EUROPEAN CENTRAL BANK

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Economic, financial and monetary developments

Overview

At its meeting on 19 March 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. It is determined to ensure that inflation stabilises at the 2% target in the medium term. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy.

The Governing Council is well positioned to navigate this uncertainty. Inflation has been at around the 2% target, longer-term inflation expectations are well anchored and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help the Governing Council assess how the war will affect the inflation outlook and the risks surrounding it. The Governing Council is closely monitoring the situation and its data-dependent approach will help it set monetary policy as appropriate.

The March 2026 ECB staff macroeconomic projections for the euro area exceptionally incorporate information up to 11 March, a later cut-off date than usual. In the baseline, headline inflation is seen to average 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028. Inflation has been revised up compared with the December 2025 Eurosystem staff macroeconomic projections for the euro area, especially for 2026. This is because energy prices will be higher owing to the war in the Middle East. For inflation excluding energy and food, staff project an average of 2.3% in 2026, 2.2% in 2027 and 2.1% in 2028. This is also higher than the path in the December 2025 projections, mainly owing to higher energy prices feeding into inflation excluding energy and food. Staff expect economic growth to average 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. This implies a downward revision, especially for 2026, reflecting the global effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets and public spending on defence and infrastructure should continue to underpin growth.

In line with the Governing Council’s monetary policy strategy commitment to incorporate risks and uncertainty into its decision-making, staff also assessed how the war in the Middle East could affect economic growth and inflation under some alternative illustrative scenarios. These scenarios are included in the March 2026 projections, which are available on the ECB’s website. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The

implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock.

The Governing Council will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, 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.

Economic activity

The economy grew by 0.2% in the fourth quarter of 2025, driven by stronger domestic demand. Households increased their spending as real incomes rose and unemployment remained close to its historical low. Construction and housing renovation strengthened and firms invested more, particularly in areas such as research and development, software, and databases. Growth was no longer weighed down by net exports as it had been in the previous two quarters. It was underpinned mainly by services.

Staff still see private consumption as the main driver of growth over the medium term. Investment should also continue to grow, with governments spending more on defence and infrastructure, and firms increasingly investing in new digital technologies. The external environment remains challenging, including in light of volatile global trade policies.

The war in the Middle East is disrupting commodity markets and weighing on real incomes and confidence. This has led to a downward revision of consumption and investment in the baseline staff projections, especially for 2026. The baseline projections foresee annual real GDP growth of 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. Compared with the December 2025 projections, GDP growth has been revised down by 0.3 percentage points for 2026 and by 0.1 percentage points for 2027, on account of the escalating war in the Middle East, while for 2028 it is unchanged. The impact would be even more pronounced in alternative scenarios with a more severe and prolonged energy shock.

The baseline staff projections are conditioned on the paths of futures prices for energy commodities at the time of the cut-off date of 11 March 2026. Accordingly, the baseline foresees a pick-up in inflation, which will dampen purchasing power, consumer spending and, hence, GDP growth, especially in the short term. Conditional on a relatively rapid reduction in energy prices, as is priced in by the energy commodity futures markets, and in uncertainty, this slowdown is expected to be temporary. Over the medium term, domestic demand should remain the main driver of euro area growth, bolstered by a resilient labour market and government spending on infrastructure and defence, especially in Germany. On the external side, while export growth is expected to pick up on the back of improving foreign demand, the euro area will likely experience a continued loss of global market shares, given persistent competitiveness challenges, including some that are of a structural nature.

This is notwithstanding the fact that tariffs on exports to the United States are somewhat lower than at the time of the December 2025 projections.

The Governing Council highlighted the urgent need to strengthen the euro area economy while maintaining sound public finances. Any fiscal responses to the energy price shock should be temporary, targeted and tailored. The current energy crisis underscores the imperative to further reduce dependence on fossil fuels. Completing the savings and investments union is vital to fund innovation and support the green and digital transitions. 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

Euro area annual inflation, as measured by the Harmonised Index of Consumer Prices (HICP), rose to 1.9% in February, from 1.7% in January. Energy prices were 3.1% lower than in the previous February, after being 4.0% lower in January 2026. Food price inflation edged down to 2.5%. By contrast, inflation excluding energy and food increased to 2.4% in February, from 2.2% in January. The increase reflected goods inflation rising to 0.7% from 0.4% and services inflation moving up to 3.4% from 3.2%.

Indicators of underlying inflation have changed little over recent months and remain consistent with the Governing Council's 2% medium-term target. Corporate profits recovered further in the fourth quarter of 2025, while unit labour costs rose at a similar rate as in the previous quarter. Growth in compensation per employee slowed to 3.7%, from 4.0% in the third quarter. Negotiated wage growth and forward-looking indicators, such as the ECB's wage tracker and the results of surveys on wage expectations, suggest that labour costs will ease further in the course of 2026, which should support the return of inflation to target.

The increase in energy prices caused by the war in the Middle East will drive inflation above 2% in the near term. In particular, inflation is projected to increase sharply to 3.1% in the second quarter of 2026, driven by a surge in energy inflation as a result of the war, and then to decline in the third quarter to 2.8% following declines in energy commodity prices as embedded in futures prices. The baseline projections foresee energy inflation turning negative in 2027, mainly owing to downward energy base effects, and then increasing notably in 2028 when the implementation of the EU Emissions Trading System 2 (ETS2) is expected to have an upward impact of 0.2 percentage points on headline inflation. Food inflation is projected to pick up from the end of 2026, as cost pressures from the spike in energy prices feed through to consumer food prices, before easing in 2028. HICP inflation excluding energy and food (HICPX) is projected to moderate from 2.4% in 2025 to stand at 2.1% in 2028. While HICPX inflation is also affected by cost pressures stemming from higher

energy prices, this is seen to be tempered by some easing in labour cost pressures, the past appreciation of the euro and import penetration from China. Overall, the baseline projections foresee HICP inflation picking up from 2.1% in 2025 to 2.6% in 2026, before declining to 2.0% in 2027 and then ticking up to 2.1% in 2028. Wage growth will moderate over the coming years, albeit at a slower pace than foreseen in previous projections on account of some inflation compensation effects related to the energy price shock. Compared with the December 2025 projections, the outlook for headline HICP inflation has been revised up by 0.7 percentage points for 2026, mainly owing to the energy component. It has been revised up by 0.2 percentage points for 2027 and by 0.1 percentage points for 2028 as cost pressures stemming from higher energy prices feed through to the HICPX and food components, while the energy component has been revised down somewhat. The upward revisions to inflation would be even more pronounced in alternative scenarios with a more severe and prolonged energy shock.

If more persistent, higher energy prices may lead to a broader increase in inflation through indirect and second-round effects, a situation which requires close monitoring. So far, while inflation expectations in the financial markets have moved up significantly over shorter horizons, most measures of longer-term inflation expectations stand at around 2%, supporting the stabilisation of inflation around the Governing Council's target.

Risk assessment

The risks to the growth outlook are tilted to the downside, especially in the near term. The war in the Middle East is a downside risk to the euro area economy, adding to the volatile global policy environment. A prolonged war could increase energy prices further and for longer than currently expected, and also weigh on confidence. These factors would erode incomes and make firms and households more reluctant to invest and spend. A worsening of global financial market sentiment could further dampen demand. Additional frictions in international trade could 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 economic repercussions of the war in the Middle East proved to be more short-lived than currently expected. 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. New trade agreements and a deeper integration of the Single Market could also boost growth beyond current expectations.

The risks to the inflation outlook are tilted to the upside, especially in the near term. A prolonged war in the Middle East could lead to a larger and longer-lasting upward shift in energy prices than currently expected, raising euro area inflation further. This could be reinforced and become more persistent if inflation expectations and wage growth were to rise in response, if the energy price increase were to spill over to non-energy inflation to a larger extent than assumed in the baseline, or if the war disrupted global supply chains more broadly. Ongoing trade tensions could also give

rise to more fragmented global supply chains, curtail the supply of critical raw materials and tighten capacity constraints in the euro area economy. By contrast, inflation could turn out to be lower if the economic repercussions of the war in the Middle East proved to be more short-lived or if indirect and second-round effects proved less pronounced than currently expected. Inflation could also be lower if tariffs reduced demand for euro area exports by more than expected and if countries with overcapacity increased further their exports to the euro area. More volatile and risk-averse financial markets could weigh on demand and thereby lower inflation as well.

Financial and monetary conditions

The war in the Middle East has had a pronounced impact on global financial markets. Overall financial conditions have tightened since the Governing Council's last monetary policy meeting on 5 February 2026. Stock markets have fallen and market interest rates in the euro area, especially short-term rates, have risen notably.

In January bank lending rates for firms and the cost of issuing market-based debt both remained at 3.6%, while the average interest rate on new mortgages edged up to 3.4%. Bank lending to firms grew by 2.8% on a yearly basis in January, down from 3.0% in December 2025. However, this was offset by stronger issuance of corporate bonds, with the annual growth rate rising to 4.0%, from 3.5% in December. Mortgage lending grew by 3.0%, unchanged from December.

Monetary policy decisions

The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility were kept unchanged at 2.00%, 2.15% and 2.40% respectively.

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

At its meeting on 19 March 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. It is determined 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. 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.

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.

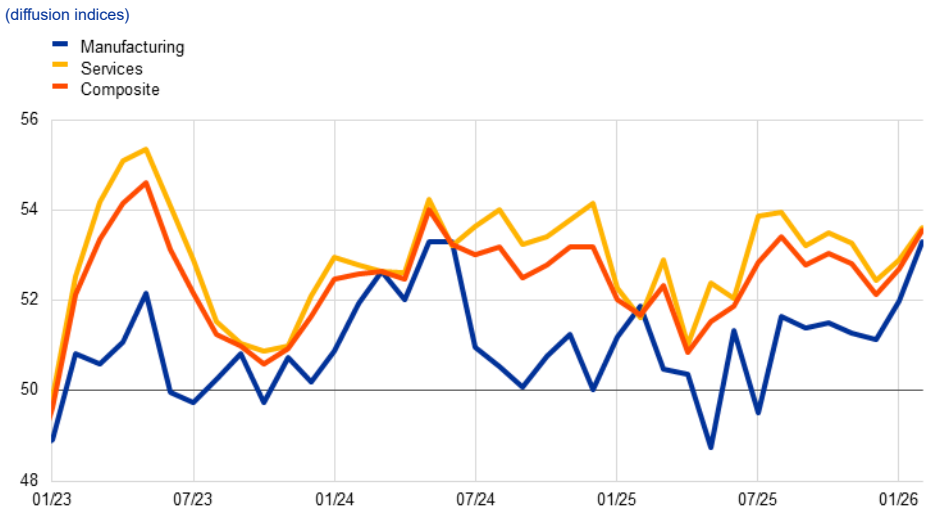
1 External environment

Adverse effects on the global economy from the war in the Middle East primarily result from the sharp increase in energy prices. Together with tighter financial conditions and heightened uncertainty, this has had a negative impact on the global economy, which had previously been bolstered by rising investment related to artificial intelligence (AI) and supportive economic policies. While lower US tariffs following a US Supreme Court ruling have provided some support to growth, trade policy uncertainty remains elevated. It is estimated that the war will reduce global real GDP growth by 0.4 percentage points over the next two years, reflecting the expected trajectory of energy commodity prices. This has offset the positive carry-over effects stemming from stronger than expected growth in late 2025 and the moderate boost from lower US tariffs. Global headline consumer price index (CPI) inflation has been revised upwards over the next two years, driven by the energy price shock. In the first few months of this year, the inflationary impact of higher energy prices was partially offset by lower than expected inflation data and the effects of reduced tariffs.

Before the war, the global economy showed signs of resilience. This resilience was driven by rising private investment related to AI and a supportive policy mix across major economies, both of which had helped to buffer tariff-related headwinds. While lower US tariffs following a US Supreme Court ruling have provided some support to growth, trade policy uncertainty remains elevated. Global real GDP growth (excluding the euro area) declined slightly to 0.8% in the fourth quarter of 2025, down from 1.0% in the previous quarter. This was higher than expected owing to the stronger than previously expected growth in Asian emerging economies, including in China. The latest available monthly indicators point to a rise in growth momentum in the first quarter of 2026 compared with the end of last year. For example, in February the global composite output Purchasing Managers' Index (PMI) reached levels unseen in almost two years as output from both services and manufacturing sectors improved (Chart 1). However, these signals should be viewed in the context of adverse effects triggered by the war, including the sharp increase in global energy commodity prices, tighter global financial conditions and heightened uncertainty.

Chart 1

Global output PMI (excluding the euro area)



Sources: S&P Global Market Intelligence and ECB staff calculations.
Notes: The horizontal line at 50 marks the neutral baseline dividing expansion and contraction. The latest observations are for February 2026.

Oil and gas prices have risen markedly against the backdrop of the war in the Middle East. Oil prices have risen sharply, by 84% since the beginning of the review period (18 December 2025). Following the US and Israeli strikes on Iran and Iran's subsequent retaliation, oil prices increased to around USD 104 per barrel. This surge reflected concerns that shipments through the Strait of Hormuz, which account for around 20% of the global oil supply and which were already being disrupted, could be further impeded or that Iran's oil production and regional energy infrastructure could be affected. In recent weeks, oil prices have been subject to significant volatility, as several factors have intermittently triggered abrupt falls from recent highs. In particular, statements by the US Administration suggesting that the conflict could end "very soon" led investors to revise their expectations downwards with regard to the duration of the war. In addition, OPEC+ announced an output increase as of April 2026, and member countries of the Organisation for Economic Co-operation and Development (OECD) agreed, under the coordination of the International Energy Agency, to release part of their strategic reserves to help contain the oil price surge.[1] Geopolitical risks have also sharply affected European gas prices, which have risen by 98%, as approximately 20% of global liquefied natural gas supplies, primarily from Qatar, also transit through the Strait of Hormuz. Gas prices have been particularly vulnerable on account of historically low European storage levels. Inventories currently stand at around 29% of capacity, close to the seasonal minimum, making gas prices particularly exposed to potential supply disruptions. Food prices have declined by 7%, driven mainly by lower cocoa prices reflecting improved weather conditions in West Africa. By contrast, metal prices have increased by 11%, largely owing to a rise in aluminium prices after a major Bahraini

[1] The term "OPEC" refers to the Organization of the Petroleum Exporting Countries. "OPEC+", established in 2016, is a coalition of OPEC members and other oil-producing countries.

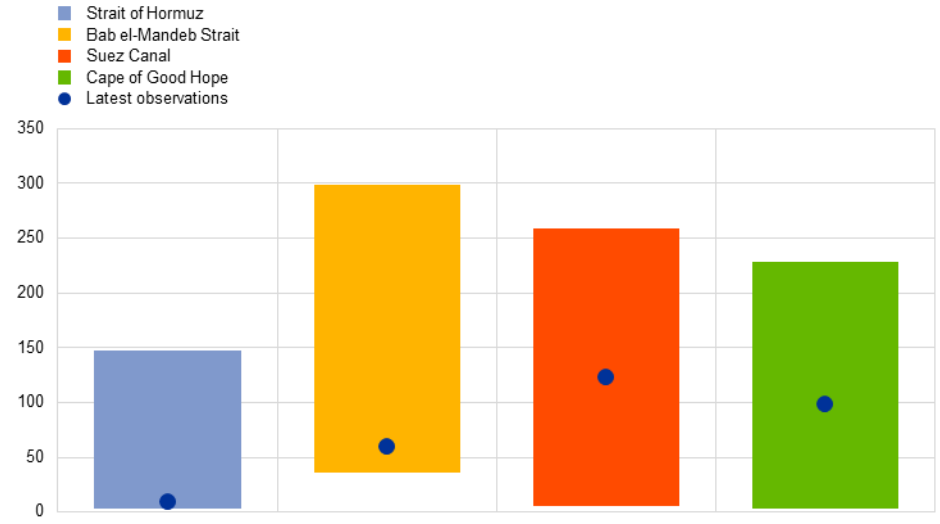
producer announced that it could not meet its contractual obligations due to circumstances beyond its control.

The sharp increase in global energy commodity prices triggered by the war reflects a sharp drop in shipments through the Strait of Hormuz. Early evidence from high-frequency data tracking vessel movements suggests that the number of tankers transiting through the Strait of Hormuz has fallen sharply and global shipping costs for transporting oil have risen significantly (Chart 2). However, the exposure of global merchandise trade appears limited, as container vessels currently in the Persian Gulf only account for around 1.6% of global containership capacity. Much of the traffic continues to be rerouted through the Cape of Good Hope following disruptions in the Suez Canal related to previous regional tensions and intensified security risks in the Bab el-Mandeb Strait since late 2023 related to Houthi rebel attacks on cargo ships.

Chart 2
Global shipping traffic and prices

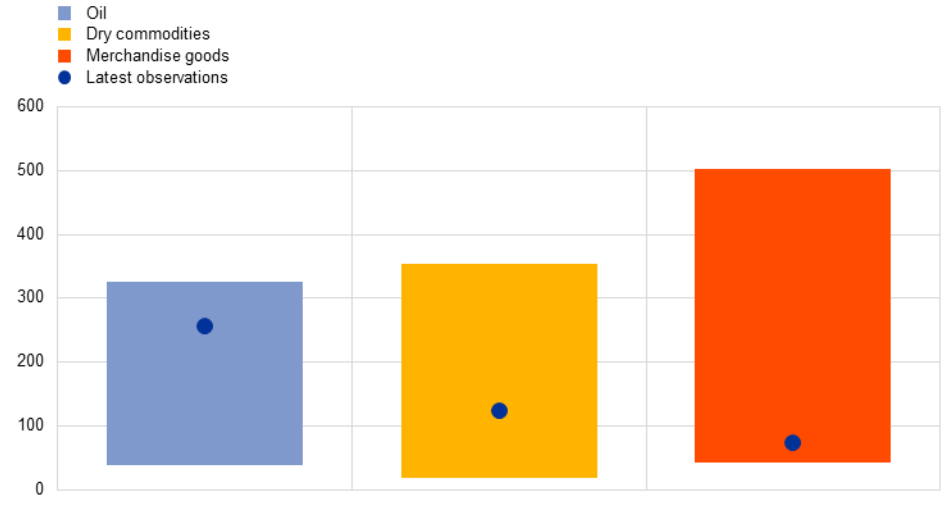
a) Vessel transit calls at major maritime chokepoints

(indices, 2025 = 100)



b) Maritime transportation costs

(indices, 2025 = 100)



Sources: IMF, Haver Analytics, Baltic Exchange Indices and ECB staff calculations.
Notes: In panel a), transit calls include all types of vessel. In panel b), dry commodities refer to cargo such as grains. The underlying series represent the cost of chartering a vessel to transport such cargo globally. In both panels, the bars show a minimum-maximum range. The ranges have been calculated since 1 January 2019. The blue dots refer to the latest available observations. The latest observations are for 15 March 2026 for panel a) and 18 March 2026 for panel b).

It is estimated that the war in the Middle East will reduce global real GDP growth by 0.4 percentage points over the next two years. This reflects the negative growth effects resulting from the expected trajectory of energy commodity prices.[2] It offsets the positive carry-over effects stemming from stronger than

[2] Future energy commodity prices beyond one year have been less impacted by the war than spot prices, likely reflecting the expectations of investors that the disruptions caused by the war will be resolved within this period. This perspective is supported by option-implied densities, which indicate that the medium-term risks to future prices, particularly for oil, remain balanced, while near-term risks are strongly skewed to the upside.

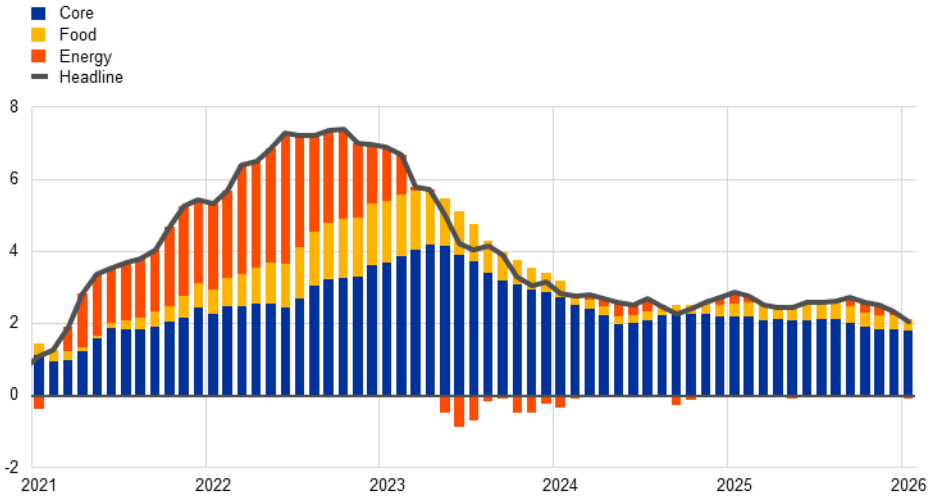
expected growth in late 2025 and the moderate boost from lower US tariffs. Global real GDP growth is projected to decline from 3.6% in 2025 to 3.3% in 2026 and remain stable thereafter, broadly unchanged from the previous projections.[3]

Uncertainties surrounding the war have shifted the balance of risks for global growth to the downside, with tilting inflation risks to the upside. The risks associated with the war in the Middle East appear largely asymmetric, with increased severe impacts considered more likely than milder impacts. By contrast, other key macroeconomic and financial risks such as tariffs, AI-related developments and the effects of economic policies remain two-sided and balanced, as in previous projections.

Before the war, headline inflation across OECD member countries continued to drift lower, mainly driven by lower energy prices. The annual rate of CPI inflation across OECD member countries excluding Türkiye declined to 2.1% in January, down from 2.4% in December. While all components contributed to the lower inflation outcome, the contribution from falling energy prices was the most significant (Chart 3).

Chart 3
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 member countries and excludes Türkiye. It is calculated using OECD CPI annual weights. The latest observations are for January 2026.

The downward trend in inflation across OECD member countries is expected to be reversed soon owing to the energy price shock resulting from the war. Projected global headline CPI inflation has been revised upwards over the next two years, driven by the energy price shock.[4] This year the inflationary impact of higher energy prices has so far been partially offset by lower than expected inflation data and the effects of reduced tariffs. Global headline inflation is projected to remain at

[3] For further details, see "ECB staff macroeconomic projections for the euro area, March 2026".

[4] The ECB staff macroeconomic projections for headline CPI inflation include a broader set of countries, notably large emerging economies (e.g. China, India, Brazil and Russia), which are not accounted for in OECD CPI inflation.

3.1% in 2026, unchanged from last year, before decreasing to 2.7% in 2027 and 2.5% in 2028.

Global import growth is projected to decline in 2026 as the effects of frontloaded imports dissipate and the adverse impacts of tariffs and the war take hold. Quarterly growth rates of global imports fell sharply in the second half of 2025, although third quarter data were slightly stronger than previously estimated. Global import growth is projected to gradually normalise throughout 2026 and remain steady thereafter. Over the 2027-28 period, global imports are expected to grow in line with global economic activity. Global imports increased by 5.0% in 2025, substantially stronger than expected in December 2025 (up by 0.6 percentage points). Their growth rate is projected to slow to 2.3% in 2026, before recovering to 2.9% in 2027 and 3.2% in 2028.

In the United States, real GDP growth declined in the fourth quarter of 2025, mainly on account of the US Government shutdown. Economic activity slowed significantly to 0.2% on a quarterly basis, down from 1.1% in the third quarter of 2025. The US Government shutdown in October and November, lasting 43 days, dampened economic activity as government spending declined markedly. However, fourth quarter consumer spending remained relatively strong and was a key driver of domestic demand, notwithstanding a slight slowdown compared with the third quarter. The savings rate in the United States fell further to 3.6% in the fourth quarter, which is the lowest rate over the past four years. Meanwhile, private non-residential fixed investment contributed positively to growth, bolstered by the ongoing AI-related investment boom. In contrast to earlier in 2025, contributions from net trade and inventories were very small. Both imports and exports declined modestly in the final quarter of 2025, leaving the contribution from net exports broadly neutral. Growth is expected to have increased in the first quarter of 2026, largely owing to stronger government spending related to the back pay for federal workers following the government shutdown.

Annual headline and core CPI inflation in the United States remained unchanged in February at 2.4% and 2.5% respectively, in line with expectations. Inflation in goods and services components also remained stable, though a decline in the prices of used cars and trucks masked the increase in prices of the remaining goods components. This indicates an ongoing pass-through of US tariffs to consumer prices in the United States. Headline personal consumption expenditures (PCE) inflation, the Federal Reserve System's preferred inflation measure, has shown a slight upward trend since the beginning of last year. In December headline annual PCE inflation stood at 2.9% and the core measure at 3.0%. The lower weight of housing components in the PCE basket relative to the CPI basket explains the divergence between the two measures of consumer inflation. However, it is unusual for PCE inflation to exceed CPI inflation. This suggests that issues surrounding the data collection for services, prices and rents could explain the relatively subdued readings of CPI inflation, which should therefore be interpreted with caution. Meanwhile, falling vacancy rates across sectors have further eased conditions in the labour market and should therefore support disinflation.

In China household demand remains subdued amid high precautionary savings. Real GDP growth surprised on the upside at 1.2% in the fourth quarter of 2025 and remained broadly comparable with the 1.1% growth recorded in the previous quarter. It was driven mainly by resilient exports, which are also expected to have continued supporting growth in the first quarter of 2026. High-frequency proxies for consumption point towards some softening as consumer confidence remains low and well below pre-COVID 19 pandemic levels. Retail sales remain weak, particularly for domestic car sales, although services consumption has been more resilient. However, the Chinese authorities continue to prioritise supply-side policies and the growth target for 2026 under their new five-year plan (2026-30) is in the range of 4.5-5%. This relatively low growth target suggests that Chinese policymakers are accepting structurally slower growth, which in turn reduces the need for a short-term stimulus. The Chinese authorities reiterated their intention to rebalance growth towards consumption, albeit concrete measures remain modest. Meanwhile, fiscal support for investment is set to remain substantial, particularly in high-tech and strategic sectors such as AI, microchips, advanced manufacturing, biotechnology and the digital economy. At the same time, however, China remains exposed to rising energy commodity prices. It imports around three-quarters of its crude oil consumption, and around half of its oil and 16% of its gas imports transit the Strait of Hormuz. Nonetheless, extensive domestic coal production, rising renewables energy production capacity, as well as the ability to diversify its energy commodity suppliers may dampen this negative effect. Headline CPI inflation in China increased markedly in February, and deflation in producer prices continued to ease. Annual headline CPI inflation rose to 1.3% in February, up from 0.2% in the previous month, driven by temporary factors, including the base effects related to the timing of the Lunar New Year. Core inflation (excluding food and energy) also climbed to 1.8% in February, up from 0.8% in January, largely owing to rising tourism-related service prices. Producer prices declined in February by 0.9% in annual terms, which was a smaller decline compared with the 1.4% drop recorded in the previous month.

In the United Kingdom, real GDP growth remained weak in the fourth quarter of 2025, whereas inflation eased significantly in early 2026. Real GDP growth edged up by 0.1% in the fourth quarter of 2025, a steady – albeit subdued – growth momentum. Private demand was weak, amid softer growth in private consumption and lower private investment. Net exports contributed negatively to economic activity, as exports declined and imports increased. Public spending provided some support, with a notable rise in public investment. Economic activity is expected to have picked up moderately in the first quarter of 2026, although the sharp increase in energy prices is expected to weaken this momentum in subsequent quarters. Headline CPI inflation eased significantly to 3.0% in January, down from 3.4% in December, mostly reflecting lower energy and food inflation. Core inflation also declined, albeit more moderately.

2 Economic activity

Euro area economic activity demonstrated steady growth during 2025, with real GDP expanding by an average of 1.5%, up from 0.9% in 2024. In the fourth quarter of 2025 real GDP increased by 0.2%, quarter on quarter, and 0.4% when excluding volatile Irish data. Growth was driven by stronger domestic demand, including solid contributions from both private consumption and investment. However, short-term indicators softened at the end of 2025 and into early 2026. Monthly production weakened significantly, in contrast to survey results, which remained positive and pointed to continued momentum before the war in the Middle East. Taken together, the latest information is consistent with modest GDP growth in the first quarter of 2026. The evolving situation in the Middle East has markedly increased uncertainty surrounding the outlook from the second quarter onwards. Market-based indicators of uncertainty and geopolitical risk measures rose sharply in the first half of March. Experience from past adverse energy-related shocks suggests that the resulting erosion of real income and deterioration in confidence could weigh significantly on private consumption. The strength of these effects will depend both on the intensity and duration of the conflict and its pass-through to the economy. On the positive side, healthy balance sheets and elevated savings should help cushion the impact of the shock on households. For other components of demand, survey data collected before the conflict indicated strengthening housing demand and rising investor confidence. Moreover, additional fiscal support, effects from the Next Generation EU (NGEU) programme, resilient labour markets and digital investment, as well as the impact of previous interest rate cuts, should help maintain investment momentum in the coming quarters. Labour market conditions remain stable despite a continued moderation in labour demand. The unemployment rate declined to 6.1% in January, from 6.2% in December, remaining at historically low levels.

This outlook is broadly reflected in the March 2026 ECB staff macroeconomic projections for the euro area, which foresee annual average real GDP growth of 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. This implies a downward revision, especially for 2026, reflecting the global effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, and public spending on defence and infrastructure should continue to underpin growth. 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 and that the impact of the conflict will depend strongly on its duration and intensity, the baseline is accompanied by some illustrative alternative scenarios published with the staff projections on the ECB's website.[5]

Euro area GDP continued to rise in the fourth quarter of 2025, according to the latest estimate from Eurostat (Chart 4). Real GDP increased by 0.2%, quarter on quarter, leading to an average annual growth rate of 1.5% in 2025 (working day adjusted). This improvement compared with 2024, together with the fact that GDP growth was positive in all quarters of last year, underscores the resilience of the euro

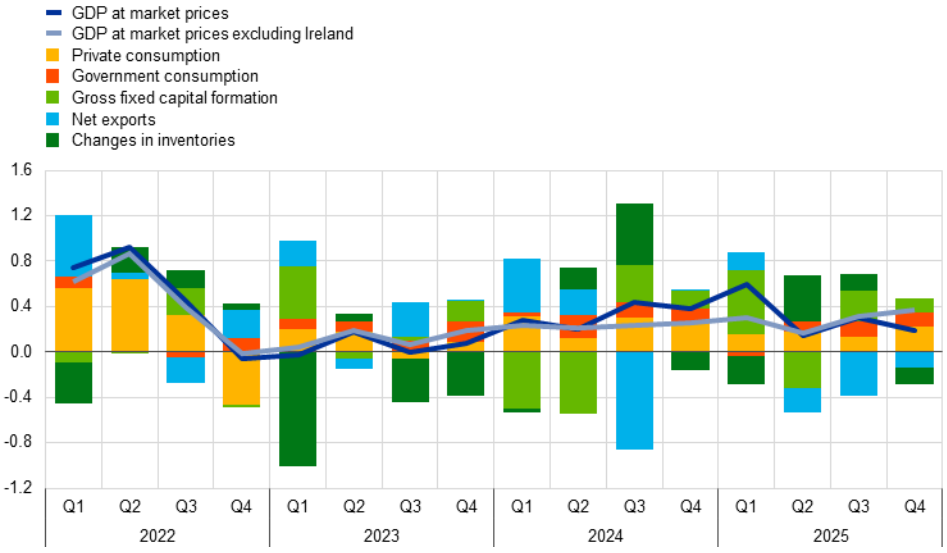
[5] See "ECB staff macroeconomic projections for the euro area, March 2026", published on the ECB's website on 19 March 2026.

area economy amid a number of global challenges related to geopolitics and trade. GDP growth was driven by stronger domestic demand in the fourth quarter of 2025, with all domestic demand components contributing positively, while net trade and changes in inventories each made a small negative contribution. The increase in output was mainly driven by services, notably in the information and communication sector. Meanwhile, manufacturing remained weak, as it was directly affected by headwinds stemming from higher tariffs and geopolitical uncertainty (see Box 4 on the impact of trade policy uncertainty on euro area growth). Momentum in the construction and housing renovation sector strengthened, also supported by public investment. Notwithstanding the notable differences across countries, dispersion in euro area real GDP growth was less heterogenous in the fourth quarter of 2025 compared with earlier quarters. The fourth quarter outcome for the euro area generated a carry-over effect of 0.3% for annual growth in 2026.

Chart 4

Euro area real GDP and its components

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

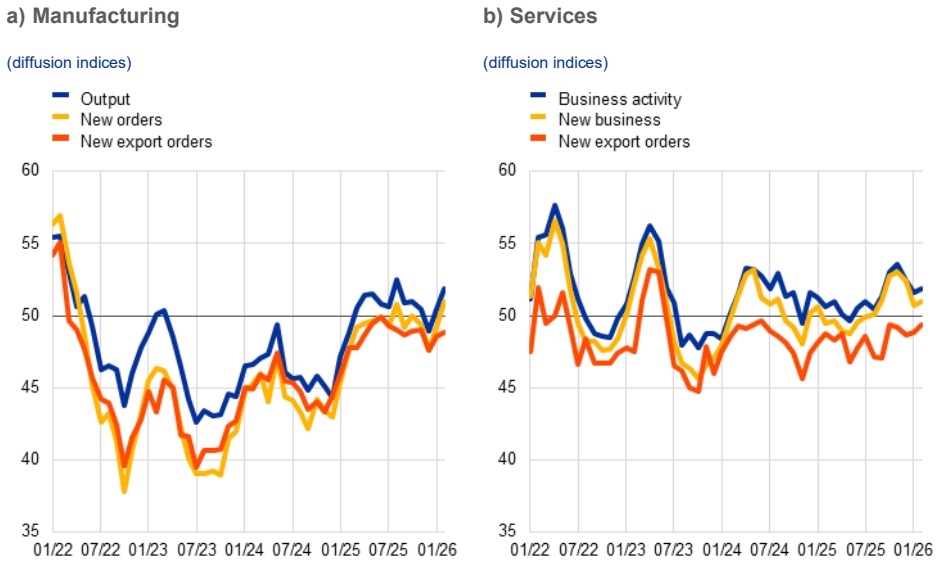


Sources: Eurostat and ECB calculations.
Notes: The chart also shows GDP excluding Ireland, as Irish data are particularly volatile. However, the subcomponents display the GDP breakdown including Ireland. The latest observations are for the fourth quarter of 2025.

Short-term indicators softened towards the end of 2025 and into early 2026. Industrial production (excluding construction) declined both in December 2025 and January 2026, by 0.6% and 1.5%, month on month, respectively. As a result, the level of industrial production in January 2026 stood 1.9% below its average level for the fourth quarter of 2025. By contrast, survey indicators remained more positive in the first two months of 2026. The euro area composite output Purchasing Managers' Index (PMI) signalled steady improvements in manufacturing activity in January and February, both for current output and new orders, while new export orders remained in contractionary territory (Chart 5, panel a). The services PMI softened in the first two months of the year from the high level reached at the end of 2025, yet it remained above the threshold of 50 (Chart 5, panel b). Taken together, the latest information is consistent with modest GDP growth in the first quarter of 2026.

Chart 5

PMI indicators across sectors of the economy



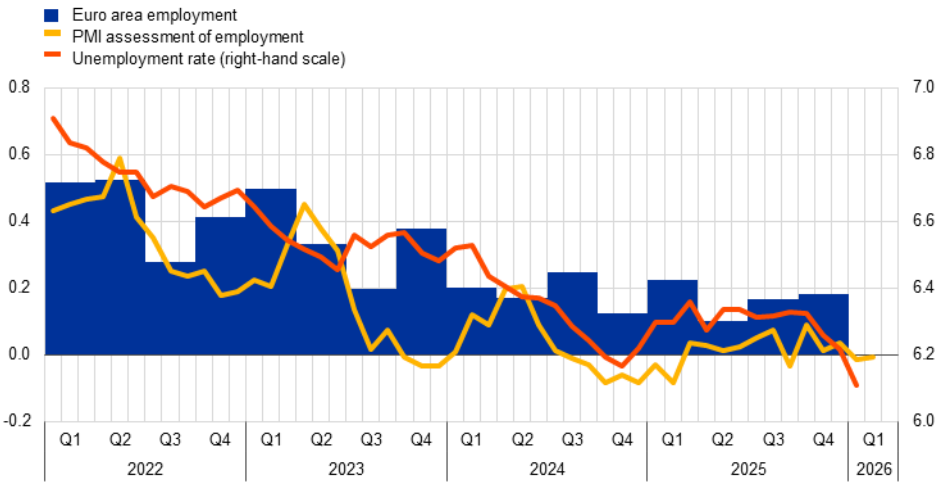
Source: S&P Global Market Intelligence.
Note: The latest observations are for February 2026.

