



EUROPEAN CENTRAL BANK

EUROSYSTEM

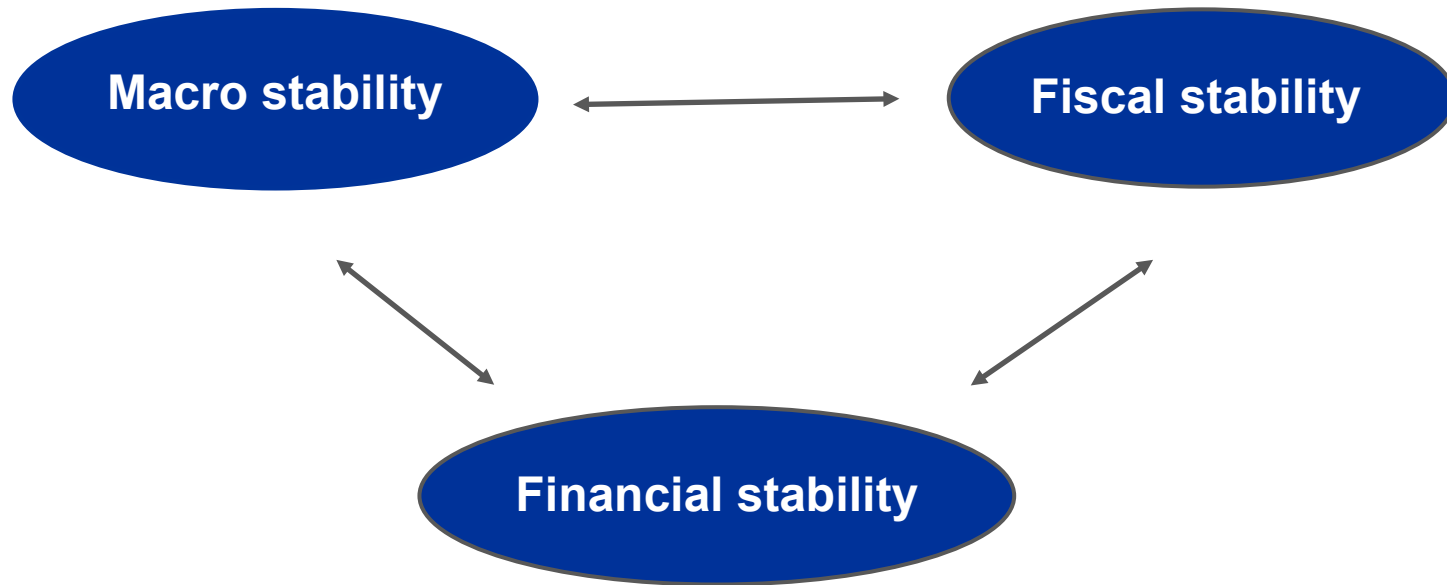
Macroeconomic, fiscal and financial stability in a shock- prone world

Isabel Schnabel

*Member of the Executive Board
of the ECB*



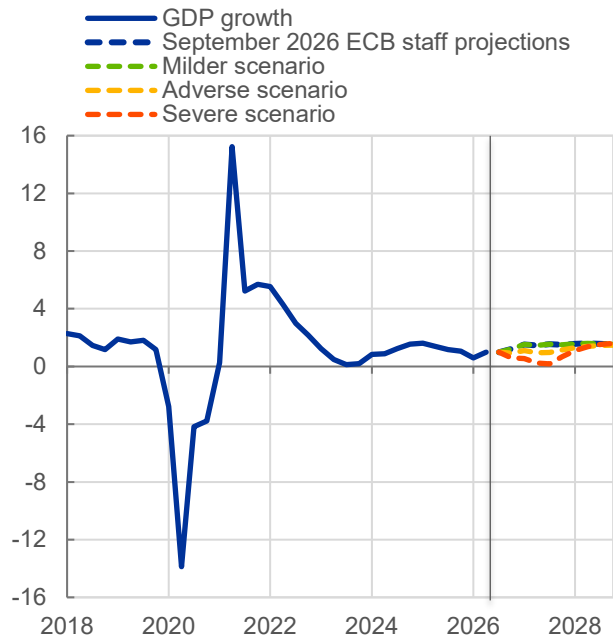
2nd BMWF Symposium on European Competitiveness,
14 September 2026



Euro area economy has remained resilient despite large shocks

GDP growth

(year-on-year percentage change)



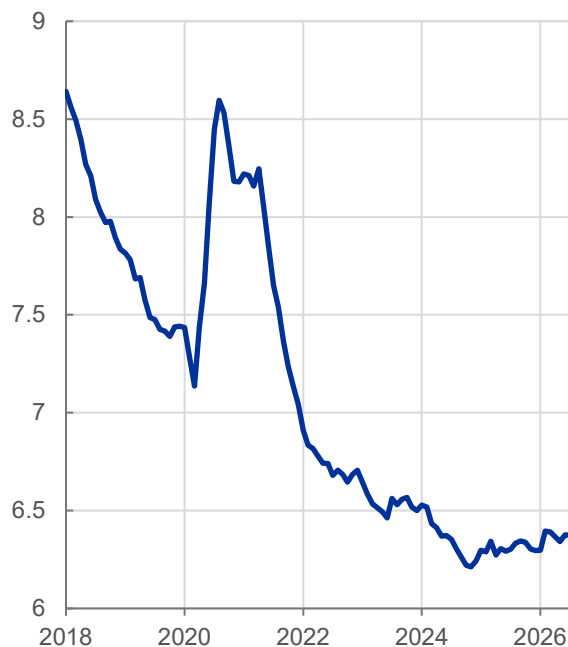
Sources: Eurostat, ECB staff projections (September 2026) and ECB staff calculations based on ECB-BASE model simulations.

Notes: The vertical line indicates the start of the September 2026 projection horizon.

