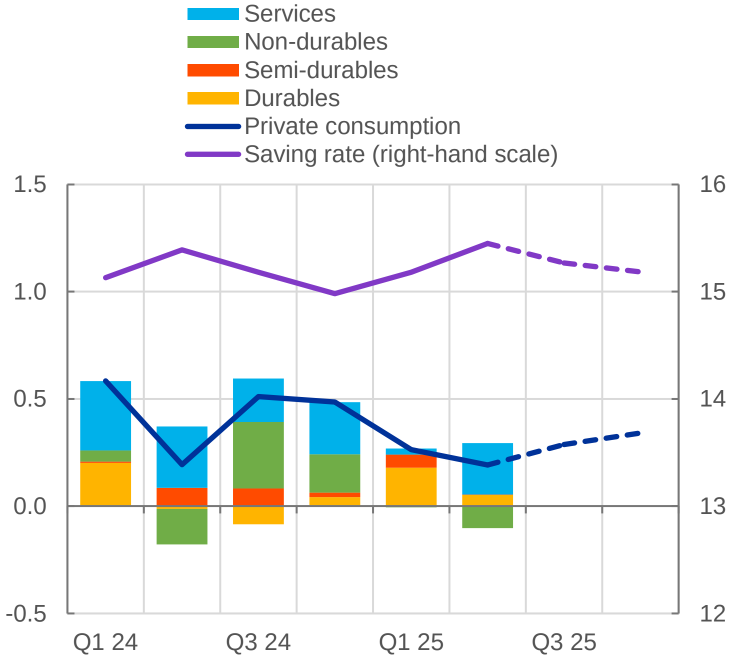


Sources: December 2021, June 2023, December 2024 and September 2025 ECB/Eurosystem staff projections.

Private consumption, income and saving rate

Private consumption and saving rate

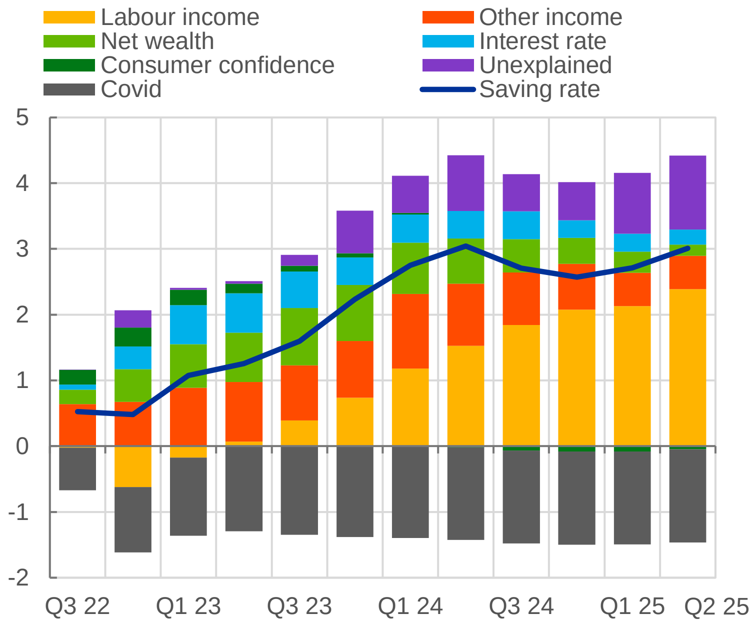
(left-hand scale: quarter-on-quarter percentage changes, percentage point contributions; right-hand scale: percentage of disposable income)



Sources: Eurostat (QSA) and ECB computations.
Notes: The pre-pandemic average of the saving rate was 13%. The dashed lines show the projection horizon. The latest observations are for the second quarter of 2025.

Model-based decomposition of cumulative change in saving rate

(cumulative percentage point changes and percentage point contributions since the second quarter of 2022)

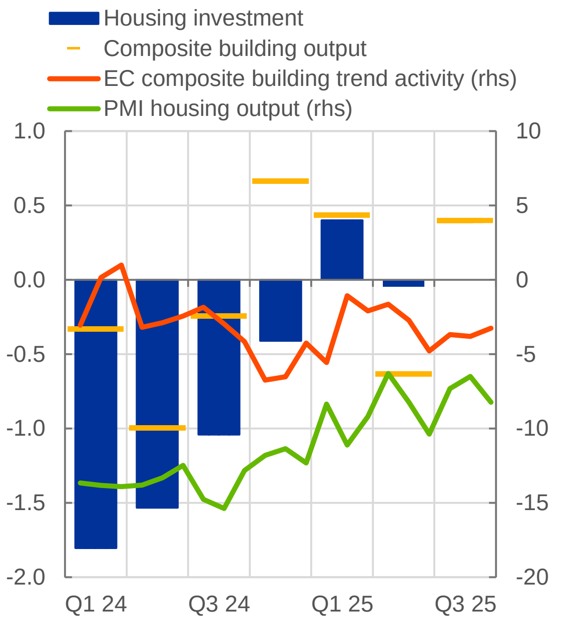


Sources: Eurostat, ECB, ECB and Eurostat (QSA), DG-ECFIN and ECB calculations.
Notes: Based on an error-correction model for consumption including COVID-19 dummies, estimated over first quarter of 1999 – second quarter of 2025. For a similar model, see European Central Bank (2024), "What explains the high household saving rate in the euro area?", *Economic Bulletin*, Issue 8. The latest observations are for the second quarter of 2025.

Housing investment

Housing investment and short-term indicators

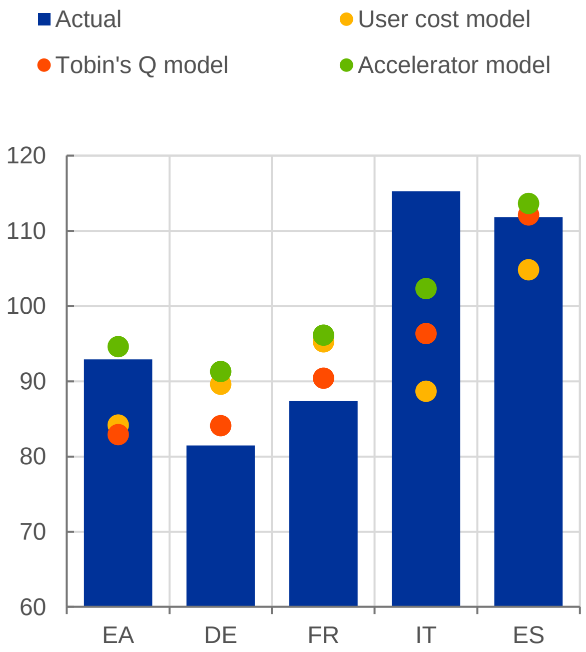
(left-hand scale: quarter-on-quarter percentage changes; right-hand scale: balances, PMI index – 50)



Sources: Eurostat, DG-ECFIN, S&P Global and ECB calculations.
Notes: Composite indices refer to building output and specialised construction activities. The latest observations are for the second quarter of 2025 for housing investment, August 2025 for composite building output and September 2025 for PMI housing output and EC composite building trend activity.

Housing investment and model-based fundamentals in Q2 2025

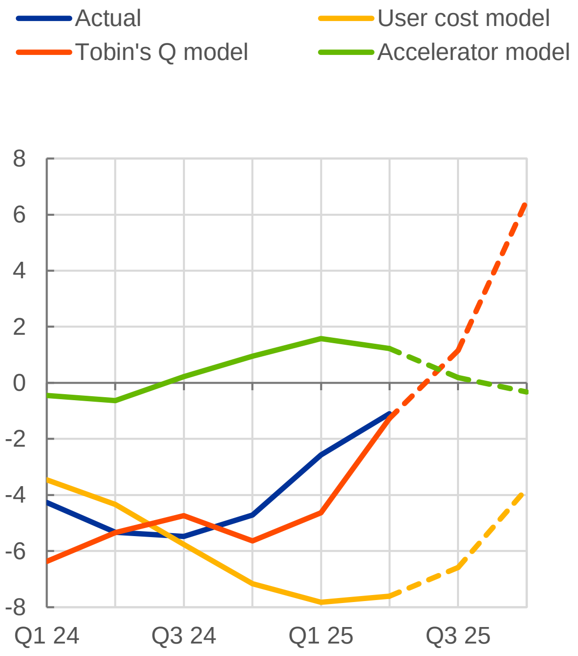
(first quarter of 2022 = 100)



Sources: Eurostat, S&P Global, DG-ECFIN, ECB and ECB calculations.
Notes: The fundamental levels are estimated as described in Box 1 of the March 2024 Macroeconomic Assessment Chapter. The User cost model is described by Battistini and Gareis (2024). The latest observations are for the second quarter of 2025.

Housing investment and model-based fundamentals

(year-on-year percentage changes)



Sources: Eurostat, S&P Global, DG-ECFIN, ECB and ECB calculations.
Notes: See middle chart. The dashed lines show the projection horizon. The latest observations are for the second quarter of 2025 for data and the fourth quarter of 2025 for projections.