Labour market conditions remain stable overall, despite the continued moderation in labour demand. Employment and total hours worked increased by 0.2% and 0.6% respectively in the fourth quarter of 2025 (Chart 6). The ongoing moderation in employment growth partly reflects a continued softening in labour demand, with the job vacancy rate stabilising at 2.2% in the fourth quarter, remaining below the pre-pandemic levels observed in the fourth quarter of 2019 for the second consecutive quarter. The labour force expanded further in the fourth quarter of 2025, while January numbers indicate a month-on-month stabilisation. At the same time, the unemployment rate stood at 6.1% in January, down from 6.2% in December, remaining at historically low levels.

Chart 6

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 unemployment rate series now includes Bulgaria and this change induced a downward level shift in the euro area aggregate of around 0.1 percentage points. The latest observations are for the fourth quarter of 2025 for euro area employment, February 2026 for the PMI assessment of employment and January 2026 for the unemployment rate.

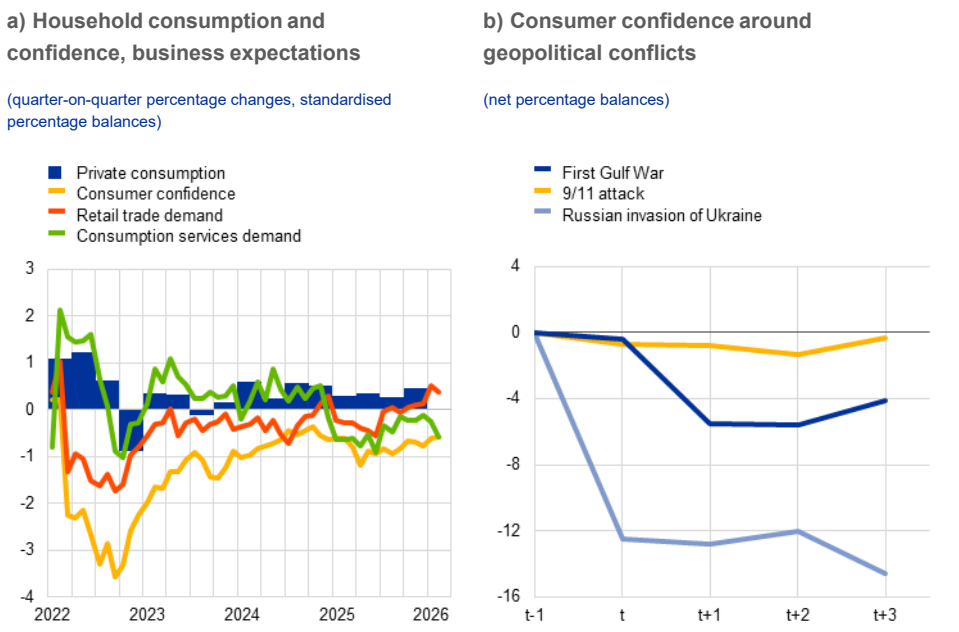
Short-term labour market indicators suggest muted employment growth in the first quarter of 2026. The monthly composite PMI employment index stood at 49.9 in both January and December, suggesting broadly flat employment growth in the first quarter of the year. The PMI for employment in the services sector decreased to 50.3, from 51.3 at the end of 2025, while the PMI for employment in manufacturing recovered but remained in negative territory, reaching 48.9 in the February release, with an average of 48.5 in the first two months of the year.

Private consumption strengthened in the fourth quarter of 2025, as real incomes rose and unemployment remained close to its historical low. Private consumption expanded by 0.5% quarter on quarter, in the fourth quarter of last year, following more modest growth of 0.2% in the previous quarter (Chart 7, panel a). Spending on both services and goods contributed to this expansion. Before the outbreak of the war in the Middle East, survey indicators pointed to sustained consumption momentum in the short term, but the conflict now poses downside risks to the outlook. Survey evidence suggests that the positive momentum in private consumption continued into the early months of 2026, with the European Commission's consumer confidence indicator improving further in February. Across contact-intensive services, the Commission's indicators of expected demand weakened for food and beverage services, while strengthening for travel services and, to a lesser extent, for accommodation services. Consistent with this, the Consumer Expectations Survey indicated that expectations for holiday-related purchases remained strong. Looking ahead the outlook for private consumption is subject to significant headwinds, stemming from the impact of the war in the Middle East. Increased geopolitical uncertainty could weigh on consumer confidence, as observed around past geopolitical conflicts (Chart 7, panel b). In addition, higher energy prices may also dampen real income growth and restrain household

spending. At the same time, several factors should continue to support momentum in private consumption. Real income gains accumulated in recent years, together with the fact that the real wealth losses incurred during the inflation surge in 2022 have now been recouped, should help cushion households from the impact of the energy shock and support private consumption, which is seen as the main driver of growth over the medium term.

Chart 7

Household consumption, business and consumer expectations, and consumer confidence around geopolitical conflicts



Sources: Eurostat, European Commission and ECB calculations.
Notes: In panel a), business expectations for demand in retail trade (excluding motor vehicles) and for demand in consumption-weighted services refer to the next three months. "Consumption services demand" is based on the expected sectoral demand indicators of the European Commission's business survey of services, weighted according to the sectoral shares in domestic private consumption from the FIGARO input-output tables for 2022. The consumption services demand series is standardised for the period from 2005 to 2019, while the retail trade demand and the consumer confidence series are standardised for the period from 1999 to 2019. In panel b), the "First Gulf War" refers to the events that started on 2 August 1990, the "9/11 attack" refers to the events that took place in September 2001 and the "Russian invasion of Ukraine" to events starting on 24 February 2022. As the European Commission survey is conducted during the first three weeks of each month, changes in confidence are computed for the three months ahead (t to t+3) relative to the month before the start of the conflict (t-1), except for the "Russian invasion of Ukraine", for which the changes are computed relative to the month the conflict started (t). The latest observations are for the fourth quarter of 2025 for private consumption and February 2026 for all other variables.

Business investment grew further at the end of 2025 and the underlying momentum remained positive, albeit likely dampened by the conflict in the Middle East. Non-construction investment (excluding volatile intangibles in Ireland) grew by 0.4%, quarter on quarter, in the fourth quarter of 2025, resulting in annual growth of 2.2% for the year as a whole (Chart 8, panel a). Fourth quarter growth was driven by both intangibles (excluding the Irish intellectual property products component) and tangibles, with the latter supported by an increase in machinery and equipment. Moving into 2026, ahead of the conflict in the Middle East, a range of indicators pointed to continuing investment growth. Preliminary earnings calls data up to the end of February suggested improving sentiment regarding both investment and profits in the first quarter. Similarly, at the start of the year, PMI output and activity measures rebounded sharply from the lulls seen at the end of 2025. The

European Commission confidence indicator has also slowly recovered – particularly within the (tangible) capital goods sector – amid expectations of rising demand and additional fiscal support in some countries. Confidence remained strong among suppliers of intangible assets, supported by rapid advances in AI that continue to spur digital investment (see also Box 5 and Box 6). Looking forward, renewed uncertainty will likely weigh on investment as long as the conflict in the Middle East persists.[6] However, improved financing conditions, further crowding-in effects expected from the NGEU programme, the ongoing build-up of defence capacity in many countries, as well as the continuing digitalisation and AI-driven investment cycle, should support solid investment growth ahead.

Housing investment increased significantly in the fourth quarter of 2025 and is expected to continue expanding in the near term. Housing investment rose by 2.3%, quarter on quarter, in the fourth quarter of 2025 (Chart 8, panel b). Growth in housing investment was broad-based across euro area countries, but was particularly strong in Italy, where the latest data also point to stronger housing investment growth in previous quarters. This has led to housing investment growth for the euro area as a whole being revised upwards, indicating that the recent recovery appears to be stronger than previously estimated. Meanwhile, production in building construction and specialised construction activities was, on average, 0.3% higher in the fourth quarter than in the preceding quarter. Looking ahead, both the European Commission's indicator of recent trends in building and specialised construction activity and the PMI housing output index strengthened in February, following a drop in January. While residential building permits declined somewhat in October and November compared with the third quarter of 2025, the less volatile three-month-on-three-month measure remained positive, consistent with a further recovery in housing investment in the near term. This assessment is reinforced by the improving consumer sentiment towards housing. The Consumer Expectations Survey points to the growing attractiveness of housing as an investment. In addition, according to the European Commission's consumer survey, both the intentions of households to purchase or build a home and their intentions to carry out home improvements improved in the first quarter of 2026. While housing investment appears to be comparatively less exposed to the immediate impact of the conflict in the Middle East than other demand components, higher construction costs and renewed uncertainty could still have a negative effect if the shock proves to be persistent.

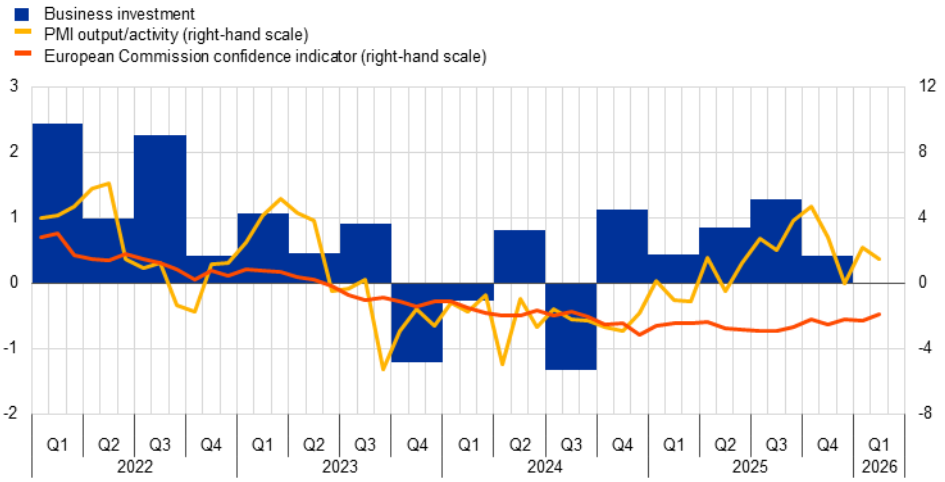
6 Having risen strongly at the start of the year, Sentix's investor confidence indicators fell back somewhat in March, but remained at levels consistent with growth, suggesting that investors did not expect the Middle East conflict to be long-lived at the start of the month.

Chart 8

Real investment dynamics and survey data

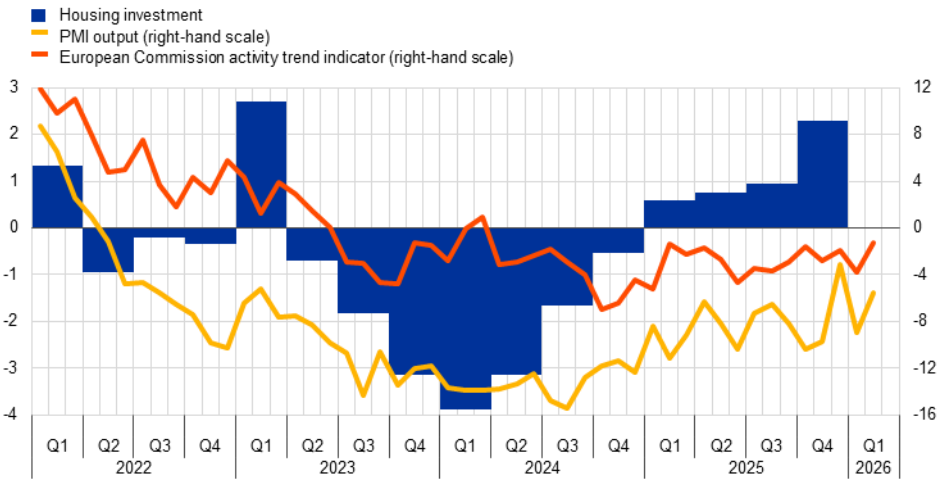
a) Business investment

(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. Short-term indicators are weighted averages of readings from the capital goods sector (supplier of tangibles) and the information and communication sector (main supplier of intangibles); the weights are shares of tangibles and intangibles in 2024-25 non-construction investment. The information and communication sector is taken as a weighted average of the subsectors: Publishing activities (NACE J58), Computer programming and consultancy (NACE J62) and Information activities (NACE J63) for the European Commission confidence indicator, and NACE J62 only for the PMI output/activity indicator, reflecting data availability. The European Commission confidence indicator is normalised for the 2015-19 average and standard deviation of the series. In panel b), the line for the European Commission activity trend indicator refers to the weighted average of the building and specialised construction sectors' assessment 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 fourth quarter of 2025 for investment and February 2026 for PMI output and the European Commission's indicators.

Euro area exports remain constrained by US tariffs, the past appreciation of the euro and weak global demand. Total euro area exports fell by 0.4% in the fourth quarter of 2025, mainly driven by a moderate decrease in goods exports of 0.9%, quarter on quarter. This reflects a reversal of the surge in pharmaceutical exports from Ireland to the United States seen in September last year. Exports to China also fell, amid competitive pressures in the Chinese market. The war in the

Middle East risks disrupting trade as well as oil flows, which could further weigh on euro area trade. Total imports saw a modest decrease of 0.2% in the fourth quarter of 2025, driven by a decrease in services imports of 0.6%, quarter on quarter. At the same time, import prices continued to decline, falling by 2.3% in November in annual terms, reflecting the impact of the past appreciation of the euro and downward price pressures from China. Looking ahead survey indicators continue to signal weakness in new export orders for both manufacturing and services.

The war in the Middle East is weighing on real incomes and confidence. This has led to a downward revision of consumption and investment in the baseline staff projections, especially for 2026. The impact would be even more pronounced in alternative scenarios with a more severe and prolonged energy shock. For 2026 the effects of the conflict imply lower GDP growth, reflecting the shocks to energy prices, confidence and uncertainty. While the impact of the energy shock is assumed to be temporary, in line with market-based expectations at the cut-off date of 11 March, the outlook remains supported by additional government spending on infrastructure and defence, healthy private sector balance sheets and a robust labour market. Annual real GDP growth is projected to be 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. Compared with the December 2025 projections, GDP growth has been revised down by 0.3 percentage points in 2026 and by 0.1 percentage points in 2027. Given the very high levels of uncertainty and that the impact of the conflict will depend strongly on its duration and intensity, the baseline should be interpreted as one of several plausible outcomes, rather than the most likely one. To assess the downside risks to the baseline, some illustrative alternative scenarios have been developed, reflecting different assumptions about the duration, intensity and economic transmission of the conflict. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in GDP growth being below the baseline projections.

3 Prices and costs

Annual euro area headline inflation, as measured by the Harmonised Index of Consumer Prices (HICP), continues to stand close to the Governing Council's 2% medium-term target. It increased to 1.9% in February 2026, from 1.7% in January, driven by an increase in energy inflation and HICP excluding energy and food (HICPX), while food inflation decreased.[7] *HICPX inflation increased to 2.4% in February from 2.2% in January, driven by an increase in both goods and services inflation. Indicators of underlying inflation have changed little over recent months and remain consistent with our 2% medium-term target. The annual growth in compensation per employee decreased to 3.7% in the fourth quarter of 2025, from 4.0% the quarter before. This brings the growth in compensation per employee to 3.9% in 2025, down from the 4.5% recorded in 2024.*

The March 2026 ECB staff macroeconomic projections for the euro area foresee headline inflation increasing from 2.1% in 2025 to 2.6% in 2026, before declining to 2.0% in 2027 and then ticking up to 2.1% in 2028. Compared with the December 2025 projections, headline inflation has been revised up reflecting consequences of the war in the Middle East. Given the very high levels of uncertainty and the strong dependence of the inflation outlook on the duration and the intensity of the conflict, the baseline is accompanied by some alternative illustrative scenarios that are published with the staff projections on the ECB's website.[8]

Euro area HICP inflation increased to 1.9% in February 2026, up from 1.7% in January (Chart 9). This increase was driven by developments in energy inflation and HICPX, while food inflation edged down. The annual rate of change in energy prices remained negative albeit less so, at -3.1% in February compared with -4.0% in January, reflecting an upward base effect. Food inflation declined slightly from 2.6% in January to 2.5% in February. Within food, the annual rate of change in processed food prices fell to 1.8% in February, down from 2.0% in January, offsetting an increase in unprocessed food prices to 4.6%, from 4.2% over the same period. HICPX inflation picked up to 2.4% in February from 2.2% in January. This reflects an increase in both non-energy industrial goods (NEIG) inflation and services inflation. The rise in NEIG inflation from 0.4% in January to 0.7% in February, stemmed mainly from garments, motor cars, jewellery and watches, computers and other information and communication equipment. Services inflation went up to 3.4% from 3.2% over the same period. The increase was driven by the recreation subcomponent – particularly accommodation – and transport, partially offset by slightly lower rates in miscellaneous and housing services.

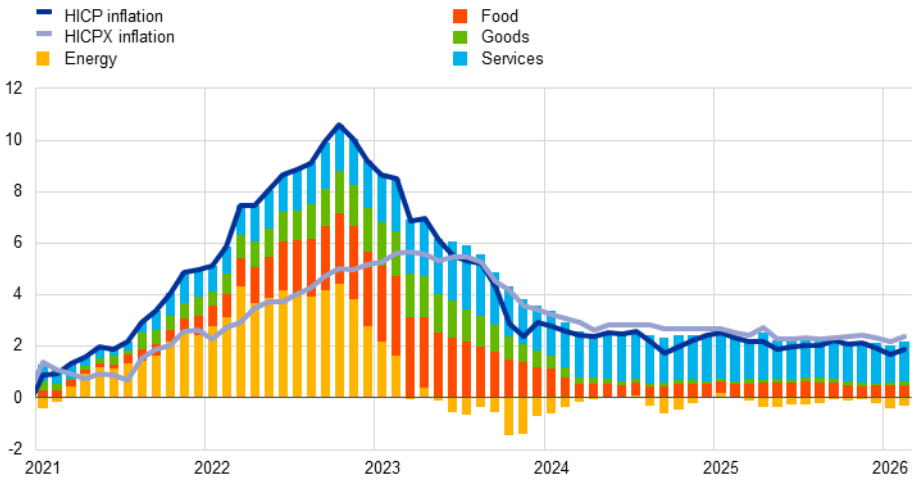
[7] The cut-off date for data included in this issue of the Economic Bulletin was 18 March 2026. According to the flash estimate published by Eurostat on 31 March 2026, annual euro area inflation increased to 2.5% in March 2026.

[8] See "ECB staff macroeconomic projections for the euro area, March 2026", published on the ECB's website on 19 March 2026.

Chart 9

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 February 2026.

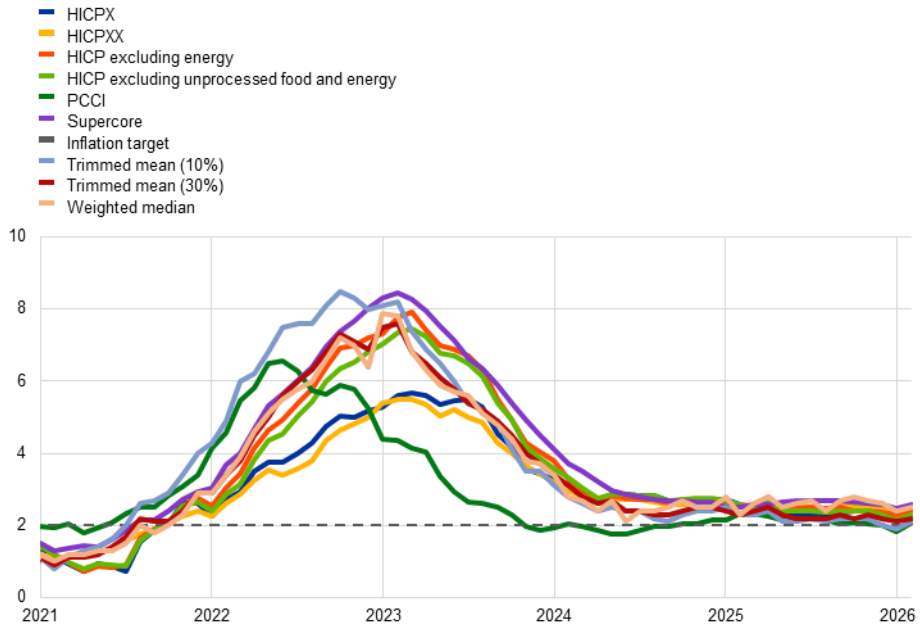
Most measures of underlying inflation increased slightly in February (Chart 10).[9] Among these measures only HICP inflation excluding food and energy, travel-related items and clothing remained unchanged. Temporary factors, like the Olympics, may have affected some of the measures. All model-based measures recorded an increase. The Persistent and Common Component (PCCI) of Inflation rose to 2.1% in February up from 1.8% in January. At the same time, the Supercore indicator, which comprises HICP items sensitive to the business cycle, increased to 2.6% from 2.5%.

[9] 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 10

Indicators of underlying inflation

(annual percentage changes)



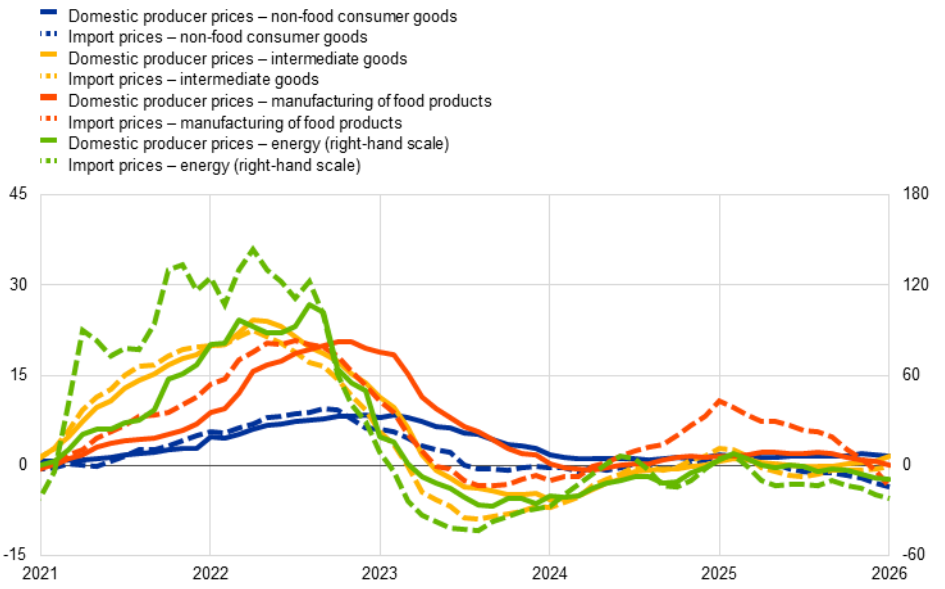
Sources: Eurostat and ECB calculations.
Notes: The grey dashed line represents the Governing Council's inflation target of 2% over the medium term. HICPX stands for HICP excluding energy and food; HICPXX stands for HICPX excluding travel-related items, clothing and footwear. The latest observations are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

Before the escalation of the war in the Middle East, indicators of pipeline pressures pointed to an easing of inflationary pressures at the later stages of the pricing chain (Chart 11). At the early stages of the pricing chain, energy producer price inflation fell further into negative territory, down to -8.9% in January 2026 from -8.4% in December 2025. However, pressures remain elevated for intermediate goods , owing to increases in domestic producer prices and import prices. Overall, at the later stages of the pricing chain, pipeline pressures on consumer goods signalled easing, with both import price (-3.6%) and domestic producer price inflation for non-food consumer goods (1.6%) declining. At the same time, manufactured food producer prices also decreased (0.6%) and manufactured food import prices continued to fall, declining from a peak of 10.6% in January 2025 to -3.6% a year later. These dynamics reflect the past appreciation of the euro and, possibly, China's increased focus on the euro area as an export market. These data precede the recent start of the war in the Middle East. Developments in energy and food prices in particular, as well as pipeline pressures more broadly, are therefore being closely monitored.

Chart 11

Indicators of pipeline pressures

(annual percentage changes)



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

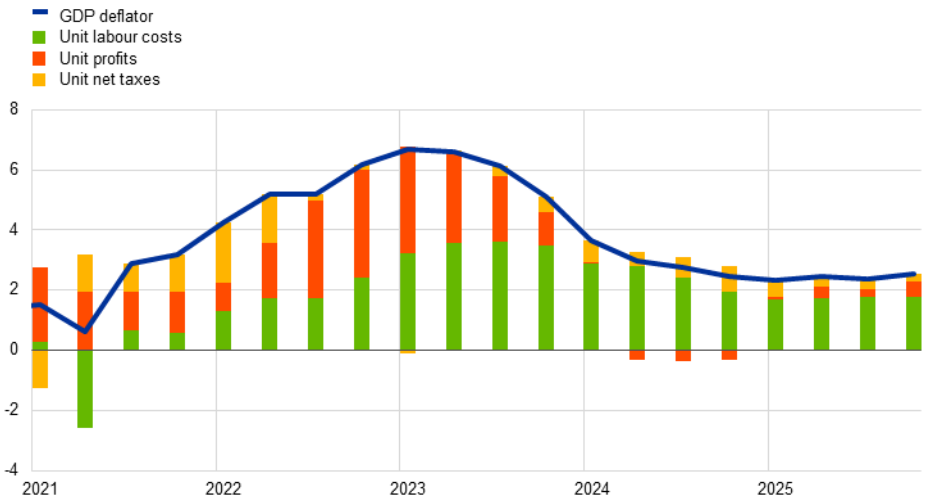
Domestic cost pressures, as measured by growth in the GDP deflator, increased to 2.5% in the fourth quarter of 2025 up from 2.4% in the previous quarter (Chart 12). This reflects an uptick in the contribution from unit profits (up from 0.3 percentage points to 0.5 percentage points), while the contributions from unit labour costs and unit net taxes remained unchanged. In growth rate terms, while the annual growth rate of unit profits rose sharply, that of unit labour costs fell marginally. This decrease was driven by a decline in the growth rate of compensation per employee (from 4.0% to 3.7%), which was partially offset by a drop in labour productivity growth (from 0.8% to 0.6%). The fall in the annual growth rate of compensation per employee reflected a decline in the contribution from the wage drift component, down to 0.4 percentage points in the fourth quarter of 2025 from 1.9 percentage points in the third quarter, partially offsetting an increase in negotiated wage growth, up to 3.0% from 1.9% 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 February 2026 stood at 2.6% (revised down by 0.1 percentage points compared to the previous release of the wage tracker). This suggests that negotiated wage growth pressures will ease in the first half of 2026 and stabilise at lower levels in 2026.[10] The March 2026 ECB staff macroeconomic projections expect the annual growth rate for compensation per employee to slow from 3.9% on average in 2025 to 3.1% in the fourth quarter of 2026, and then to remain broadly around this level in 2027 and 2028.

[10] For further details, see "New data release: ECB wage tracker continues to suggest negotiated wage pressures easing in 2026", *press release*, ECB, 23 March 2026.

Chart 12

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 fourth quarter of 2025.

During the review period from 18 December 2025 to 18 March 2026, short-term market-based measures of inflation compensation (Chart 13, panel a) soared as a result of the rise in energy prices related to the war in the Middle East, while longer-term inflation expectations remained firmly anchored at 2%. After a prolonged period of low volatility, near-term market-based measures of inflation compensation were priced markedly higher owing to the surge in energy prices following the outbreak of the war in the Middle East. A key factor shaping the repricing was the uncertainty surrounding the scale and duration of the conflict. By the end of the review period, the one-year forward inflation-linked swap rate one year ahead had reached 2.1%, around 40 basis points higher than at the start of the review period. For medium and longer-term maturities, movements in inflation compensation were more contained. Specifically, the five-year forward inflation-linked swap rate five years ahead increased by around 10 basis points on the back of changes in both inflation risk premia and expectations. However, once adjusted for inflation risk premia, the market-based measure of longer-term inflation expectations remained firmly anchored at 2%, supporting the stabilisation of inflation around the Governing Council's inflation target over the medium term. In both the ECB Survey of Professional Forecasters for the first quarter of 2026 and the ECB Survey of Monetary Analysts for March 2026, average and median longer-term inflation expectations remained at 2%.

Consumers' perceptions of past inflation, as well as their short and medium-term inflation expectations, either remained stable or decreased in February 2026 (Chart 13, panel b). The ECB Consumer Expectations Survey (CES) fieldwork closed on 2 March; however, only 3.5% of responses were received after the start of the war in the Middle East began on 28 February. According to the CES for February 2026, the median rate of perceived inflation over the previous 12 months remained

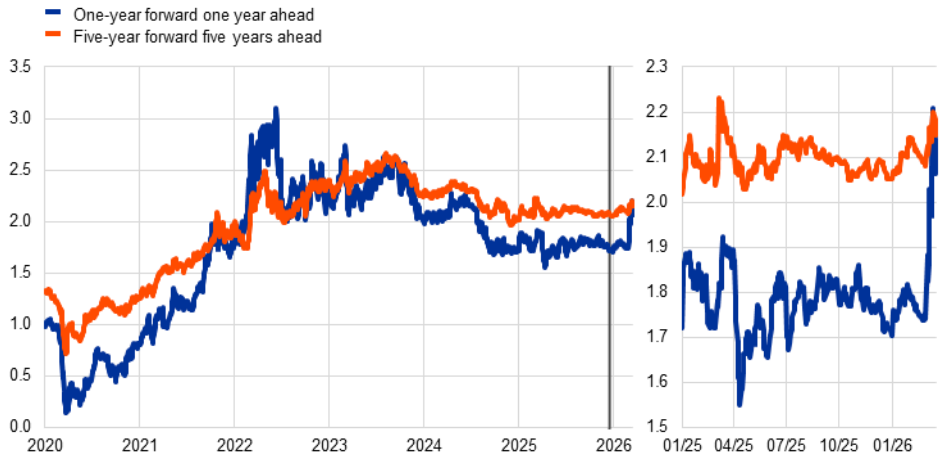
stable at 3.0%.[11] Median expectations for inflation over the next 12 months and three years ahead both decreased to 2.5% from 2.6% in January, while median expectations for five years ahead was unchanged at 2.3%.

Chart 13

Market-based measures of inflation compensation and consumer inflation expectations

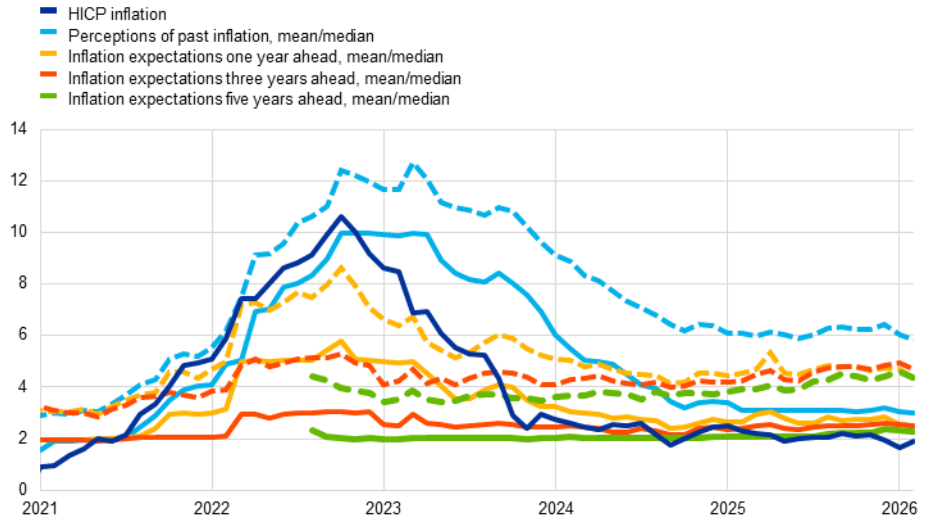
a) Market-based measures of inflation compensation

(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 different time horizons for the euro area. The vertical grey line indicates the start of the review period on 18 December 2025. In panel b), the dashed lines show the mean rate and the solid lines show the median rate. The latest observations are for 13 March 2026 for panel a) and February 2026 for panel b).

The March 2026 projections expect headline inflation to increase from 2.1% in 2025 to 2.6% in 2026 and decrease back to 2.0% in 2027, before rising again to 2.1% in 2028 (Chart 14). The near-term profile is influenced by the recent escalation of the war in the Middle East, which has pushed up energy prices. Accordingly,

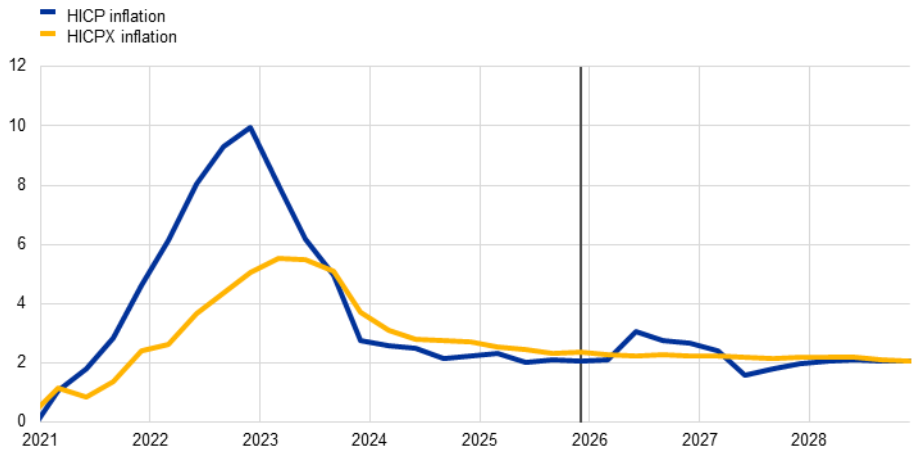
[11] The fieldwork for the February 2026 Consumer Expectations Survey concluded on 2 March 2026.

headline inflation is expected to follow the surge in energy inflation in the first half of 2026, increasing from 2.1% in first quarter of 2026 to 3.1% in the second quarter, and then to decelerate to 2.7% in the second half of the year. The higher average rate projected for 2026 is related to the energy surge and to an increase in food inflation later in the year owing to rising pipeline pressures from energy prices and other input costs. HICPX is expected to stabilise around 2.3%, with indirect effects from energy inflation expected to be limited. The decrease in headline inflation in 2027 mainly reflects downward base effects and falling energy prices. HICPX inflation is expected to moderate slightly, while food inflation increases further. Headline inflation is then expected to rise in 2028, driven mainly by a significant increase in energy inflation, driven by climate transition-related fiscal measures, in particular the introduction of the ETS2 scheme. Compared with the December 2025 projections, headline HICP inflation has been revised up by 0.7 percentage points for 2026 mainly owing to energy inflation, with much smaller upward revisions for 2027 and 2028 owing to the non-energy components. The upward revision to headline inflation in 2027 and 2028 reflects the delayed pass-through of higher cost pressures from higher energy prices to the HICPX and food components. HICPX inflation is expected to remain somewhat more persistent but to nevertheless moderate by 0.1 percentage points in each year of the horizon, falling from 2.4% in 2025 to 2.1% in 2028. The upward revisions to food and HICPX inflation in part reflect a limited upward adjustment based on staff judgement to capture stronger pass-through effects from higher energy prices, which may be underestimated slightly by the standard modelling tools in the context of large shocks to energy prices. Given the very high levels of uncertainty and the strong dependence on the duration and the intensity of the conflict, the baseline should be interpreted as one of several plausible outcomes, rather than the most likely one. To assess the risks to the baseline, some illustrative alternative scenarios have been developed, reflecting different assumptions about the duration, intensity and economic transmission of the conflict. The scenario analysis highlights that a prolonged disruption to energy supply, combined with stronger second-round effects, could lead to more persistent inflationary pressures over the medium term.

Chart 14

Euro area HICP and HICPX inflation

(annual percentage changes)



Sources: Eurostat and ECB staff macroeconomic projections for the euro area, March 2026.
Notes: The grey vertical line indicates the last quarter before the start of the projection horizon. The latest observations are for the fourth quarter of 2025 for the data and the fourth quarter of 2028 for the projections. The March 2026 projections were finalised on 13 March 2026 and the cut-off date for the technical assumptions was 11 March 2026. Both historical and projected data for HICP and HICPX inflation are reported at a quarterly frequency.