Latest observation: Q2 2026.

Unemployment rate

(percentage of labour force)

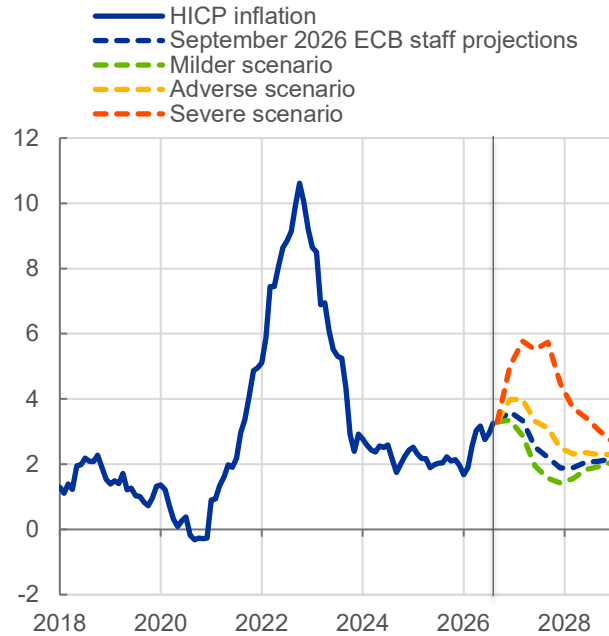


Source: Eurostat.

Latest observation: July 2026.

HICP

(year-on-year percentage change)



Sources: Eurostat, ECB staff projections (September 2026) and ECB staff calculations based on ECB-BASE model simulations.

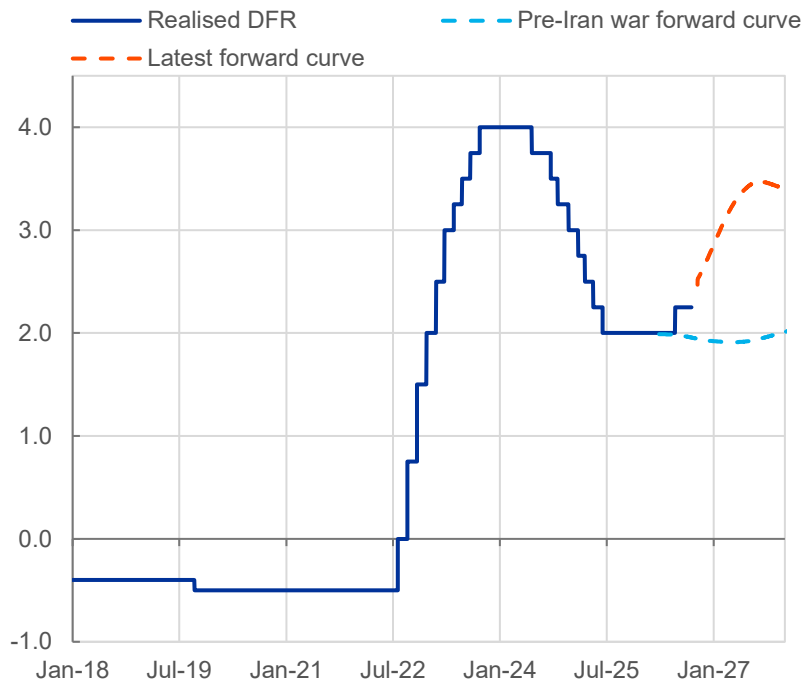
Notes: The vertical line indicates the start of the September 2026 projection horizon.

Latest observation: August 2026.

Decisive monetary policy brought inflation back to target without causing a recession

Realised and implied DFR

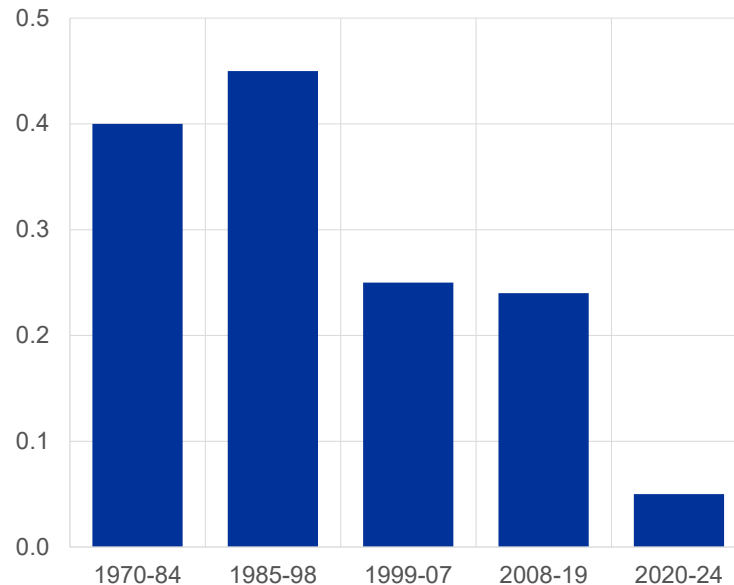
(percent per annum)



Sources: Bloomberg and ECB calculations.
Latest observation: 10 September 2026.