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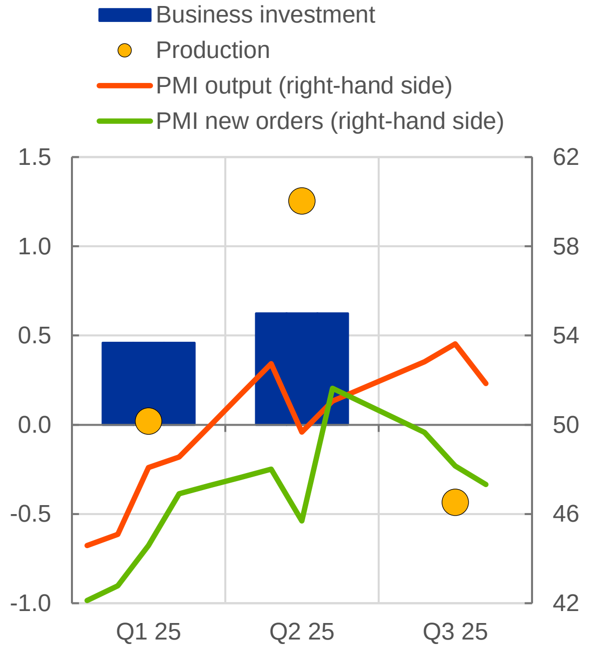
Business investment

Business investment and capital goods indicators

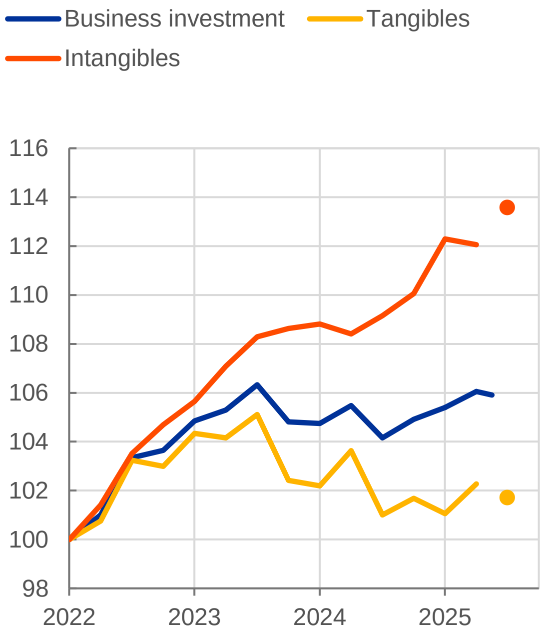
(left-hand scale: quarter-on-quarter percentage change; right-hand scale: diffusion index)



Sources: Eurostat, S&P Global and ECB calculations.
Notes: Non-construction investment (capital goods production) excludes Irish intangibles. The latest observations are for the second quarter of 2025 for investment, August 2025 for production and September 2025 for PMIs.

Business investment

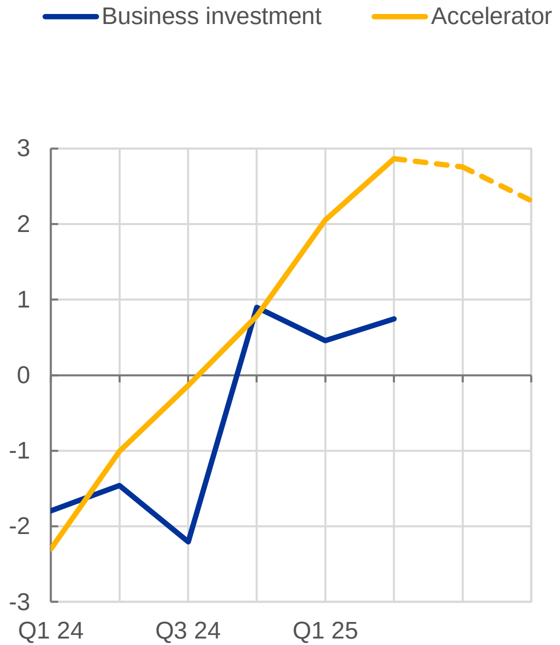
(index: Q1 2022 = 100)



Sources: Eurostat, September 2025 projections and ECB calculations.
Notes: Business investment and intangibles exclude Irish intangibles. Dots refer to estimates based on production indices for capital goods (July and August) and for services linked to intangible assets (July). The latest observations are for the second quarter of 2025.

Business investment and accelerator model

(year-on-year percentage change)

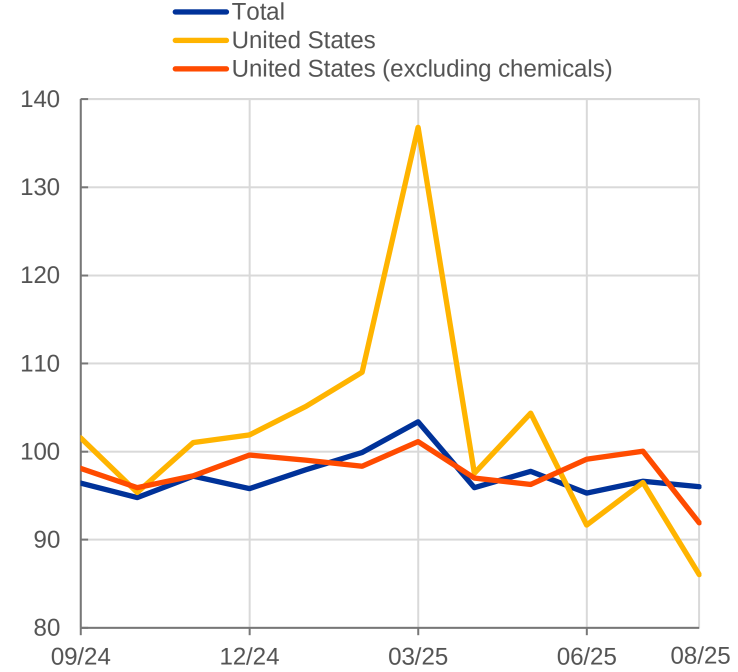


Sources: Eurostat, S&P Global, September 2025 Eurosystem staff macroeconomic projections and ECB calculations.
Notes: The dashed line shows the projection horizon. The latest observations are for the second quarter of 2025.

Euro area exports

Euro area goods export volumes

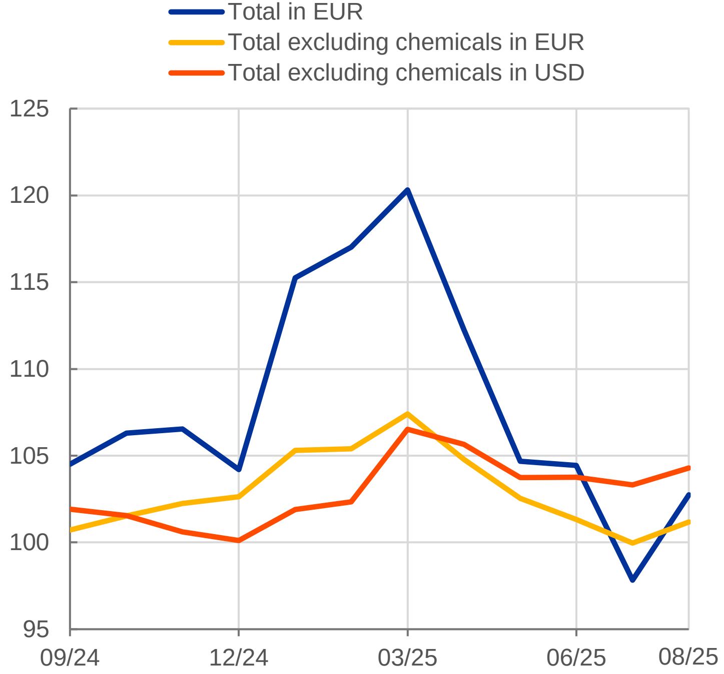
(index: January 2024 = 100)



Sources: Eurostat and ECB staff calculations.
Notes: The last observation for extra-euro area export volumes is estimated using the growth rate of deflated values. The latest observations are for August 2025.

Euro area goods export prices to the United States

(index: January 2024 = 100)

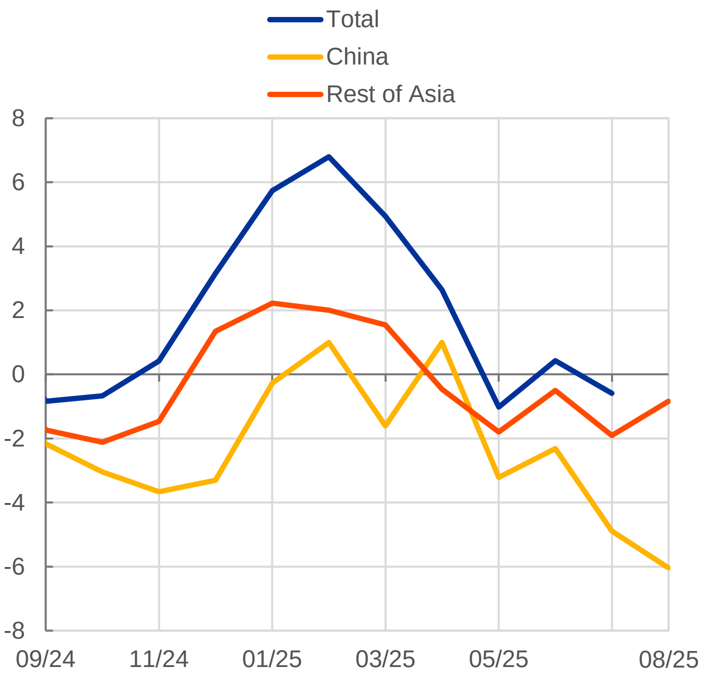


Sources: Eurostat, ECB, and ECB staff calculations.
Note: The latest observations are for August 2025.

