

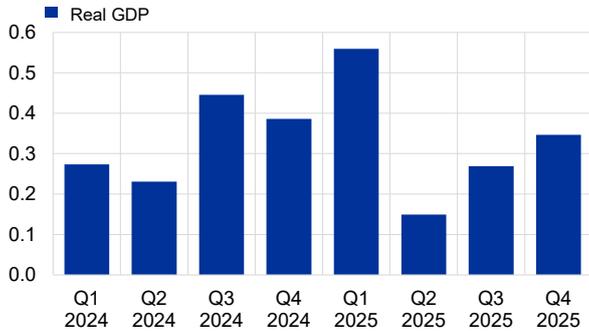


Introductory statement in three charts

ECON hearing with the ECB President on 26 February 2026

Real GDP growth

(quarter-on-quarter percentage changes)



Source: Eurostat.
Note: The latest observation is for the fourth quarter of 2025.

Economic activity

The economy is expanding despite headwinds.

- The economy grew by 0.3%, quarter on quarter, in the fourth quarter of 2025 and by 1.5% in 2025 as a whole.
- Growth was driven by domestic demand, with services activity playing a key role. Manufacturing was weaker but resilient to the impact of higher tariffs and geopolitical uncertainty.
- Rising labour income, a resilient labour market and investment in defence, infrastructure and digital technologies are expected to support growth.

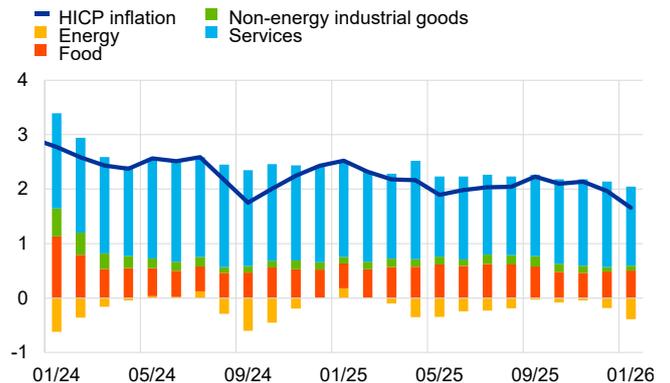
Inflation

Inflation is expected to stabilise at our 2% target in the medium term.

- Inflation declined to 1.7% in January, from 2.0% in December, owing to lower energy and services inflation.
- Inflation excluding energy and food eased to 2.2%, after 2.3% in December.
- Indicators of underlying inflation remain consistent with our 2% medium-term target.
- Most measures of longer-term inflation expectations continue to stand at around 2%.

Inflation

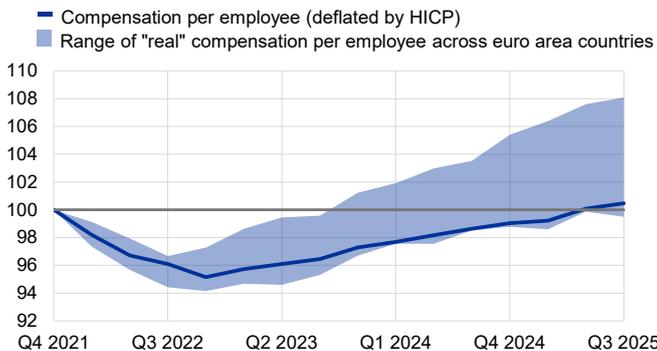
(annual percentage changes)



Source: Eurostat.
Note: The latest observations are for January 2026.

Real wages

(index: Q4 2021 = 100)



Sources: Eurostat and ECB calculations.
Notes: The range reflects the interquartile range of compensation per employee deflated by HICP across euro area countries. The latest observations are for the third quarter of 2025.

Wages

Real wages have recovered to levels seen before the surge in inflation, while nominal wage growth continues to moderate.

- Inflation is lower than nominal wage growth, and real wages have on average risen above levels observed before the inflation surge.
- Wage growth remains elevated but has eased gradually and is expected to continue to moderate to around 3% in the medium term, helping to ease domestic price pressures.