Median sacrifice ratios during tightening phases

(ratio, sample of 24 advanced economies)

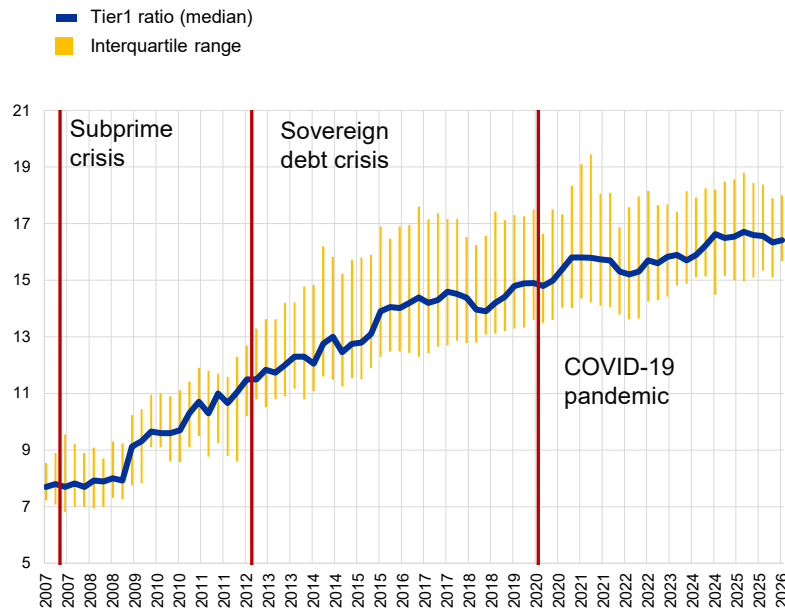


Source: Forbes, K., Ha, J. and Kose, M. (2025) "Tradeoffs over Rate Cycles: Activity, Inflation and the Price Level", NBER Working Paper No. 33825.

Notes: Sacrifice ratio is the absolute value of the accumulated negative output gap relative to the reduction in headline inflation from the peak to subsequent trough for each economy over each tightening phase (including a 12-month lag after the tightening phases ends). HP filter as gap measure.

Sound regulation allowed banks to act as shock absorbers rather than amplifiers

Capital ratios of banks (percent)

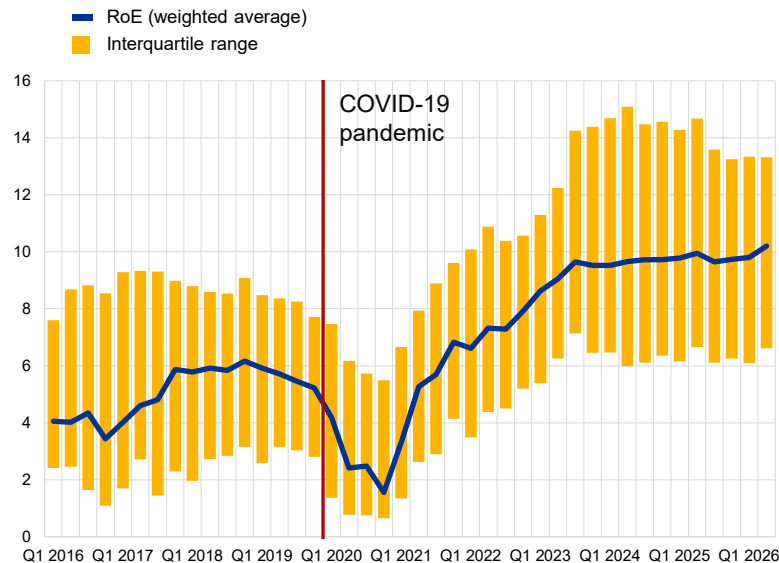


Sources: Bloomberg L.P. and ECB calculations.

Notes: Tier 1 capital ratio as a percentage of risk-weighted assets, based on an unbalanced sample of up to 76 euro area banks.

Latest observation: Q2 2026.

Euro area banks' return on equity (RoE) (percent)



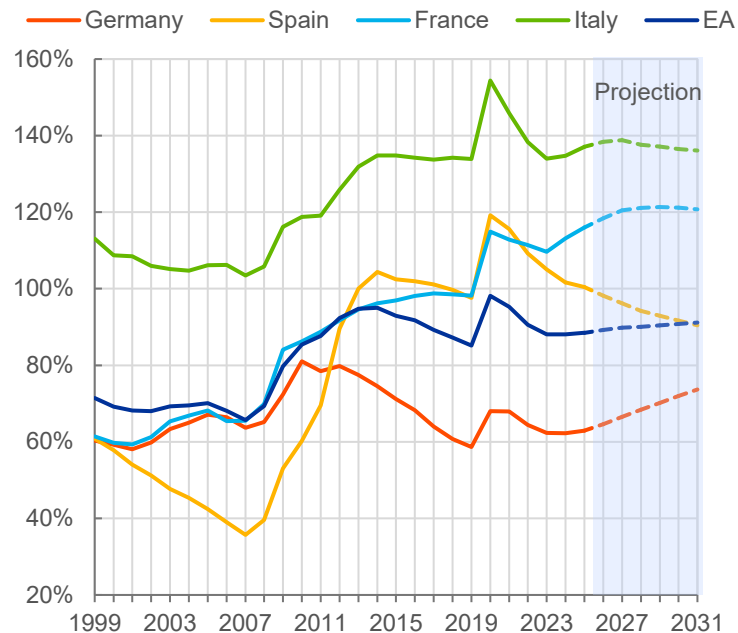
Sources: ECB supervisory data and ECB calculations.

Notes: The sample are all SSM significant institutions.

Latest observation: Q2 2026.