Euro area imports

Euro area import prices

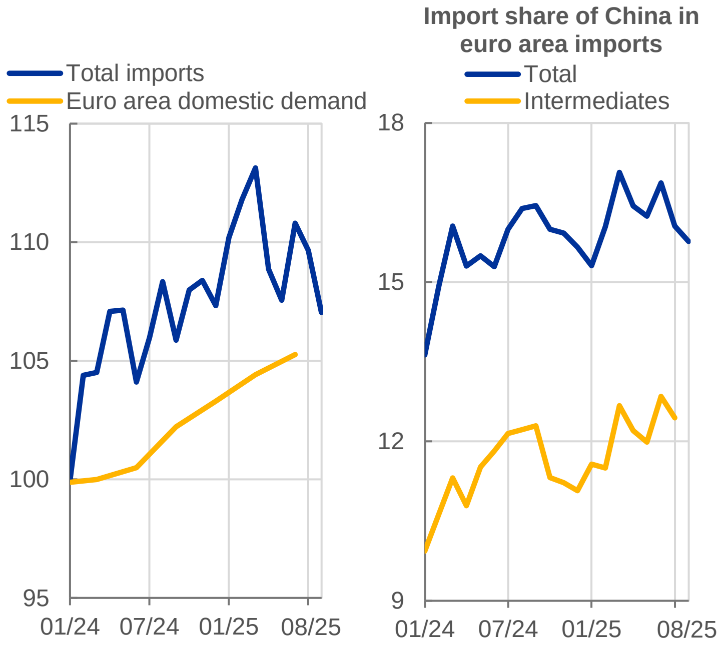
(year-on-year percentage changes)



Sources: Eurostat, Haver analytics and ECB staff calculations.
Note: The latest observations are for July 2025 for extra-euro area and August 2025 for China and rest of Asia.

Euro area imports

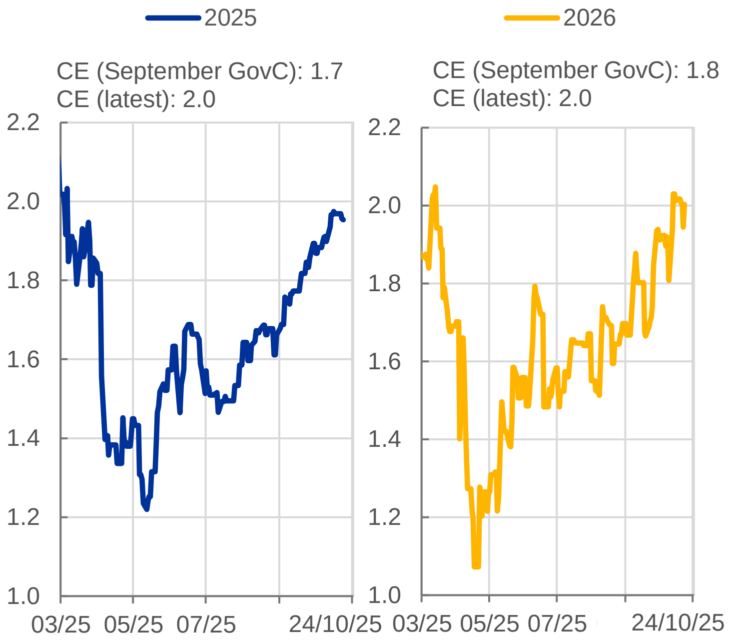
(left-hand side: index: January 2024 = 100; right-hand side: percentage)



Sources: Eurostat and ECB staff calculations.
Note: The latest observations are for June 2025 for domestic demand, July 2025 for import share of China in euro area imports of intermediate goods and August 2025 for the rest.

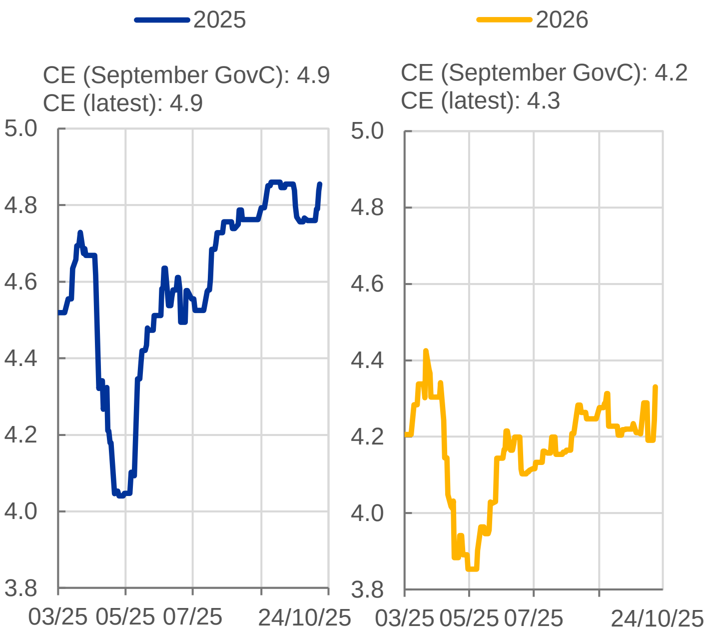
United States and China: activity

United States: Consensus Economics GDP forecast for 2025 and 2026
(annual percentage changes, moving average)



Source: Consensus Economics.
Notes: The series are calculated for each business day as a moving average of the latest revised forecasts. The latest observations are for 24 October 2025.

China: Consensus Economics GDP forecast for 2025 and 2026
(annual percentage changes, moving average)

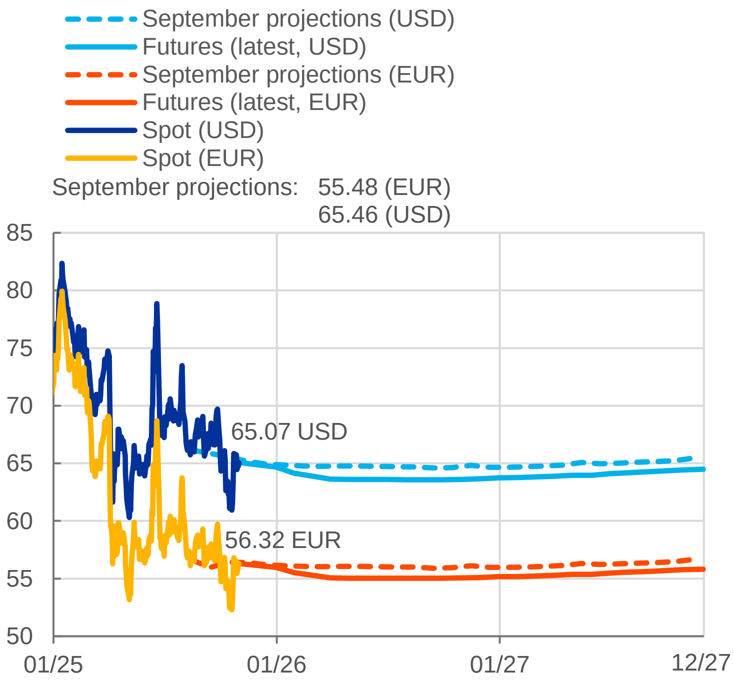


Source: Consensus Economics.
Notes: The series are calculated for each business day as a moving average of the latest revised forecasts. The latest observations are for 24 October 2025.

Commodity prices

Brent crude oil

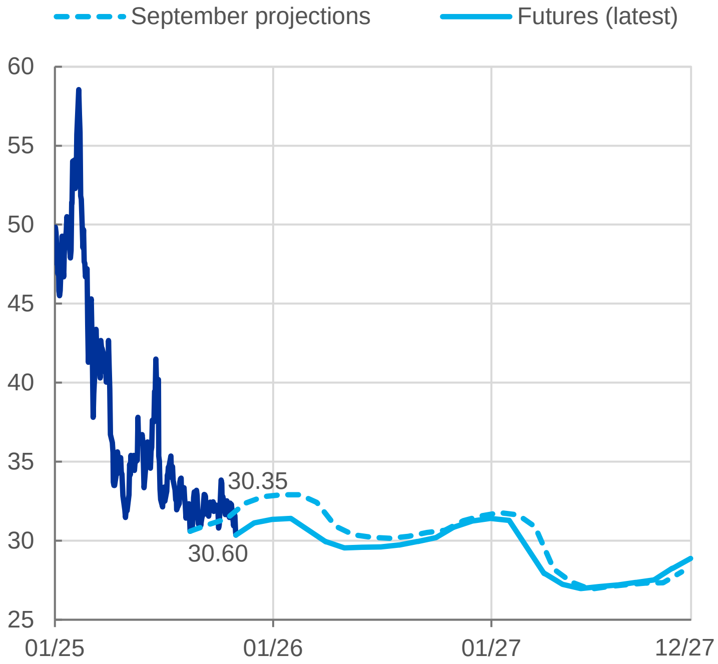
(USD/barrel and EUR/barrel)



Sources: LSEG and ECB calculations.
Notes: Historical prices in euro are obtained from prices converted at historical exchange rates; future prices are converted at the latest USD/EUR exchange rate. The latest observations are for 31 October 2025.