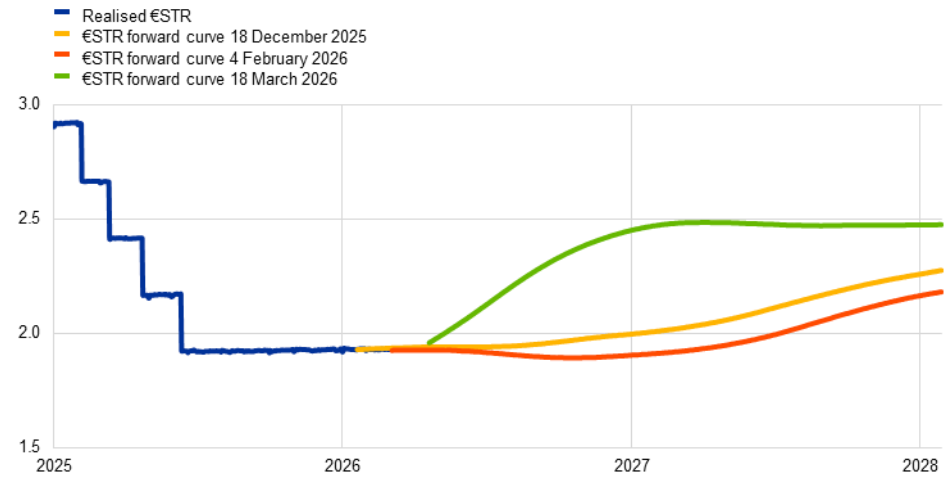
4 Financial market developments

Euro area financial markets experienced a sharp and volatile repricing towards the end of the review period, which ran from 18 December 2025 to 18 March 2026, triggered by the outbreak of the war in the Middle East at the end of February. This repricing was marked by a surge in energy prices and a sell-off in equity markets, alongside higher inflation compensation and expectations of rising interest rates. Uncertainty surrounding the breadth and duration of the conflict has been a key factor shaping both recent and prospective market developments. At the end of the review period, the risk-free euro short-term rate forward curve was pricing in around 50 basis points of cumulative interest rate hikes in the euro area by the end of 2026. Long-term sovereign bond yields moved higher and yield spreads widened amid increased risk aversion, although the dispersion of yields across euro area countries remained low. While euro area equities proved resilient overall, the sell-off following the start of the war was particularly pronounced in sectors that are highly reliant on energy. Corporate bond spreads widened in response to war-related uncertainty. In foreign exchange markets, the euro depreciated both against the US dollar (-1.9%) and in trade-weighted terms (-1.6%), which was partly related to energy-driven terms of trade shocks triggered by the war in the Middle East.

Euro area short and long-term risk-free rates increased during the review period, amid heightened volatility driven by the outbreak of the war in the Middle East (Chart 15). The benchmark euro short-term rate (€STR) stood at 1.93% at the end of the review period, following the Governing Council's decisions at its December 2025 and February 2026 meetings to keep the three key ECB interest rates unchanged. Excess liquidity decreased by around €91 billion to €2,379 billion, which mainly reflected the continuing decline in the portfolios of securities held for monetary policy purposes. While near-term forward rates initially fell between the December and February Governing Council meetings, they subsequently rebounded as a result of heightened geopolitical tensions and rising global energy prices, more than reversing the earlier decrease. The escalation of the Middle East conflict triggered a sharp repricing of near-term policy rate expectations. The latest €STR forward curve implies cumulative interest rate hikes of 50 basis points by the end of the year. Looking beyond 2027, the upward shift in the €STR forward curve persists amid a high level of uncertainty surrounding the duration of the conflict and a volatile energy market. Overall, the ten-year nominal overnight index swap (OIS) rate increased by around 10 basis points to 2.8% over the review period.

Chart 15
€STR forward rates

(percentages per annum)



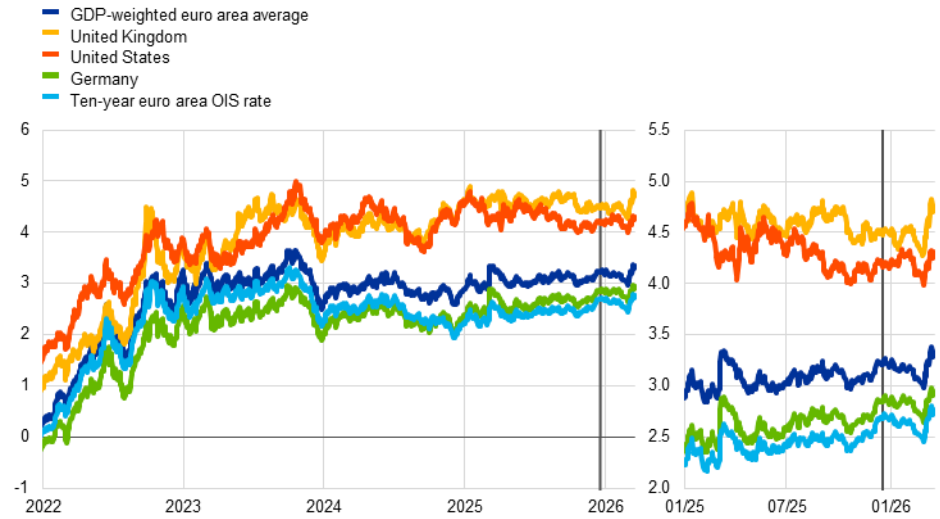
Sources: Bloomberg Finance L.P. and ECB calculations.
Note: The forward curve is estimated using spot OIS (€STR) rates.

Long-term sovereign bond yields moved higher and yield spreads widened somewhat as a result of increased risk aversion towards the end of the review period (Charts 16 and 17). The ten-year GDP-weighted euro area sovereign bond yield rose by around 15 basis points, closing the review period at around 3.3%. Earlier in the review period, ten-year sovereign yields across the euro area broadly tracked the risk-free OIS rate (Chart 17). After the start of the war in the Middle East, spreads relative to the risk-free rate widened across most euro area countries but narrowed marginally for Germany, which benefited from safe-haven flows. However, yield dispersion, measured by the cross-sectional standard deviation of sovereign yields, remained close to the relatively low levels observed before the global financial crisis. In the United States, the ten-year Treasury yield increased by around 15 basis points to stand at 4.3% at the end of the review period, in line with a broader global repricing of sovereign bonds triggered by the heightened geopolitical tensions.

Chart 16

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

(percentages per annum)

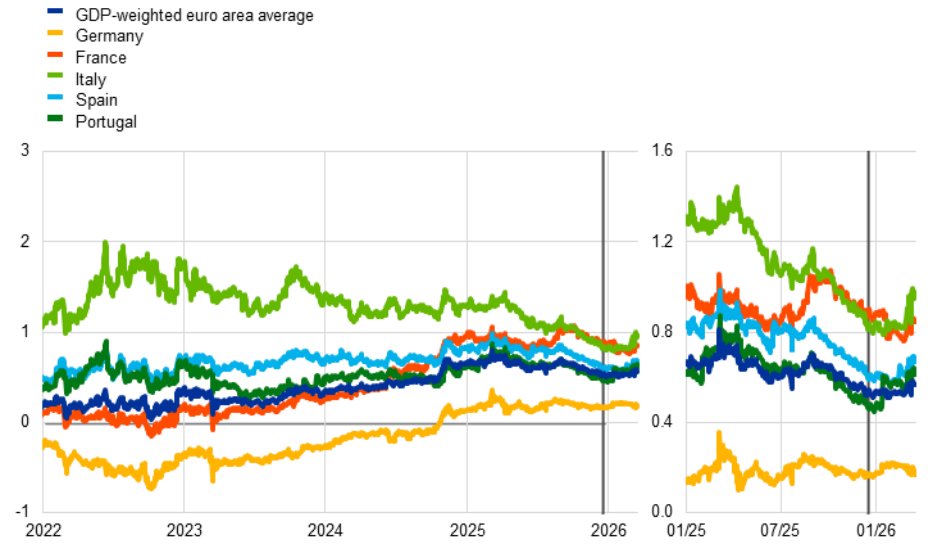


Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 18 December 2025. The latest observations are for 18 March 2026.

Chart 17

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

(percentage points)



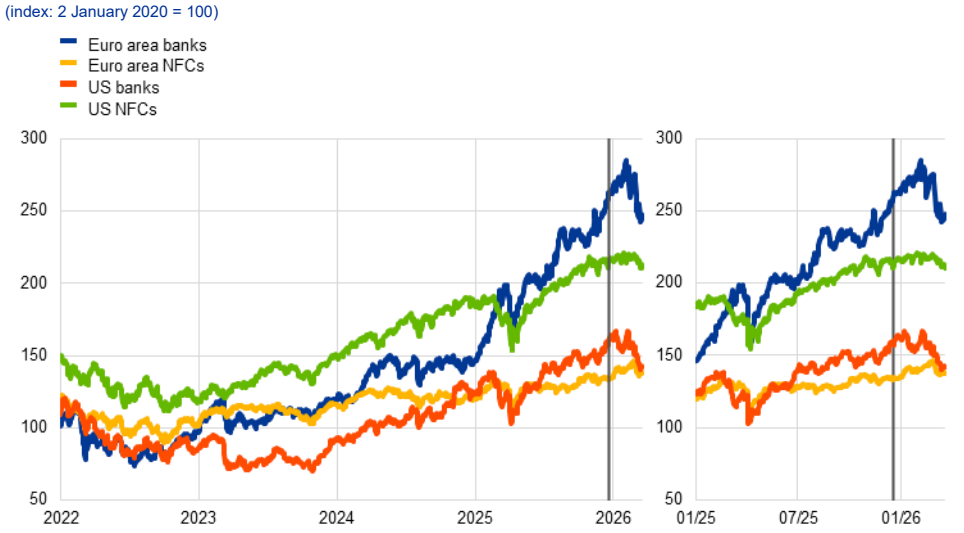
Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 18 December 2025. The latest observations are for 18 March 2026.

Euro area equities experienced a significant sell-off amid rising risk aversion following the start of the war, largely offsetting the substantial gains recorded earlier in the review period (Chart 18). Overall, euro area stock market indices proved resilient, with the sub-index for non-financial corporations (NFCs) rising by 0.8%. By contrast, bank stocks declined by 5.2%, amid a flattening of the yield curve.

In the United States, the broad equity market index went down by 2.3%, with the indices for NFCs and banks falling by 1.6% and 9.6% respectively. Earlier in the review period, concerns about the overvaluations of artificial intelligence companies in the United States weakened the comovement between US and euro area equity markets, with euro area stocks outperforming their US counterparts. The outbreak of the war in the Middle East triggered a rise in market volatility and a deterioration in risk sentiment, prompting a market sell-off on both sides of the Atlantic. Given the euro area's greater reliance on energy imports, euro area equities were affected to a greater extent than their US counterparts.

Chart 18

Euro area and US equity price indices



Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 18 December 2025. The latest observations are for 18 March 2026.

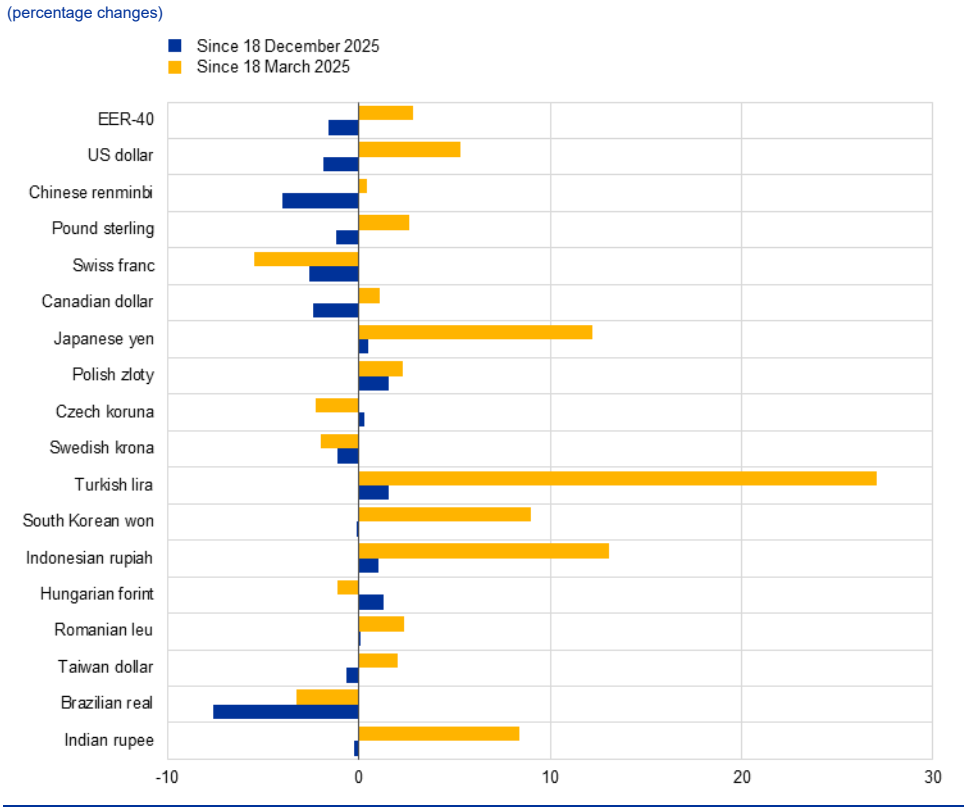
In corporate bond markets, spreads on euro area investment-grade and high-yield bonds remained compressed earlier in the review period, before widening somewhat after the outbreak of the war in the Middle East. Risk appetite remained robust overall, although it deteriorated following the outbreak of the conflict, contributing to wider corporate bond spreads towards the end of the review period. The widening was most pronounced in the euro area high-yield segment, where spreads increased by about 30 basis points. At the same time, investment-grade corporate spreads widened by approximately 10 basis points for both NFCs and financial firms.

In foreign exchange markets, the euro depreciated both against the US dollar and in trade-weighted terms (Chart 19). The nominal effective exchange rate of the euro – as measured against the currencies of 40 of the euro area's most important trading partners – fell by 1.6% over the review period. This decline reflected a weakening of the euro against the currencies of many of the euro area's major trading partners. Notably, the euro depreciated against the US dollar (-1.9%), to USD 1.15 per euro. The euro initially strengthened in January 2026, but later weakened owing to the broad-based strengthening of the US dollar amid heightened

geopolitical tensions and energy-related concerns triggered by the war in the Middle East. The euro also depreciated against the Chinese renminbi (-4.0%), which gained strength gradually throughout the review period, partly reversing the euro's earlier gains against the currency in early 2025. Similarly, the euro lost ground against the pound sterling (-1.2%), the Swiss franc (-2.6%), and the Brazilian real (-7.6%), reflecting rising uncertainty stemming from the war in the Middle East. By contrast, it remained broadly stable against the Japanese yen (+0.5%) and appreciated against the Polish zloty (+1.6%) and the Turkish lira (+1.5%).

Chart 19

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



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 18 March 2026.

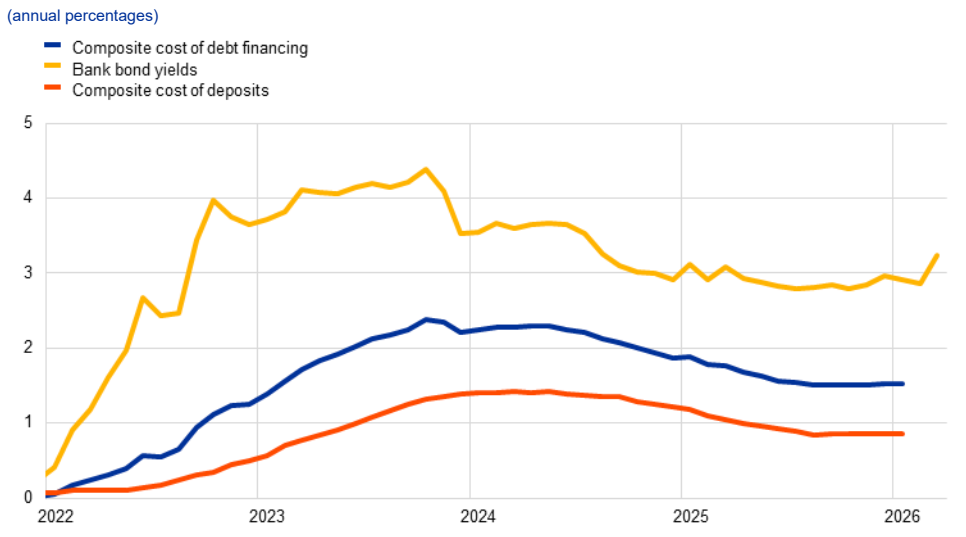
5 Financing conditions and credit developments

Financing conditions for firms and households were broadly stable up to January 2026, but have tightened since the last Governing Council meeting following the outbreak of the war in the Middle East. In January, bank lending rates for firms remained at 3.6%, while the average interest rate on new mortgages edged up to 3.4%. Growth in loans to firms decreased somewhat, while growth in loans to households was stable. The annual growth in broad money (M3) increased to 3.3%. Over the review period from 18 December 2025 to 18 March 2026, the cost to non-financial corporations of both market-based debt and equity increased, as did bank bond yields.

Bank funding costs remained broadly stable up to January 2026, but bank bond yields underwent a sharp repricing in early March. The composite cost of debt financing for euro area banks stood at 1.5% in January, unchanged at this level since July 2025 (Chart 20). Bank bond yields were stable in January, having hovered around 3% since early 2025. However, preliminary data available up to 18 March 2026 indicate that they increased sharply (by approximately 40 basis points) following the outbreak of the war in the Middle East on 28 February, and were likely to continue to put upward pressure on bank funding costs. The composite deposit rate also remained stable at 0.9% in January. Interest rates on overnight deposits, deposits redeemable at notice and interbank rates saw little change, while rates on time deposits for firms decreased slightly.

Chart 20

Composite bank funding costs in the euro area



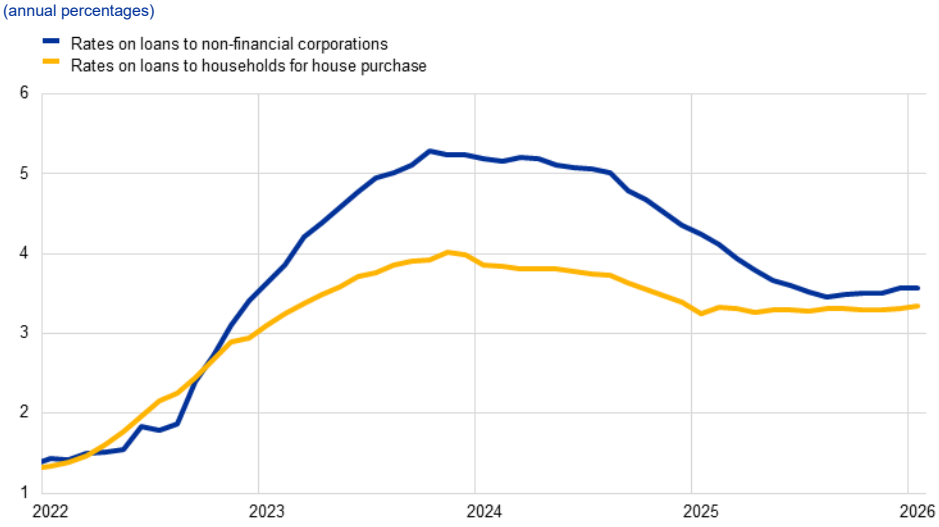
Sources: ECB, S&P Dow Jones Indices LLC and/or its affiliates, and ECB calculations.
Notes: The composite cost of debt financing is an average of new business costs for banks for overnight deposits, deposits redeemable at notice, time deposits, bonds and interbank borrowing, weighted by their respective 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 January 2026 for the composite cost of debt financing and the composite cost of deposits, and 18 March 2026 for bank bond yields.

Bank lending rates for firms were stable in January, while those for households increased marginally (Chart 21). The cost of bank borrowing for non-financial corporations was unchanged at 3.6% in January, around 1.7 percentage

points below its October 2023 peak. Across rate fixation periods the picture was mixed: rates on short-term loans (up to one year) declined slightly, while rates on loans with intermediate fixation periods (over one year and below five years) increased marginally. The spread between interest rates on small and large loans to firms was unchanged and close to historical lows. The cost of borrowing for households for house purchase increased marginally to 3.4% in January, from 3.3% in December, and stood around 70 basis points below its November 2023 peak. Across rate fixation periods, this development was driven by rates on longer-term mortgages (above five years), with rates on short-term mortgages (below one year) recording a small decline.

Chart 21

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



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 January 2026.

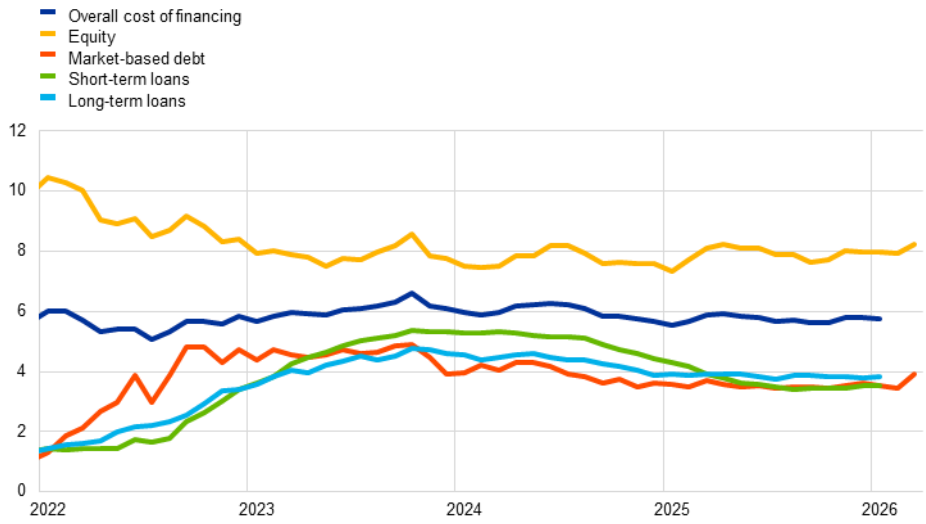
Over the review period from 18 December 2025 to 18 March 2026, the cost of both market-based debt and equity financing increased. The overall cost of financing for non-financial corporations – the composite cost of bank borrowing, market-based debt and equity – remained stable in January for the third consecutive month, at 5.8% (Chart 22).[12] The lower cost of market-based debt was compensated by a slight increase in the cost of long-term bank borrowing, while all other components remained virtually unchanged. However, daily data for the period from 18 December 2025 to 18 March 2026 show an increase in the cost of both market-based debt and equity financing. The increase reflects a widening of corporate spreads – especially in the high-yield sector – and a rise in the equity risk premium. Risk-free rates also increased across the maturity spectrum – most noticeably at the short end – amid significant intra-period volatility.

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

Chart 22

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

(annual percentages)



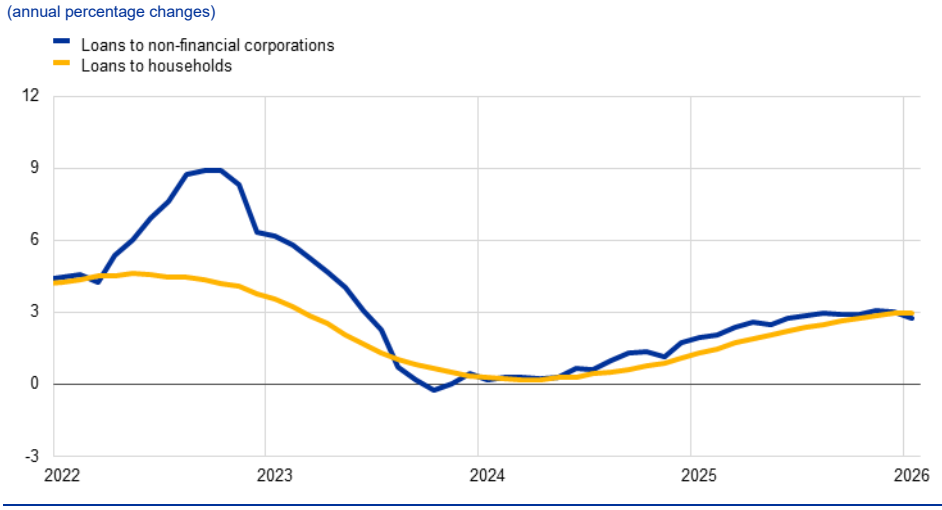
Sources: ECB, Eurostat, Dealogic, Merrill Lynch, Bloomberg Finance L.P., LSEG and ECB calculations.
Notes: The overall cost of financing for non-financial corporations is based on monthly data and is calculated as an average of the long and short-term costs of bank borrowing (monthly average data), and the costs of market-based debt and equity (end-of-month data), weighted by their respective outstanding amounts. The latest observations are for 18 March 2026 for the cost of market-based debt and the cost of equity (daily data) and January 2026 for the overall cost of financing and the costs of long-term and short-term loans (monthly data).

Growth in loans to firms decreased somewhat in January, while growth in loans to households was stable (Chart 23). The annual growth rate of bank lending to non-financial firms slowed to 2.8% in January, from 3.0% in December, well below its historical average of 4.3% since 1999. This was offset by an increase in issuance of debt securities by firms, with the annual growth rate rising to 4.0%, from 3.5% in December. The annual growth rate of loans to households was stable at 3.0% in January, also remaining well below its historical average of 4.1%. The growth of loans to households was supported mainly by growth in mortgages and consumer credit, while other forms of lending to households, including loans to sole proprietors, remained subdued. The modest growth in loans to firms and households reflects several factors, such as heightened uncertainty surrounding the economic outlook and low risk appetite among banks, amid elevated geopolitical risks.[13]

[13] See Allayioti, A., Bozzelli, G., Di Casola, P. Mendicino, C., Skoblar, A. and Velasco, S., "More uncertainty, less lending: how US policy affects firm financing in Europe", *The ECB Blog*, ECB, 2 October 2025.

Chart 23

MFI loans in the euro area



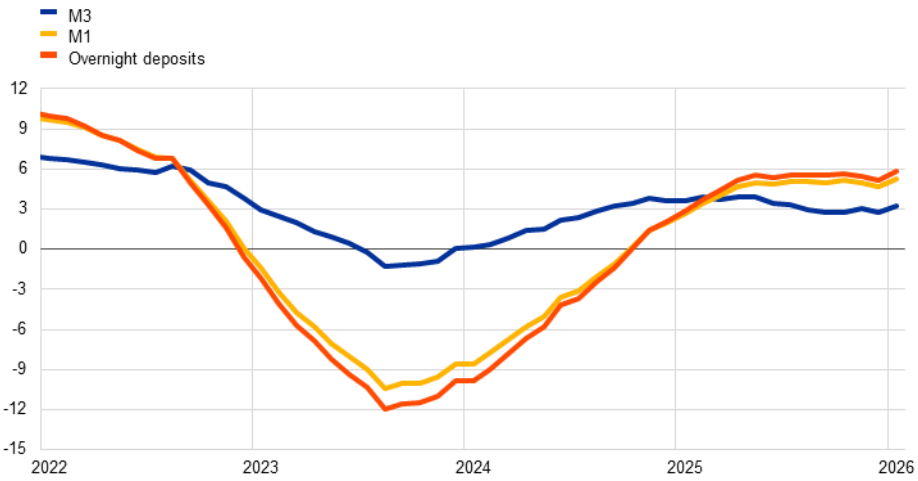
Sources: ECB and ECB calculations.
Notes: Loans from monetary financial institutions (MFIs) are adjusted for loan sales and securitisation; in the case of non-financial corporations, loans are also adjusted for notional cash pooling. The latest observations are for January 2026.

The annual growth rate of broad money (M3) increased in January, reflecting a rebound in foreign inflows into the euro area (Chart 24). M3 growth rose to 3.3% in January, from 2.8% in December, but remained well below its long-term average of 6.1%. Looking at the components, the recovery in money growth was explained by a stronger preference for liquid assets, especially among non-bank financial intermediaries. This was indicated by an increase in the annual growth rate of narrow money (M1) – comprising the most liquid instruments, namely currency in circulation and overnight deposits – from 4.7% in December to 5.3% in January. As regards the counterparts of M3, the development was primarily driven by a rebound in net foreign monetary inflows and an increase in bank purchases of (shorter-term) government bonds. By contrast, the Eurosystem balance sheet continued to weigh on M3 growth, given that the principal payments from maturing securities in the asset purchase programme and pandemic emergency purchase programme portfolios are no longer reinvested.

Chart 24

M3, M1 and overnight deposits

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



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

6 Fiscal developments

According to the March 2026 ECB staff macroeconomic projections, the euro area general government budget deficit is estimated to have remained unchanged at 3.1% of GDP in 2025 and is expected to increase to 3.6% in 2027 and 2028. After a slight loosening in 2025, the euro area fiscal stance is projected to loosen more strongly in 2026 and to tighten somewhat over 2027-28. The euro area debt-to-GDP ratio is projected to increase from 87.5% in 2025 to 89.5% in 2028. Strengthening the euro area economy while maintaining sound public finances remains essential. In the current geopolitical environment, governments should prioritise sustainable public finances, strategic investment and growth-enhancing structural reforms. Any fiscal responses to the energy price shock triggered by the war in the Middle East should be temporary, targeted and tailored. The current energy crisis underscores the imperative to further reduce dependence on fossil fuels.

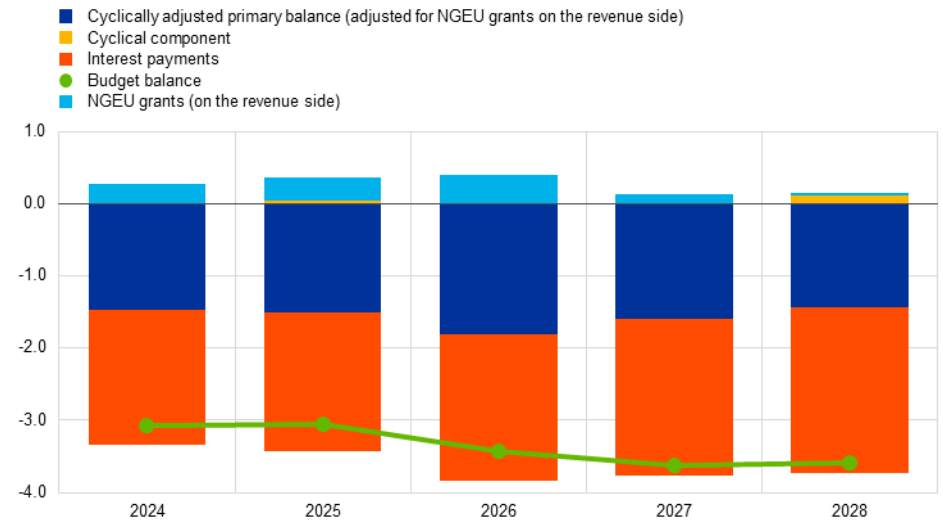
According to the March 2026 ECB staff macroeconomic projections, the euro area general government budget deficit should be unchanged at 3.1% of GDP in 2025, increase to 3.6% in 2027 and remain at that level in 2028 (Chart 25).[14] Compared with the December 2025 Eurosystem staff macroeconomic projections, the projected budget balance has been revised upwards over the entire projection horizon. The revisions primarily reflect a worsening of the cyclically adjusted primary balance, mainly owing to upward adjustments to pensions and other expenditures reflecting higher inflation as a result of the conflict in the Middle East. The increase in the deficit mainly reflects a rising interest payments-to-GDP ratio (by about 0.4 percentage points over the forecast horizon), followed by a deterioration in the cyclically adjusted primary balance, which is only slightly compensated by an improvement in the cyclical component at the end of the projection horizon. The increase in interest payments reflects the pass-through of past interest rate rises, which is progressing slowly owing to the long residual maturities of outstanding sovereign debt. In addition, the expiration of the Next Generation EU (NGEU) programme will end the flow of commonly financed grants that EU Member States received, while some of the investments related to previously disbursed funds will still take place.

[14] See "ECB staff macroeconomic projections for the euro area, March 2026", published on the ECB's website on 19 March 2026.

Chart 25

Budget balance and its components

(percentages of GDP)



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

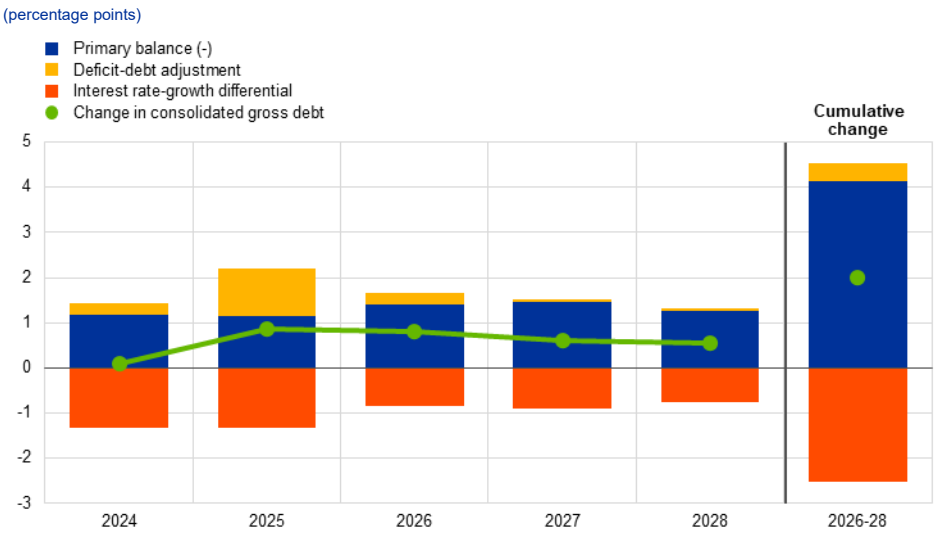
After a slight loosening in 2025, the euro area fiscal stance is projected to loosen more strongly in 2026 and to tighten somewhat over 2027-28.[15] The estimated annual change in the cyclically adjusted primary balance, adjusted for grants extended to countries under the NGEU programme, shows a slight loosening of fiscal policies in the euro area in 2025 (by -0.1 percentage points of GDP). The projected loosening in 2026 is mainly on account of higher public investment and fiscal transfers. The increase in investment primarily reflects high defence and infrastructure spending in Germany (as well as in other smaller countries) and, to a lesser extent, NGEU-funded investment. In 2027 and 2028, consolidation in many countries, including Spain, France and Italy, and the expiry of NGEU funding are broadly offset by stimulus, mainly in Germany.

The euro area debt-to-GDP ratio is set on a rising path from 87.5% in 2025 to 89.5% in 2028 (Chart 26). The euro area debt-to-GDP ratio is projected to increase as the continuing primary deficits and positive deficit-debt adjustments outweigh the favourable, though diminishing, effects of interest rate-growth differentials. Compared with the December projections, the government debt path has been revised upwards, reflecting higher cumulative primary deficits and less favourable interest rate-growth differentials.

15 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-to-GDP 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 26

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



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

Strengthening the euro area economy while maintaining sound public finances remains essential. In the current geopolitical environment, governments should prioritise sustainable public finances, strategic investment and growth-enhancing structural reforms. Unlocking the full potential of the Single Market remains crucial. It is also vital to foster greater capital market integration by following an ambitious timetable for completing the savings and investments union and the banking union and to rapidly adopt the Regulation on the establishment of the digital euro. Any fiscal responses to the energy price shock triggered by the war in the Middle East should be temporary, targeted and tailored. The current energy crisis underscores the imperative to further reduce dependence on fossil fuels.

Boxes

1 Where do the costs of higher US tariffs fall?

Prepared by Stefan Schaefer, Lisa Gerland and Marcel Tirpák

Understanding the impact of tariffs on inflation is a complex task as it involves analysing responses along the pricing chain, including those by foreign exporters, distributors, producers and retailers. At different stages of this pricing chain, domestic firms could respond to tariff announcements by building up inventories before tariffs are implemented, shifting the sourcing of their imports from countries facing higher tariffs to countries facing lower tariffs (trade diversion) and adjusting the pricing of their products to accommodate the impact of tariffs. This analysis is made all the more intricate by exchange rate developments and exemptions for goods in transit at the time of tariff implementation. In this box, we estimate the impact of recently imposed US tariffs on the prices exporters are charging for products delivered to the United States and explore differences in the pricing behaviour of exporters across countries and sectors observed to date. We show that the costs of tariffs are falling mostly on US firms and consumers and only 5% of costs are borne by foreign firms.