Public balance sheets have absorbed shocks, while leverage declined in private sector

Public debt ratio (percent of GDP)

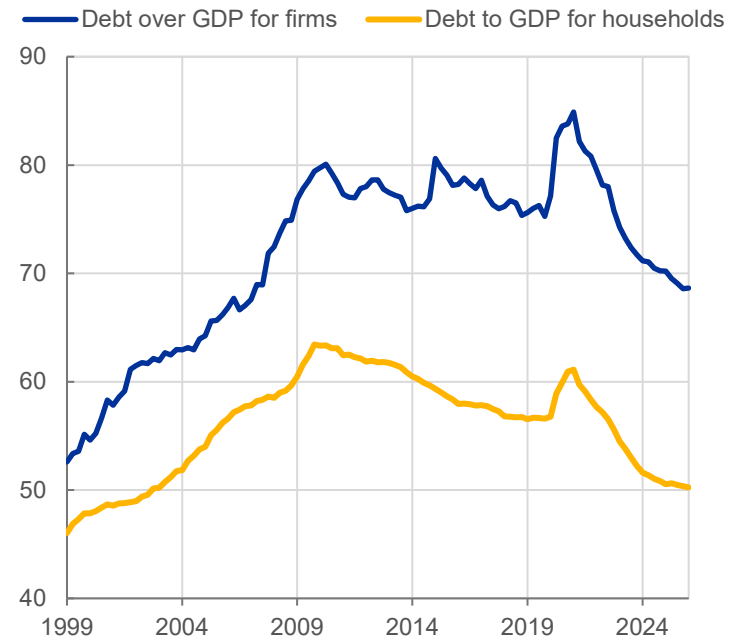


Source: IMF Spring 2026 Forecast.

Notes: EA includes the 21 countries of the euro area. Dashed lines indicate projection period.

Latest observation: 2025, projection: 2031.

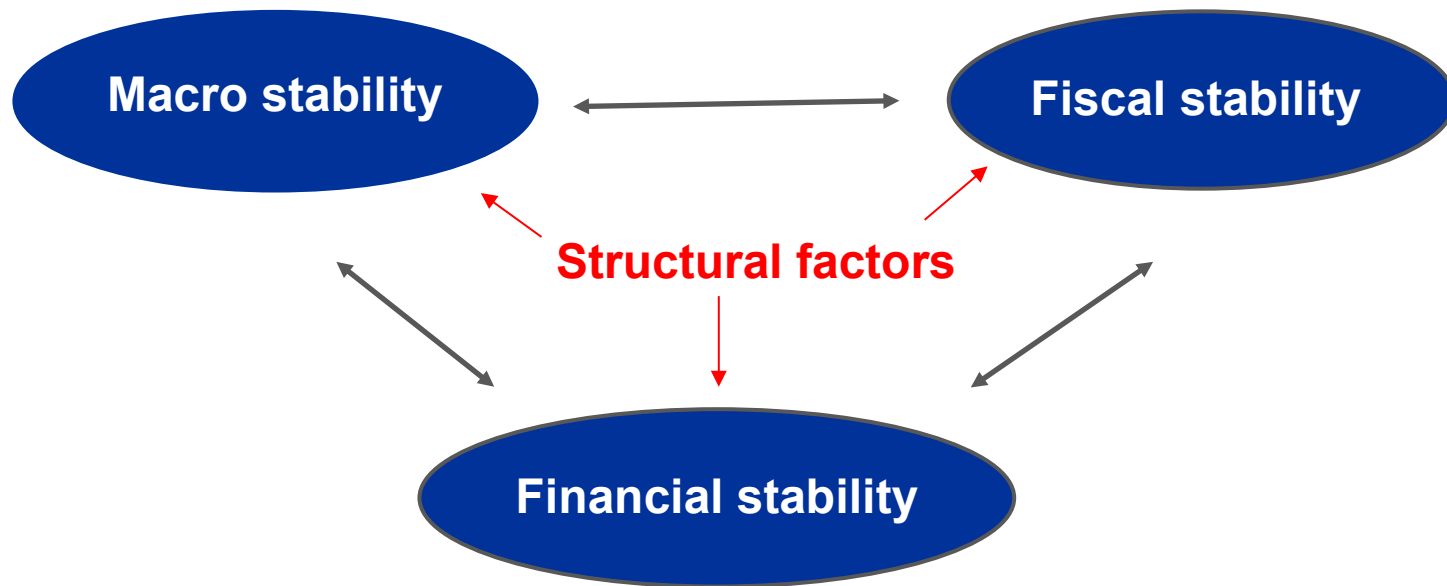
Private debt ratio (percent of GDP)



Sources: ECB (QSA) and ECB calculations.

Notes: Debt for firms is the sum of bank loans to firms, debt securities issued by firms and insurance, pension and standardised guarantee schemes of firms minus intercompany loans. Debt for households is the sum of bank loans to households and debt securities issued by households.

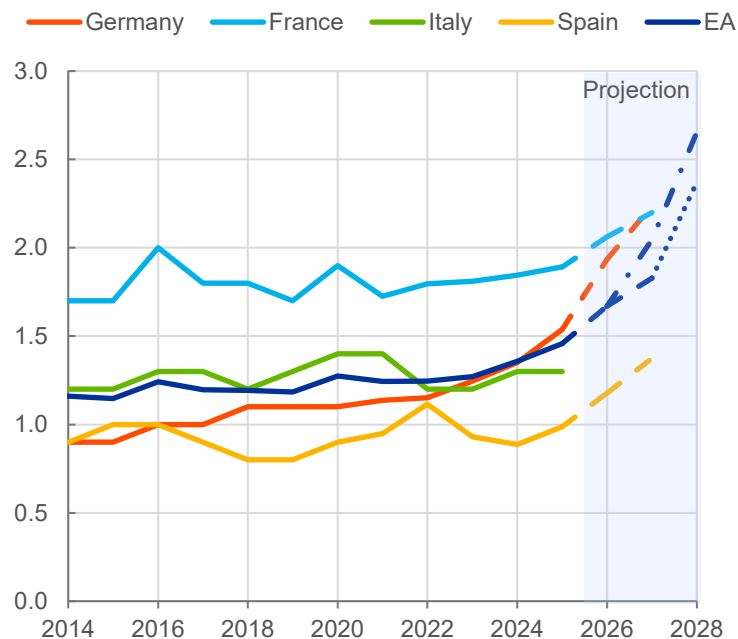
Latest observation: Q1 2026.



Demands on public budget rise: defence, interest rates, ageing, climate change,...