WANT TO KNOW MORE?

- [Monetary Policy Statement](#), ECB Press Conference, 5 February 2026.



Topic 1: Monetary policy stance

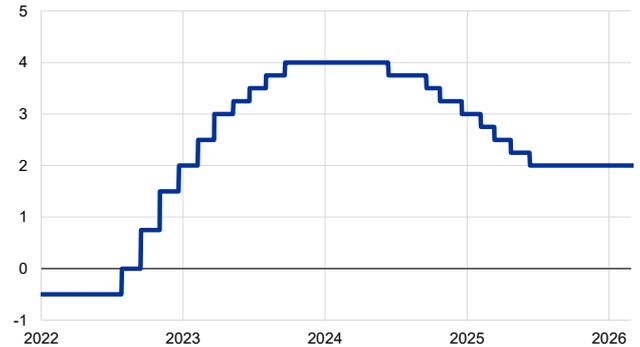
The ECB kept its interest rates unchanged in February.

- The deposit facility rate stands at 2%.
- We will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance.
- Our interest rate decisions will be based on our 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.

We are not pre-committing to a particular rate path.

Deposit facility rate

(percentages)



Source: ECB.
Note: The latest observation is for 26 February 2026.

Topic 2: Divergence between actual and perceived inflation

Consumers' inflation perceptions have declined substantially but remain higher than measured inflation.

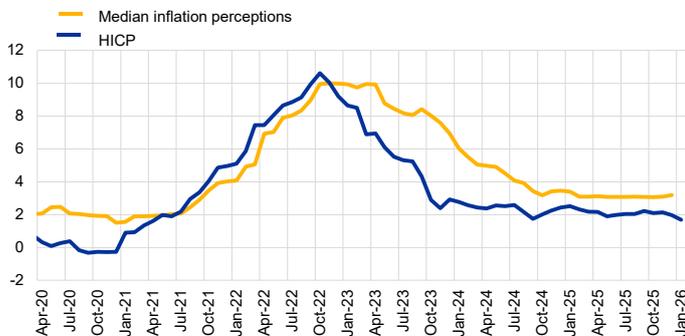
- These perceptions influence economic behaviour, inflation expectations and trust in institutions.

The gap to actual inflation reflects personal consumption patterns, among other factors, with frequently purchased items – especially food – driving perceptions.

- Delivering on our mandate, clear communication and financial literacy are key to narrowing this gap.

Consumers' inflation perceptions and actual inflation

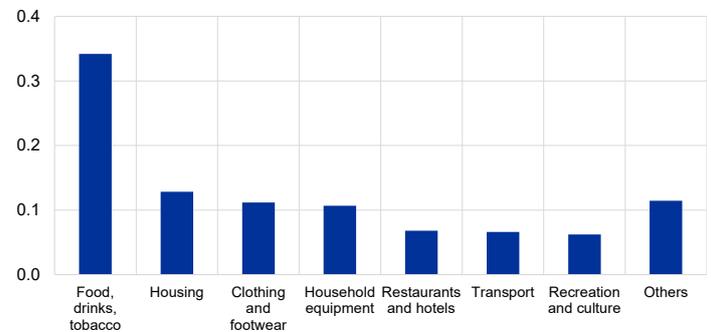
(percentages)



Sources: ECB Consumer Expectations Survey and Eurostat.
Notes: Respondents are asked: "How much higher/lower do you think prices in general are now compared with 12 months ago in the country you currently live in?". In April 2022 the composition of the aggregates changed after the sample increased from six to 11 countries. The latest observations are for December 2025.

Relevance of different prices for inflation perceptions

(relative weights)



Sources: ECB Consumer Expectations Survey and ECB calculations.
Notes: Relative weights of consumer basket items are based on the additional explanatory power of the items in regressions for inflation perceptions over a regression using only fixed effects. Data are for December 2022, December 2023 and May 2025.

WANT TO KNOW MORE?

- [Inside the food basket: what is behind recent food inflation?](#), Economic Bulletin, Issue 8, ECB, 2025
- [Consumer Expectations Survey](#), ECB