Following a series of tariff increases imposed by the United States, both the prices (net of tariffs) and the volumes of goods it imports have been declining. From January to November 2025, the announced statutory effective tariff rate increased significantly from 3% to over 18%.[1] The annual change in the prices of goods imported into the United States, measured as unit values and reported net of tariffs, has been slightly negative since April. Volumes of imported goods have declined sharply. However, the magnitude of the adjustments in prices and quantities varies across major trading partners, such as China, Canada, Mexico and the EU, which were targeted by higher tariffs. These differences could reflect variations in tariff rates and scope, shifts in the composition of imports and country-specific dynamics.

Exporters to the United States are absorbing only a small fraction of higher tariff-related costs. In aggregate, unit values of imported goods reported net of tariffs show an average pass-through coefficient of 0.95 (Chart A, panel a).[2] This means that a 10% increase in tariffs implies only a 9.5% increase in prices.

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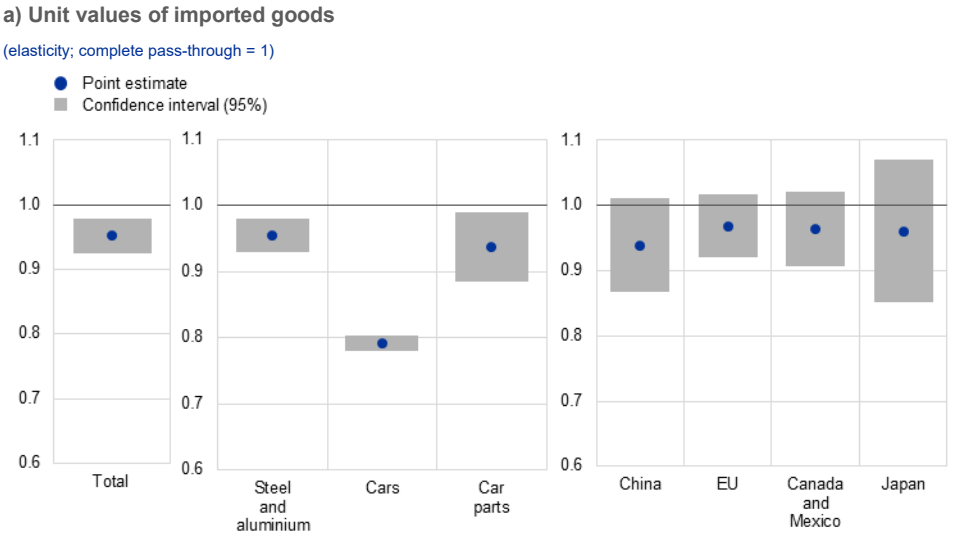
1 There is a difference between statutory and actual effective tariff rates. The statutory effective tariff rate is calculated based on tariff announcements and a usually fixed trade structure, whereas the actual tariff rate is derived from customs data and is typically lower. The World Trade Organization reports in its tariff tracker that the statutory effective tariff rate on goods for the United States was 18.2% in November 2025, whereas the actual effective tariff rate on goods for the same month was 9.8%. For economic analysis, the statutory effective tariff rate is typically used as the explanatory variable as the implementation date is judged to be more relevant compared with customs reports data, which often suffer from reporting lags and endogeneity bias caused by changing trade volumes triggered by tariffs.

2 Aggregate effects are captured through time fixed effects, while product-level characteristics are controlled for by including item fixed effects following Amiti et al. (2019). The tariff effect is identified by the common movement of the dependent price variable in response to tariff changes within all items across time.

Therefore, only a small fraction of the increased tariffs is being absorbed by exporters.[3] The pass-through coefficient is significantly lower when looking at specific sectors.[4] However, no significant differences are evident in the estimated tariff pass-through by major trading partners.

Chart A

Impact of tariffs on unit values and volumes of imported goods

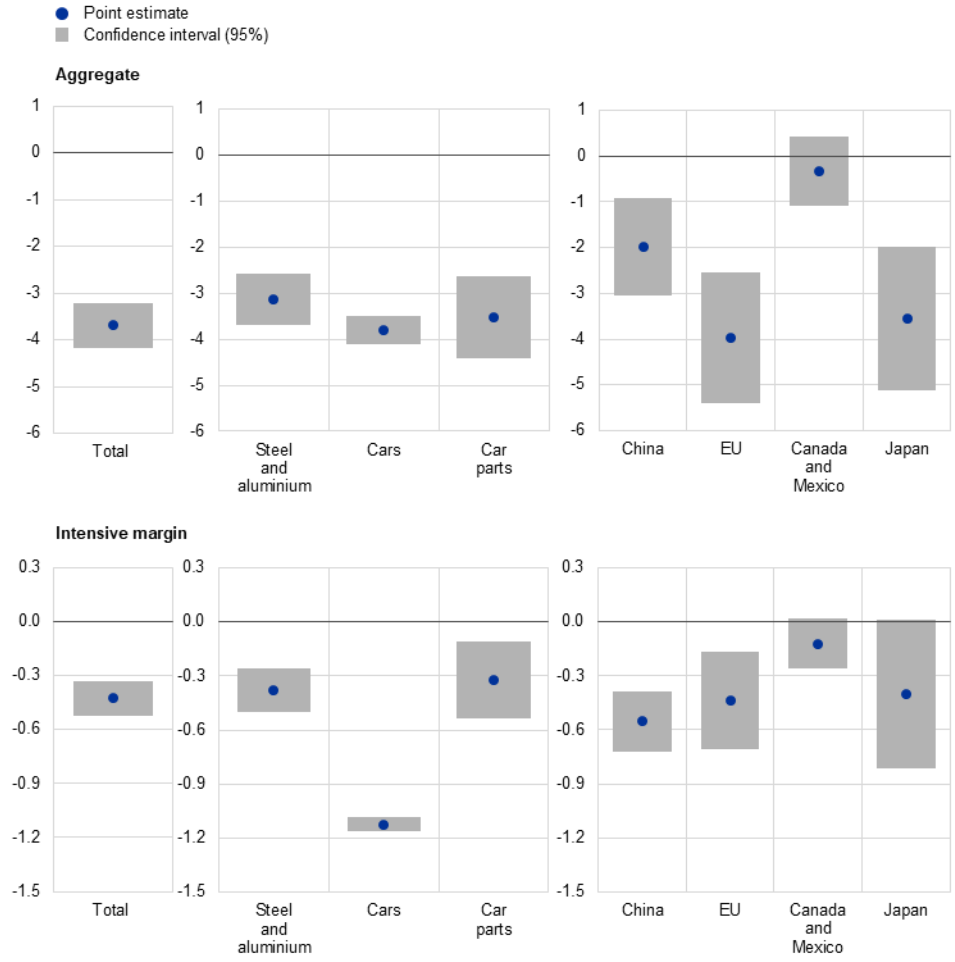


[3] This finding is broadly consistent with the evidence from the 2018-19 period as documented in Amiti et al. (2019). It is also in line with the available estimates for the current tariffs (Hinz et al., 2026), suggesting that the United States possesses limited terms-of-trade leverage over its global suppliers in the short term. While Amiti et al. (2026) report a similar tariff pass-through (elasticity) of 0.94 for the period from January to August 2025, they find it declined to 0.86 in November.

[4] Steel and aluminium, cars and car parts were targeted early on by the US Administration and faced significant tariffs ranging from 25% to 50%, with few exemptions.

b) Volumes of imported goods

(elasticity)



Source: ECB staff calculations.
Notes: The reported estimates are based on a panel regression analysis of six-digit product categories of the harmonised system (HS6) import unit values, following the methodology of Amiti et al. (2019). Estimated on a sample from January 2024 to October 2025. The upper part of panel b) reports estimates of the aggregate elasticity (extensive and intensive margin) obtained from a regression where product categories, including those subject to higher tariffs, are no longer imported into the United States. The lower part of panel b) reports estimates obtained from a regression on those product categories which are still traded under tariffs.

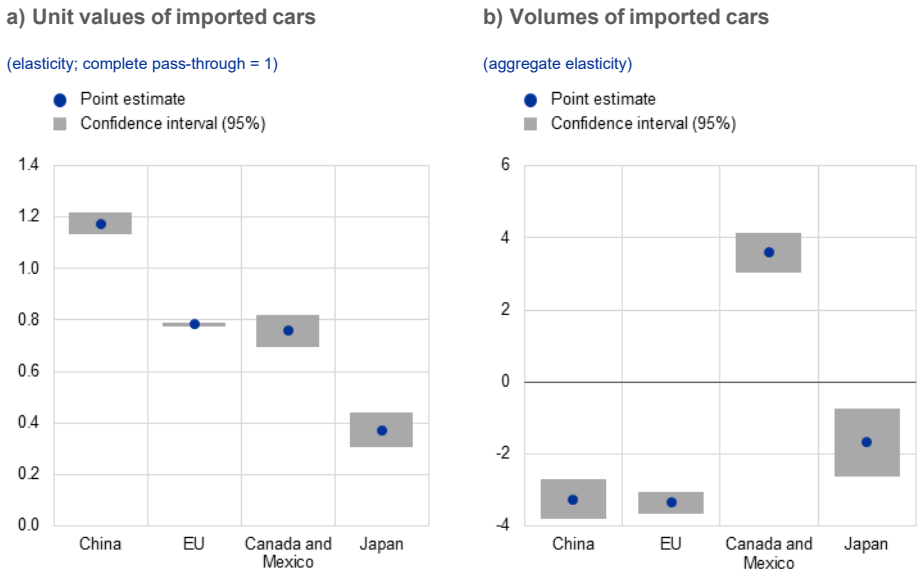
The estimated impact of tariffs on import volumes is large. The estimated aggregate elasticity of imports for all product categories stands at -3.7. This means that a 10% increase in tariffs would result in a 37% decline in import volumes. If, by contrast, we focus on only those product categories which are still traded under tariffs, the estimated coefficient declines markedly, albeit remaining economically relevant at -0.43. This means that a 10% increase in tariffs would result in a 4.3% decline in import volumes. This difference in estimated elasticity for import volumes suggests that the observed decline is largely associated with products which, in response to tariffs, are no longer traded – meaning they undergo an adjustment through the extensive margin (Chart A, panel b, upper graph). However, volumes also decline markedly for products which are still being traded under tariffs (trade adjustment through the intensive margin; Chart A, panel b, lower graph).

Zooming in on the automotive sector highlights how tariffs triggered significant changes in trade structures, particularly within regional supply

chains. In the automotive sector, the results point to a clear decoupling of the United States from China and the EU in favour of Canada and Mexico (Chart B). The surge in car imports from Canada and Mexico reflects a strengthening of existing trade relationships.[5] This stands in sharp contrast to the results reported for the EU and Japan, which saw both a contraction in the unit value of exported cars and a strong decline in the volume of products subject to tariffs and still exported to the United States.[6]

Chart B

Impact of tariffs on unit values and volumes of cars imported to the United States



Source: ECB staff calculations.
Notes: The reported estimates are based on a panel regression analysis of six-digit product categories of the harmonised system (HS6) import unit values, following the methodology of Amiti et al. (2019). Estimated on a sample from January 2024 to October 2025.

While tariffs are reshaping the geography of trade relations with the United States, their costs are falling mostly on domestic importers and consumers. We find that costs associated with higher tariffs are passed down the pricing chain, with consumers currently bearing around a third of the tariff burden (Chart C). And if the higher tariffs are expected to stay in place for a longer period, the available survey evidence from US firms suggests that they will pass a larger share of tariff-related costs on to consumers. Over the longer term, this share could rise to over half as US firms exhaust their ability to absorb costs. Additionally, if the extent to which exporters absorb tariffs remains limited in scope, as reported above, this implies that US firms would absorb around 40% of higher tariff costs in the longer term.

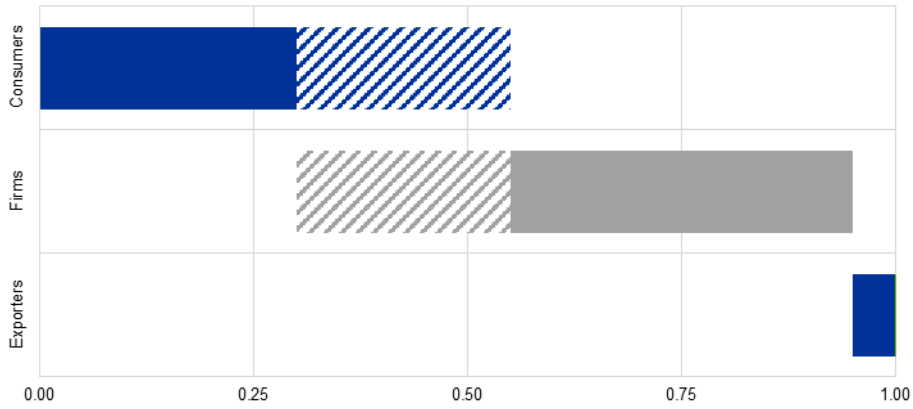
5 Rerouting of Chinese car exports via these countries may have contributed to these developments, although recent analyses suggest that Chinese exports may have been rerouted through countries in the Association of Southeast Asian Nations. For further details, see Le Roux and Spital (2026).

6 The estimated elasticity on the trade volume at the intensive margin is 0.84 for Canada and Mexico and -1.26 for the EU.

Chart C

Distribution of tariff-implied costs along the pricing chain

(coefficient estimates)



Source: ECB staff calculations.
Notes: The chart shows how tariff costs are distributed across the pricing chain, based on empirical analyses using data available up to August 2025 (dark blue). The grey bars represent residual attributions, with hashed sections indicating survey results from Andrade et al. (2025), which suggest that the tariff pass-through to consumers increases to 0.55 when in place over longer time horizons. The figure for consumers is derived from a panel regression of tariffs on personal consumption expenditures PCE components, while the figure for exporters is based on a panel regression analysis of six-digit product categories of the harmonised system (HS6) import unit values, following the methodology of Amiti et al. (2019). "Firms" refers to distributors, producers and retailers.

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2 Unlocking trade potential: the benefits of improving cross-border payments

Prepared by Massimo Ferrari Minesso, Laura Lebastard and Olga Triay Bagur

International trade could not happen without cross-border payments. Payment systems are the backbone of the financial infrastructure – the critical "plumbing" that underlies the functioning of modern economies by enabling the clearing and settlement of international transactions. This box aims to evaluate the economic benefits of technological innovations in cross-border payments by considering the case of interlinking fast payment systems between countries.

Many existing cross-border payments remain slow and expensive. Most international payments rely on correspondent banks – a global network that processes cross-border transactions for local banks that lack foreign accounts.[1] Payments often go through several intermediaries, making them slow and costly, owing to fees, currency conversions and operational frictions across different countries. For example, for nearly one-third of cross-border payments, the costs exceed 3% of the transacted amount, and on average only 40% of international business-to-business transactions are settled within one working day (Chart A).[2] Moreover, there has been a 20% decline in the global provision of correspondent banking services compared with the mid-2000s, increasing the cost of sending money across borders and, in some cases, leading to the complete disintermediation of certain payment corridors (stable payment linkages between pairs of countries).[3]

1 See Rice et al. (2020).

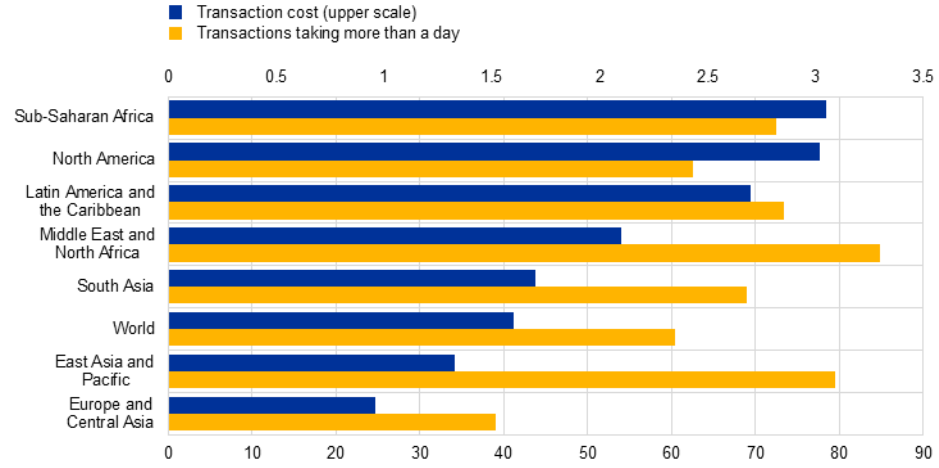
2 See Financial Stability Board (2025).

3 The retrenchment of correspondent banking has been driven by a combination of factors, including higher compliance costs, geopolitical risks and rising operating costs. Rice et al. (2020) provide survey evidence on the importance of each factor.

Chart A

Cross-border transaction costs and speed, by region

(upper scale: percentages of transaction value; lower scale: percentages of transactions, weighted by value)



Sources: Financial Stability Board (2025) and ECB staff calculations.
Notes: Sending country to the world, business-to-business and business-to-person transactions, for an amount of USD 20,000. Europe and Central Asia includes EU Member States, Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Iceland, Kazakhstan, Kosovo, the Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Norway, Russia, Serbia, Switzerland, Tajikistan, Türkiye, Turkmenistan, Ukraine, the United Kingdom and Uzbekistan. The latest observations are for April 2025.

Interlinking domestic fast payment systems has the potential to improve cross-border payments. New technologies have led to the development of a new generation of "fast" payment systems, capable of settling retail transactions in real time and at minimal cost. More than 80 countries have deployed a domestic fast payment system – such as the Eurosystem's TARGET Instant Payment Settlement (TIPS), the Federal Reserve System's FedNow Service, Brazil's Pix and India's Unified Payments Interface (UPI) – while many more are in development.[4] Interlinking these systems could reduce costs, increase the speed of cross-border payments and foster transparency; and, indeed, this has been identified as a priority in the G20 Roadmap for enhancing cross-border payments.[5] If payment systems are connected, banks in two jurisdictions can exchange funds using their respective domestic systems.[6] This avoids having several layers of correspondent banking that replicate processes and multiply costs, and would be of particular benefit to regions that are underserved by or excluded from correspondent banking.

Globally, there are already around 500 connections between fast payment systems, and more are in development. While TIPS interlinks euro area countries, Denmark and Sweden, interlinked fast payment systems have also been developed across Africa, Asia and South America (Figure A).[7] These cross-border arrangements vary widely: some support only retail payments, while others include

4 See ACI Worldwide (2024).

5 See Financial Stability Board (2025).

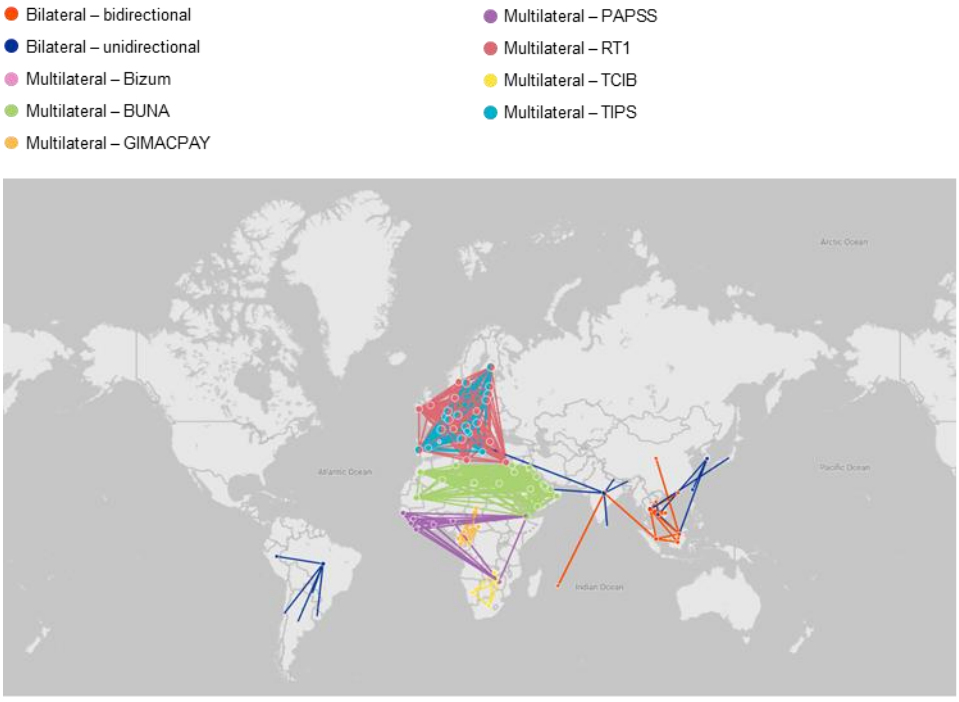
6 Interlinking can be achieved either by connecting two payment systems directly through a shared infrastructure or by creating a hub that enables multiple systems to connect. Decisions to establish interlinking may be influenced by factors such as expected gains for trade, use for remittances, governance, technological preferences, cost-recovery prospects and geopolitical considerations. For more detail, see Ferrari Minesso et al. 2025.

7 TIPS currently serves 23 countries with three currencies (the euro, the Danish krone and the Swedish krona), and more are in the pipeline.

wholesale settlement. Multilateral regional platforms emerged first, while bilateral links developed later and remain limited.[8] Overall, however, payment systems are still fragmented, and major economies continue to rely on correspondent banking. In line with the G20 Roadmap, and to strengthen cross-border payments and reduce fragmentation risks, the Eurosystem is working on new interlinkages (with India's UPI) and exploring the potential benefits of connecting with Switzerland's domestic fast payment system and Nexus Global Payments (NGP).[9] These initiatives are aimed at improving cross-border payments globally and reducing the risk of market fragmentation.

Figure A

Cross-border connections between fast payment systems



Source: Ferrari Minesso et al. (2025).
Notes: The figure shows cross-border connections between fast payment systems in 2024. It shows bilateral connections (split between unidirectional and bidirectional, depending on the currencies used to originate a payment through the link) and multilateral connections (also represented as bilateral connections between country pairs but coloured by regional platform).

Econometric evidence suggests that interlinking fast payment systems increases trade by about 4%. Iceberg trade costs depend partly on the efficiency of financial transactions.[10] Interlinking should reduce such costs and, consequently, improve bilateral trade. Including interlinking in a gravity framework suggests that connecting fast payment systems has a positive and economically meaningful impact

8 See Ferrari Minesso et al. (2025).

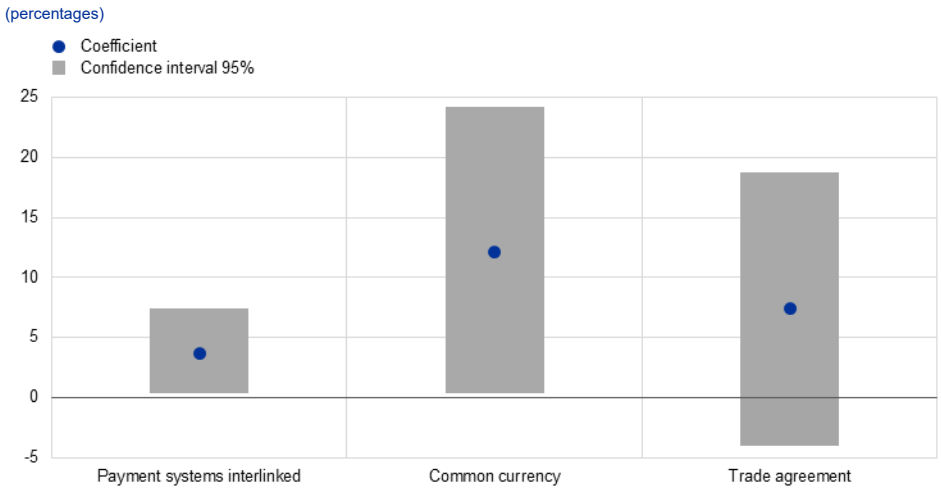
9 NGP links the fast payment systems of India, Malaysia, the Philippines, Singapore and Thailand.

10 "Iceberg trade costs" refers to a modelling assumption where a fraction of a traded good is lost during transportation, representing the cost of shipping.

on bilateral trade, even after accounting for potential endogeneity.[11] The average estimated effect (about 4%) is roughly half the boost to trade that comes from a formal trade agreement and a quarter of the impact of forming a common currency area (Chart B). Importantly, this estimate does not rely on specific case studies but is averaged across all interlinking initiatives, including those promoted by countries already well connected by global banking (such as the euro area or South-East Asia). This highlights the specific benefits for trade of interlinking payment systems, even when countries already have access to global markets through correspondent banks.

Chart B

Determinants of bilateral exports



Sources: Ferrari Minesso et al. (2026) and ECB staff calculations.
Notes: The chart shows estimates from a gravity model in which potential endogeneity is controlled for using the method in Carlson and Joshi (2024). The regression is specified as $\ln Export_{i,j,t} = \alpha_{i,t} + \alpha_{j,t} + \alpha_{i,j} + \beta_1 Payment\ system\ interlinked + \beta_2 Common\ currency_{i,j,t} + \beta_3 Trade\ agreement_{i,j,t} + \beta_4 Geopolitical\ distance_{i,j,t} + \Gamma' X_{i,j,t} + \varepsilon_{i,j,t}$. $Payment\ system\ interlinked$ is a dummy equal to one if the fast payment systems of countries *i* and *j* are connected at time *t*. $X_{i,j,t}$ includes the inverse Mills ratio that measures the expected value of the error term conditional on selection. The interlinking dataset covers 84 countries and 531 payment links. The model is estimated on annual data from 2021 to 2024.

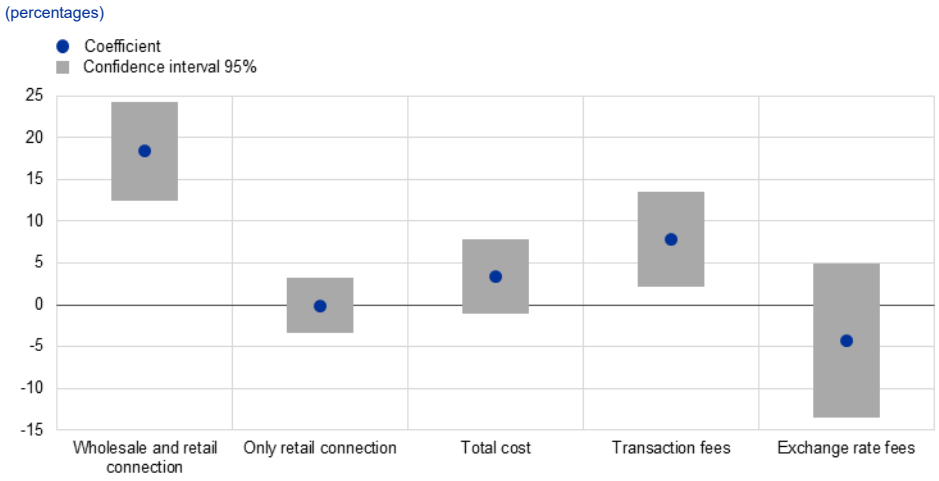
The benefits of interlinking fast payment systems are larger in regions with high cross-border payment costs and for systems that allow the settlement of wholesale transactions. Focusing on the heterogeneity of payment systems, aggregate results are driven by payment systems that allow both wholesale and retail payments (Chart C). The benefits tend to be lower for payment systems that link only retail customers. This stems from the fact that aggregate trade is primarily driven by large-scale transactions of major firms, resulting in payment transfers whose values exceed the limits of retail payment systems. Moreover, interlinking is more beneficial in regions where the costs of cross-border payments are higher, suggesting that gains stem primarily from a reduction in fees charged by banks. This result is consistent with the interlinking of fast payment systems acting as a

[11] To account for potential endogeneity of payment system connections, the bias correction method of Carlson and Joshi (2024) is applied and the payment messaging standards of the domestic payment systems are used as an instrument. This method formally controls for the potential endogeneity of interlinking by modelling its probability in a first-stage regression. Results also hold when using semi-parametric methods (see Ferrari Minesso et al., 2026).

complement or alternative to more expensive payment methods, thereby reducing overall trade costs.

Chart C

Effect on exports by type of payment system and cost reduction



Sources: Ferrari Minesso et al. (2026) and ECB staff calculations.
Notes: The chart reports estimates from an augmented version of the equation used in Chart B. In the two columns on the left, the dummy for payment systems interlinking is divided between those systems that allow only retail settlement and those that allow both retail and wholesale settlement. The three columns on the right report the interaction coefficient of the interlinking dummy and measures of business-to-business cross-border payment costs in the region of the country of origin.

Interlinking initiatives may provide benefits that go beyond market functioning. The policy implications of these results could be substantial. First, they support ongoing international efforts under the G20 Roadmap to interconnect national payment systems, confirming that such initiatives deliver tangible economic benefits beyond their financial inclusion objectives. These gains are likely to be largest for countries that are poorly served by existing global payment networks and are therefore more excluded from international trade. Furthermore, these findings highlight the need for multilateral coordination to ensure the interoperability of technical standards and to address the legal and regulatory barriers (e.g. settlement finality rules, protection of personal data and fraud management) that still impede seamless cross-border settlement, thereby facilitating interlinking.

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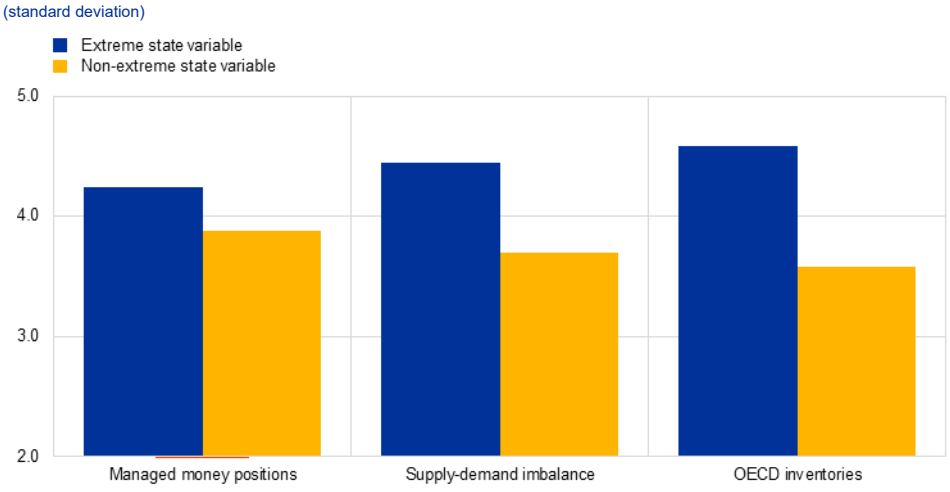
3 Non-linearities in oil prices: which conditions matter?

Prepared by Vlad Burian and Arthur Stalla-Bourdillon

Different oil market states can significantly affect how oil prices respond to shocks. Over recent years oil prices have reacted strongly when key variables, referred to here as "state variables", reach extreme levels. During the COVID-19 pandemic, for example, the collapse in oil prices linked to the Russia-Saudi Arabia price war was likely amplified by elevated inventories, which limited the capacity to absorb excess supply. A similar amplification mechanism was observed in October 2024, when Iran's strike on Israel surprised the markets. Investment funds, which were short by historical standards, rapidly unwound positions, thus intensifying the price increase.[1] Oil price volatility appears to be higher when three state variables – managed money positions (derivative positions held by investment funds), supply-demand imbalances (the difference between global oil supply and demand) and OECD inventories – reach extreme levels (Chart 1).[2]

Chart A

Oil price volatility conditional on state variable levels



Sources: International Energy Agency (IEA), Bloomberg, Commodity Futures Trading Commission (CFTC) and ECB staff calculations.
Notes: "Standard deviation" refers to the average standard deviation of oil prices. Differences in the standard deviations between states are significant at the 10% level for each variable. "Extreme state" denotes periods in which a variable lies above the 75th percentile or below the 25th percentile of its recent historical distribution (i.e. the last 52 weeks).

Despite their relevance for investors and policymakers, the sources of these non-linearities have not yet been sufficiently analysed. Several studies have explored this issue, but they have generally analysed non-linearities in isolation, focusing on individual mechanisms and without interacting the state variable with the sign of the shock (see Chiţu et al., 2023, on speculative positioning and geopolitical risk; Van Robays, 2016, on macro uncertainty). In order to address this gap, we

1 Short positions refer to bearish derivative exposures that profit from declines in the underlying asset price, whereas long positions profit from increases in that price.

2 Managed money refers to investment funds that are generally viewed as the category in the CFTC classification which is most closely linked to perceived price dynamics in the commodity.

estimate non-linear local projections based on the three state variables outlined above and evaluate the reaction of prices to the oil supply shocks identified in Gazzani et al. (2024).[3] To this end, we first assess whether oil price responses intensify when these variables reach extreme levels. We then examine the responses conditional on both the state variable level and the direction of the shock.

For positions held by investment funds, pronounced non-linearities emerge when the sign of the shock aligns with the prior exposures of investors. For the first variable, investment fund positions, price reactions are indeed stronger when positions are unusually high or low (Chart B, panel a).[4] However, it is unclear whether this amplification occurs because investors are caught off guard or because the shocks confirm their prior expectations. When investment funds are already heavily long or short, price responses to price-decreasing or price-increasing shocks, respectively, are in fact muted (Chart B, panel b). This suggests that the sharp reaction in prices observed during the 2024 Iranian missile episode does not generalise across periods. By contrast, strong price responses occur when investors hold very long positions and a surge in oil prices occurs, or symmetrically, when they hold very short positions and oil prices start to decline (Chart B, panel c). This implies that the dominant mechanism is not the rapid unwinding of positions, but rather the amplification that occurs when positions and shocks are aligned, suggesting a self-reinforcing dynamic in the oil markets.

[3] We estimate local projections in which oil price returns are the dependent variable and oil supply shocks are the key regressors. These shocks are interacted with dummy variables capturing extreme states of the conditioning variables and, where relevant, the sign of the shock. All specifications are estimated separately for each state variable. The sample covers the period from June 2007 to August 2025.

[4] Although differences are not statistically significant.

Chart B

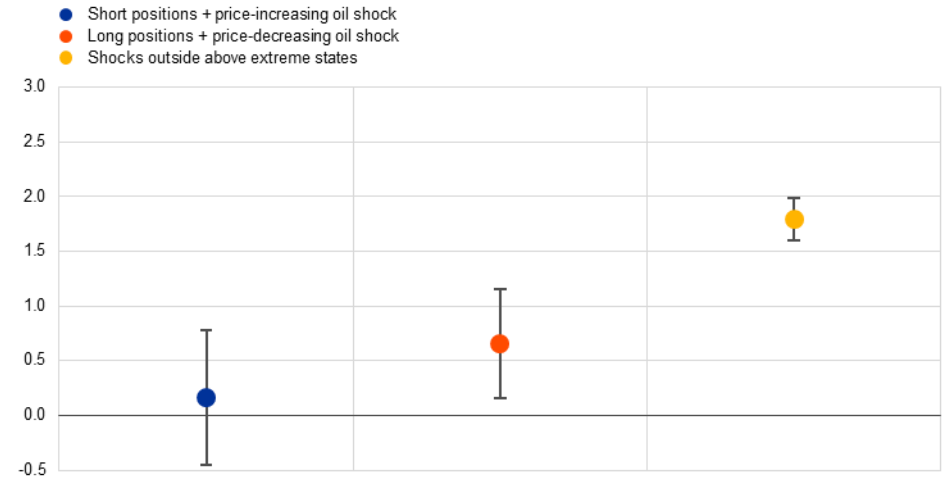
Oil price reaction to oil supply shocks conditional on investment fund positions and shock sign

a) Oil price reaction irrespective of shock sign

(percentages)

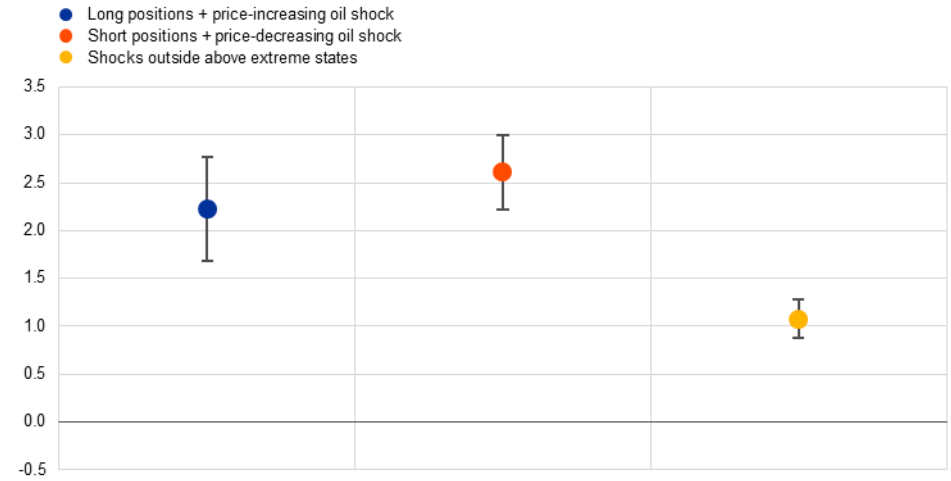
b) Oil price reaction when a shock increases (decreases) oil prices and positions are short (long)

(percentages)



c) Oil price reaction when a shock increases (decreases) oil prices and positions are long (short)

(percentages)



Sources: Bloomberg, CFTC and ECB staff calculations.
Notes: The chart shows the absolute oil price response to an oil supply shock (four weeks after the shock) based on non-linear local projections. In a linear framework, the same shock leads to a price increase of 1.5%. The extreme states in all three panels correspond to periods in which the state variable lies above the 75th percentile or below the 25th percentile of its recent historical distribution (last 52 weeks). The yellow dots denote oil price responses observed outside the extreme states shown in each panel. For example, in panel b), they capture price reactions when positions are at normal levels *or* when positions are extremely short (long) and the shock causes oil prices to fall (rise). The error bars indicate 68% confidence intervals.