Defence spending

(% of GDP)



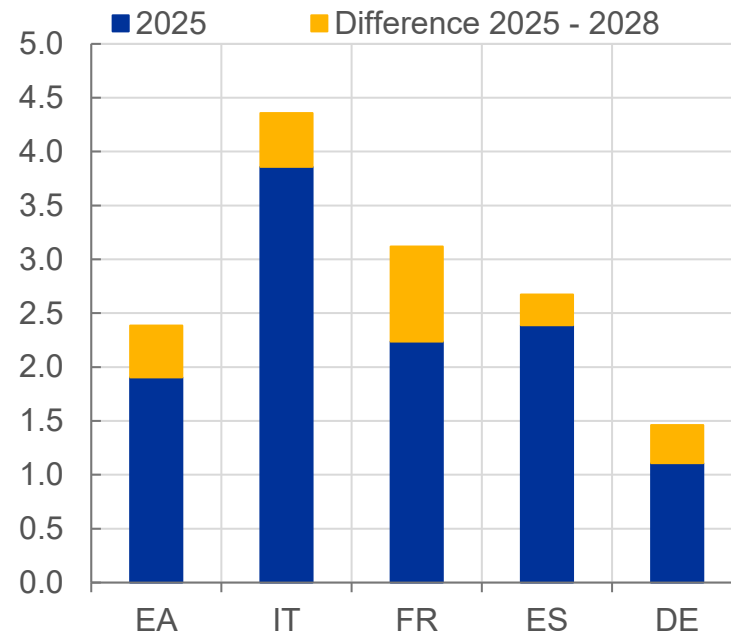
Sources: COFOG, European Commission Spring 2026 Forecast and ECB staff calculations.

Notes: For the euro area, the dotted dark blue line represents the flexibility allowed under an activated national escape clause (NEC), equivalent to 1.5% of GDP. This flexibility can be applied if a Member State requests activation, based on their selected base year, and is added to the 2027 spending path for 2028. For most of the 14 countries using the NEC, 2021 serves as the base year, while ES, BG and GR use 2024. The dashed-dotted line assumes that all EA countries activate their NEC in 2026 and increase spending linearly until 2028. The shaded blue area marks the projection period.

Latest observation: Preliminary 2027 data is available for all countries except IE, IT, CY, LV, LT and MT. Data through 2025 is available for all euro area countries.

Government interest expenditures

(% of GDP)



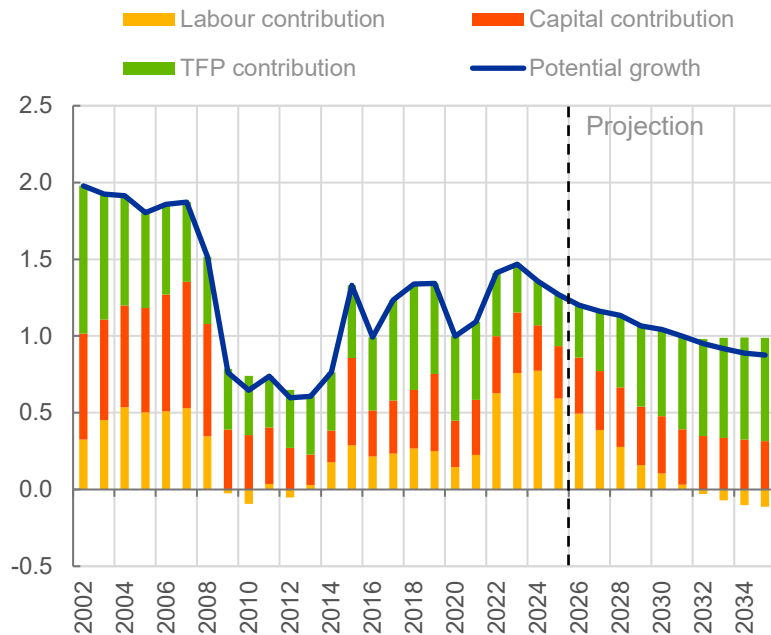
Source: ESCB DSA based on European Commission Spring 2026 Forecast.

Notes: The figures refer to a hypothetical *no fiscal policy change* scenario where the structural primary fiscal balance (i.e. excluding the cyclical impact of macroeconomic developments) remains constant at 2025 level except for the expected change in ageing cost.

Potential growth is slowing with structural headwinds to global competitiveness

Potential GDP growth in the euro area

(annual change in % and percentage point contributions)

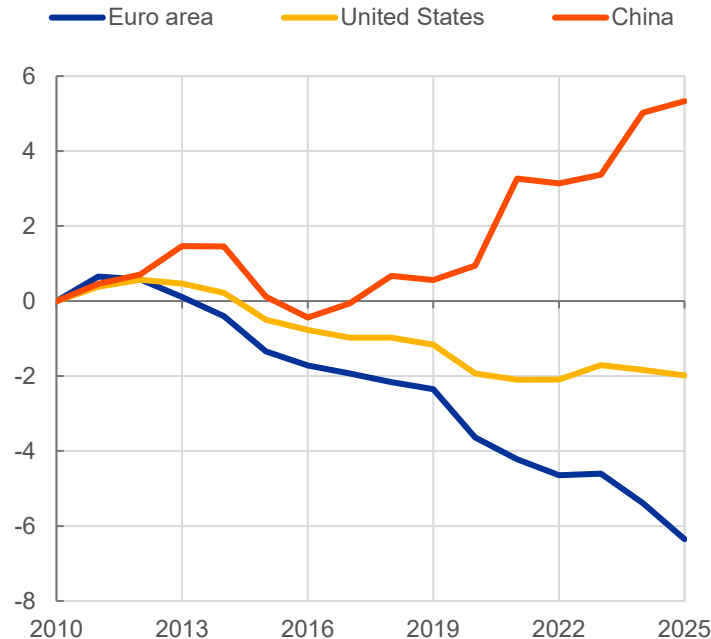


Source: European Commission Spring 2026 Forecast.