Gas

(EUR/MWh)

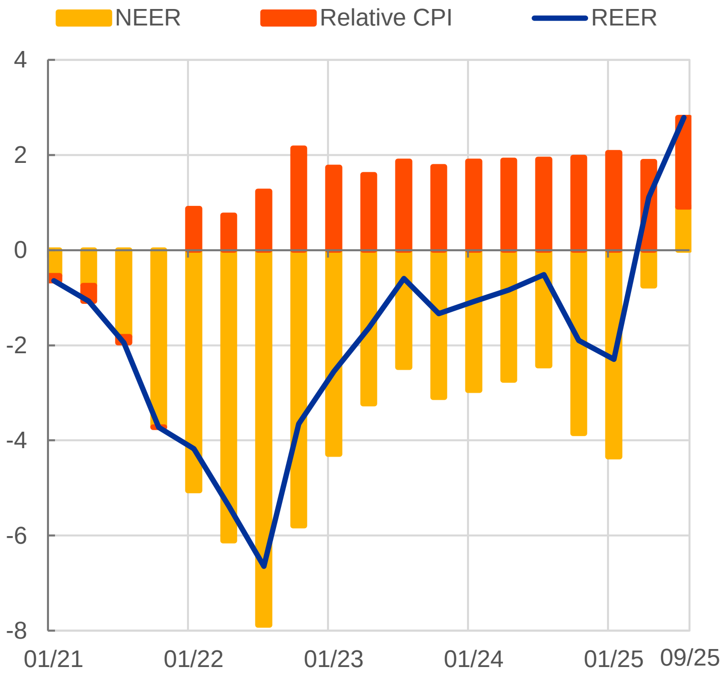


Sources: LSEG and ECB calculations.
Note: The latest observations are for 31 October 2025.

Real effective exchange rate and relative price developments

Real effective exchange rate (REER) developments

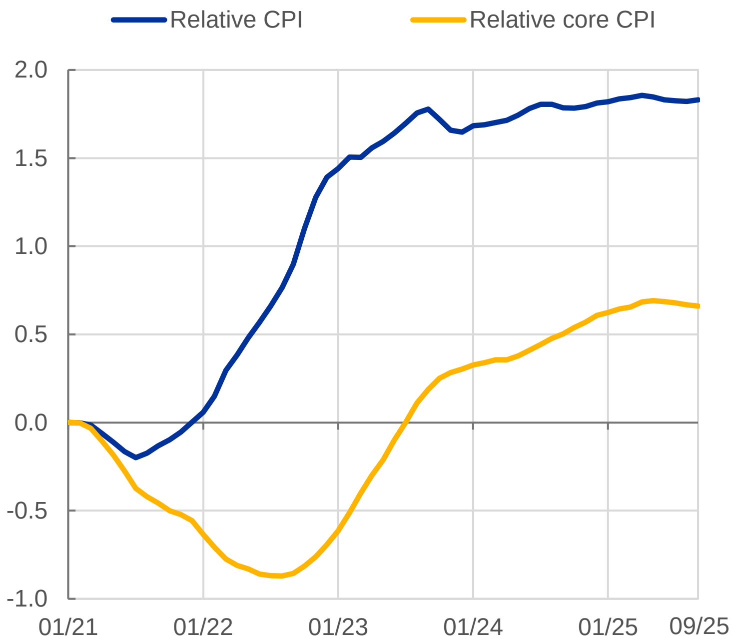
(cumulative percentage change vs January 2021)



Sources: Eurostat and ECB staff calculations.
Notes: Euro real effective exchange rate (REER) vis-à-vis 18 main trading partners (three-month averages). Relative CPI changes are implied from REER and nominal effective exchange rate (NEER) changes. The group of 18 trading partners (EER-18) comprises Australia, Bulgaria, Canada, China, Czech Republic, Denmark, Hong Kong, Hungary, Japan, Korea, Norway, Poland, Romania, Singapore, Sweden, Switzerland, the United Kingdom and the United States. This group does not include Türkiye. The latest observations are for September 2025.

Relative CPI developments

(cumulative percentage change vs January 2021)



Sources: Eurostat, Haver analytics and ECB staff calculations.
Notes: Relative (core) CPI index for the euro area vis-à-vis 18 main trading partners, calculated as the ratio of the euro area (core) CPI index to a trade-weighted (core) CPI index for the 18 partners. The weighted index is constructed using 2021 manufacturing trade weights. Figure shows cumulative change in 12-month moving averages.The latest observations are for September 2025.

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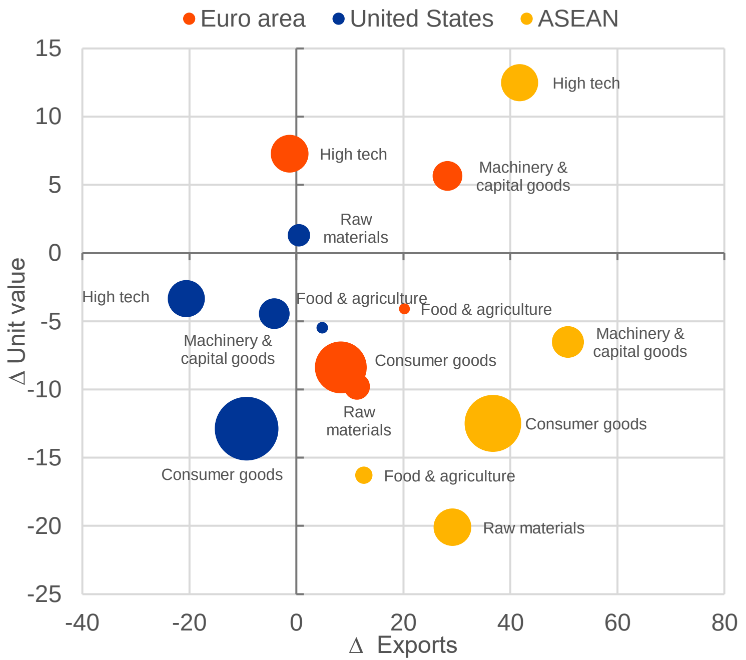
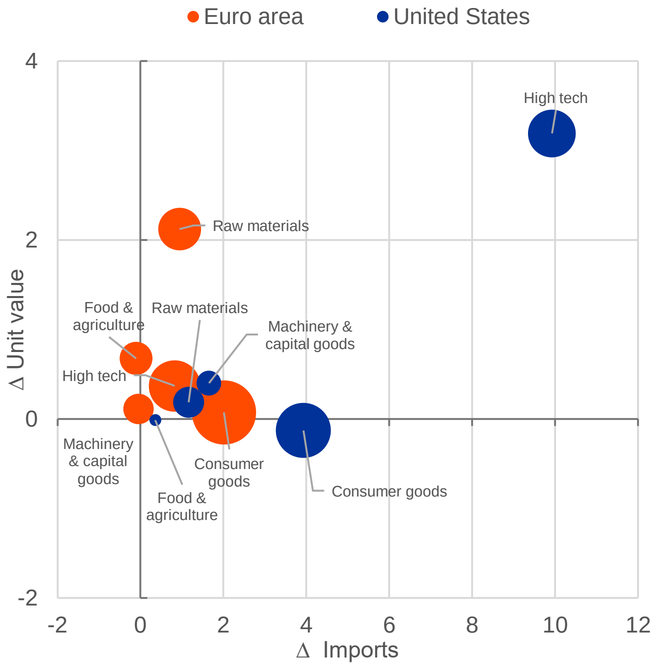
Changing composition of trade

Change in China's export volumes and unit values by partner
(change between 2025 and 2022-24, percentage)



Sources: Trade Data Monitor (TDM) and ECB staff calculations.
Notes: Chinese exports and export prices with respect to each partner. Unit values are expressed in USD. High-technology goods as defined by the European Commission. Overlapping commodities of high-technology goods are excluded from these categories. The size of the bubble indicates trade value during the reference period (2022-24). The latest observations are for September 2025.

Change in EA and US import volumes and unit values from ASEAN economies
(change between 2025 and 2022-24, percentage)



Sources: Trade Data Monitor (TDM) and ECB staff calculations.
Notes: Euro area and US imports and import prices with respect to each partner. Unit values are expressed in USD. High-technology goods as defined by the European Commission. Overlapping commodities of high-technology goods are excluded from these categories. The size of the bubble indicates trade value during the reference period (2022-24). The latest observations are for August 2025.

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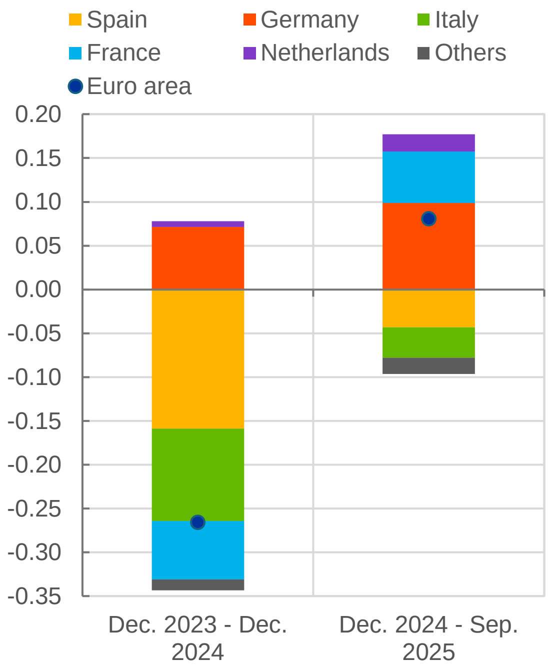
Labour market

Change in unemployment rate

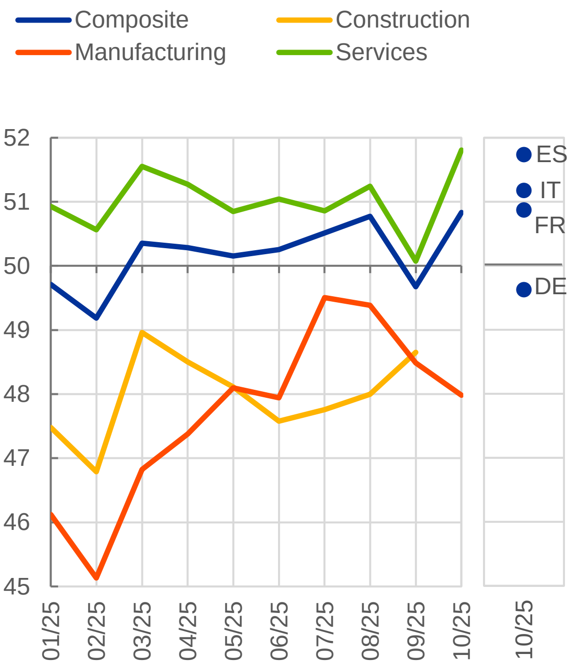
(percentage point change for the unemployment rate and percentage point contributions)



Source: Eurostat.
Note: The latest observations are for September 2025.