Supply-demand imbalances and inventories show similar effects: when supply is abundant or inventories are high, markets react more strongly to oil price declines; when these indicators are low, they respond more strongly to oil price increases. At first glance, supply-demand imbalances and inventories appear to display different patterns, as disproportionate price responses at extreme levels, irrespective of the sign of the shock, emerge only for inventories (Charts C and D, panel a). However, once again, abstracting from the sign of the shock obscures the underlying transmission channels. Closer examination reveals a consistent mechanism across both variables. When there are abundant excess barrels – be this reflected in large supply surpluses or elevated inventories – markets tend to react strongly to oil price-decreasing shocks (i.e. positive oil supply shocks), as they further increase the surplus. Conversely, when supply is tight or inventories are low, markets react strongly to surges in oil prices (Charts C and D, panel b). The results are also intuitive under the third configuration: for instance, when a positive supply shock occurs in a period of high inventory levels, price responses are muted as excess barrels are expected to contain the upward pressure (Charts C and D, panel c).[5]

[5] The only surprising result is the relatively normal price reaction when inventories are full and an oil price-increasing shock occurs. A possible explanation for this outcome is that OECD inventories do not fully reflect global storage conditions, so some regions may still be undersupplied, leaving oil prices sensitive to upward pressure.

Chart C

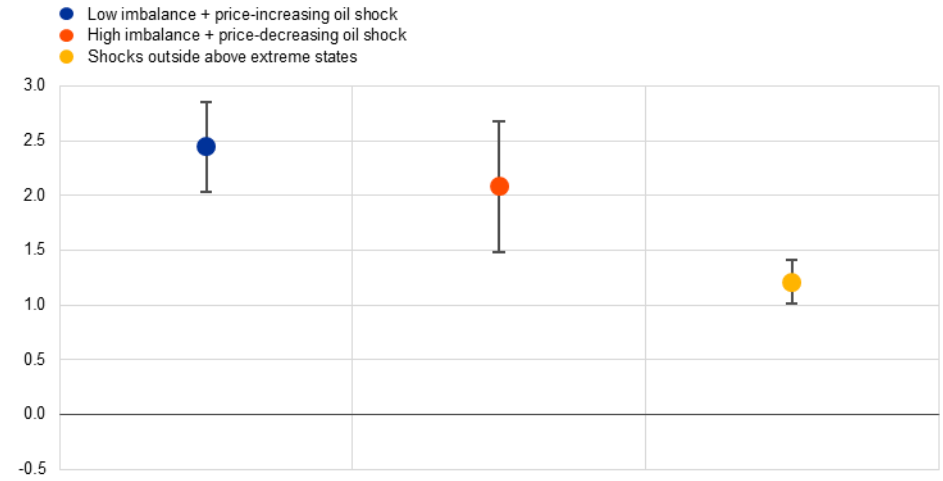
Oil price reaction to oil supply shock conditional on supply-demand imbalances and shock sign

a) Oil price reaction irrespective of shock sign

(percentages)

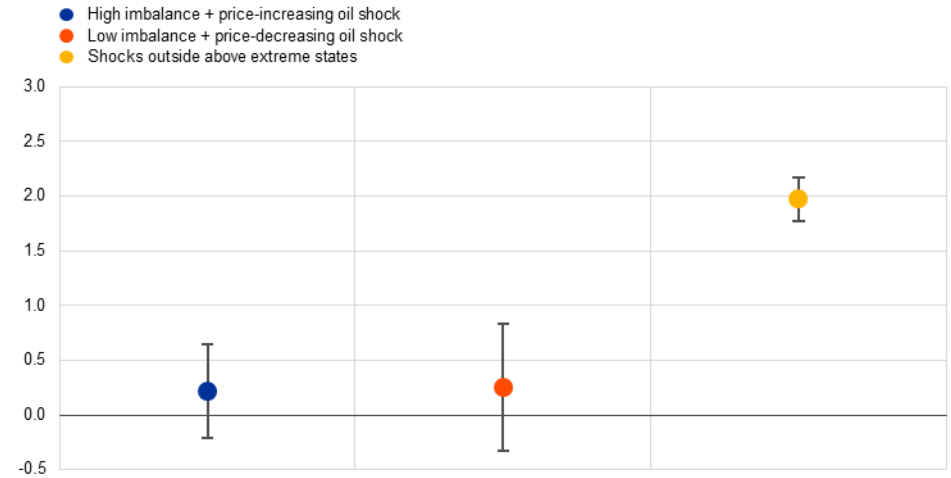
b) Oil price reaction when a shock increases (decreases) oil prices and oil supply is low (high)

(percentages)



c) Oil price reaction when a shock increases (decreases) oil prices and oil supply is high (low)

(percentages)



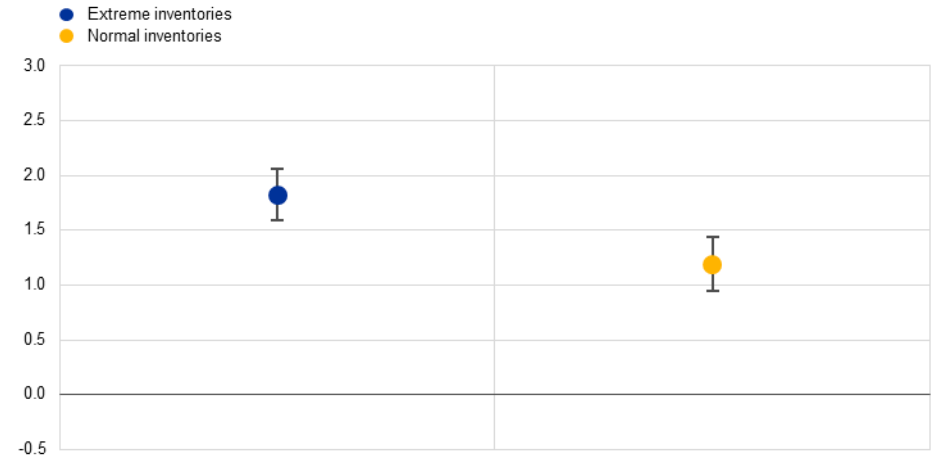
Sources: IEA and ECB staff calculations.
Notes: The chart shows the absolute oil price response to an oil supply shock (four weeks after the shock) based on non-linear local projections. In a linear framework, the same shock leads to a price increase of 1.5%. The extreme states in all three panels correspond to periods in which the state variable lies above the 75th percentile or below the 25th percentile of its recent historical distribution (last 52 weeks). The yellow dots denote oil price responses observed outside the extreme states shown in each panel. For example, in panel b), they capture price reactions when supply is at normal levels *or* when supply is extremely low (high) and the shock causes oil prices to fall (rise). The error bars indicate 68% confidence intervals.

Chart D

Oil price reaction to oil supply shocks conditional on inventories and shock sign

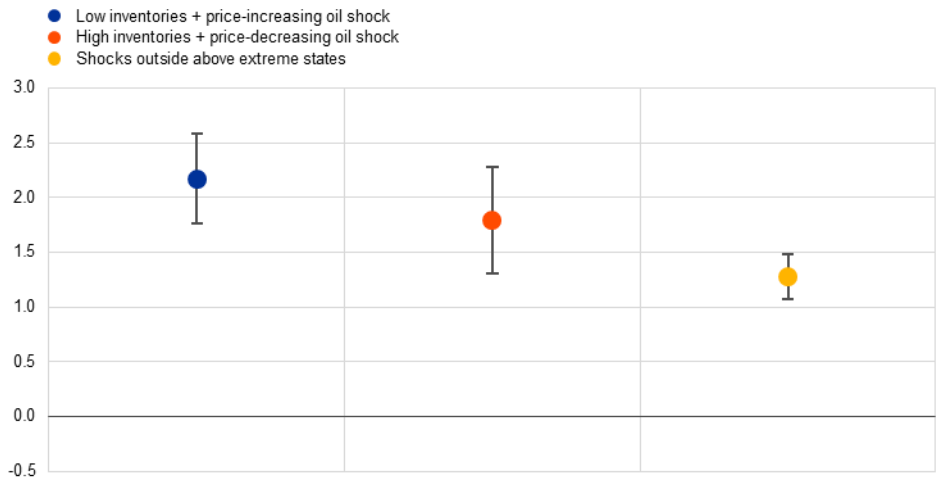
a) Oil price reaction irrespective of shock sign

(percentages)



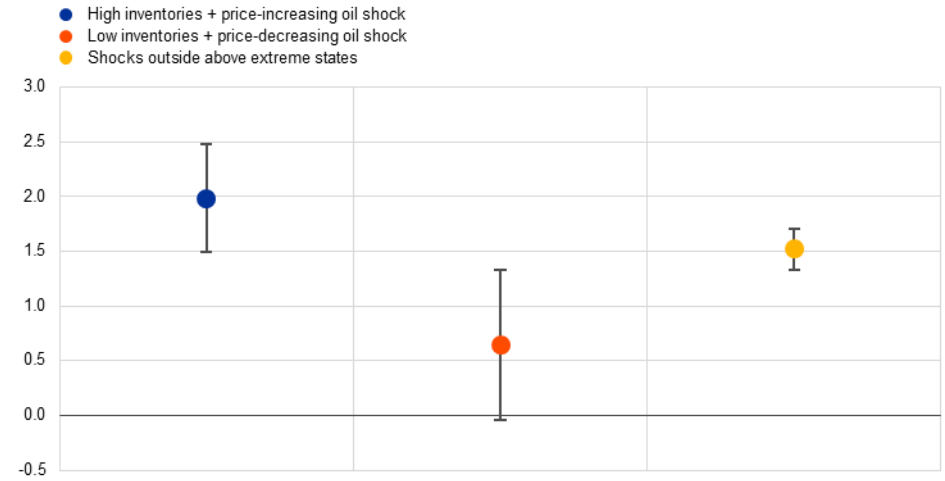
b) Oil price reaction when a shock increases (decreases) oil prices and inventories are low (high)

(percentages)



c) Oil price reaction when a shock increases (decreases) oil prices and inventories are high (low)

(percentages)



Sources: IEA, OECD and ECB staff calculations.
Notes: The chart shows the absolute oil price response to an oil supply shock (four weeks after the shock) based on non-linear local projections. In a linear framework, the same shock leads to a price increase of 1.5%. The extreme states in all three panels correspond to periods in which the state variable lies above the 75th percentile or below the 25th percentile of its recent historical distribution (last 52 weeks). The yellow dots denote oil price responses observed outside the extreme states shown in each panel. For example, in panel b), they capture price reactions when inventories are at normal levels *or* when inventories are extremely low (high) and the shock causes oil prices to fall (rise). The error bars indicate 68% confidence intervals.

Overall, non-linearities materially shape oil price dynamics, with the potential to nearly double price responses, implying significant consequences for policy assessments. On the whole, upside risks to oil prices are most critical when oil price surges occur at times of low supply-demand imbalances and very long speculative positions. Conversely, downside risks are most pronounced when oil prices fall in an environment of high supply-demand imbalances and short positions. These results underscore the importance of monitoring the different states of the oil market – particularly for forecasting purposes – as such assessments can help gauge the potential range of future price movements.

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4 How is trade policy uncertainty affecting euro area activity?

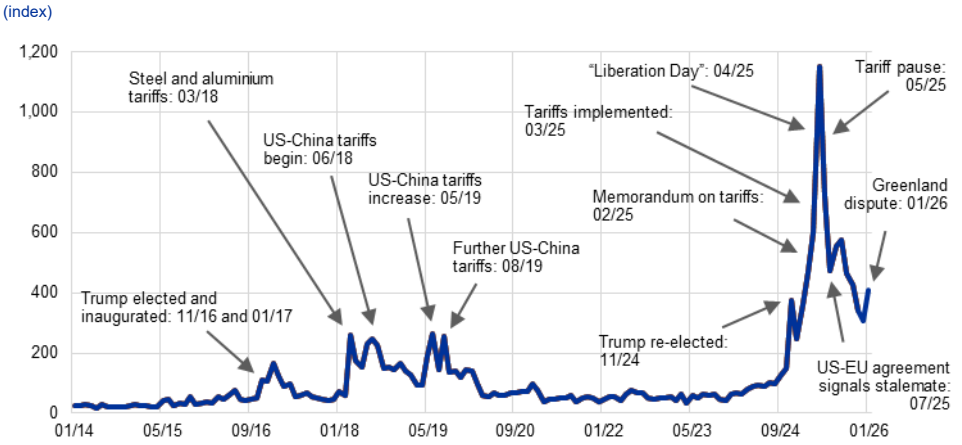
Prepared by Alina Bobasu and Beatrice Pierluigi

Trade policy uncertainty has risen significantly in recent years, reaching historically high levels throughout the past year. It initially rose during the US-China trade conflict in 2018-19, under the first Trump Administration, and intensified again around the 2024 US presidential election and the start of the second Trump term, when trade policy moved to the centre of the US economic agenda. A series of tariff announcements in early 2025 marked a major policy shift that pushed trade policy uncertainty to a peak well above the levels seen during the 2018-19 trade dispute (Chart A).[1] Uncertainty eased somewhat following the US-China trade truce in May 2025 and the US-EU framework agreement in late July of the same year, but it has remained elevated by historical standards. This persistent uncertainty weighed on euro area activity during 2025 and continues to pose risks, given the region's deep integration into global trade networks. In the second half of 2025 and early 2026, renewed trade tensions between the United States and China, together with the events related to Greenland, illustrated that further episodes of heightened trade policy uncertainty remain likely. This box outlines the channels through which trade policy uncertainty affects euro area activity, estimates its impact so far and discusses the factors that have supported resilience despite the challenging global environment.

[1] The measure of trade policy uncertainty used follows Caldara et al. (2020). It is constructed by counting how often trade-related and uncertainty-related keywords appear in close proximity in seven major US newspapers. Alternative measures draw on firms' earnings calls and on tariff rate volatility. Additionally, one component of the broader Economic Policy Uncertainty index is the trade policy uncertainty measure developed by Baker et al. (2016). Other related high-frequency indicators, such as the Bloomberg Economics Global Trade Policy Uncertainty Index, apply text mining techniques to news flows. See Andersson et al. (2024) for additional uncertainty measures.

Chart A

Trade policy uncertainty



Sources: Caldara et al. (2020) and ECB staff calculations.
Notes: The chart shows the trade policy uncertainty index as set out in Caldara et al. (2020). The latest observations are for January 2026.

Trade policy uncertainty affects the economy through several channels. The most direct impact is on trade itself. Threats of tariffs and other trade barriers, as well as policy reversals, can disrupt trade flows and global supply chains, raising costs and reducing efficiency. These disruptions are particularly relevant for the euro area, given its high degree of openness and the relatively large share of investment goods in its exports. Moreover, repeated episodes of heightened trade policy uncertainty can lead to long-term structural shifts, such as trade diversion or the reshoring of supply chains, which may put further pressure on euro area exporters and their competitiveness. Beyond the direct trade effects, there is a more subtle but equally significant impact on investment. As with other forms of elevated economic policy uncertainty, trade policy uncertainty prompts firms to adopt a "wait-and-see" approach, leading them to postpone investment, hiring activities and cross-border commitments.[2] Evidence from the ECB's contacts with non-financial companies highlights that elevated uncertainty has been a key factor weighing on the investment outlook.[3] Prolonged uncertainty may also lead to more persistent supply-side effects, including weaker productivity growth, as firms scale back or delay capital expenditure (Bloom, 2009; Boer and Rieth, 2024).

The confidence channel further amplifies the economic impact of uncertainty. Declines in trade flows and investment caused by elevated uncertainty reduce firms' revenues and profitability, which in turn weakens broader economic sentiment. Chart B, panel a) illustrates this channel by showing a negative correlation between the European Commission's euro area Economic Sentiment Indicator and the trade policy uncertainty index of Caldara et al. (2020) during the two episodes of tariff escalation from March 2018 to December 2019 and from October 2024 to December

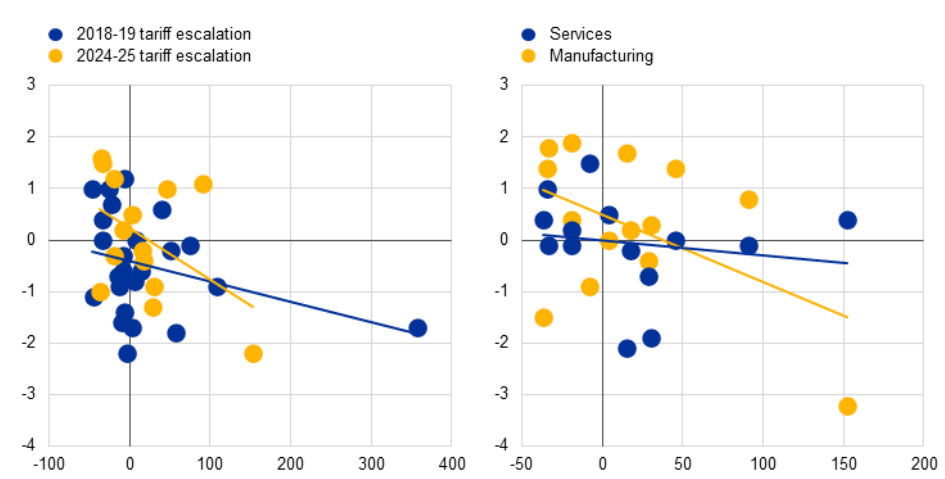
2 The "wait-and-see" approach has been described by Baker et al. (2016), Handley and Limão (2017) and Caldara et al. (2020). Household consumption typically reacts less than investment, as it is dominated by services and more closely tied to uncertainty regarding the financial expectations of households (Boer and Rieth, 2024).

3 See Melemenidis et al. (2025).

2025 respectively. Panel b) shows that this negative relationship is more pronounced in the manufacturing sector, which was directly affected by the tariff escalations.

Chart B

Economic sentiment and trade policy uncertainty



Sources: European Commission, Caldara et al. (2020) and ECB staff calculations.
Notes: Panel a) shows fitted regression lines of monthly changes in the European Commission's euro area Economic Sentiment Indicator (y-axis) on lagged monthly changes in the trade policy uncertainty index (x-axis) based on Caldara et al. (2020). "2018-19 tariff escalation" refers to the period from March 2018 to December 2019 and "2024-25 tariff escalation" refers to the period from October 2024 to December 2025. Panel b) shows the correlation between sectoral economic confidence indicators and trade policy uncertainty during the 2024-25 tariff escalation.

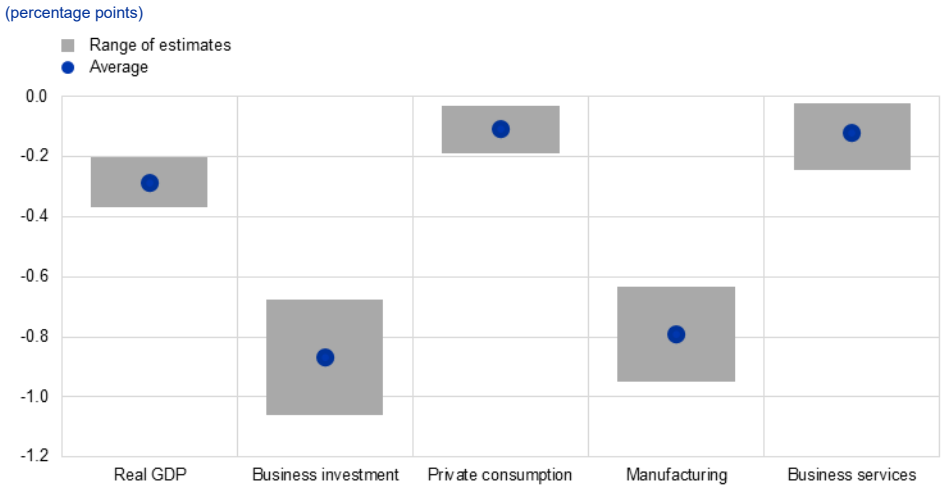
Model-based analysis suggests that elevated trade policy uncertainty weighed on euro area real gross domestic product (GDP) in 2025 (Chart C). To assess the macroeconomic implications of rising trade policy uncertainty, a Bayesian vector autoregression was estimated for the euro area, covering the period from the first quarter of 1999 to the fourth quarter of 2025. The analysis relies on two measures of trade policy uncertainty. The first is the aforementioned text-based index set out in Caldara et al. (2020). However, this unadjusted measure tends to be highly volatile and may capture not only uncertainty shocks but also actual policy changes and shifts in media attention. To address these limitations, the analysis also uses an adjusted measure developed by Schröder (2025) that strips out the influence of media attention, effective tariff rates, financial conditions and supply chain pressures. Two baseline specifications were estimated. The first includes, in turn, each of the two trade policy uncertainty measures together with real GDP, domestic demand indicators (business investment and private consumption), HICP inflation and the short-term interest rate. The second replaces the domestic demand indicators with sectoral value-added components (manufacturing and business services). Across the specifications, the results indicate that the increase in trade policy uncertainty in 2025 is associated with an average decline in real GDP growth of approximately -0.3 percentage points relative to 2024 (Chart C). The estimated effects vary across uncertainty measures.[4] Notably, the unadjusted measure typically implies a larger

[4] The effects are robust to different methods used to identify the uncertainty shock.

impact than the adjusted measure, as its volatility and pronounced spikes amplify estimated shocks. For the domestic demand indicators, the estimated impact on business investment is around three times larger than that on private consumption. Similarly, the sectoral models also point to stronger effects on manufacturing than on business services.

Chart C

Impact of trade policy uncertainty on euro area real economic activity in 2025



Sources: Eurostat, Caldara et al. (2020), Schröder (2025) and ECB staff calculations.
Notes: The estimates are based on the unadjusted trade policy uncertainty index set out in Caldara et al. (2019) and the adjusted trade policy uncertainty measures in Schröder (2025). The impact is identified using two approaches – Cholesky decomposition and sign and zero restrictions – applied to each uncertainty measure separately. The models include real GDP, real business investment, real private consumption, HICP inflation and the short-term interest rate; an alternative specification also includes equity prices. In the sectoral models, business investment and private consumption are replaced with gross value added in manufacturing and business services respectively, while all other variables are kept unchanged. The models are estimated from the first quarter of 1999 to the fourth quarter of 2025. The estimates are scaled to the size of the trade policy uncertainty shock observed between first and fourth quarters of 2025 and represent the impact on growth rates. The blue dots depict the average effects across the suite of model specifications. Business services are proxied by the sum of the following sectors: information and communication; financial and insurance activities; and professional, scientific and technical activities. The latest observations are for the fourth quarter of 2025.

Despite heightened trade policy uncertainty weighing on growth, euro area real GDP proved more resilient than expected in 2025. While the March 2025 projection had estimated real GDP growth of 0.9%, it ultimately grew by 1.5%. Several offsetting factors helped mitigate the negative impact of trade policy uncertainty. First, firms adjusted their production and exports in anticipation of higher tariffs, effectively frontloading economic activity.[5] Second, monetary policy normalisation provided supportive conditions for growth, aided by the overall health of private sector balance sheets. Third, fiscal measures – such as the implementation of the Next Generation EU programme, increased defence spending and targeted fiscal support – helped underpin economic activity.

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[5] See Battistini and Gareis (2025).

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5 From bricks to clicks: an assessment of euro area digital investment

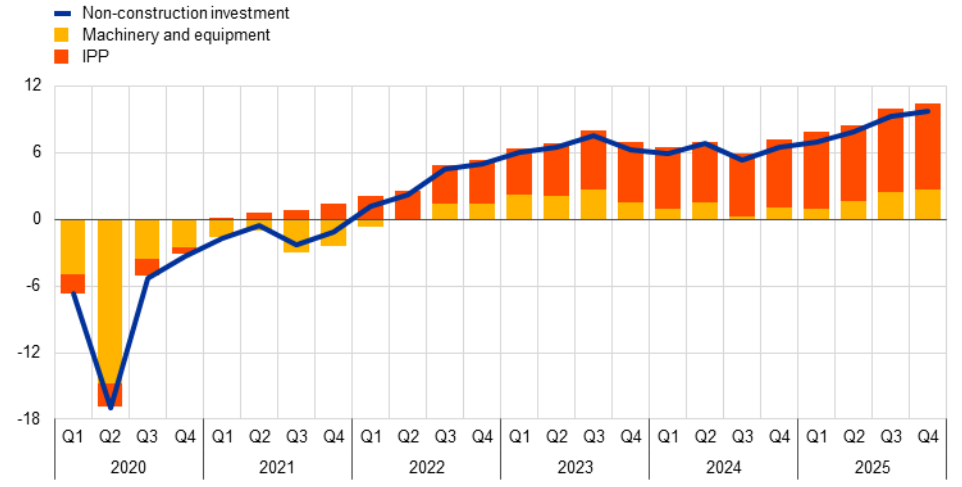
Prepared by Malin Andersson, Sara Colombo, Valerie Jarvis and Richard Morris

Euro area business investment has been relatively muted in recent years, with its components displaying a two-speed dynamic. While overall investment performance has been modest, investment in tangible assets and investment in intangible assets have shown diverging trends since 2020 (Chart A). At the end of 2025, intangible assets – which encompass intellectual property products (IPP) including computer software and databases as well as research and development (R&D) – accounted for around 80% of the cumulative expansion in business investment recorded since the fourth quarter of 2019. This is despite representing only around two-thirds of the capital expenditure on tangible assets, which include machinery and equipment. This widening gap has likely been driven by the strong rise in investment in digital assets. Against this background, this box examines the evolution of digital investment in the euro area by using proxies that track the main digital-related asset categories. It also discusses the economic implications of the growing share of digital investment in overall euro area business investment.

Chart A

Euro area non-construction investment by asset category

(cumulative percentage changes since the fourth quarter of 2019, percentage point contributions)



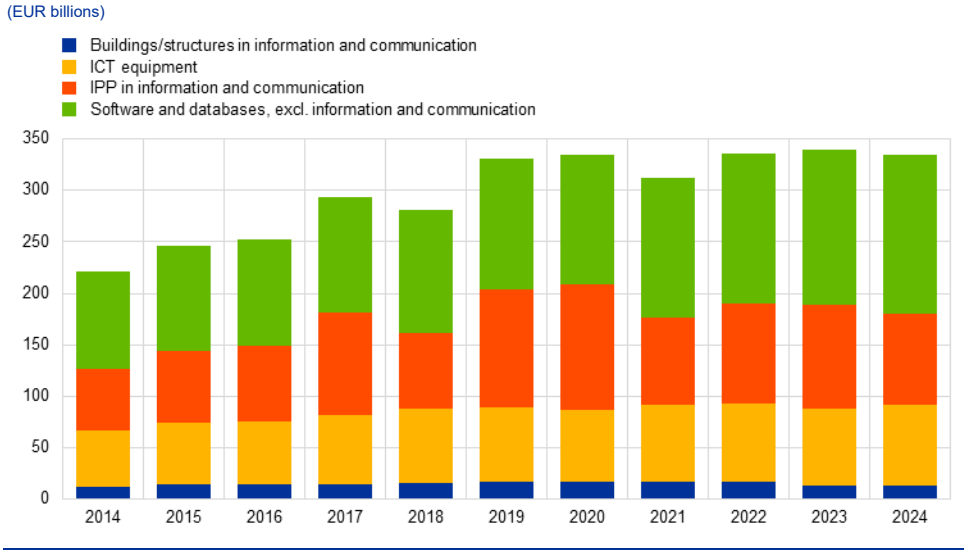
Sources: Eurostat and ECB staff calculations.
Notes: Non-construction investment excludes Irish IPP. Components do not sum to the total owing to the exclusion of the biological resources component. The latest observations are for the fourth quarter of 2025.

There has been a notable rise in digital investment in the euro area over the past decade. Measuring investment across the digital ecosystem is challenging, particularly in Europe. Digital-related investment cannot easily be distinguished from other forms of investment because the euro area national accounts do not currently report the relevant breakdowns for investment in digital technologies in sufficient

detail (particularly at quarterly frequency).[1] Therefore, we have built a proxy for digital investment based on annual euro area accounts available until 2024, which provide more detailed asset and sector breakdowns than the quarterly accounts. The proxy consists of three elements. First, we approximate physical digital infrastructure (e.g. data centre buildings) using non-residential construction in the information and communication sector. Second, tangible digital investment is measured as investment in information and communications technology (ICT) equipment in the business economy.[2] Third, intangible digital investment covers all IPP investment (including computer software and databases and R&D) in the information and communication sector as well as investment in computer software and databases in the rest of the business economy.[3] The overall increase in digital investment between 2014 and 2024 was more than three times the cumulative growth in GDP over that period. Intangible investment made up the lion's share of digital investment and has supported the rise in the proxy over the past decade. Tangible business expenditure on ICT equipment also accounted for a significant share, while our proxy suggests that the share of investment in data centre construction remained comparatively small (Chart B).

Chart B

Digital investment proxy for the euro area with asset breakdown



Sources: Eurostat, ECB, and ECB staff calculations.
Notes: Digital investment proxy refers to: i) investment in non-residential construction of buildings and structures in the information and communication sector; ii) investment in ICT equipment in the business economy; iii) IPP investment (in computer software and databases and R&D) in the information and communication sector; and (iv) investment in computer software and databases in the rest of the business economy (excluding the information and communication sector). Missing country values have been estimated on the basis of known euro area aggregates of country-sector shares. The latest observations are for 2024.

Production data suggest that euro area digital investment accelerated in 2025. Disaggregated investment data by sector and asset are currently only available up to

1 The new global System of National Accounts 2025, expected to be implemented in 2029-30, should provide additional insights into AI, data, cloud computing and digital intermediaries.

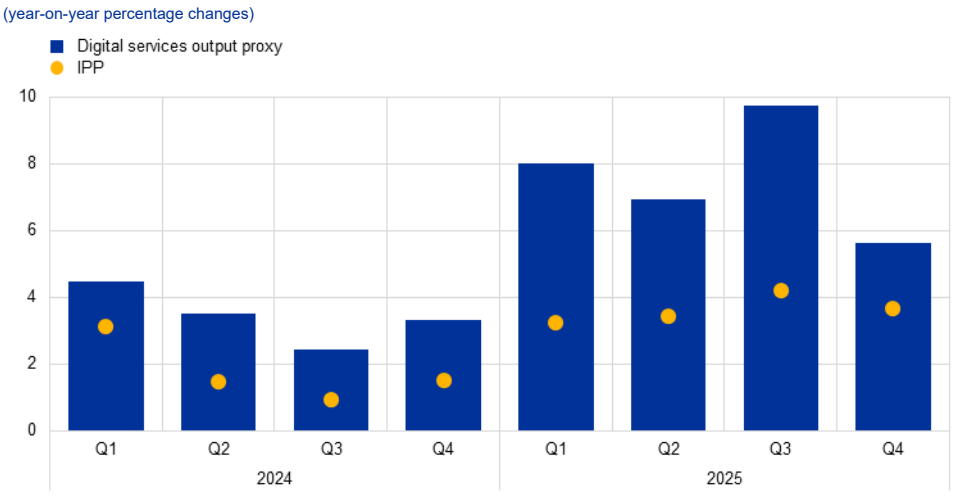
2 The business economy comprises the whole economy excluding agriculture, forestry and fishing, public services, arts and entertainment and other services categories (i.e. it excludes statistical classification of economic activities (NACE) sections A, O to Q and R to U respectively).

3 Our approach follows similar compilations for the United States by Federal Reserve researchers (see Rubinton and Ankit Patro, 2026) and the recent comparison by the OECD in Gal et al. (2025).

2024. However, a more timely proxy for digital services output can be constructed as a weighted aggregation of the monthly production of publishing activities (of which software publishing is a major component), computer programming, consultancy and related activities, and information service activities. This proxy correlates well with – and also outpaces – growth in IPP investment and indicates that digital investment accelerated in 2025 (Chart C). Digital services production has also grown somewhat faster than the digital investment proxy over recent years. But digital services production is only a rough proxy for digital investment. Around 80% of euro area computer programming production and information service activities production – the largest component of our digital services proxy – was used domestically. However, most of this production was not capitalised as investment but rather treated as intermediate consumption. There are pronounced differences across countries in this respect, owing in part to the absence of harmonised measurement and accounting practices among national statistical offices in the EU (Chart D).[4]

Chart C

Euro area digital services output proxy and intellectual property products



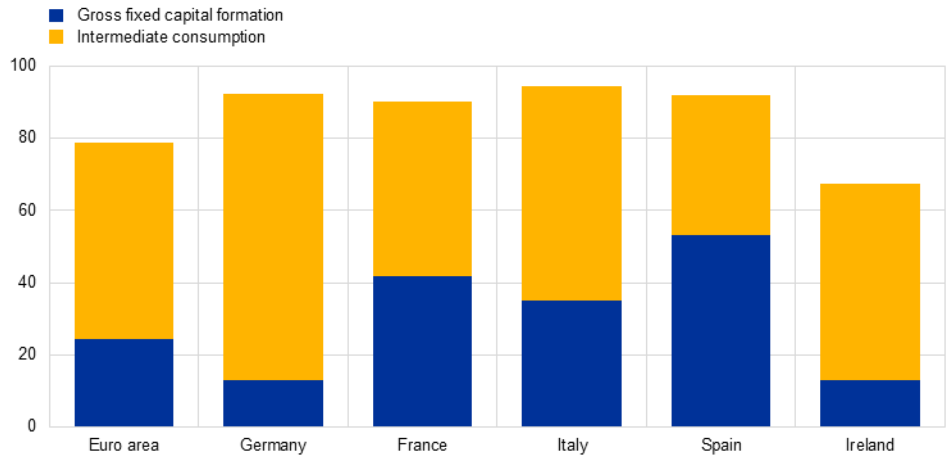
Sources: Eurostat and ECB staff calculations.
Notes: The proxy for digital services output covers the weighted non-seasonally adjusted production of publishing activities (statistical classification of economic activities (NACE) sector J58), computer programming, consultancy and related activities (NACE sector J62) and information service activities (NACE sector J63). IPP exclude Ireland. The latest observations are for the fourth quarter of 2025 for IPP and December 2025 for production data.

4 See Nonnis et al. (2025).

Chart D

Uses of computer programming and information service activities in the euro area

(percentage share of total use)



Sources: European Commission (Figaro input-output tables) and ECB staff calculations.
Notes: Use of production in combined NACE sectors J62 and J63. The latest observations are for 2023.