Notes: The projections start in 2026, with a cut-off date of April 2026.

Global export market shares

(non-energy goods volumes, percentage point change since 2010)

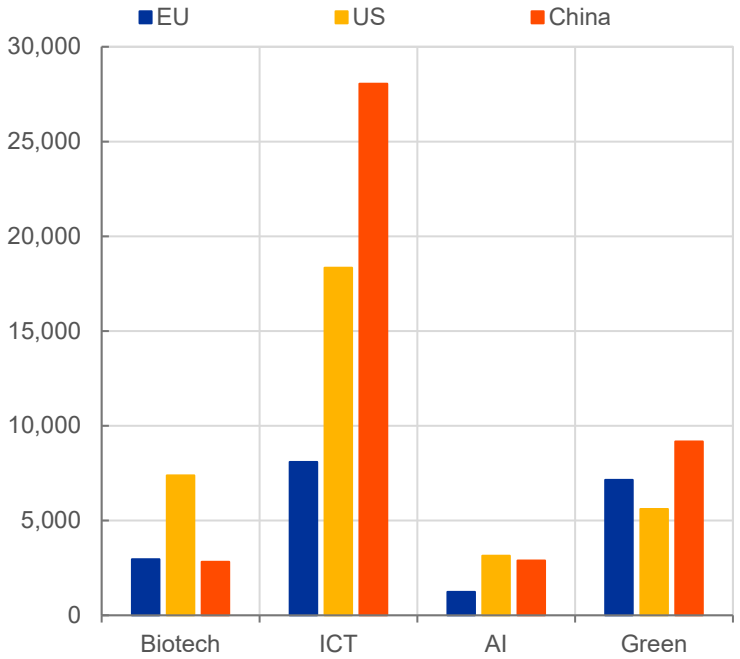


Sources: CPB, TDM and ECB staff calculations.

Notes: Long-run trends in export market shares in volume terms should be interpreted with caution. Euro area export volumes and world import volumes are not fully consistent, as each statistical office employs specific methodologies for deflating and outlier cleaning. Methodologies may differ in terms of outlier detection, replacement and quality adjustment. Based on this, volumes (excluding energy) series used to compute export market shares shown are calculated by taking CPB (Netherlands Bureau for Economic Policy Analysis) volumes (in 2005 chain linked billion euros) and subtracting the share of energy exports. This share of energy exports is based on TDM (Trade Data Monitor) values and includes HS2 sectors 25, 26, 27, 97, 98, 99.

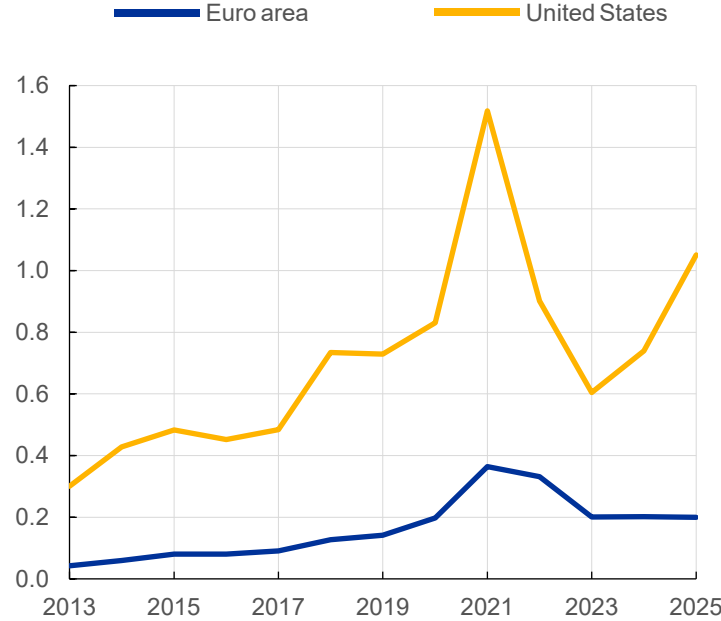
Europe risks falling behind on innovation amid low venture capital investment

Patents by technology
(number of patent applications in 2021)



Source: OECD.
Notes: The chart reports the number of patent applications submitted to the World Intellectual Property Organization.

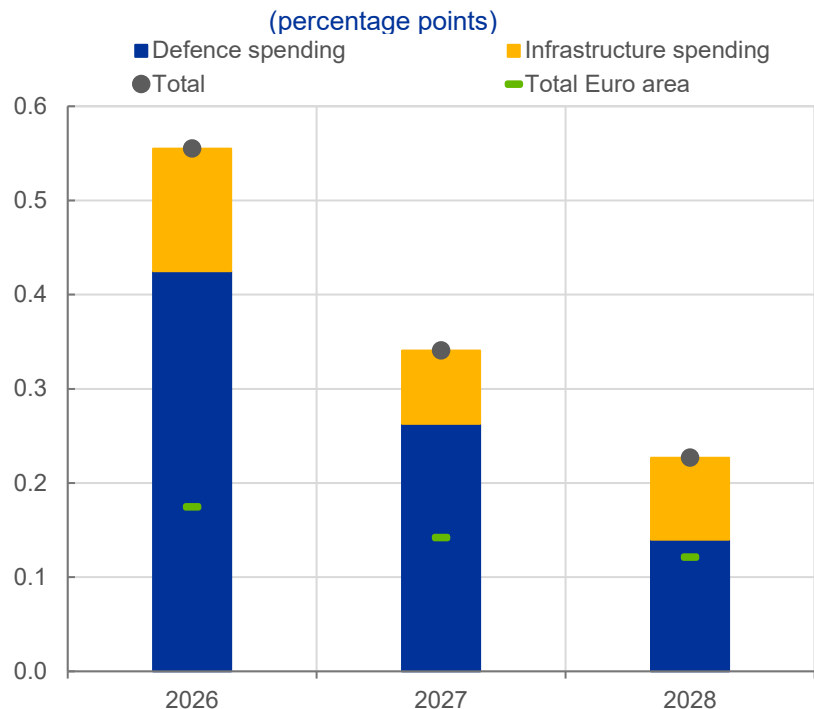
Venture capital investment
(% of GDP)