PMI employment

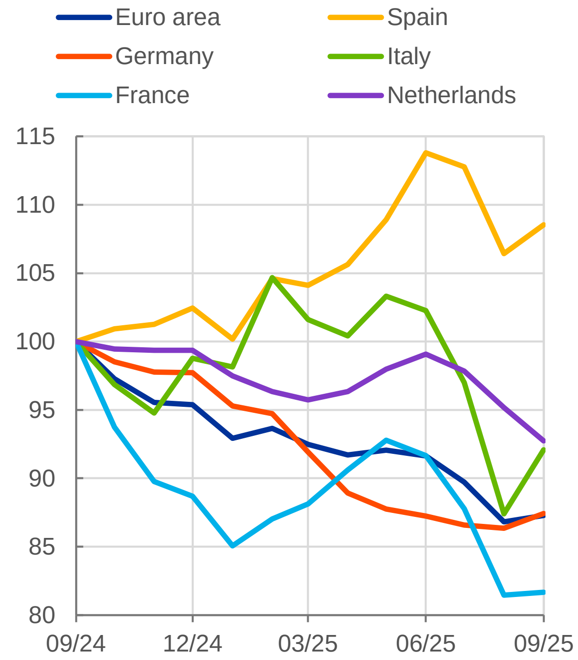
(diffusion index)



Source: S&P Global.
Note: The latest observations are for September 2025 for the construction sector and the composite index for Italy and Spain and for October 2025 for the rest.

Indeed job postings

(index: September 2024 = 100)

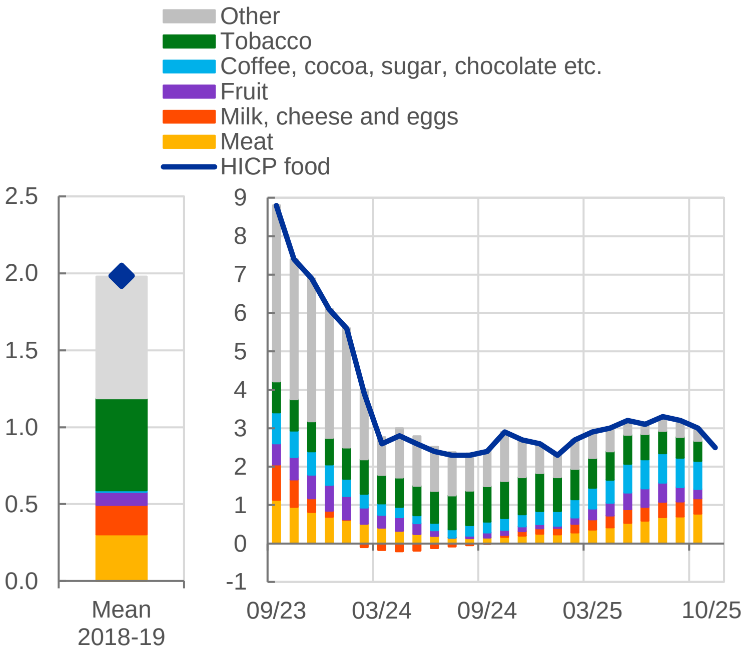


Source: Indeed.
Note: The latest observations are for September 2025.

Food inflation

Food inflation decomposition

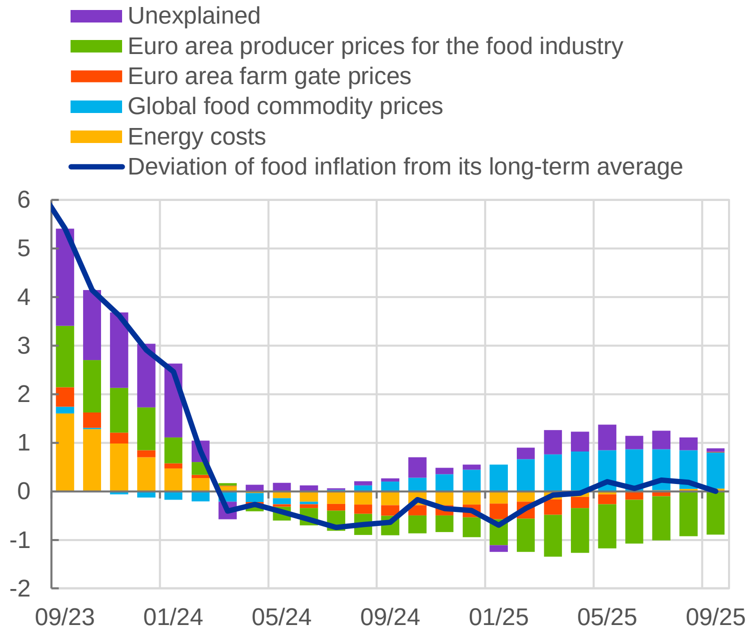
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: Based on 15 COICOP-4 items. “Other” includes “Bread & cereals”, “Fish”, “Oils & fats”, “Vegetables”, “Food products not elsewhere classified”, “Mineral water”, “Spirits”, “Wine” and “Beer”. The latest observations are for October 2025 (flash estimate) for HICP food and September 2025 for the remaining indicators.

Model-based decomposition of HICP food

(percentage point contributions to deviations from long-term average)

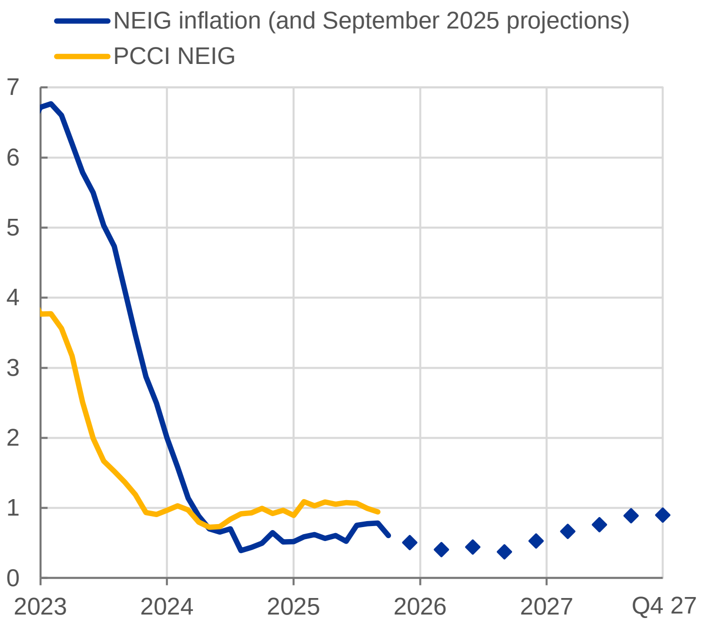


Sources: ECB calculations, ECB Consumer Expectations Survey (CES).
Notes: Based on Kuik et al. (2024), the chart shows a BVAR decomposition of the drivers in the deviation in euro area food inflation from its long-term average (and initial condition). Energy costs based on PPI energy, Global food commodity prices from HWWI (in euro), Euro area farm-gate prices based on European Commission data. Estimation sample from December 1996 to September 2025.

Goods and services inflation

Non-energy industrial goods inflation

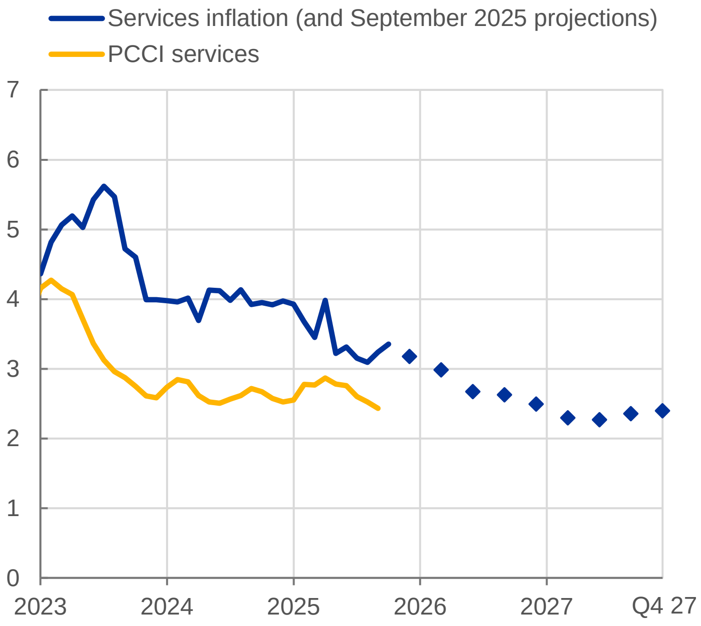
(annual percentage changes)



Sources: Eurostat, September 2025 ECB staff macroeconomic projections and ECB calculations.
Notes: Series for realised values of non-energy industrial goods (NEIG) inflation and Persistent and Common Component of Inflation (PCCI) are monthly, while the diamonds represent the quarterly projections. The first diamond corresponds to the projection for the entire fourth quarter of 2025. The latest observations are for October 2025 (flash estimate) for NEIG inflation and September 2025 for PCCI NEIG.