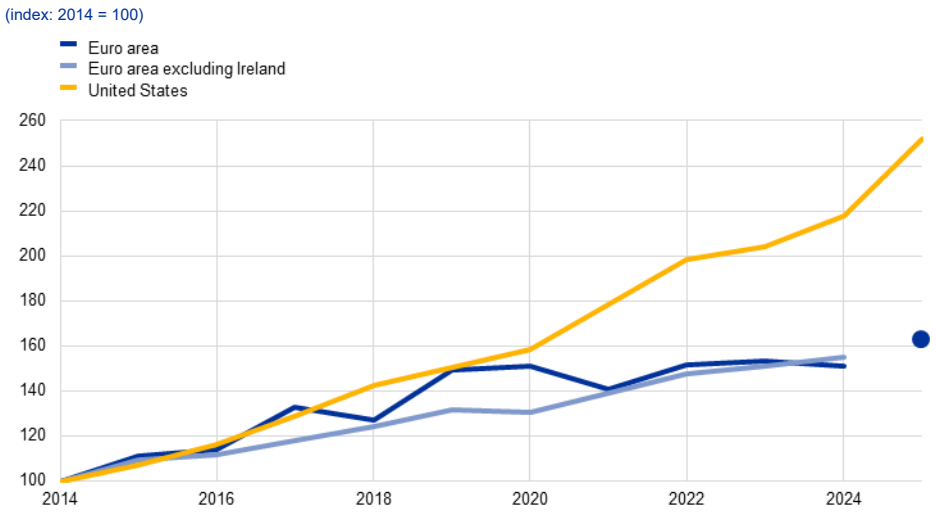
While digital investment in the euro area has expanded strongly, the pace of growth has been notably slower than in the United States. When extending the digital proxy with the estimated strong growth in digital services output in 2025 and netting out distortions in the overall trend owing to IPP volatility in Ireland, the results suggest that euro area digital investment may have expanded by just over 60% between 2014 and 2025 (Chart E). Despite this strong growth, a similar proxy for the United States more than doubled over the same period, accelerating notably in 2025 on the back of a strong pick-up in data centre investment.[5] This striking and ostensibly widening gap with the United States warrants further research to assess the extent to which it primarily reflects the generally smaller size of European firms, which makes the adoption of new technologies less profitable, structural rigidities in the euro area, or simply the United States' "first mover" advantage in this field.[6]

5 For a broader comparison of euro area and US investment, see Andersson et al. (2025).

6 In this issue of the Economic Bulletin, Ferrando et al. (2026) report on a recent SAFE survey on artificial intelligence (AI) usage and investment trends and note a strong correlation between AI adoption and investment expenditure in euro area firms. Similar results are also evident in a wider study by the European Investment Bank (2026).

Chart E

Digital investment proxy for the euro area and the United States



Sources: Eurostat, US Bureau of Economic Analysis, ECB, and ECB staff calculations.
Notes: The digital proxy for the euro area is as in Chart B. The blue dot extends to 2025 on the basis of the annual growth of the digital services output proxy shown in Chart C. The proxy for the United States combines investment in data centres, information processing equipment and computer software. The latest observations are for the fourth quarter of 2025 for US data, December 2025 for digital services production data and 2024 for other data.

Looking ahead, the digital share of investment is expected to continue to grow, with significant implications for the business cycle and policy. Digital investment is expected to increase markedly in the future, spurred by venture capital investments and Next Generation EU funding. In addition, two EU-wide schemes – the AI Continent Action Plan and the Apply AI Strategy – have recently been introduced with the aim of injecting large sums into digital investment and harnessing additional national funds from EU Member States.[7] However, according to a survey by the European Data Centre Association, a further acceleration of digital investment could be hampered in the event of insufficient energy supply, a shortage of skilled staff or overregulation.[8] Euro area digital investment could also slow if artificial intelligence does not deliver on the expected productivity gains and cost reductions, leading to downward revisions to future demand.

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6 Adopting and investing in AI: evidence from euro area firms in the SAFE

Prepared by Annalisa Ferrando, Sara Lamboglia, Judit Rariga and Maurice Schmidt

This box presents new information about the adoption of artificial intelligence (AI) technologies by euro area firms, and about their plans for AI investment up to the end of 2026. The Survey on the Access to Finance of Enterprises (SAFE) for the fourth quarter of 2025 (ECB, 2026) included a set of ad hoc questions about the adoption of AI and the reasons for using, or not using, these technologies. Firms were asked about the extent of their adoption of specific technologies, including predictive tools (such as text mining, voice and image recognition, and machine learning), generative tools (such as chatbots and text/image generation) and robotic process automation. They were then asked to indicate their investment plans in AI over the next 12 months and to assess the diffusion of AI investment among their competitors in their own country up until June 2025.[1]

Large firms, listed or venture capital-backed companies and young firms are adopting AI more frequently than small, unlisted and established firms (Chart A). The survey results show that 38% of euro area firms are at an advanced stage of AI adoption, indicating significant or moderate use of AI. 33% of firms are still at an early stage, with very infrequent or experimental use of AI. Around 45% of large firms and listed or venture capital-backed companies are at an advanced stage of use of AI – this rises to 56% for young firms. However, the share of firms reporting significant use of AI is similar across size classes and ownership types, suggesting that AI adoption is spreading evenly among a core group of firms. Interestingly, this share is twice as high among young firms, likely reflecting the driving role of start-ups.[2]

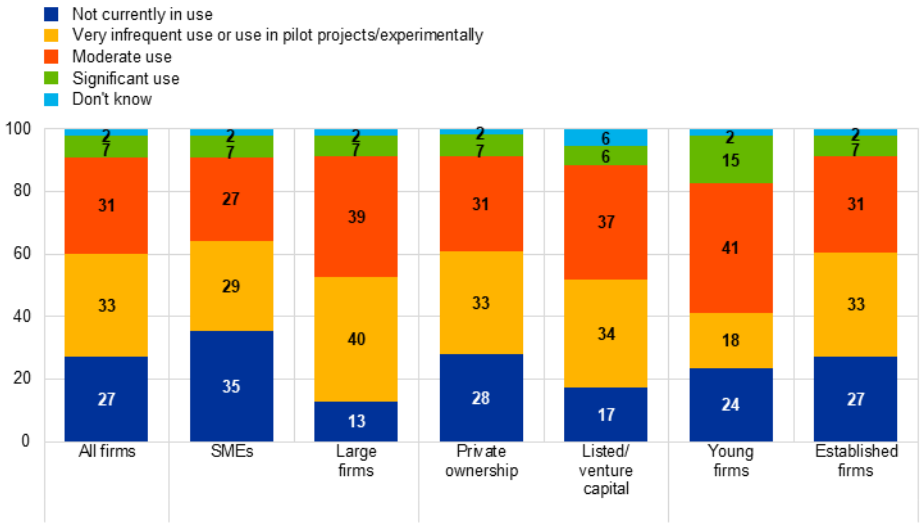
1 For additional information on other ad hoc questions on AI included in the SAFE, see ECB (2026).

2 Similar percentages of AI adoption across firm characteristics are also found for firms across countries – see Yotzov et al. (2026) for the United Kingdom, the United States, Germany and Australia and Bencivelli et al. (2026) for Germany, Italy and Spain.

Chart A

Use of AI by firm characteristics

(percentages of respondents)



Sources: SAFE (ECB, 2026) and ECB staff calculations.
Notes: SMEs stands for small and medium-sized enterprises (firms with up to 250 employees). Young firms are less than five years old. Private ownership refers to single individuals, families or other enterprises holding majority ownership in the firms. Listed/venture capital refers to majority ownership through public shareholders or venture capital firms. The figures refer to the October-December 2025 survey round.

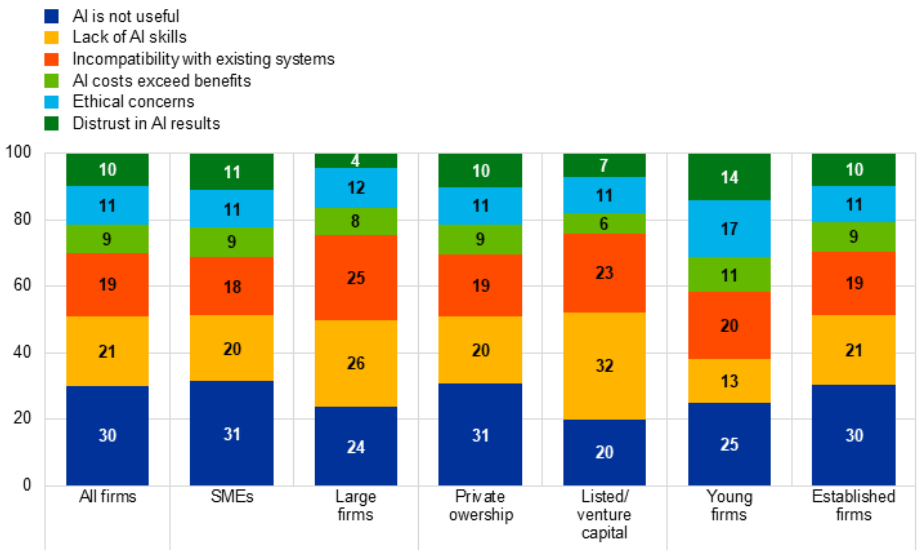
The evidence indicates the most common reasons for not using AI are a perceived lack of usefulness and challenges linked to implementation (Chart B). Specifically, 30% of firms that are currently not using AI identify a lack of usefulness as the main barrier, while around 20% report incompatibility with their existing systems and a shortage of relevant skills. Large firms are less likely than small and medium-sized enterprises (SMEs) to view AI as lacking usefulness, but they more frequently report implementation challenges such as insufficient AI expertise and system incompatibilities. Listed or venture capital-backed firms, where AI adoption is generally more widespread, appear to recognise the potential value of AI even when they have not yet adopted it, while privately owned firms more commonly report barriers like perceived lack of utility. Compared with established firms, younger firms more frequently express ethical concerns and cite distrust in AI output as a barrier to adoption.[3]

[3] The survey also asked firms about their reasons for using AI. Responses show that AI is primarily adopted to enhance core and non-core business processes, while significantly fewer firms mention reducing personnel costs, supporting R&D and innovation, or expanding their product and service offerings. Regardless of the extent of AI adoption, firms tend to cite similar reasons for implementation, with no significant differences across size classes (ECB, 2026).

Chart B

Reasons for not using AI by firms' characteristics

(percentages of respondents)



Sources: SAFE (ECB, 2026) and ECB staff calculations.
Notes: "All firms" includes only firms that do not currently use AI. SMEs stands for small and medium-sized enterprises (firms with up to 250 employees). Young firms are less than five years old. Private ownership refers to single individuals, families or other enterprises holding majority ownership in the firms. Listed/venture capital refers to majority ownership through public shareholders or venture capital firms. The figures refer to the October-December 2025 survey round.

Firms making significant use of AI are more likely to expect increases in turnover and investment in fixed assets compared with firms not using AI (Chart C). A regression analysis highlights the relationship between the degree of AI use and firms' expectations about real outcomes. Conditional on size, sector and location, firms making significant use of AI are more likely to expect higher turnover and increased investment in fixed assets within the next three months (by 21% and 13%, respectively) compared with firms that do not use AI (Chart C, panel a). Additionally, the expected proportion of future investment allocated to AI increases with the frequency of AI usage. Firms using AI infrequently anticipate allocating 3.2 percentage points more investment into AI than those not using AI (Chart C, panel b). For firms making moderate or significant use of AI, there are corresponding percentage point differences of 5.5 and 11.5 compared with firms not using AI. Moreover, over the next 12 months, firms making significant use of AI expect an additional 0.6 percentage point increase in wages and a 1.3 percentage point spike in employment compared with firms that do not use AI.[4]

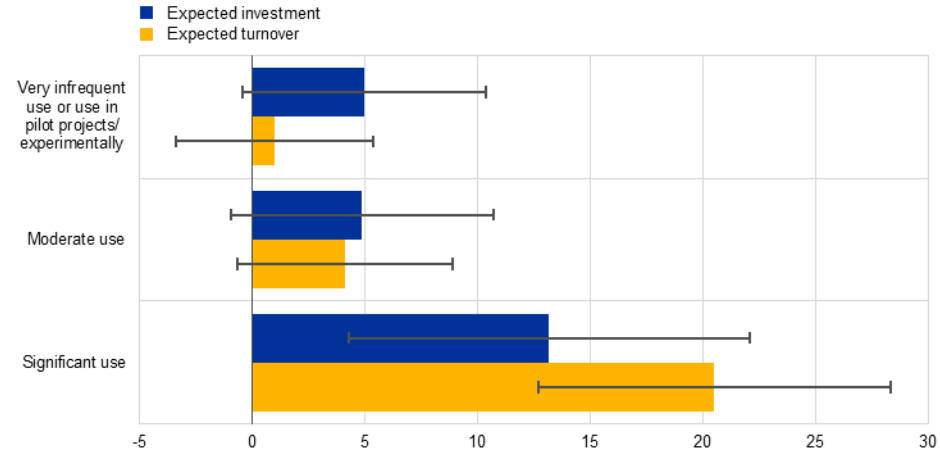
[4] For non-AI adopters the unconditional weighted mean of expected wages increases is 3.1% compared with 3.7% for firms with significant use of AI. In the case of employment, the respective figures are 0.6% and 2.8%. Similar results are reported by Aldasoro et al. (2026).

Chart C

AI use and firms' expectations about real outcomes

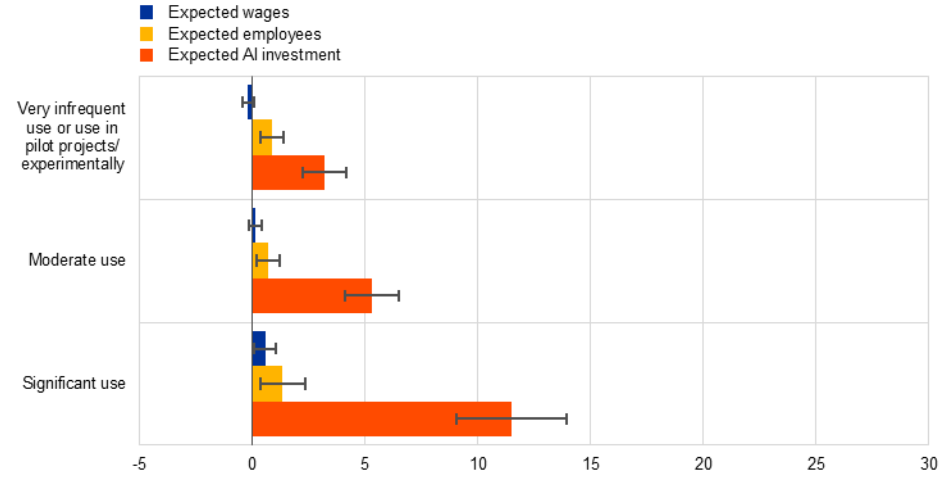
a) Investment and turnover

(percentages)



b) Wages, employment and AI investment

(percentage points)



Sources: SAFE (ECB, 2026) and ECB staff calculations.
Notes: Panel a) shows the coefficients of firm level regressions of expected turnover/investment (which are dummy variables that take value 1 if the firm expects an increase in the next three months) on AI usage with omitted category "No use". Panel b) shows the coefficients of firm level regressions of three continuous variables – expected increases, over the next 12 months, of wages, number of employees and share of investment on AI usage. Survey-weighted regressions with industry, country and firm-size fixed effects. The whiskers represent 90% confidence intervals. The chart is based on the October-December 2025 survey round.

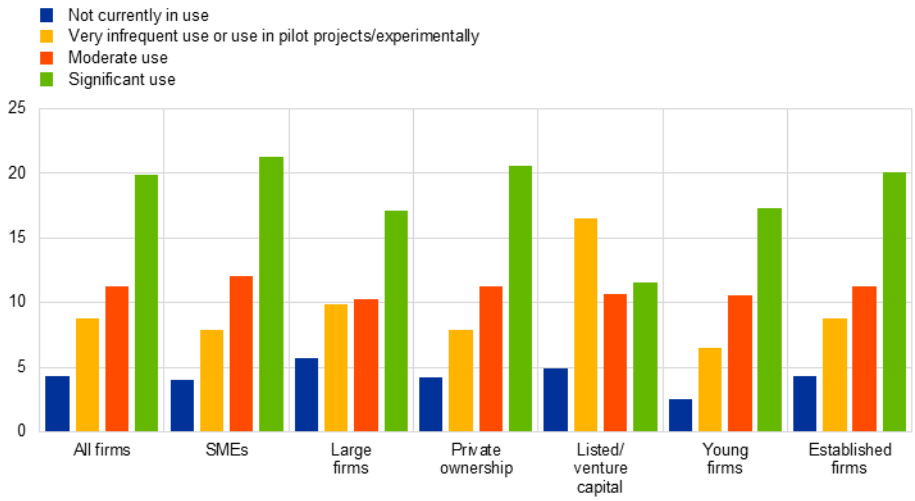
Firms currently using AI expect to invest more in AI this year compared with non-users, indicating a reinforcing cycle of adoption and innovation (Chart D). On average, firms expect to allocate 9% of their total investment to AI, though significant variation exists depending on firm characteristics and the degree of AI adoption. Firms that do not currently use AI anticipate allocating a relatively small share of their investment to AI (4% on average), with large firms among these non-users forecasting slightly higher rates (6%) compared with SMEs (4%). In contrast, firms at a more advanced stage of AI adoption plan much higher investment rates. Firms making moderate use of AI expect to allocate 11% of their investment to it, while those making significant use report the highest planned investment rates

(20%). Among these significant users, SMEs lead with an expected allocation of 21%, compared with 17% for large firms. The overall AI investment pattern suggests the existence of a reinforcing cycle, where firms already using AI invest more to further develop and integrate these technologies.

Chart D

Expected investment in AI over the next 12 months by current usage intensity and firm characteristics

(percentages of overall investment)



Sources: SAFE (ECB, 2026) and ECB staff calculations.
Notes: SMEs stands for small and medium-sized enterprises (firms with up to 250 employees). Young firms are less than five years old. Private ownership refers to single individuals, families or other enterprises holding majority ownership in the firms. Listed/venture capital refers to majority ownership through public shareholders or venture capital firms. The figures refer to the October-December 2025 survey round.

Ownership structure also correlates with AI investment patterns. While firms making moderate use of AI show similar investment tendencies regardless of their ownership structure, differences emerge in the early and advanced stages of AI adoption (Chart D). Listed or venture capital-backed firms have the highest expected AI investment rate if they are early-stage AI adopters, allocating 17% of their total investment to AI, compared with 8% for privately owned firms. This leadership is likely driven by their funding advantages and focus on high-growth opportunities. In contrast, privately owned firms dominate advanced-stage investments, expecting to allocate 21% of their total investment compared with 12% for listed or venture capital-backed companies. This likely reflects their concentrated ownership structures and long-term strategic focus, which give them greater flexibility to capitalise on the proven benefits of AI.

Young firms invest little in AI at first but scale up as adoption deepens. They report the lowest expected AI investment rates in the initial stages of adoption (3% of their total investment – Chart D). As AI adoption intensifies, however, this share increases to 17%, getting close to depth of investment seen at established firms. Several factors may explain this pattern: learning-by-doing reduces uncertainty about which applications create value and successful early pilots justify subsequent commitments.

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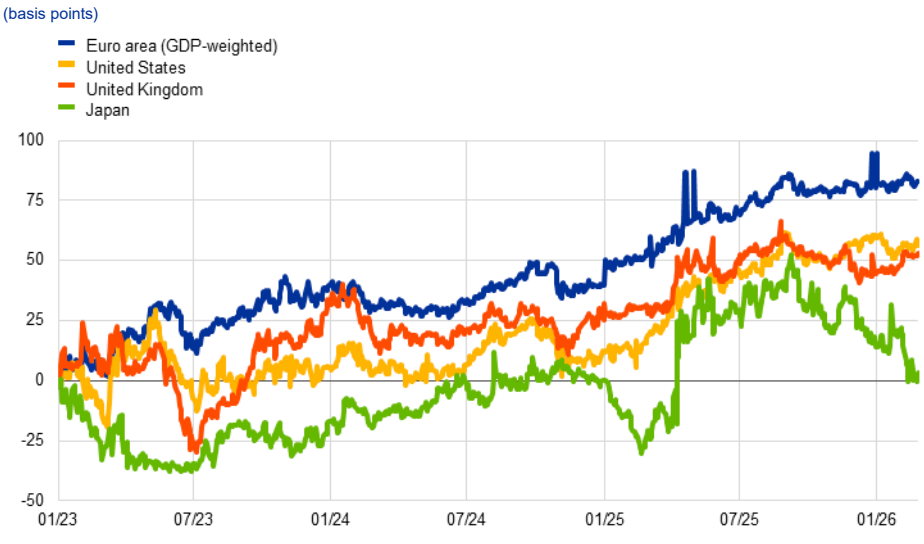
7 Financial and macroeconomic implications of the rise in very long-term yields

Prepared by Tilman Bletzinger, Ambra Boilini, Christoph Kaufmann, Giulio Nicoletti, Melina Papoutsi and Johannes Pöschl

Very long-term interest rates have risen significantly in several advanced economies over the past year, leading to a steepening of the slope at the very long end of the yield curve (Chart A). In the euro area, this steepening of the 30-year to ten-year slope has been relatively pronounced compared with previous episodes, reflecting a move towards more normally shaped yield curves amid higher long-term real rates, global factors and a fiscal repositioning of euro area countries (Böninghausen and Vladu, 2026). This box studies the implications of the steepening of the long-end yield curve for government funding costs, private-sector portfolios, bank lending and macroeconomic performance.

Chart A

Slope of the 30-year to ten-year yield curve for the euro area and selected sovereign bonds



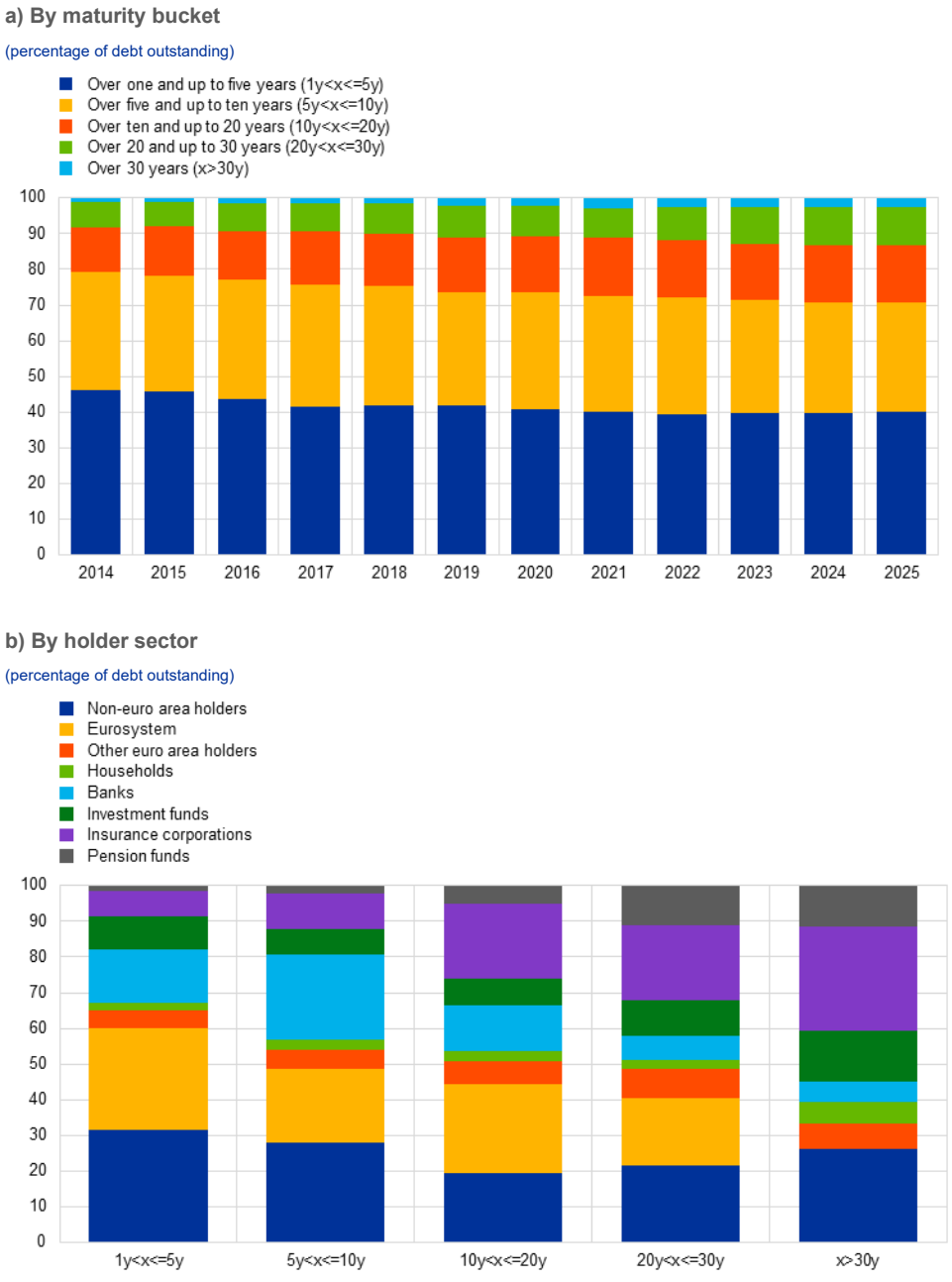
Sources: LSEG and ECB calculations.
Notes: The chart shows cumulative changes in the steepness of each sovereign yield curve, as captured by the 30-year to ten-year slope. The latest observations are for 25 February 2026.

The direct effects of a rise in very long-term yields on government funding costs are likely to be limited. The supply of very long-term sovereign debt has increased in recent years, both in absolute terms and relative to the share of debt outstanding (Chart B, panel a). This increased supply contributes, ceteris paribus, to higher yields at the very long end of the curve. However, any effects on overall government financing costs from the steepening of the 30-year to ten-year slope are expected to be limited. Around 70% of issuance is still in maturities of less than ten years and is therefore not directly affected by the higher very long-term rates. Furthermore, debt management offices can flexibly adjust the maturity structure of

their issuance in response to changes in interest rates, enabling them to contain the implications of the yield curve steepening for sovereign funding costs.[1]

Chart B

Euro area sovereign debt outstanding



Sources: ECB Securities Holding Statistics, Centralised Securities Database and ECB calculations.
Notes: Non-euro area holders include investors outside the euro area. The chart depicts information for Germany, Spain, France and Italy.

Portfolio rebalancing by insurance corporations and pension funds (ICPFs) in response to very long-term yield changes may affect private-sector financing

[1] Lengthening the maturity of newly issued bonds has been a key strategy for debt management offices during the low-interest-rate period. For an analysis of how governments adjust their issuance behaviour in response to changes in the yield environment, see Plessen-Mátyás et al. (2023).

costs. ICPFs are the main holder sectors for very long-term debt, with a combined share of over 40% of bonds with maturities above 30 years (Chart B, panel b). As the balance sheets of ICPFs usually exhibit negative duration gaps (i.e. the duration of their liabilities exceeds that of their assets), their capital positions improve when long-term yields rise, reducing the need for duration-matching strategies and hence the demand for long-term bonds (see Domanski et al., 2017). The transition of Dutch pension funds from defined benefit to defined contribution schemes, which is set to be completed by 2028, could also contribute to some rebalancing away from very long-term bonds, as it will reduce the need to hedge very long-term interest rate risk. The impact of these shifts on private-sector financing costs will depend on how ICPFs choose to rebalance their portfolios. If they purchase significantly more private-sector assets, such as corporate bonds or stocks, this will drive up returns on these assets, thereby lowering private-sector financing costs (see Kubitza, 2026). Conversely, to the extent that the yield curve steepening coincides with generally higher long-term interest rate levels along the curve, ICPFs are less inclined to search for yield in riskier assets, such as corporate bonds or stocks (see Kaufmann et al., 2024). Instead, insurers may shift towards sovereign bonds across maturity levels, exerting upward pressure on private-sector financing costs. Hence, there are several potentially offsetting channels through which portfolio rebalancing by ICPFs can affect private-sector financing costs, leaving the overall impact ambiguous.

The steepening of the yield curve translates into upward pressure on interest rates for mortgages with an initial rate fixation period of over ten years. In the February 2025 ECB Consumer Expectations Survey (CES), close to half of households with mortgages reported a rate fixation period at origination of longer than ten years, and around a quarter reported a rate fixation period of longer than 20 years (Chart C, panel a). Advertised very long-term mortgage rates, as collected from online sources, have increased significantly since January 2025, especially in Germany and Italy (Chart C, panel b).[2] The additional interest rate that households pay to obtain mortgage contracts with a very long rate fixation, relative to those with a ten-year fixation, has also increased significantly, especially in Germany and Italy (Chart C, panel c). Overall, this can exert a tightening effect on households' financing costs.

[2] Online mortgage data track loans of exact maturity fixation for constant borrower characteristics and can therefore better proxy the rates offered by banks, while interest rate statistics reflect the equilibrium between the rates offered by banks and decisions made by borrowers. Very long-term mortgage rates are available rates with initial fixation periods as close as possible to 30 years. This means a 30-year period for Germany, Spain and Italy and a 25-year period for France.

Chart C

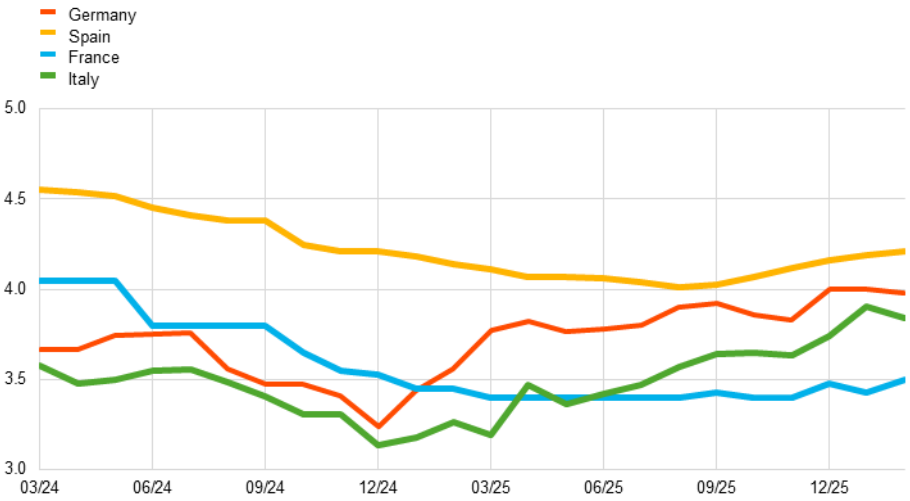
Mortgage rate fixation periods, offered interest rates for very long-fixation mortgages, and the change in spreads between very long-fixation and long-fixation mortgage rates

a) Mortgages by fixation period

(percentage of mortgages outstanding)

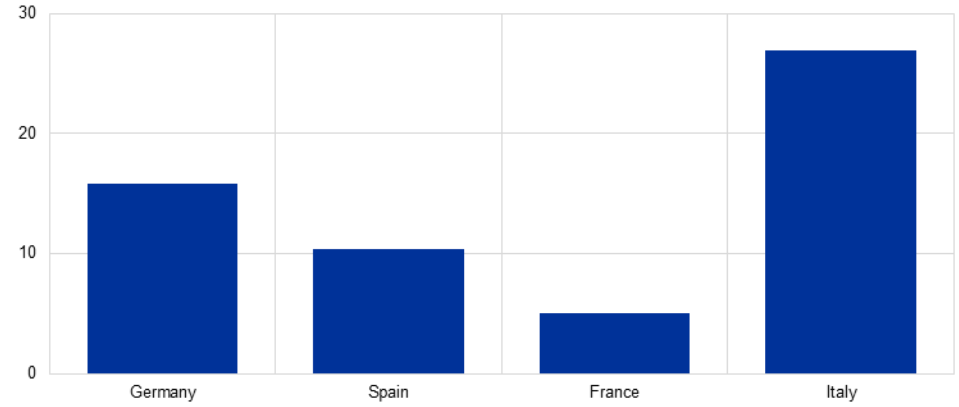
b) Offered interest rates for very long-fixation mortgages

(percentages per annum)



c) Changes in spreads between very long-fixation and long-fixation mortgage rates since January 2025

(basis points)

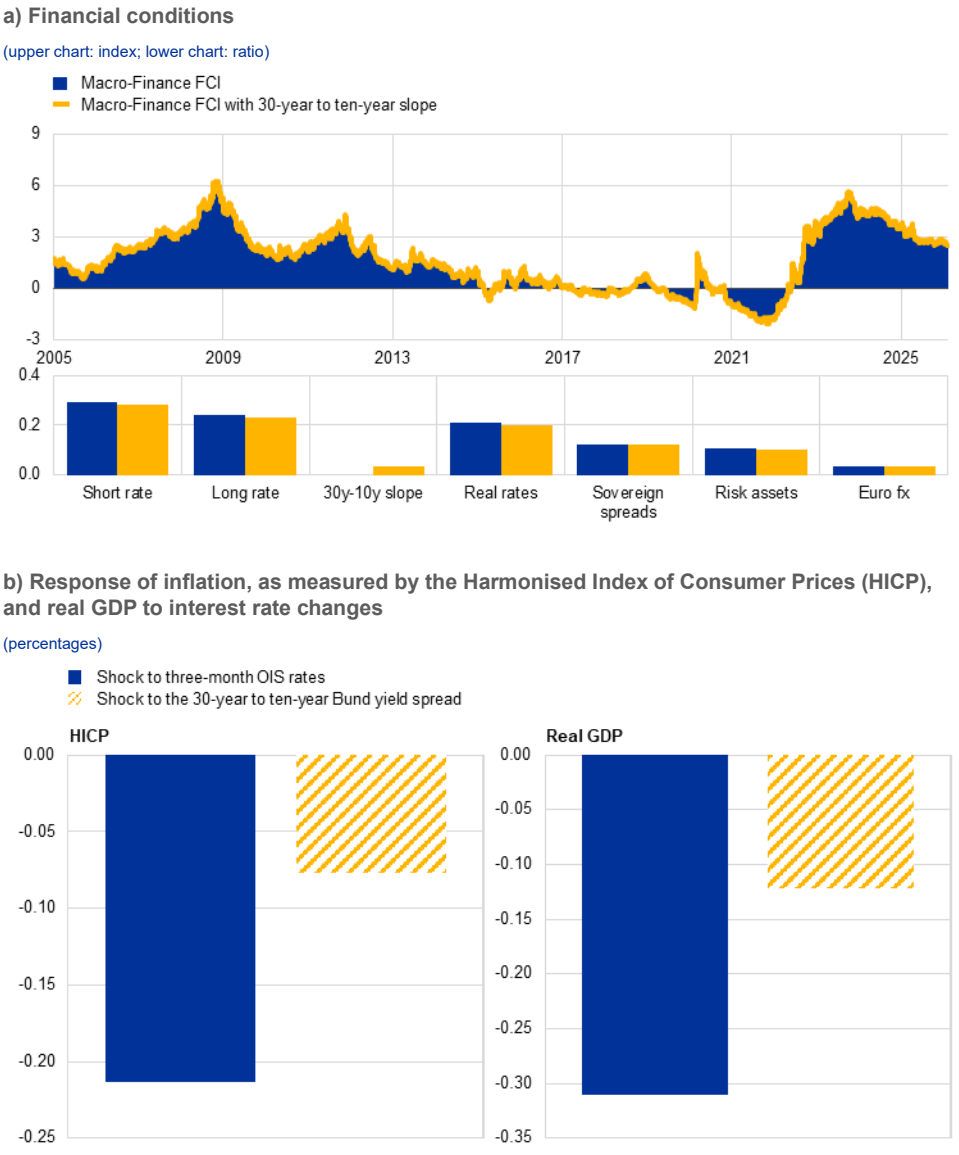


Sources: CES, online advertised rates (MutuiSupermarket, Idealista, Verivox and Empruntis) and ECB calculations.
Notes: Panel a): replies from households in the bottom two groups of financial literacy have been discarded. Replies are weighted using population sampling weights and mortgage volumes at origination. Panel b): rates advertised online for mortgages with very long fixation periods. Panel c): changes in mortgage spreads since January 2025. In each country, mortgage spreads are the difference between the rates for mortgages with interest rate fixation periods as close as possible to 30 years and the rates for mortgages with interest rate fixation periods as close as possible to ten years. These are 30-year and ten-year periods in Germany, 25-year and ten-year periods in France, and 30-year and 15-year periods in Italy and Spain. The latest observations are for February 2025 for the CES and February 2026 for online advertised rates.