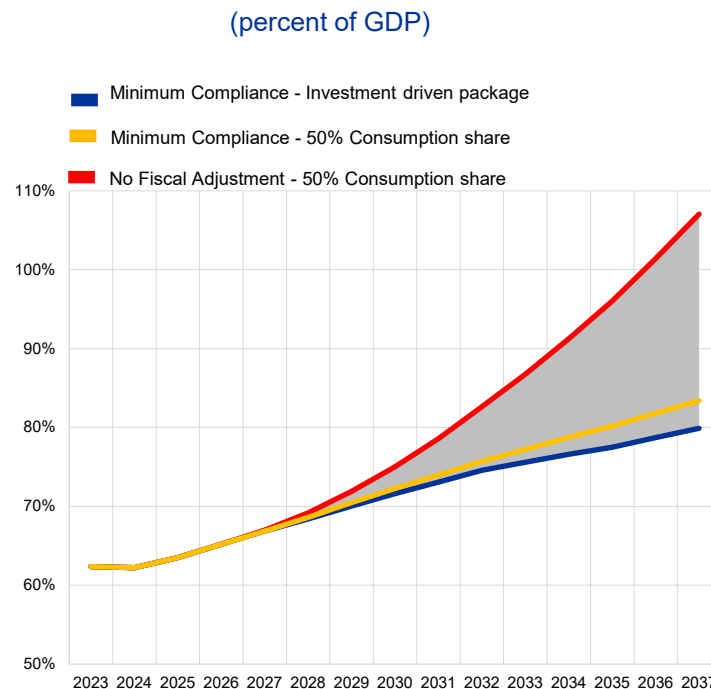
Source: ECB calculations based on Pitchbook data.
Latest observation: 2025.

Fiscal package supports growth, with impact depending on the allocation of spending

Germany: Impact of additional defence and infrastructure spending on real GDP growth



Germany: Impact of additional defence and infrastructure spending on public debt

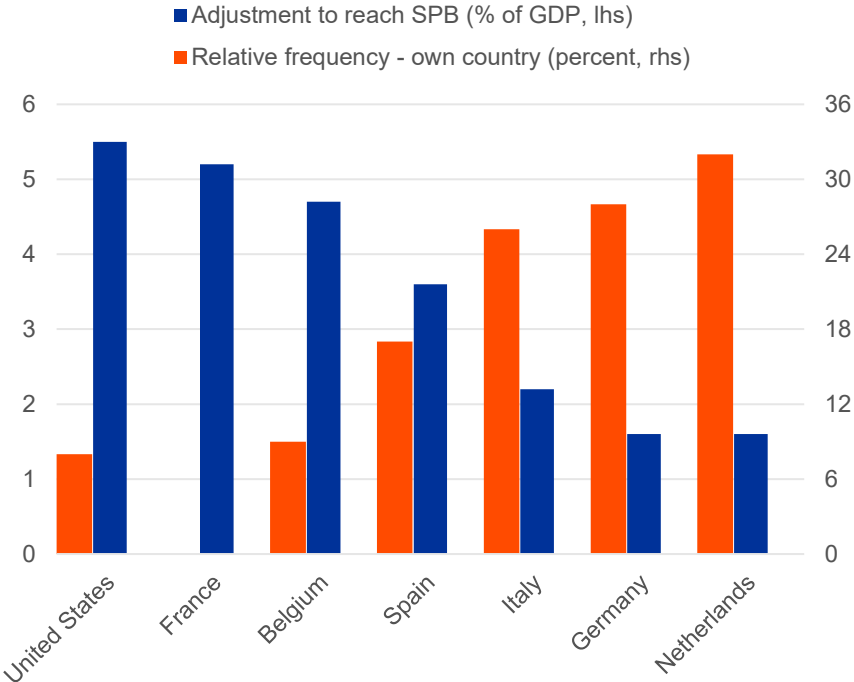


Sources: [Bundesbank Monthly Report – June 2026 Vol. 78 No. 6](#) and [June 2026 Eurosystem staff macroeconomic projections](#) (left chart), COM projections and ECB staff calculations (right chart).

Notes: Right-hand side chart is based on the European Commission's Autumn Forecast up to 2027. Three scenarios are considered: (i) Partial SGP compliance with investment-led package (blue: 100% productive public investment, positive impact on potential growth); (ii) partial SGP compliance with mixed composition (yellow: 50% government consumption, lower growth impact); (iii) no additional consolidation (red: same package composition as yellow, fiscal stance unchanged aside from the cost of the package). Under minimum SGP compliance, Germany is assumed to comply with SGP requirements while still using the full flexibility (total allowed deviation of 0.6% GDP, national escape clause for extra +1.5% of defence spending).