Services inflation

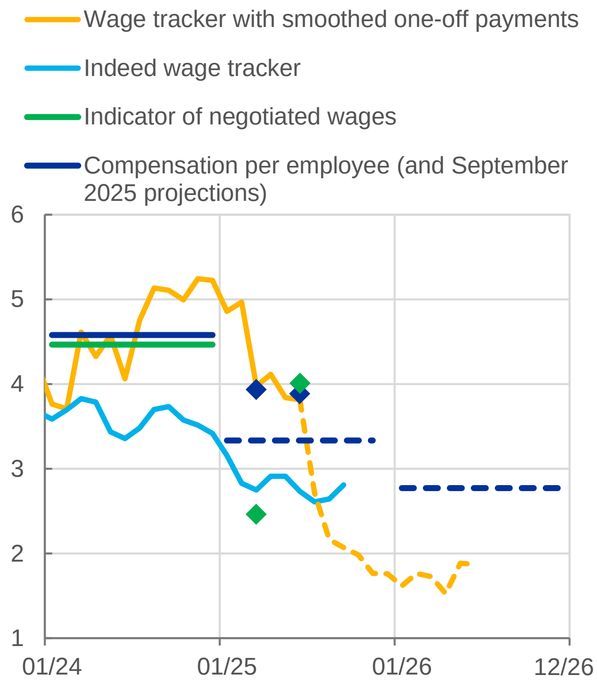
(annual percentage changes)



Sources: Eurostat, September 2025 ECB staff macroeconomic projections and ECB calculations.
Notes: Series for realised values of services inflation and Persistent and Common Component of Inflation (PCCI) are monthly, while the diamonds represent the quarterly projections. The first diamond corresponds to the projection for the entire fourth quarter of 2025. The latest observations are for October 2025 (flash estimate) for services inflation and September 2025 for PCCI services.

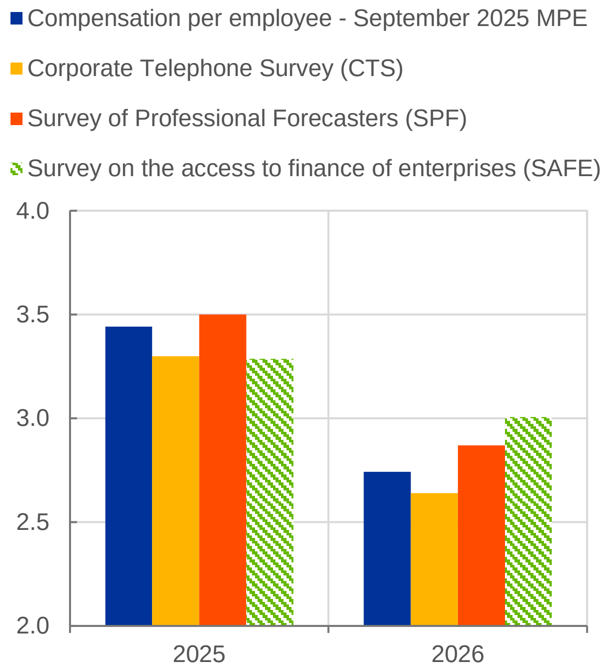
Wages

ECB wage tracker and CPE growth
(annual percentage changes)



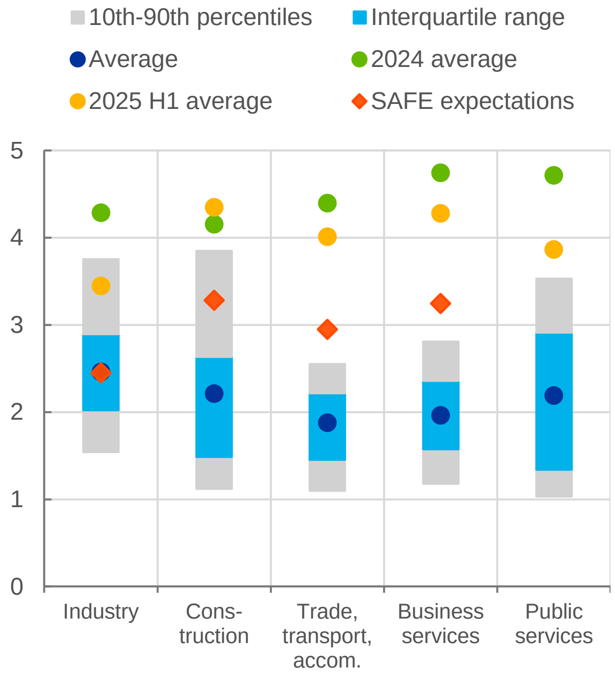
Sources: ECB wage tracker, Eurostat, September 2025 ECB staff macroeconomic projections and Indeed.
Notes: Diamonds represent the quarterly series of negotiated wages and compensation per employee growth. Dashed lines represent annual projections. The latest observations are for the second quarter of 2025 for negotiated wages and compensation per employee, September 2025 for Indeed and June 2026 for the ECB wage tracker.

Wage growth expectations
(annual percentage changes)



Sources: September 2025 ECB staff macroeconomic projections (MPE), SPF, CTS and SAFE. Notes: The SAFE survey asks about 12-month-ahead wage growth. The value for 2025 from SAFE data corresponds to the response in the fourth quarter of 2024, and the value for 2026 corresponds to responses in the third quarter of 2025. The latest observations are for the third quarter of 2025 for SAFE, fourth quarter of 2025 for the SPF and October 2025 for the CTS.

Sectoral wage growth outcomes versus pre-pandemic patterns and expectations
(annual percentage changes)

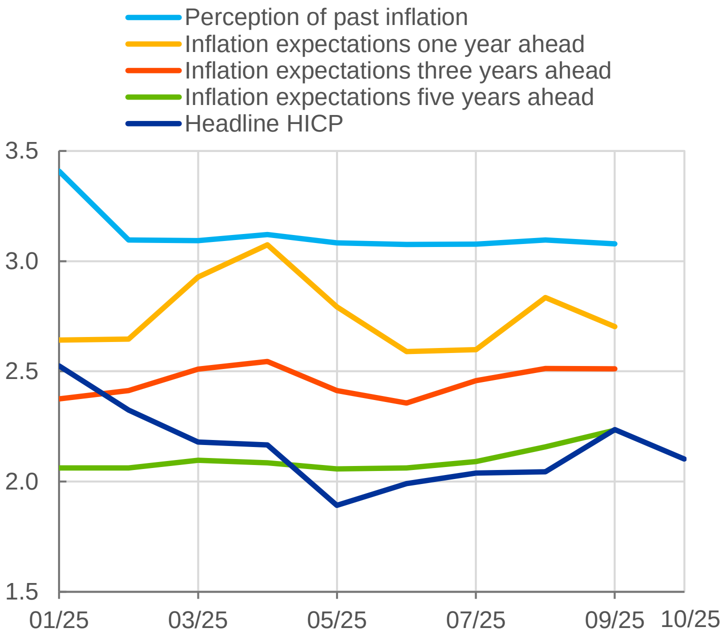


Sources: Eurostat and SAFE. Notes: The SAFE survey asks about 12-month-ahead wage growth. Public services is not included in SAFE. The 10th-90th percentiles, interquartile range and average are based on the year-on-year growth rates from 1999 to 2019. The latest observations are for the second quarter of 2025 for wage growth data and third quarter of 2025 for SAFE data.

Consumer inflation expectations and impact of food inflation

CES: consumer inflation expectations

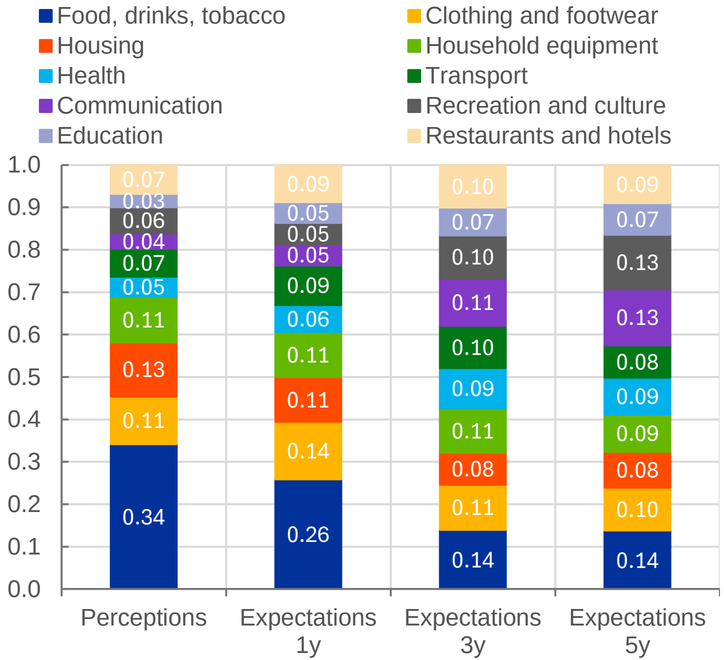
(annual percentage changes)



Sources: ECB Consumer Expectations Survey (CES) and ECB calculations.
Notes: Median perceptions/expectations for the CES using survey weights. The latest observations are for October 2025 (flash estimate) for headline HICP and September 2025 for the remaining indicators.