Interest rates with very long-term maturities have little influence on financial conditions indices that summarise asset prices of macroeconomic relevance. The Macro-Finance Financial Conditions Index (FCI) developed by Bletzinger et al. (2026) can be used to assess the importance of financial market variables for the joint dynamics of key macroeconomic variables and financial conditions. Adding the 30-year to ten-year slope measure of the overnight interest swap (OIS) curve to the baseline specification leaves the resulting index essentially unchanged due to the small weight estimated for that slope measure (Chart D, panel a). Accordingly, once standard maturities (such as overnight and ten-year rates) are factored in, very long-term maturities provide no additional information for financial conditions and thus for macroeconomic dynamics in the euro area. Relative to the baseline FCI, the augmented specification shows no improvement in the in-sample fit of headline inflation, the output gap and financial conditions.

Chart D

Financial conditions and macroeconomic responses to curve steepening



Sources: Bletzinger et al. (2026), LSEG and ECB calculations.
Notes: Panel a): in the upper chart, the blue area marks the baseline Macro-Finance FCI of Bletzinger et al. (2026). The yellow line shows a re-estimated version that includes a long-term slope measure of the OIS curve as an additional variable. In the lower chart, the bars denote the normalised weights of the different asset classes in the baseline and in the re-estimated Macro-Finance FCI. 30y-10y slope stands for 30-year to ten-year slope. Euro fx stands for euro nominal effective exchange rate. Panel b): local projections estimated for a one-standard-deviation high-frequency ECB monetary policy shock to three-month OIS rates (blue) and to the 30-year to ten-year Bund yield spread (yellow) based on Altavilla et al. (2019). The bars show peak responses over a three-year horizon. Solid fillings indicate statistical significance of the overall response at 10% levels. The model is estimated at monthly frequency between January 2002 and September 2025, with two lags. The control variables are the 30-year to ten-year German Bund yield spread, ten-year Bund yields, OIS three-month yields, the EUR/USD exchange rate, the log of the Composite Indicator of Systemic Stress, and the International Monetary Fund Primary Commodity Price Index.

Overall, the macroeconomic implications of a steepening at the very long end of the yield curve are limited. While the above discussion indicates several counterbalancing transmission channels working through government financing costs, portfolio rebalancing and mortgage markets, empirical estimates show only limited effects from shocks to the long-end yield curve slope on euro area inflation and real GDP (Chart D, panel b). Compared with the effects of a conventional short-term rate shock, the response of HICP inflation – the ECB's key metric for price

stability – to changes in the long-end yield curve slope is more than three times smaller and not statistically significant. Similarly, real GDP declines somewhat after a steepening shock, but compared with a short-term rate shock the response is substantially smaller and statistically insignificant. Taken together, while a long-term yield curve steepening affects funding costs and financial intermediaries to different degrees, financial conditions and macroeconomic dynamics remain broadly unaffected.

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8 Liquidity conditions and monetary policy operations from 5 November 2025 to 10 February 2026

Prepared by Christian Lizarazo and Kristian Tötterman

This box describes the Eurosystem liquidity conditions and monetary policy operations in the seventh and eighth reserve maintenance periods of 2025. Together, these two maintenance periods ran from 5 November 2025 to 10 February 2026 (the “review period”).

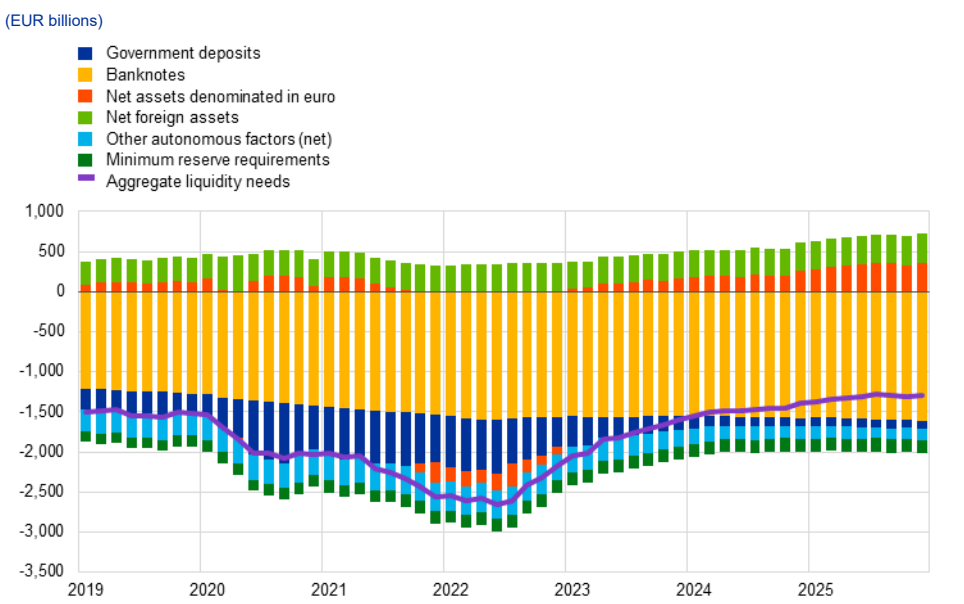
Average excess liquidity in the euro area banking system continued to decline. Liquidity provision decreased over the review period, owing primarily to lower Eurosystem holdings under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) following the discontinuation of APP reinvestments at the beginning of July 2023 and PEPP reinvestments at the end of December 2024. This decrease was accompanied by a slight increase in net autonomous factors, which also contributed to the reduction in excess liquidity.

Liquidity needs

The average daily liquidity needs of the euro area banking system, defined as the sum of net autonomous factors and reserve requirements, increased by €18 billion to €1,306 billion over the review period (Table A). This increase was driven by a decrease in liquidity-providing autonomous factors and an increase in liquidity-absorbing autonomous factors (Chart A). Minimum reserve requirements rose by €1 billion to €169 billion, also contributing marginally to the rise in liquidity needs.

Chart A

Aggregate liquidity needs, by reserve maintenance period



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 eighth maintenance period of 2025.

Liquidity-providing autonomous factors declined by €8 billion over the review period, owing primarily to a decrease of €16 billion in net assets denominated in euro. This decrease was attributable to an increase in euro-denominated non-monetary policy deposits, which are liquidity-absorbing, being only partly offset by an increase in euro-denominated non-monetary policy investments, which are liquidity-providing. Meanwhile, net foreign asset holdings rose by €8 billion.

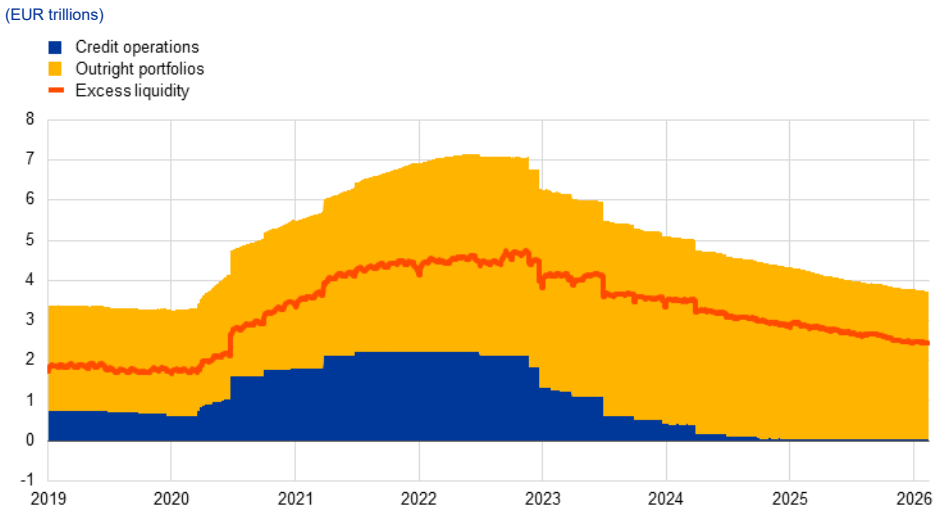
Liquidity-absorbing autonomous factors rose by €9 billion over the review period, owing mainly to an increase in banknotes in circulation. Demand for banknotes typically increases during the holiday season and is driven by higher household expenditure. The average value of banknotes in circulation grew by €15 billion, reaching a total of €1,607 billion over the review period. Government deposits held with the Eurosystem declined by €9 billion to €102 billion, as government issuance tends to slow towards the end of the year, and this led to lower cash buffers held by national treasuries.

Liquidity provided through monetary policy instruments

The average amount of liquidity provided through monetary policy instruments fell by €125 billion to €3,776 billion over the review period (Chart B). This decline in the liquidity supply was mainly due to a reduction in Eurosystem outright portfolios.

Chart B

Liquidity provided through open market operations and excess liquidity



Source: ECB.
Note: The latest observations are for the eighth maintenance period of 2025.

The average amount of liquidity provided through outright monetary policy portfolio holdings went down by €128 billion to €3,752 billion over the review period. This decline was due to the continued maturing of APP and PEPP holdings in the absence of any reinvestments.

The average amount of liquidity provided through credit operations rose by €3 billion to €24 billion over the review period. The average outstanding amount of main refinancing operations (MROs) increased by around €4 billion to €13 billion, driven by higher participation at the turn of the year (€25 billion). The average outstanding amount of three-month longer-term refinancing operations (LTROs) decreased by €1 billion to €11 billion. 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 growing number of banks that are testing the viability of their participation indicates that they are building up their operational readiness to access these operations as the balance sheet of the Eurosystem continues to decline.

Excess liquidity

Excess liquidity fell by €143 billion to €2,470 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. After peaking at €4,748 billion in November 2022, excess liquidity has since 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) increased marginally over the review period, while maintaining a negative spread relative to the deposit facility rate. On average, the €STR was 7 basis points below the deposit facility rate over the review period, with this spread narrowing slightly from 7.5 basis points during the fifth and sixth maintenance periods of 2025.

The average euro area repo rate, as measured by the RepoFunds Rate Euro index, remained closer to the deposit facility rate than the €STR. On average, the repo rate was equal to the deposit facility rate over the review period, which was also the case in the fifth and sixth maintenance periods of 2025.

Table A

Eurosystem liquidity conditions

(averages; EUR billions)

	Current review period: 5 November 2025-10 February 2026						Previous review period: 30 July-4 November 2025	
	Seventh and eighth maintenance periods		Seventh maintenance period: 5 November-22 December 2025		Eighth maintenance period: 23 December 2025-10 February 2026		Fifth and sixth maintenance periods	
Liquidity-providing factors								
Autonomous factors	705	(-8)	687	(-28)	723	(+36)	713	(+28)
- Net foreign assets	364	(+8)	362	(+4)	365	(+3)	356	(+3)
- Net assets denominated in euro	341	(-16)	324	(-33)	358	(+33)	357	(+25)
Monetary policy operations	3,776	(-125)	3,796	(-76)	3,758	(-38)	3,901	(-127)
- MROs	13	(+4)	11	(+1)	15	(+4)	9	(-1)
- LTROs	11	(-1)	11	(-1)	12	(+1)	12	(-2)
- Outright portfolios	3,752	(-128)	3,774	(-76)	3,731	(-43)	3,881	(-125)
- Other liquidity provision	0	(+0)	0	(+0)	0	(+0)	0	0
Liquidity-absorbing factors								
Autonomous factors	1,842	(+9)	1,831	(-8)	1,853	(+21)	1,833	(-3)
- Banknotes in circulation	1,607	(+15)	1,598	(+8)	1,615	(+18)	1,591	(+8)
- Government deposits	102	(-9)	101	(-15)	102	(+1)	110	(+6)
- Other autonomous factors (net)	134	(+2)	132	(-1)	135	(+3)	132	(-18)
Monetary policy operations								
- Other liquidity absorption	0	(+0)	0	(+0)	0	(+0)	0	(+0)
Liquidity and standing facilities								
- Credit institutions' current accounts	174	(+0)	173	(-1)	175	(+2)	174	(+1)
- Minimum reserve requirements[1)]	169	(+1)	168	(+1)	170	(+1)	168	(+1)
- Marginal lending facility	0	(+0)	0	(+0)	0	(-0)	0	(+0)
- Deposit facility	2,465	(-143)	2,478	(-95)	2,453	(-26)	2,608	(-98)
- Excess liquidity[2)]	2,470	(-143)	2,483	(-97)	2,458	(-24)	2,614	(-97)
Other liquidity-based information								
- Aggregate liquidity needs[3)]	1,306	(+18)	1,313	(+21)	1,299	(-14)	1,288	(-30)
- Net autonomous factors[4)]	1,137	(+17)	1,144	(+21)	1,130	(-15)	1,120	(-31)

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: 5 November 2025-10 February 2026				Previous review period: 30 July-4 November 2025			
	Seventh maintenance period: 5 November-22 December 2025		Eighth maintenance period: 23 December 2025-10 February 2026		Fifth maintenance period: 30 July-16 September 2025		Sixth maintenance period: 17 September-4 November 2025	
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)	1.92	(+0.00)	1.93	(+0.00)
RepoFunds Rate Euro	2.00	(+0.01)	2.00	(+0.00)	1.99	(-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.

Article

1 Boosting efficiency in public investment in times of fiscal constraint

Prepared by Stephan Haroutunian, Carolin Nerlich, Marta Rodríguez-Vives and Caspar Schauhoff

1 Introduction

The European Union (EU) is faced with massive strategic public investment needs in an environment of limited fiscal space. Europe will have to scale up its strategic investments, especially in the fields of digitalisation, infrastructure, climate change and defence. While the private sector is expected to play a crucial role in financing these needs, the public sector will also have to step up its investments, especially given the leading role it plays in certain domains, such as infrastructure and defence. These strategic investment needs coincide with limited fiscal space, given that public debt and deficit levels are high in many EU counties, most notably in some large euro area countries, and that public spending linked to ageing populations is rising. Governments have had to intervene to stabilise the economy following repeated shocks, but some of them have also failed to make use of good economic times to build up fiscal buffers. As a result, they are now faced with significant fiscal adjustment requirements.

Making public spending more efficient – including in the realm of public investment – can play a pivotal role in easing the pressure on public finances associated with rising strategic investment needs. By making better use of available resources, higher spending efficiency can free up fiscal space, which can be used for more growth-enhancing public investment, and build up buffers to safeguard fiscal sustainability. Two complementary dimensions of efficiency are key in this context: technical efficiency, which focuses on either maximising output from a given set of resources or minimising input to achieve a given output, and allocative efficiency, which ensures that government expenditure prioritises items that promote economic growth.[1] Most empirical studies measuring the efficiency of public spending focus on technical efficiency.[2] In view of the substantial rise in strategic investment needs, allocative efficiency is expected to gain relevance. By redirecting public resources from current expenditure towards strategic investment, such as R&D in defence and the modernisation of public infrastructure, the composition of public spending would shift towards more productive spending, supporting potential growth. However, the scope for raising allocative efficiency is often limited in the

1 See, for example, IMF (2025).

2 See, for example, Kapsoli et al. (2023), Afonso et al. (2024), Herrera et al. (2025) and Canzonieri and Giamboni (2024). In a recent paper by Barnes et al. (2025), the focus is specifically on allocative efficiency to identify potential savings.

short term, owing to the budgetary rigidity that results from legal obligations such as state pensions and public sector wages.[3]

Focusing on public investment in transport infrastructure as an example, empirical results point to substantial room for efficiency improvement. Given that transport infrastructure is the largest component of public investment in the EU, this article looks at the technical efficiency of spending in this particular category. It is taken as an example to illustrate potential room for efficiency improvements, although the results may not necessarily be representative for the whole economy. This emphasis on transport infrastructure is also driven by the fact that a recent Eurobarometer survey indicates that around half of EU citizens see room for better quality public investment in this area.

The article is structured as follows: Section 2 takes stock of public investment in the EU, comparing it with other advanced economies and analysing the macroeconomic effects of productive investment (Box 1). Section 3 looks at strategic investment needs in the EU and explores why many countries are facing fiscal space constraints. Section 4 provides an empirical analysis of the scope of higher efficiency in public investment spending, focusing on infrastructure investment as an example. Section 5 concludes.

2 Stocktaking public investment in the EU

Public investment accounts for around one-sixth of total investment in the EU, although there are significant differences between countries. Across EU Member States, public investment as a share of total investment averaged 17% in 2024, ranging from almost 30% in Luxembourg to around 13% in Belgium (Chart 1). The EU average share is broadly in line with that observed in other advanced economies such as the United Kingdom, the United States and Japan. The share of public investment increased in 22 out of 27 EU countries between 2019 and 2024, driven in part by projects financed under the Next Generation EU (NGEU) programme.[4]

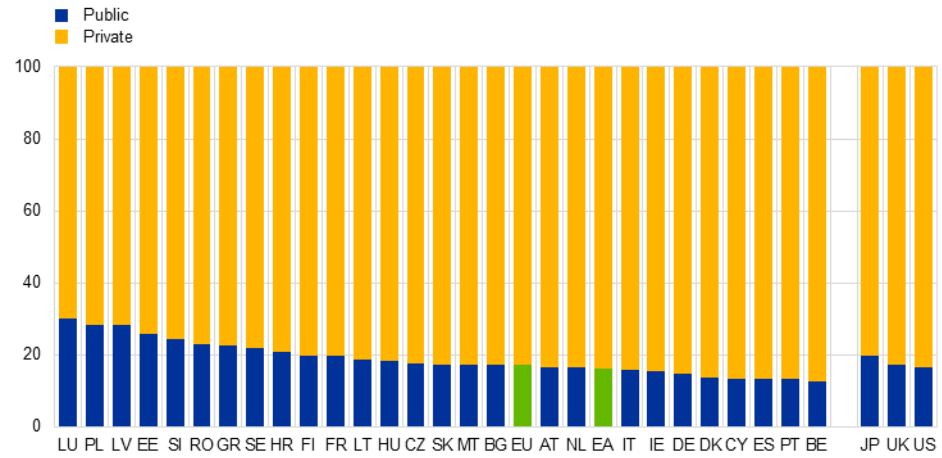
[3] On average, close to 50% of public spending in the EU is tied to payments for pensions, public sector wages and interest, which are very challenging to adjust in the short term. While this is a very rough proxy for the rigidity of public spending, more comprehensive estimates of rigidity can be found in IMF (2025).

[4] Public investment financed under the NGEU is gradually increasing, accounting for around 5% of total public investment in the EU in 2024.

Chart 1

Public and private investment as a share of total investment

(percentages, 2024)

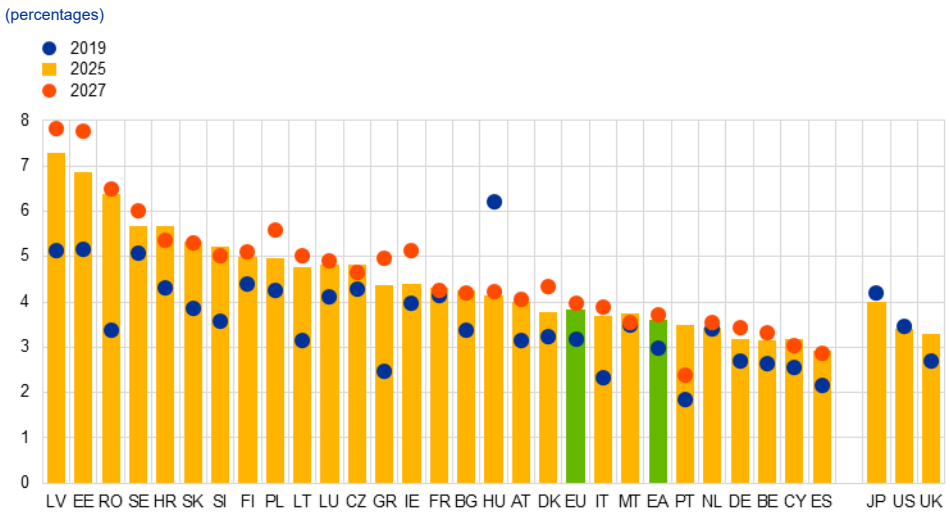


Sources: European Commission and ECB staff calculations.
Notes: The public investment share is defined as gross fixed capital formation by the government as a proportion of total investment (government, business and household sectors, including non-profit institutions serving households). For Ireland, the share of US investment in intellectual property products is excluded from the investment total.

Public investment spending as a share of GDP has increased since 2019. It is expected to average 3.8% of GDP across the EU in 2025, up from 3.1% in 2019 (Chart 2). This is broadly comparable to the share observed in other advanced economies, including Japan, the United States and the United Kingdom. Within the EU, public investment ratios for 2025 are expected to range from 7.3% of GDP in Latvia to 2.9% of GDP in Spain. The largest rises since 2019 are expected to be recorded for Romania, Latvia and Greece. Looking ahead, this increase is forecast to continue, with public investment projected to average around 4% of GDP across EU countries in 2027, according to European Commission's Autumn 2025 projections.

Chart 2

Public investment as a share of GDP



Sources: European Commission, OECD and ECB staff calculations.
Notes: Public investment is defined as gross fixed capital formation by the government measured as a share of GDP. For Ireland, the ratio is calculated in relation to the modified Gross National Income (GNI*). The figures for 2025 and 2027 are projections from the European Commission's Autumn 2025 forecast vintage.

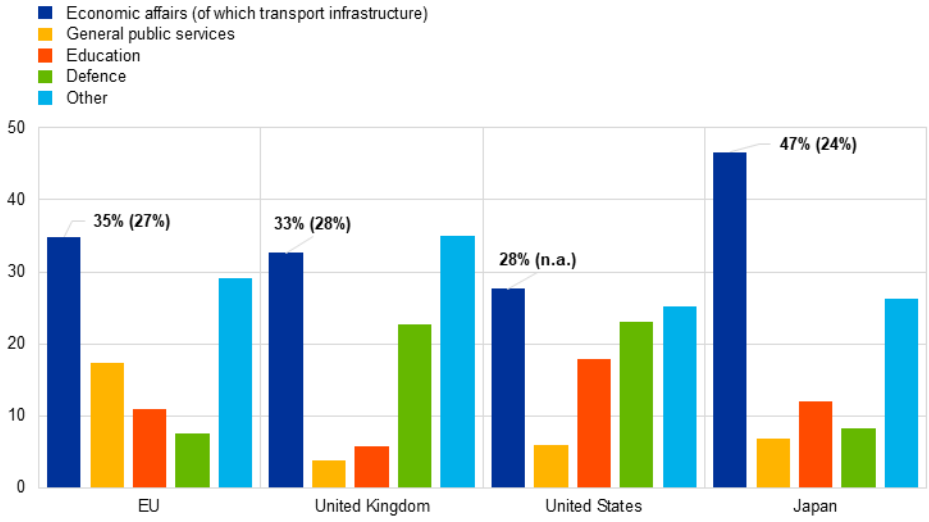
The composition of public investment in the EU differs markedly from that in the United Kingdom, the United States and Japan and varies across EU countries. Investment in economic affairs is the most important single item in all countries, with Japan having the highest ratio (Chart 3, panel a). Spending on transport infrastructure, covering assets such as roads and railways, is at a similar level across economic areas. In the EU, it is the largest component, accounting on average for 27% of public investment, which corresponds to 0.9% of GDP in 2023. The shares of public investment in transport infrastructure are highest in Slovakia, Poland and Greece and lowest in France and Cyprus (Chart 3, panel b). General public services is the second largest single investment category in the EU, but defence dominates investment priorities in both the United Kingdom and the United States (Chart 3, panel a). By contrast, education is the second largest area of investment in Japan and the third largest in the United States and the United Kingdom.

Chart 3

Public investment in 2023, by economic function

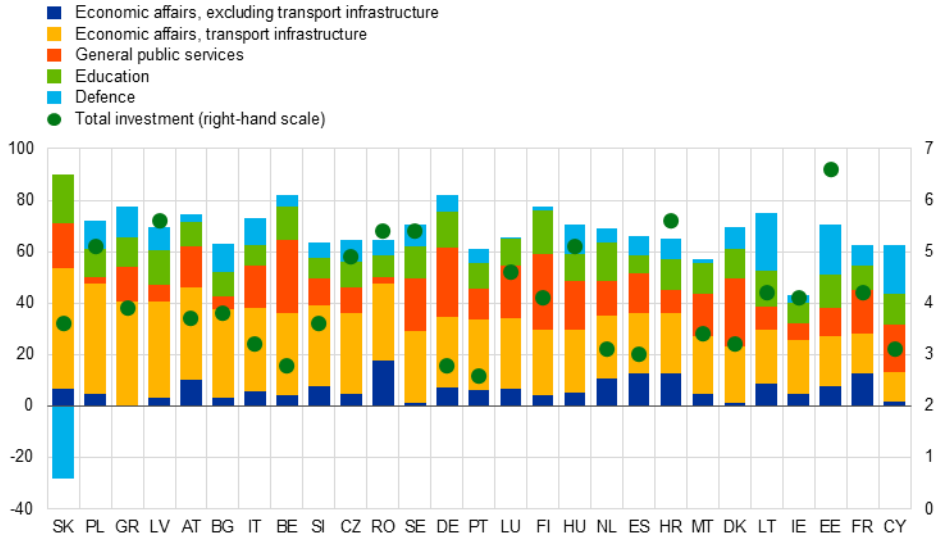
a) Public investment in the EU, United Kingdom, United States and Japan, by category

(percentage of public investment)



b) Public investment in EU countries, by category

(left-hand scale: percentage of total public investment; right-hand scale: total public investment as a percentage of GDP)



Sources: Eurostat (EU countries), OECD (non-EU countries) and ECB staff calculations.
Notes: The data shown are based on the Classification of the Functions of Government (COFOG). The negative amount shown for "Defence" in Slovakia in panel b) represents a net disposal of fixed assets in the context of foreign military aid in kind to Ukraine (shown as capital transfers and neutral on total expenditure on defence). For Ireland, the ratio is calculated in relation to GNI*.

Public investment is usually found to have a positive effect on economic growth. This is particularly the case if it creates public capital that is complementary to private capital or that would otherwise be undersupplied in an economy. Typical examples are investment in education, health, defence and transport infrastructure. The positive impact on the economy is particularly pronounced if public investment crowds-in private investment, while delayed implementation or funding via distortive

taxes could limit the stimulus obtained.[5] Moreover, the composition of public investment matters. While defence spending is often regarded as less supportive of long-term growth, positive spillovers may emerge if the spending is tilted towards productive investment, such as research and development (R&D) in defence.[6] In fact, a model-based analysis of the macroeconomic impact of Germany's recent defence and infrastructure package underscores the critical role that shifting the composition of public spending towards productive public investment plays in driving economic outcomes (Box 1).

Box 1

Medium-term macroeconomic effects of increased public spending and its composition – the case of Germany

Prepared by Ansgar Rannenberg and Sebastian Hauptmeier

Shifting the composition of public spending towards productive investment can have significant positive macroeconomic effects. An illustrative example is the March 2025 reform of Germany's debt brake. This move has created fiscal space for strategic investment in defence and infrastructure by introducing two structural changes: (i) a €500 billion special fund, outside of the debt brake rule, to finance civil infrastructure and climate projects over a 12-year horizon; and (ii) a constitutional exemption of defence and security expenditure above 1% of GDP from the debt brake ceiling. Together, these measures are expected to lead to a lasting expansion of public investment.

The model used here to assess the macroeconomic effects of the expected fiscal stimulus for Germany is an extension of the New Area-Wide Model.[7] Accordingly, the results reported below are model dependent and should not be interpreted as predictions. The simulations assume that government expenditure will increase by around 0.9% of GDP by 2027. Thereafter, infrastructure spending from the special fund is kept constant at its 2027 level. Defence spending is assumed to rise from around 2% of GDP in 2025 to 3.5% of GDP by 2029. Overall, this corresponds to a fiscal loosening of about 1.8% of GDP by 2029, with the subsequent composition broadly balanced between consumption and investment. We assume that the increase is quasi permanent and fully debt financed. In scenario 1, all public investment is assumed to be productive by raising the public capital stock. In scenario 2, only infrastructure investment is considered productive. This scenario aims to provide a sensitivity analysis in view of mixed evidence from the literature regarding the military spending multiplier and the finding of heterogeneity in the effects of various components of military expenditure.[8] Government consumption is assumed to enter private household utility as a complement to private consumption.[9]

5 See, for example, European Central Bank (ECB, 2016), Ramey (2022), Leeper et al. (2009) and Abiad et al. (2016).

6 See Moretti et al. (2025) and Antolin-Diaz and Surico (2025).

7 This box employs a version that consists of Germany and a residual "rest of the euro area" aggregate. For details on the original version of the model, see Coenen et al. (2024) and Coenen et al. (2008).

8 For an analysis of the macroeconomic impact of higher government defence spending using a suite of models, see Bokan et al. (2025). It suggests an average output multiplier of government spending across models of 0.93 over a two-year horizon while pointing to substantial heterogeneity across models.

9 This assumption follows Bouakez and Rebei (2007), Leeper et al. (2009) and Coenen et al. (2012). The degree of complementarity, as measured by the elasticity of substitution between private and public consumption, is set to 0.3, in line with the values reported in Bouakez and Rebei (2007) and Coenen et al. (2012), who estimate this parameter jointly with the other parameters of their respective DSGE models. Clancy et al. (2016) assume even stronger complementarity.

When all public investment is assumed to be productive (scenario 1), Germany experiences a strong and lasting expansion. The permanent step-up in spending lifts actual GDP persistently compared with the baseline (Chart A). Demand effects dominate early on, while public investment raises the capital stock over time and boosts labour productivity. The private consumption response is negative at first but turns positive by 2027. This trajectory reflects offsetting channels: unconstrained households reduce spending as expected persistently higher real interest rates stimulate a return to saving. However, this effect is cushioned by a number of factors: the assumed complementarity between public and private consumption, the increase of liquidity-constrained household consumption in response to their higher disposable income resulting from higher employment, and the expansion of the economy's productive capacity due to the increase in government investment, which raises the permanent income of all households. Private investment rises sharply as firms respond to both expected higher sustained demand and improved productivity. As a result, the ten-year cumulative multiplier of the package equals approximately one.[10] Inflation increases, and monetary policy reacts by raising nominal policy rates. There is a sharp increase in the government debt ratio, reflecting both the higher expenditure and the persistent rise in real rates.

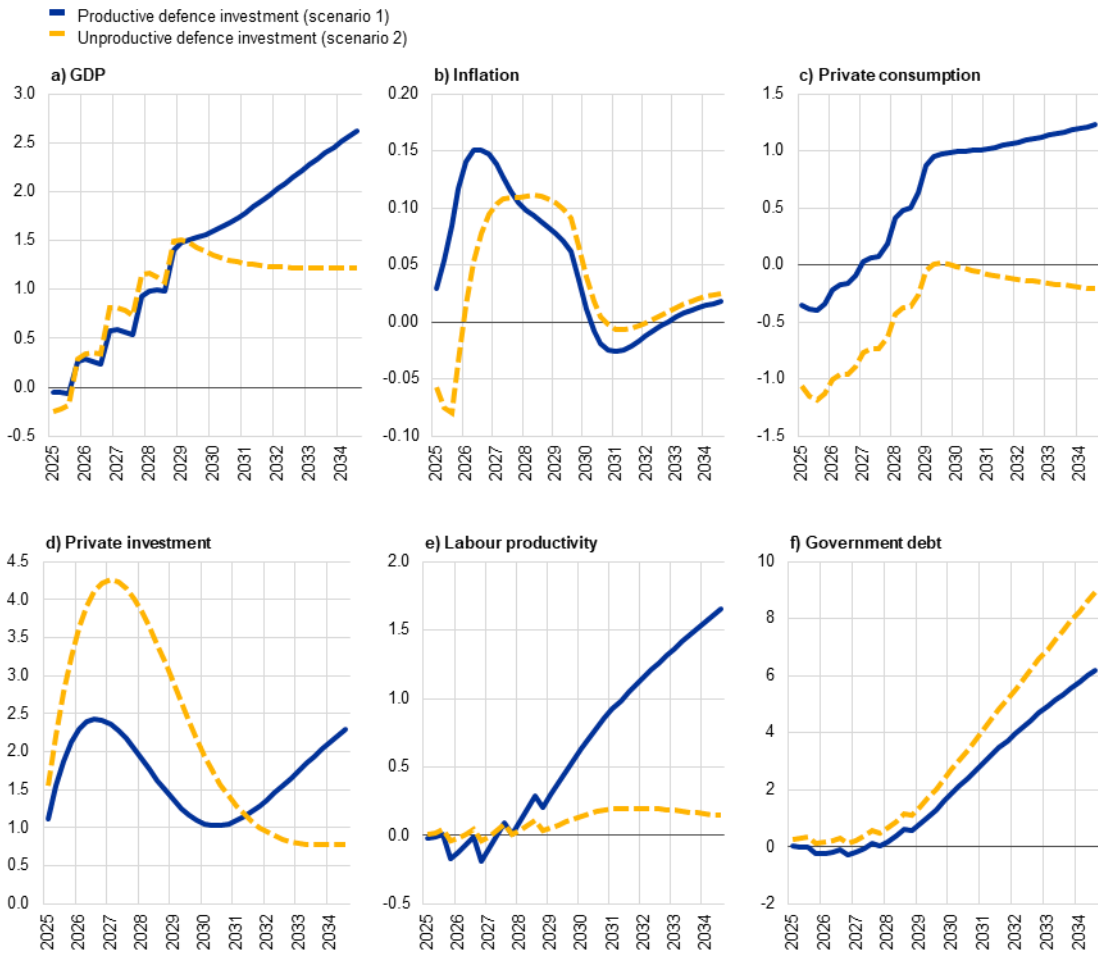
When military investment is assumed to be unproductive (scenario 2), German GDP has a similar short-run trajectory, but expands much less in the long run. Private consumption remains weaker, as the permanent-income channel is diminished and higher real rates are not offset by supply-side improvements. As a result of a smaller rise in euro area-wide inflation compared with scenario 1, monetary tightening is delayed and smaller. This means that private investment increases more initially, but eventually drops below the trajectory in scenario 1. The smaller improvement in economic activity implies a larger increase in the public debt ratio than in scenario 1.

[10] The ten-year cumulative multiplier is defined as the sum of the simulated (absolute) deviations of GDP from its baseline over ten years divided by the deviations of government expenditure over that horizon.

Chart A

Macroeconomic effects of increased defence and infrastructure expenditure in Germany

(percentage and percentage-point deviations)



Source: ECB staff calculations.
Notes: Responses are in percentage deviations from the baseline, except inflation and government debt, which are in percentage-point deviations. Government debt is expressed as a share of GDP.

3 Limited fiscal space

EU countries need to significantly scale up their strategic investment spending to effectively navigate an increasingly competitive and digitalised world, while addressing mounting geopolitical and climate-related risks. Besides heightened pressure to allocate more public spending to defence, the green and digital transitions as well as infrastructure will still demand substantial additional investment activity. Although the private sector is expected to play a crucial role in financing the additional needs, the burden on governments will increase considerably. According

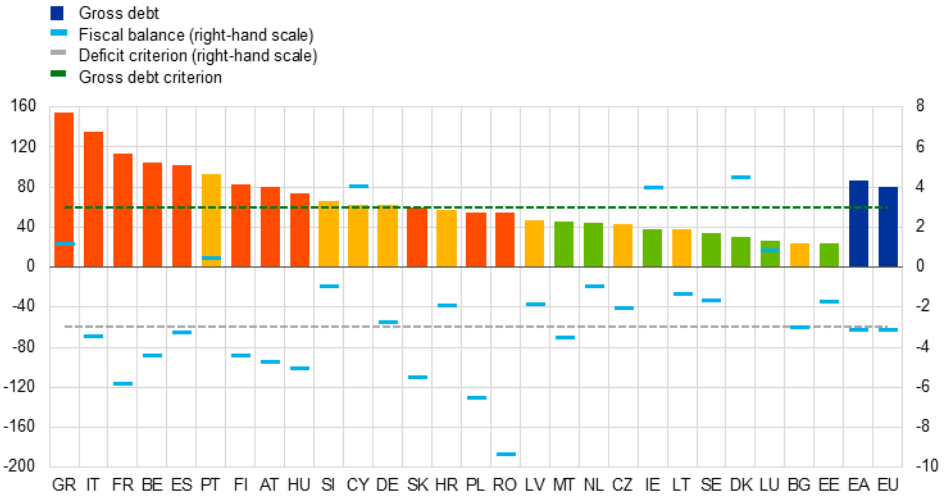
to Bouabdallah et al. (2025), public funding requirements for defence and the green and digital transitions are projected to reach approximately €510 billion annually.[11]

These major public investment needs have arisen in an environment of high debt and deficit levels in many EU Member States. The aggregate public debt-to-GDP ratio of the EU stood at 80.7% in 2024, more than 3 percentage points higher than before the pandemic. This masks considerable differences across Member States, with debt ratios ranging from 23.5% of GDP in Estonia to 154.2% of GDP in Greece (Chart 4). In addition, almost half of EU Member States had deficit-to-GDP ratios exceeding the 3% threshold.[12]

Chart 4

Gross government debt and fiscal balance in the EU

(2024, percentages of GDP)



Source: Eurostat.
Notes: The colour coding of the Member States is based on the overall medium-term risk category of the European Commission's Debt Sustainability Monitor 2024 (European Commission, 2025a). Red, yellow and green bars signify high, medium and low risks to medium-term debt sustainability respectively. The dashed lines indicate the thresholds for the debt and deficit criteria.