Structural primary balance: adjustment requirements and historical precedents

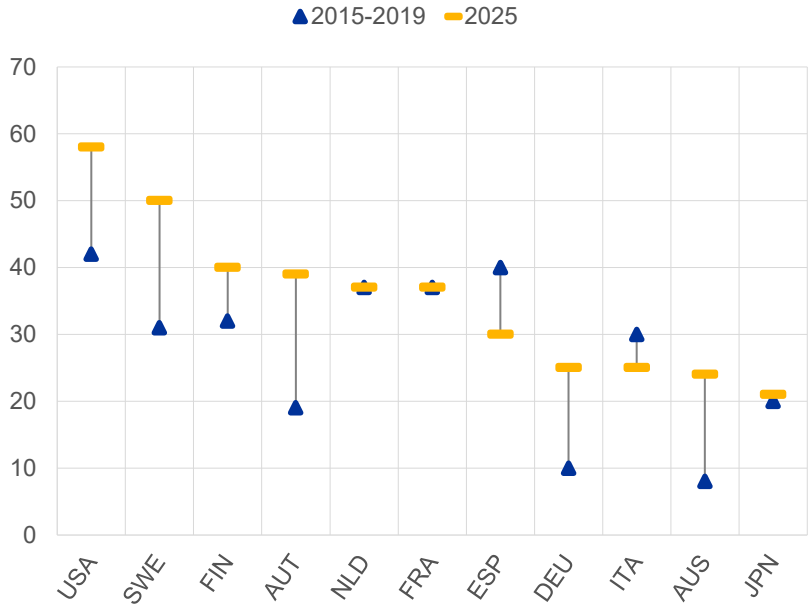
(% of GDP, percent)



Source: Darvas, Z., Huertas, G., L. Welslau and J. Zettelmeyer (2025), "What will it take to stabilise debt in advanced countries?", Working Paper 28/2025, Bruegel.
Notes: SPB refers to structural primary balance.

Government bill issuance

(% share of gross borrowing)



Sources: OECD (2026), Global Debt Report 2026: Sustaining Debt Market Resilience Under Growing Pressure.

European growth agenda should foster integration, innovation and sovereignty

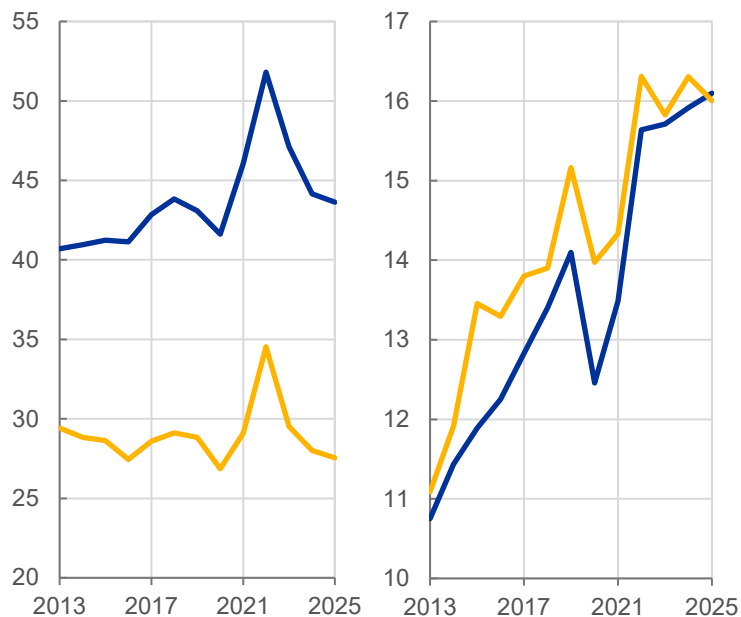
Intra-EU and extra-EU trade

(% of GDP)

Goods

Services

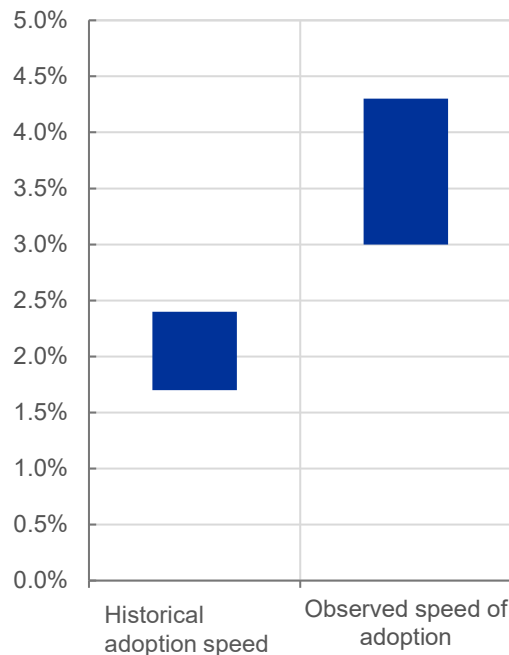
— EU-27 — Extra-EU



Source: Eurostat.
Latest observation: 2025.

TFP impact of AI

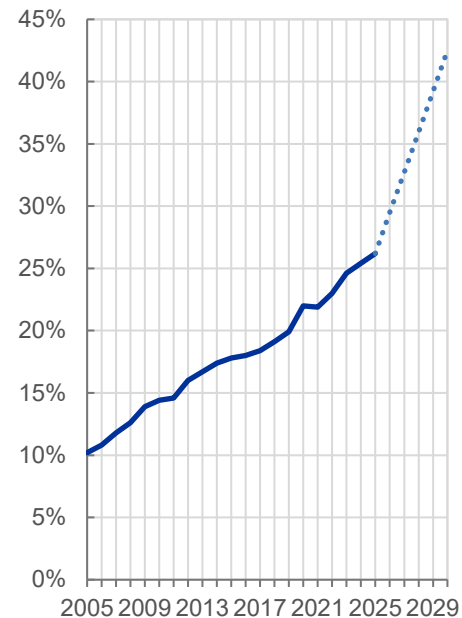
(increase in % over 10 years)



Source: ECB calculations based on CES data.
Notes: The blue bars indicate the range of estimates across scenarios reflecting different assumptions about the share of the economy exposed to AI, which may remain constant over time (at either a low or high level) or increase as AI capabilities improve.

Share of energy consumption from renewables in EU

(in %)



Source: European Environment Agency.
Notes: The dotted line presents a linear trajectory to the minimum EU target for renewable sources of 42.5% by 2030.
Latest observation: 2025

Thank you very much for your attention!