Relative importance of food inflation for inflation perceptions and expectations (CES)

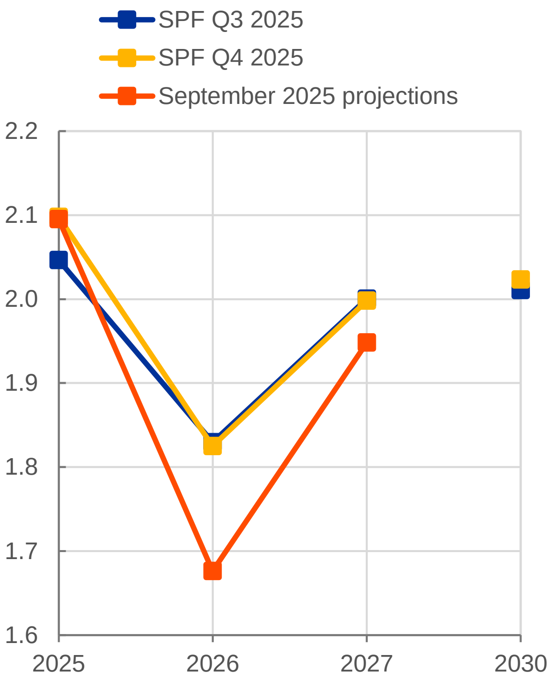
(relative weights)



Sources: ECB calculations, ECB CES.
Notes: The chart shows relative weights based on the additional explanatory power of each item in regressions for inflation perceptions (first bar) and expectations (controlling for perceptions, remaining bars) over using only fixed effects. CES data for December 2022; January, July, and December 2023; January 2024; and May and June 2025.

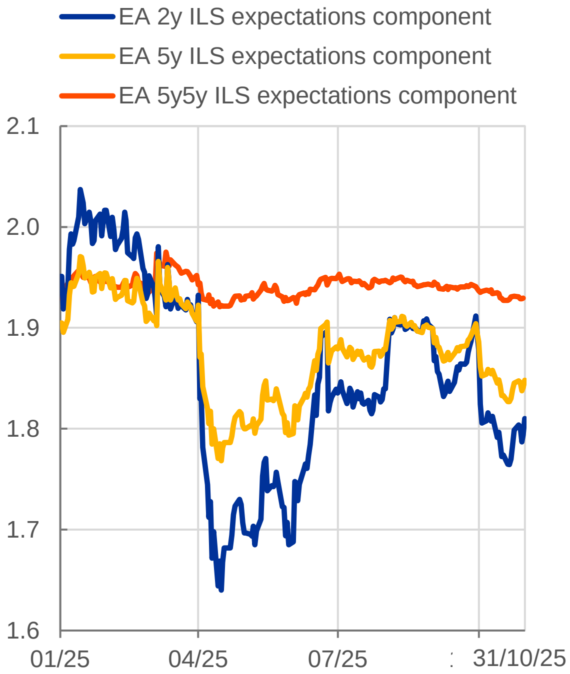
Measures of inflation expectations

SPF: HICP inflation expectations
(annual percentage changes)



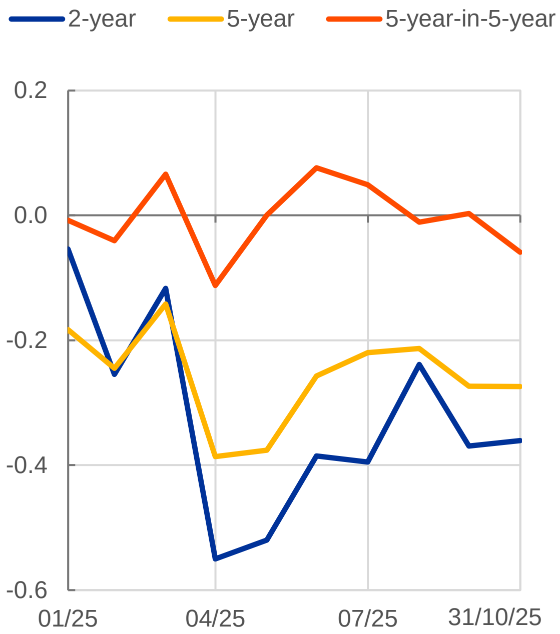
Sources: Survey of Professional Forecasters (SPF), September 2025 ECB staff macroeconomic projections and ECB calculations.
Notes: Long-term expectations refer to five years ahead. The latest observations are for the fourth quarter of 2025.

Inflation expectations based on ILS rates
(annual percentage changes)



Sources: Bloomberg and ECB calculations. Notes: Premia-adjusted forward inflation-linked swap (ILS) rates are average estimates from two affine term structure models as in Joslin, Singleton and Zhu (2011) applied to ILS rates non adjusted for the indexation lag; see Burban, V. et al. (2022), "Decomposing market-based measures of inflation compensation into inflation expectations and risk premia", *Economic Bulletin*, Issue 8, ECB. The latest observations are for 31 October 2025.

BoR to euro area inflation
(percentage points/100)

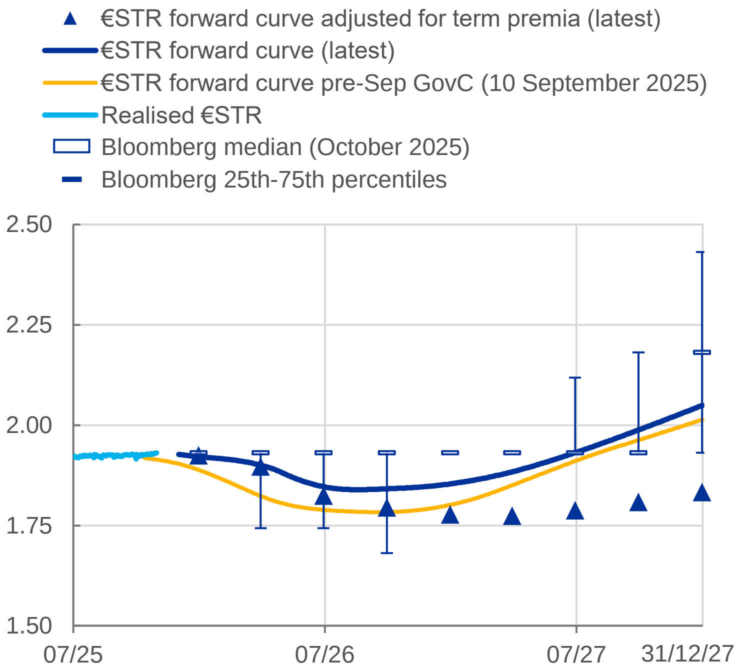


Sources: LSEG, Bloomberg and ECB calculations.
Notes: The balance of risks (BoR) is defined as the difference between the options-implied risk-neutral probability of average inflation being above vs below 2% over the lifetime of the option contract (see Garcia et al., 2024).The latest observations are for 31 October 2025 (monthly data).

Risk-free rates in the near-term, financial conditions indices

€STR forward curve and survey expectations of the deposit facility rate

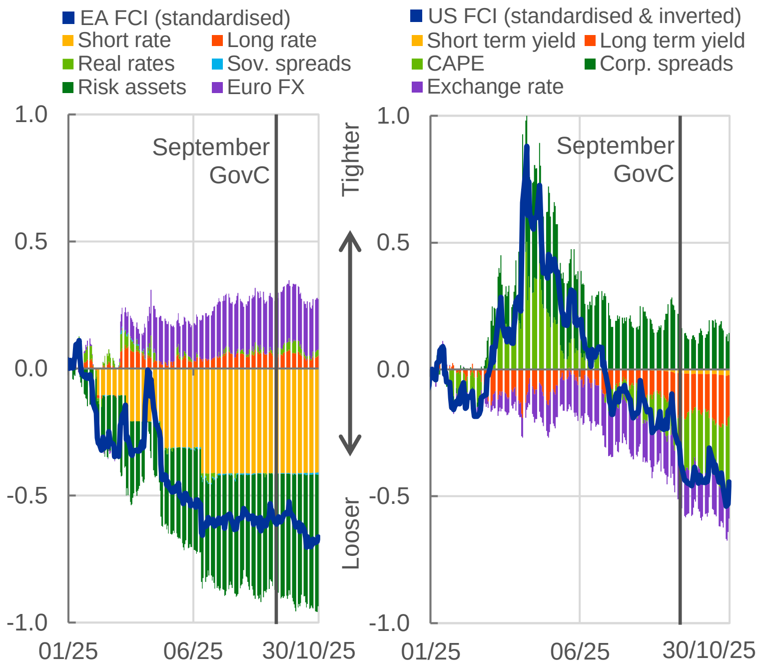
(percentages per annum)



Sources: Bloomberg, LSEG and ECB calculations.
Notes: Bars depict the median response to the October Bloomberg survey on expectations of future DFR, adjusted for the current €STR vs DFR spread. Premia-adjusted forward curve averages two affine term structure models, with and without survey information on rate expectations (variations of Joslin, Singleton and Zhu, 2011), and a lower bound term structure model following Geiger and Schupp (2018) with survey information on rate expectations. The latest observations are for 30 October 2025.

Financial conditions indices

(cumulative changes since 1 January 2025)



Sources: Bloomberg, LSEG and ECB calculations. Notes: EA Macro-Finance FCI is based on the September 2025 QMFA, Box 1. It uses €STR, nominal 10Y OIS, real 1Y1Y and 5Y OIS, 2Y and 10Y euro area GDP-weighted sovereign yields vs OIS, euro area IG corporate spreads, CAPE ratio, euro NEER. US FCI is a weighted average of: 10Y Treasury yields (25%), 3-month interest rates (5%), USD NEER (10%), CAPE ratio (25%), BBB corporate spread (35%), with all variables standardised. US and euro are indices are both scaled such that they have the same standard deviation over the period since 2005. Vertical lines refer to 10 September 2025. The latest observations are for 30 October 2025.

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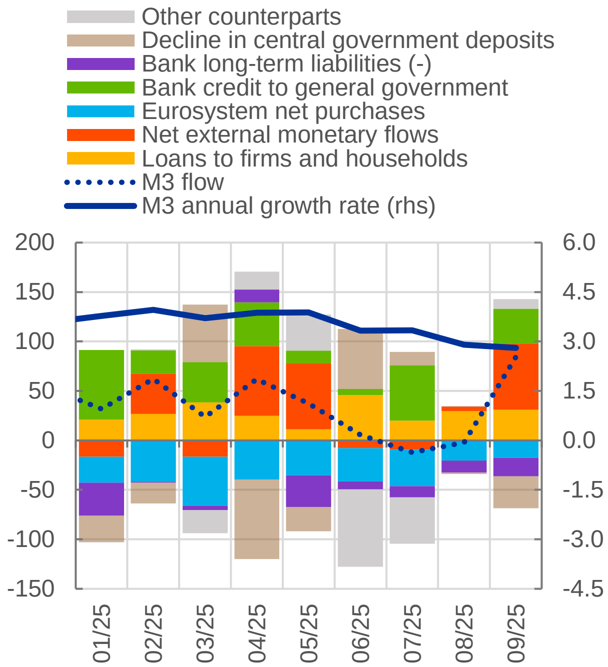
Money creation and debt financing

Sources of money creation

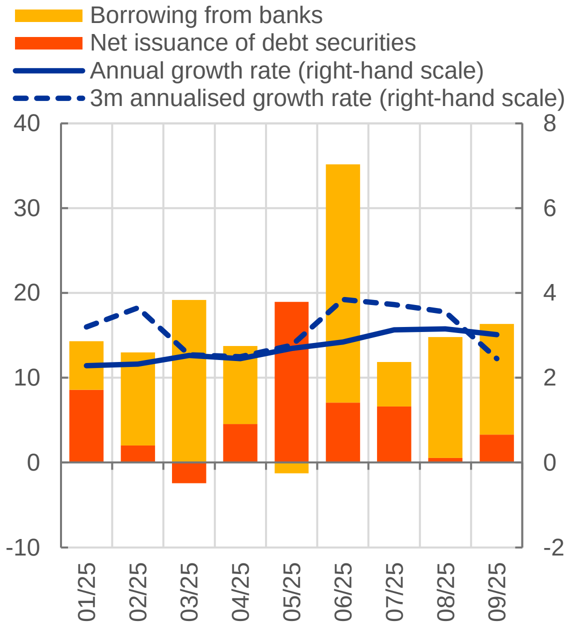
(left-hand scale: monthly flows in EUR billions, right-hand scale: annual percentage changes)



Sources: ECB (BSI) and ECB calculations.
Note: The latest observations are for September 2025.

Net debt financing flows of euro area firms

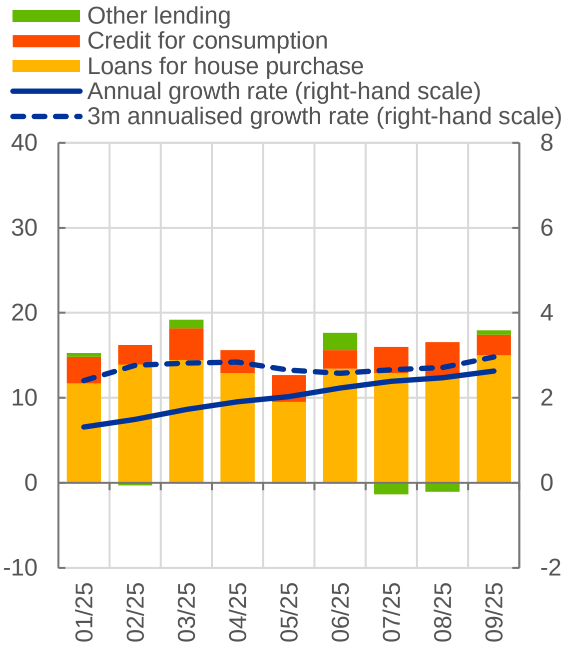
(left-hand scale: monthly flows in EUR billions, right-hand scale: annual percentage changes)



Sources: ECB (BSI, CSEC) and ECB calculations.
Notes: The seasonal adjustment for “Net issuance of debt securities” is not official, whereas the seasonal adjustment for “Borrowing from banks” is official. In addition, “Borrowing from banks” is also adjusted for sales, securitisation, and cash pooling. The latest observations are for September 2025.

Bank loans to households by purpose

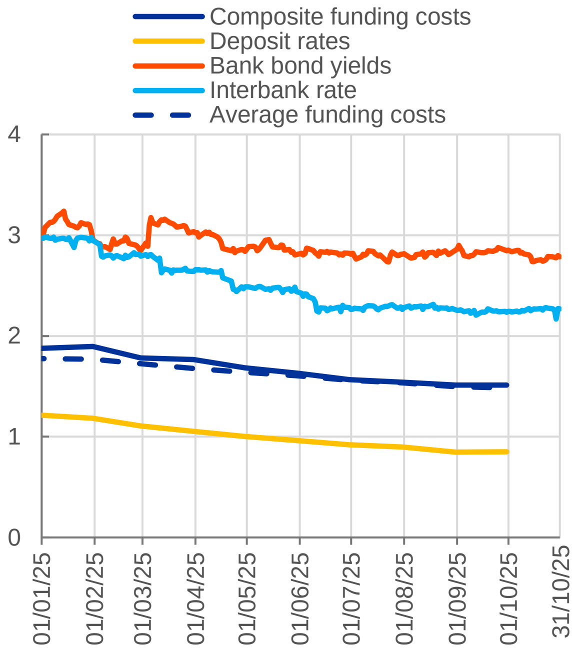
(left-hand scale: monthly flows in EUR billions, right-hand scale: annual percentage changes)



Sources: ECB (BSI) and ECB calculations.
Notes: Bank loans are seasonally adjusted and adjusted for sales and securitisation. The latest observations are for September 2025.

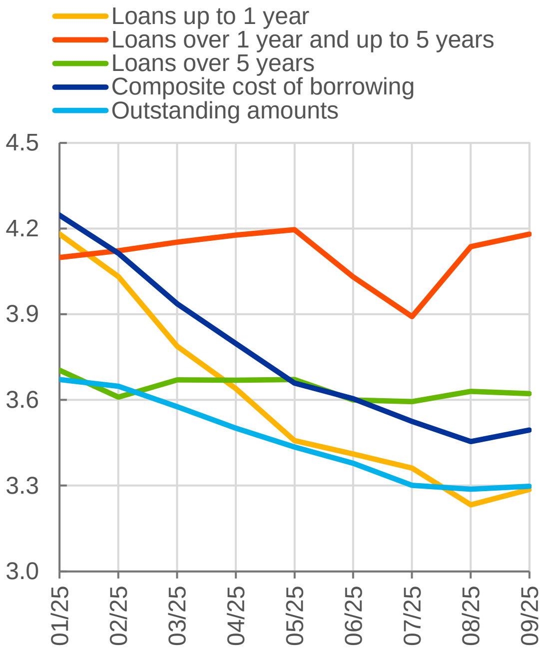
Bank funding costs and lending rates for firms and households

Bank funding costs
(percentages per annum)



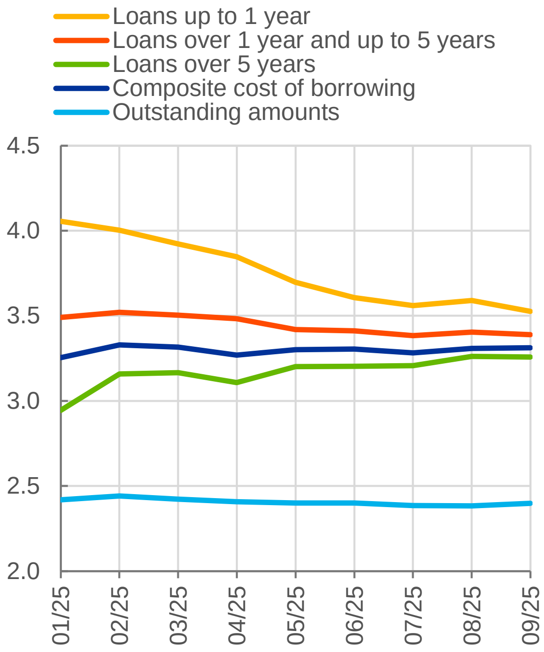
Sources: ECB (BSI, MIR, CSDB, MMSR), IHS Markit iBoxx and ECB calculations. Notes: Marginal funding costs are computed by weighing rates on new business costs of each component (overnight deposits, deposits redeemable at notice, time deposits, bonds, and interbank borrowing) by outstanding amounts. The latest observations are for September 2025 for monthly data and 31 October 2025 for daily data.

Bank lending rates to firms
(percentages per annum)



Source: ECB (MIR).
Notes: The indicator for the composite cost of borrowing is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes. The latest observations are for September 2025.

Bank lending rates to households
(percentages per annum)



Source: ECB (MIR).
Notes: The indicator for the composite cost of borrowing is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes. The latest observations are for September 2025.