Many Member States will need to deliver sizeable fiscal adjustments to ensure the sustainability and credibility of their public finances and comply with the requirements of the reformed EU governance framework. From 2025 to 2028, the majority of EU Member States will have to deliver average fiscal adjustments, in terms of changes in their structural primary balances, ranging from 0.1 to 1.5 percentage points of potential GDP (Chart 5).[13]

11 See Bouabdallah et al. (2025). The annual estimate of additional public investment needs over the period from 2025 to 2031 refers to investment in a broader sense than in national account terms, in that it includes, for example, public spending on durable goods. However, the estimates are surrounded by considerable uncertainty. They do not specifically include investment needs in the area of transport infrastructure, beyond what is envisaged under the category of additional defence spending.

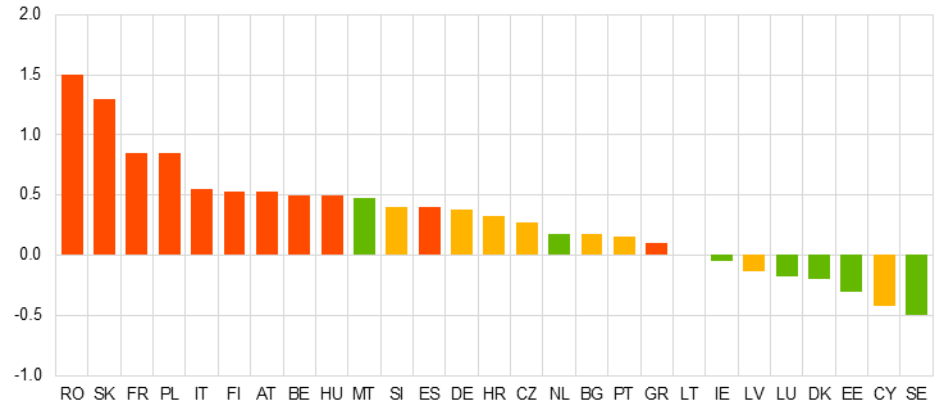
12 Ten EU Member States are currently subject to an excessive deficit procedure.

13 The reformed governance framework rests on the debt sustainability analysis to guide country-specific fiscal adjustment paths such that government debt is brought onto a plausibly declining path by the end of an adjustment period. This implies differentiation in fiscal adjustment requirements across countries, with higher adjustment requirements where debt challenges are more pronounced and/or where initial budgetary positions are less favourable; see Haroutunian et al. (2024).

Chart 5

Average changes in structural primary balances

(2025-28, percentage points of potential GDP)



Source: European Commission.
Notes: Based on medium-term fiscal-structural plans as published on the European Commission's website. For Romania and Finland, the fiscal adjustments presented are those included in the Council Recommendations related to the excessive deficit procedure. For the Netherlands, the fiscal adjustment figure is taken from the Commission. The average changes in the structural primary balances account for the lower fiscal adjustment requirements of the Member States which requested an extension of the adjustment period. The colour coding of the Member States is based on the overall medium-term risk category of the European Commission's Debt Sustainability Monitor 2024 (European Commission, 2025a). Red, yellow and green signify high, medium and low risks to medium-term debt sustainability respectively.

The flexibility provided by the reformed governance framework only partly caters for strategic investment needs. The EU's new economic governance framework builds on the premise that countries are allowed to extend their adjustment period from four to seven years in exchange for government investment and reforms. With eight EU Member States requesting an extension of the adjustment period, this provides fiscal space of around 5.0 percentage points of potential GDP over the 2025-28 period. Moreover, activating the national escape clause offers temporary budgetary flexibility to increase defence spending by up to 1.5% of GDP annually over the same period.[14] In aggregate, such flexibility would allow Member States to cover only around a third of the estimated €510 billion in public strategic investment needs. When already existing EU resources are included, such as the funds available under the NGEU programme, a public funding gap of over €100 billion per year would need to be borne by national budgets.[15] In this context, raising the spending efficiency of public investment is critical, as this could help to better balance spending needs and fiscal constraint.

4 Scope for higher technical efficiency in public investment

Different empirical tools can be applied to measure the technical efficiency of public investment. The two most widely used methodologies for measuring efficiency are the data envelopment analysis (DEA) and the stochastic frontier

[14] Seventeen Member States have so far requested to activate the national escape clause. The temporary nature of this flexibility, however, means that the Member States concerned must commit to stronger fiscal consolidation from 2029 onwards in order to remain compliant with the EU fiscal rules.

[15] See Bouabdallah et al. (2025). The estimated gap of over €100 billion only refers to public investment in digitalisation, climate change and defence. Infrastructure investment is only partly covered under the envisaged additional defence spending.

analysis (SFA). They allow the fiscal policies of countries to be benchmarked against an efficiency frontier based on best performers. The DEA is a non-parametric methodology that constructs an efficiency frontier directly from observed data by comparing the relative performance of each country.[16] However, the DEA is highly sensitive to the underlying data and outliers. A bootstrapped DEA partially addresses this issue by resampling the data and generating multiple efficiency frontiers, helping identify over-performing countries and correcting the bias. The SFA, by contrast, is a parametric approach that assumes a specific production function for estimating an efficiency frontier.[17] The advantage of the SFA lies in its ability to decompose the error term into two components: inefficiency and statistical noise. This makes it possible to control for external factors that influence the output variable, such as, for example, urbanisation affecting the density of a public transport network. Furthermore, the SFA supports the use of country fixed effects, making it possible to control for heterogeneity across countries. However, its primary limitation is the need for at least partial parameterisation and the assumption of proportionality of the input and output variables for the production function, which can result in an incorrectly specified efficiency frontier. Another notable distinction between the two methodologies is their treatment of time: the DEA provides a snapshot of efficiency at a single point in time, while the SFA, applied to panel data, generates efficiency scores over time.

Here, we apply the DEA and SFA methodologies to assess the technical efficiency of public investment in transport infrastructure in the EU. As mentioned in Section 2, public investment in transport infrastructure accounts for more than a quarter of total public investment in the EU, which corresponds to 0.9% of GDP in 2023. For the DEA, two indicators are used as output measures: the density of the transport network and a World Bank indicator assessing the quality of public transport infrastructure. For the SFA, the density of the transport network is analysed as the output measure separately for railway and motorway networks.[18] The analysis carried out using both methodologies is based on an input-oriented approach. The aim of using this approach is to measure the amount by which the resources spent can be minimised to achieve a given output. Boosting efficiency would create fiscal space which could be used either for other strategic investment needs or to build up fiscal buffers.

The results reveal that there is significant room for improving investment efficiency, although this is not evenly spread across country groups. Based on the DEA model, the median efficiency score of public investment in transport infrastructure, measured vis-à-vis transport network density, is around 50% for the EU and the euro area (Chart 6, panel a).[19] This means that the current efficiency level with public transport investment as input is only half of the efficiency frontier.

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16 The DEA accommodates variable returns to scale in constructing the efficiency frontier, i.e. the input and output variables do not need to be proportional. This is in contrast to the SFA, which requires the output variable to be proportional to the input variables.

17 Some studies also use semi-parametric SFA.

18 The SFA methodology used is the panel version with fixed effects developed by Greene (2005). In the analysis, geography and population density are accounted for as fixed effects.

19 Transport network density is defined as the length of built transport network (railways, motorways) divided by the land area.

Based on the median estimates, efficiency is slightly lower in the non-euro area EU countries. The results are broadly comparable to other studies, despite differences in data and country coverage.[20] Heterogeneity in the efficiency of transport investment across countries (as captured by the length of the box plots) appears to be higher in the non-euro area EU countries than in the euro area countries. Interestingly, efficiency is found to be moderately lower on average in countries with constrained fiscal space, as proxied by a high debt sustainability risk grouping in the European Commission's medium-term Debt Sustainability Monitor (shown by the red box plots).[21] This suggests that the high-risk countries have slightly more scope to alleviate projected fiscal pressures by improving the efficiency of public investment in transport infrastructure. This holds in particular when accounting for the large heterogeneity across countries, as the efficiency score is particularly high in some of the low-risk countries. Thus, boosting efficiency by minimising the resources required for a given output could be particularly beneficial for high-risk countries with limited fiscal space.

An alternative proxy of efficiency can be derived from survey results assessing the quality of public transport investment. When public transport investment is inferred on public transport quality as measured by World Bank survey data, the resulting efficiency scores are slightly better (Chart 6, panel b).[22] The median EU average efficiency score is around 65%, whereas non-euro area countries tend to score noticeably lower.[23] The variation in the efficiency score is more pronounced among high-risk countries, whereas their median scores remain lower than those of low-risk countries. These results broadly coincide with a recent Eurobarometer survey, which indicates that 51% of EU citizens would welcome more public investment to boost the frequency of urban public transport, while 42% see a need for better commuting options. However, the results obtained through the DEA should be interpreted with caution, as they are derived solely from the underlying data without accounting for the influence of external factors on efficiency.

[20] For example, Kapsoli et al. (2023) find that the median efficiency score in their baseline model (capturing roads, energy and telecommunications), using a bootstrapped DEA, is at 42% in advanced economies, which includes EU countries. Similar results were also found by Herrera et al. (2025).

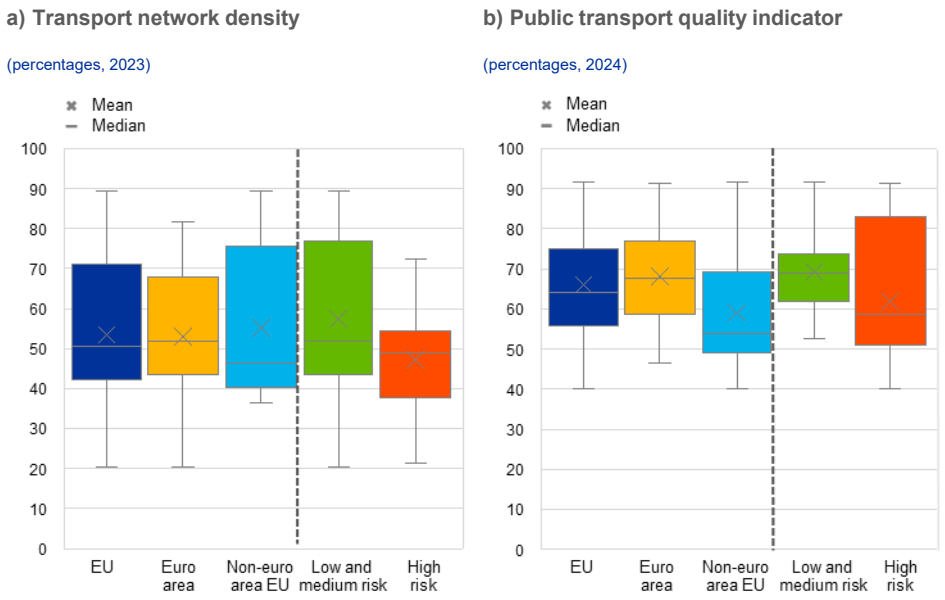
[21] See European Commission (2025a).

[22] The World Bank's quality indicator ranges between 1 (lowest quality) and 7 (highest quality).

[23] The results for the quality of public transport are comparable to the findings of Herrera et al. (2025).

Chart 6

Efficiency in public transport infrastructure investment – data envelopment analysis



Sources: Eurostat, World Bank and ECB staff calculations.
Notes: The analysis is based on a bootstrapped DEA with 2,000 draws to correct the bias from the standard DEA model, following the methodology of Simar and Wilson (1998). COFOG transport investment as a share of GDP is taken as input with one lag and as a five-year moving average. The output variable in panel a) is railway and motorway density, which is combined into a single indicator for 2023 using principal component analysis. In panel b), the output variable is the World Bank quality indicator for public transport, rating its quality with a score between 1 and 7 for 2024. Panel a) covers 26 EU countries and panel b) 23 EU countries. The bar indicates the interquartile range and the error bar the maximum and minimum of the range of the country sample belonging to each group. The high-risk and low/medium-risk grouping is based on the debt sustainability analysis carried out by the European Commission (European Commission, 2025a) for the EU countries covered in the sample.

When the SFA methodology is applied, the technical efficiency scores show somewhat lower results and vary across transport components. When looking at individual components of transport infrastructure investment – railways and motorways – efficiency differs widely across country groups and time (Chart 7). In particular, the median efficiency score for public investment in railways is lower than that for motorways, with the EU average standing at 38% for railway and 43% for motorway spending. Only for the euro area is the median efficiency of investment in railways higher than in motorways, while it is lowest in the non-euro area EU countries, high-risk countries and countries outside the EU. The results show large variation over time in the efficiency of public investment in motorways in most country groups (as captured by the length of the box plots). The pronounced variations over time may also reflect non-linear effects, given the large amounts of time needed to complete large infrastructure projects.[24] Broadly, the results obtained through the SFA align with those derived from the DEA, despite differences in input variables, the time period covered, country samples and methodology. The analysis reveals that for both methodologies used, technical efficiency in transport infrastructure investment across the EU appears to be relatively low, also compared with other areas of public investment such as health and education.[25]

[24] For instance, there may be a long period of preparatory expenditure with no change in the output variable followed by a steep increase in output when completion milestones are achieved.

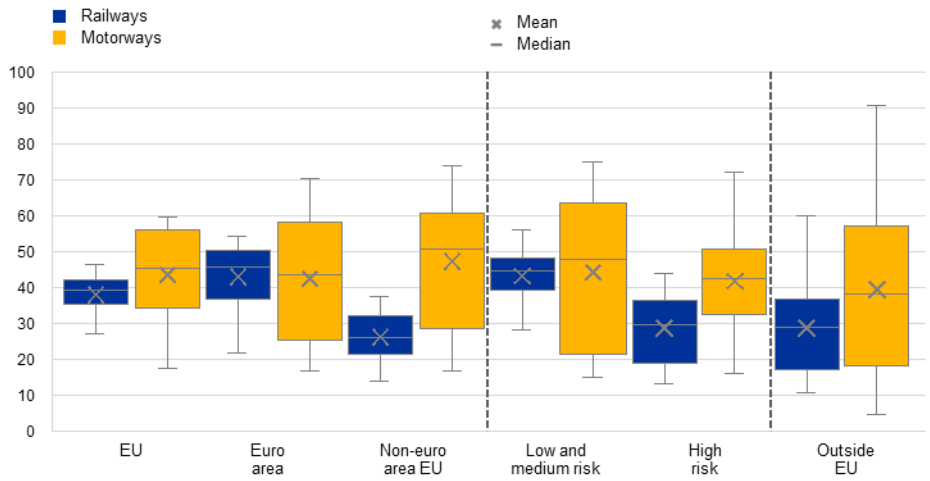
[25] Canzonieri and Giamboni (2024) report EU efficiency scores of above 90% for health and education expenditure. See also Herrera et al. (2025) and IMF (2025).

These findings are affected by country-specific factors, some of which can be addressed through policy changes. Geography and population density may increase the complexity and cost of infrastructure projects, thereby potentially leading to lower efficiency scores for some countries compared with their peers.[26] Moreover, rigid regulatory requirements, poor project management and governance and limited administrative capacity can drive up costs and reduce efficiency. Addressing these factors can help make complex transport infrastructure projects more manageable, leading to lower costs and higher efficiency scores. While not covered in this analysis, it would be valuable to examine how these potential factors might be contributing to the results.

Chart 7

Efficiency in railway and motorway investment – stochastic frontier analysis

(percentages, 2000-23 average)



Sources: Eurostat, OECD and ECB staff calculations.
Notes: As input, the maintenance and investment spending of countries reported in OECD data are combined to form a single indicator, then used with one lag and as a five-year average. As output, the length of the railway and motorway network is divided by the land area, sourced from Eurostat. The analysis is conducted with an SFA using country fixed effects to account for country heterogeneity, showing highly significant results below the 1% level. For robustness, the SFA is repeated while assuming heteroscedasticity of the error terms, incorporating control variables such as freight moved, country altitude, urbanisation and GDP per capita. This robustness analysis is restricted to EU countries owing to data limitations. The results remain highly significant and broadly unchanged after adding these controls. Additionally, the results are confirmed by using a DEA. In the OECD database, only 14 EU countries reported data on motorway spending, and only 17 EU countries reported data on rail spending. The total sample consists of 17 countries for motorway spending including the United Kingdom, Switzerland and Türkiye and 25 countries for rail spending including Canada, China, India, Norway, Switzerland, Türkiye, the United Kingdom and the United States. Due to missing data over the full period, the sample is not homogeneous across time, which is why time heterogeneity, not country heterogeneity, is displayed using a boxplot. Therefore, the boxplot illustrates the time dimension, i.e. the range of time averages for each country grouping over the 2000-23 period. The maximum and minimum bars represent the highest and lowest country group averages at a given point in time. The high-risk and low/medium-risk grouping is based on the debt sustainability analysis carried out by the European Commission (European Commission, 2025a) for the EU countries covered in the sample.

Closing the efficiency gap would help save public money. The efficiency gap measures the distance from the hypothetical case of full efficiency. It gives a rough indication of the maximum savings that could be achieved through higher technical efficiency. Applied to the analysis above, the efficiency gap measures the maximum possible savings that could be achieved by reducing the amount spent on transport infrastructure investment to obtain the same level of output. For the EU, the potential savings from closing the efficiency gap are estimated to approximately range

[26] In the SFA, these country-specific differences are accounted for using fixed effects. Additionally, robustness in the EU sample is ensured by controlling for various other factors, like freight moved, passenger cars per capita and public usage of the rail network, that may influence the efficiency term, with results remaining largely consistent.

between €46 billion and €50 billion in a particular year for the two indicators used in the DEA.[27] However, the results regarding the possible savings should be interpreted with caution for several reasons. First, the results are sensitive to the variables and methodology used to calculate the efficiency gap.[28] Second, the results are driven by the country coverage, which limits their comparability. Third, in particular for large infrastructure projects running over many years, the relationship between investment and outcome appears to be non-linear. In the analysis, this could be only partly addressed by using lagged multiple yearly averages. Fourth, the savings to be made by raising efficiency would only be realised with a delay, as they would apply to future investments. Finally, the savings are unlikely to be recurrent and should rather be seen as a snapshot. To the extent that higher efficiency is achieved through streamlining and better management of infrastructure projects, these would have a permanent impact, thereby reducing the potential need for further efficiency savings.

5 Conclusions

The analysis shows that there is a significant technical efficiency gap in public transport investment across the EU. Focusing on public investment in transport infrastructure – the largest component of public investment in the EU – the empirical analysis suggests considerable potential for savings through higher efficiency, ranging from €46 billion to €50 billion, although these figures entail high uncertainty. The efficiency scores for transport infrastructure investment seem to be considerably lower when compared with the findings in the literature with respect to spending on health and education in the EU. Indeed, infrastructure projects tend to be larger and more complex, which makes them more prone to inefficiencies. If combined with a stronger prioritisation of government spending on more productive investment, which is expected to be growth-enhancing, higher efficiency would help to free up fiscal space for strategic investment and contain fiscal sustainability risks.

Better project management and governance practices can increase the efficiency of public investment.[29] Adopting a public investment management framework can help to identify areas in need of improvement. These frameworks also facilitate cross-country comparisons and the benchmarking of best practices. Various institutions, such as the International Monetary Fund, the European Commission, the World Bank and the Organisation for Economic Co-operation and Development, have developed such frameworks which can be used to examine national governance practices for the entities tasked with managing public

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27 The estimates from both output indicators shown in Chart 6 are derived by the sum of the respective DEA efficiency gap (1 minus efficiency score) of each EU country multiplied by the five-year moving average of each country's public transport investment. Using the SFA approach, the estimated savings would be considerably smaller. Yet the estimated saving gains are not comparable across methodologies owing to a considerably smaller non-homogenous country sample with some of the largest EU countries, such as Germany, missing. In addition, the SFA is focused on rail and motorway investment and maintenance (reported by the OECD), which is a sub-sample of transport investment used in the DEA.

28 The efficiency scores may be affected by public-private partnerships (PPPs) of infrastructure projects, which are not covered by the analysis, however.

29 See also IMF (2025).

investment.[30] Specifically, they assess institutional design – such as institutional strength and fiscal rules – and actual effectiveness, measured by the extent to which the intended purpose is being achieved. For EU countries, recent assessments point to room for improvement; this includes ensuring quality assurance is carried out at the preparatory stage of investment projects, integrating planning and budgeting cycles and making sure investment planning has a stronger fiscal sustainability angle.[31]

Closing the efficiency gap requires a targeted set of policy measures to facilitate public investment. Such policy measures, which are likely to differ across countries, range from reducing red tape to streamlining regulatory reporting requirements. Countries also seem to have room to improve their administrative capacity, streamline governance structures to manage complex investment projects, such as for transport infrastructure, and eliminate corruption. Spending reviews can help prioritise public spending and identify areas for additional savings. Several EU countries, such as Denmark, Spain and the Netherlands, regularly conduct such spending reviews.[32] While a detailed assessment of the necessary national measures lies beyond the scope of this article, addressing inefficiencies calls for an in-depth analysis of the underlying drivers. As these vary significantly across countries, some of the appropriate policy responses will need to be country-specific. Therefore, it is important for the necessary adjustments to be adequately reflected in the policy guidance and follow-up under the European Semester, which coordinates economic policies in the EU.[33]

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[30] The IMF's Public Investment Management Assessment (PIMA) framework was the first of its kind. The European Commission expanded the framework to five key stages (planning, appraisal, selection, budgeting, implementation and ex post reviews) and is conducting regular surveys.

[31] See Manescu (2026). Only a few EU countries have been found to apply good practices in investment planning for major infrastructure projects.

[32] For an overview, see Hoogeland et al. (2024).

[33] See European Commission (2025b).

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Statistics

Contents

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	3.5	2.9	0.3	0.7	5.4	0.4	4.1	7.4	3.3	0.2	5.4
2024	3.2	2.8	1.1	-0.2	5.0	0.9	2.9	2.5	2.7	0.2	2.4
2025	3.4	2.3	1.3	1.2	5.0	1.4	.	3.4	3.3	0.1	2.1
2025 Q1	0.8	-0.2	0.7	0.3	1.2	0.6	2.7	2.8	3.8	-0.1	2.3
Q2	0.9	0.9	0.2	0.6	1.0	0.1	2.4	3.5	3.5	0.0	2.0
Q3	0.9	1.1	0.1	-0.7	1.1	0.3	2.9	3.8	2.9	-0.2	2.1
Q4	0.7	0.4	0.1	0.3	1.2	0.2	.	3.4	3.0	0.6	2.1
2025 Sep.	-	-	-	-	-	-	3.0	3.8	2.9	-0.3	2.2
Oct.	-	-	-	-	-	-	-	3.6	3.0	0.2	2.1
Nov.	-	-	-	-	-	-	2.7	3.2	2.9	0.7	2.1
Dec.	-	-	-	-	-	-	2.7	3.4	.	0.8	2.0
2026 Jan.	-	-	-	-	-	-	.	.	1.5	.	1.7
Feb.	-	-	-	-	-	-	2.4	.	.	.	1.9

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	14,664.0	14,138.0	7,750.1	3,097.9	3,215.1	1,642.0	929.1	637.6	75.0	-525.9	7,378.5	6,852.5
2024	15,234.5	14,568.9	8,040.1	3,260.4	3,196.6	1,631.3	925.9	633.1	71.8	-665.5	7,486.6	6,821.1
2025	15,820.6	15,202.3	8,321.8	3,411.1	3,352.0	1,692.1	950.7	702.4	117.3	-618.3	7,680.9	7,062.6
2025 Q1	3,910.0	3,750.9	2,058.3	836.3	834.5	417.4	233.4	182.0	21.9	-159.0	1,931.9	1,772.9
Q2	3,938.9	3,777.7	2,071.5	846.9	828.3	420.3	236.5	169.8	30.9	-161.2	1,911.0	1,749.8
Q3	3,970.4	3,822.1	2,087.3	857.1	842.0	424.9	240.3	175.0	35.7	-148.4	1,923.4	1,775.0
Q4	4,014.0	3,862.2	2,109.5	871.3	853.8	433.8	242.4	175.9	27.6	-151.8	1,925.0	1,773.2
as percentage of GDP												
2025	100.0	96.1	52.6	21.6	21.2	10.7	6.0	4.4	0.7	-3.9	-	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q1	0.6	0.5	0.3	-0.2	2.7	0.8	0.0	11.3	-	-	2.4	2.3
Q2	0.1	0.4	0.3	0.4	-1.5	0.2	1.0	-8.4	-	-	-0.5	0.0
Q3	0.3	0.7	0.2	0.7	1.3	0.4	1.4	3.1	-	-	0.8	1.8
Q4	0.2	0.3	0.4	0.5	0.6	1.4	0.3	-0.7	-	-	-0.4	-0.2
annual percentage changes												
2023	0.4	0.1	0.5	1.5	2.4	1.1	2.3	6.4	-	-	-1.2	-2.0
2024	0.9	0.6	1.4	2.3	-2.5	-2.6	-1.9	-3.2	-	-	0.5	-0.1
2025	1.4	2.1	1.5	1.5	2.9	1.4	1.5	8.9	-	-	2.0	3.6
2025 Q1	1.6	2.2	1.6	1.9	2.4	0.2	0.1	11.4	-	-	2.7	4.0
Q2	1.6	2.6	1.7	1.4	3.6	1.3	0.1	15.7	-	-	0.7	2.8
Q3	1.4	2.0	1.4	1.5	3.3	2.2	3.6	5.3	-	-	2.9	4.2
Q4	1.2	1.9	1.3	1.4	3.1	2.9	2.6	4.2	-	-	2.4	3.9
contributions to quarter-on-quarter percentage changes in GDP; percentage points												
2025 Q1	0.6	0.4	0.2	0.0	0.6	0.1	0.0	0.5	-0.2	0.2	-	-
Q2	0.1	0.4	0.2	0.1	-0.3	0.0	0.1	-0.4	0.4	-0.2	-	-
Q3	0.3	0.7	0.1	0.1	0.3	0.0	0.1	0.1	0.1	-0.4	-	-
Q4	0.2	0.3	0.2	0.1	0.1	0.1	0.0	0.0	-0.1	-0.1	-	-
contributions to annual percentage changes in GDP; percentage points												
2023	0.4	0.1	0.3	0.3	0.5	0.1	0.1	0.3	-1.1	0.4	-	-
2024	0.9	0.6	0.7	0.5	-0.5	-0.3	-0.1	-0.1	-0.1	0.3	-	-
2025	1.4	2.0	0.8	0.3	0.6	0.1	0.1	0.4	0.3	-0.6	-	-
2025 Q1	1.6	2.1	0.8	0.4	0.5	0.0	0.0	0.5	0.3	-0.5	-	-
Q2	1.6	2.5	0.9	0.3	0.7	0.1	0.0	0.6	0.5	-0.9	-	-
Q3	1.4	1.9	0.7	0.3	0.7	0.2	0.2	0.2	0.2	-0.5	-	-
Q4	1.2	1.8	0.7	0.3	0.7	0.3	0.2	0.2	0.2	-0.6	-	-

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)											
	Total	Agriculture, forestry and fishing	Manufac-turing energy and utilities	Const-ruction	Trade, transport, accomo-dation and food services	Infor-mation and commu-nication	Finance and insurance	Real estate	Pro-fessional, business and support services	Public administra-tion, education, health and social work	Arts, entertain-ment and other services	Taxes less subsidies on products
	1	2	3	4	5	6	7	8	9	10	11	12
Current prices (EUR billions)												
2023	13,266.2	224.3	2,616.0	710.8	2,462.9	697.4	600.2	1,472.4	1,614.6	2,455.9	411.6	1,397.8
2024	13,718.6	233.8	2,594.3	725.6	2,547.8	734.5	635.5	1,528.3	1,687.4	2,598.6	432.8	1,515.8
2025	14,220.2	243.8	2,685.2	754.4	2,623.4	768.6	658.2	1,558.3	1,751.0	2,727.1	450.0	1,600.4
2025 Q1	3,512.4	60.1	669.5	185.7	649.8	188.8	162.1	385.6	430.4	669.6	110.7	397.6
Q2	3,542.5	61.4	671.1	188.5	654.9	190.5	162.2	388.1	435.0	678.3	112.4	396.4
Q3	3,565.5	61.8	668.9	189.5	657.9	193.2	165.9	390.3	440.8	684.0	113.2	404.9
Q4	3,611.6	60.4	681.9	192.4	663.0	196.3	168.3	394.2	445.7	695.6	113.7	402.4
as percentage of value added												
2025	100.0	1.7	18.9	5.3	18.4	5.4	4.6	11.0	12.3	19.2	3.2	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q1	0.7	1.4	1.8	0.9	0.6	0.8	0.6	0.2	0.3	0.1	0.2	-0.3
Q2	0.1	-0.6	0.1	0.1	0.4	0.4	-0.9	0.1	0.3	0.1	0.2	0.2
Q3	0.3	0.7	0.0	0.2	0.4	1.2	0.4	0.2	0.5	0.4	0.3	0.0
Q4	0.2	0.3	-0.2	0.7	0.0	0.9	0.7	0.4	0.2	0.2	0.0	0.3
annual percentage changes												
2023	0.7	-2.7	-1.7	1.7	-0.2	6.8	-2.9	2.1	2.2	1.0	3.5	-1.8
2024	0.9	-0.4	-0.5	-1.5	1.0	3.0	1.5	1.2	1.4	1.8	1.9	0.8
2025	1.3	1.5	2.2	0.5	1.3	3.3	0.2	0.9	1.0	1.1	0.6	1.8
2025 Q1	1.5	1.0	2.9	-0.5	1.2	3.3	0.3	0.8	1.0	1.6	1.2	2.7
Q2	1.4	1.5	2.8	0.4	1.3	3.5	-0.4	1.0	0.7	1.1	1.1	2.9
Q3	1.4	2.1	2.2	1.2	1.5	3.3	0.3	0.9	1.0	1.1	-0.3	1.4
Q4	1.3	1.8	1.6	1.9	1.4	3.3	0.8	0.9	1.4	0.8	0.7	0.3
contributions to quarter-on-quarter percentage changes in value added; percentage points												
2025 Q1	0.7	0.0	0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-
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	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
contributions to annual percentage changes in value added; percentage points												
2023	0.7	0.0	-0.3	0.1	0.0	0.4	-0.1	0.2	0.3	0.2	0.1	-
2024	0.9	0.0	-0.1	-0.1	0.2	0.2	0.1	0.1	0.2	0.3	0.1	-
2025	1.3	0.0	0.4	0.0	0.2	0.2	0.0	0.1	0.1	0.2	0.0	-
2025 Q1	1.5	0.0	0.6	0.0	0.2	0.2	0.0	0.1	0.1	0.3	0.0	-
Q2	1.4	0.0	0.5	0.0	0.2	0.2	0.0	0.1	0.1	0.2	0.0	-
Q3	1.4	0.0	0.4	0.1	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
Q4	1.3	0.0	0.3	0.1	0.3	0.2	0.0	0.1	0.2	0.1	0.0	-

Sources: Eurostat and ECB calculations.

2 Economic activity

2.3 Employment [1)]

(quarterly data seasonally adjusted; annual data unadjusted)

		By employment status		By economic activity									
	Total	Employees	Self-employed	Agriculture forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation 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	13
Persons employed													
as a percentage of total persons employed													
2023	100.0	86.1	13.9	2.8	14.1	6.4	24.3	3.4	2.3	1.1	14.2	24.8	6.6
2024	100.0	86.1	13.9	2.8	14.0	6.4	24.3	3.4	2.3	1.0	14.2	24.9	6.6
2025	100.0	86.1	13.9	2.7	13.8	6.4	24.4	3.4	2.3	1.1	14.2	25.1	6.6
annual percentage changes													
2023	1.5	1.6	1.1	-1.1	0.8	1.6	2.0	4.1	0.7	2.0	1.8	1.3	1.7
2024	1.0	1.0	0.6	-1.0	0.3	0.9	1.0	2.0	1.5	-0.6	0.7	1.5	1.1
2025	0.7	0.7	0.9	-1.7	-0.4	1.2	0.7	-0.1	1.3	2.2	0.9	1.2	1.1
2025 Q1	0.8	0.8	0.4	-1.7	-0.3	0.9	0.7	0.8	1.4	2.8	0.7	1.5	1.4
Q2	0.7	0.6	1.1	-2.1	-0.5	1.0	1.0	0.2	1.2	2.9	0.8	1.2	0.8
Q3	0.6	0.6	1.0	-1.9	-0.4	1.3	0.6	-0.5	1.3	2.4	0.7	1.1	1.0
Q4	0.7	0.6	1.2	-1.1	-0.5	1.5	0.6	-1.0	1.2	0.7	1.3	1.1	1.1
Hours worked													
as a percentage of total hours worked													
2023	100.0	81.9	18.1	3.7	14.6	7.3	25.1	3.6	2.4	1.1	14.2	22.0	5.9
2024	100.0	82.0	18.0	3.6	14.5	7.3	25.1	3.7	2.4	1.1	14.2	22.2	5.9
2025	100.0	82.1	17.9	3.5	14.3	7.4	25.0	3.6	2.4	1.1	14.3	22.4	6.0
annual percentage changes													
2023	1.7	2.0	0.6	-1.4	1.1	1.3	2.0	4.0	0.8	1.6	2.1	1.9	2.4
2024	1.1	1.2	0.6	-0.6	0.3	1.1	1.1	2.2	1.4	-0.1	1.2	1.7	1.5
2025	0.4	0.5	-0.2	-2.3	-0.8	0.9	0.1	-0.4	0.9	1.8	0.7	1.1	1.6
2025 Q1	0.5	0.7	-0.7	-2.5	-0.8	0.7	0.2	0.8	1.0	2.5	0.4	1.5	2.0
Q2	0.3	0.4	-0.2	-2.3	-1.1	1.2	0.2	-0.2	0.8	2.5	0.5	0.9	1.6
Q3	0.7	0.7	0.6	-2.3	-0.2	1.3	0.5	-0.7	1.1	3.8	1.1	1.3	1.8
Q4	0.8	0.9	0.2	-1.6	-0.1	1.4	0.3	-0.4	1.7	-0.8	1.4	1.5	1.8
Hours worked per person employed													
annual percentage changes													
2023	0.2	0.4	-0.4	-0.3	0.2	-0.2	0.0	0.0	0.1	-0.4	0.3	0.6	0.6
2024	0.2	0.2	0.0	0.4	0.0	0.1	0.0	0.2	-0.1	0.5	0.5	0.3	0.4
2025	-0.3	-0.2	-1.1	-0.6	-0.4	-0.3	-0.6	-0.2	-0.3	-0.4	-0.2	-0.1	0.6
2025 Q1	-0.3	-0.1	-1.0	-0.7	-0.5	-0.2	-0.5	0.0	-0.4	-0.3	-0.3	0.0	0.6
Q2	-0.4	-0.2	-1.3	-0.3	-0.6	0.1	-0.8	-0.4	-0.4	-0.5	-0.3	-0.3	0.8
Q3	0.1	0.2	-0.4	-0.3	0.2	0.0	-0.1	-0.2	-0.2	1.4	0.3	0.2	0.8
Q4	0.1	0.3	-1.0	-0.5	0.4	-0.1	-0.3	0.6	0.4	-1.5	0.1	0.4	0.7

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		
	1	2	3	4	5	6	7	8	9	10	11	12	13		14
% of total in 2024			100.0			78.8		21.2		51.3		48.7			
2023	172.765	2.9	11.296	6.6	2.4	8.990	5.7	2.306	14.5	5.711	6.2	5.584	6.9		3.0
2024	174.354	2.8	11.053	6.4	2.1	8.715	5.5	2.339	14.6	5.665	6.1	5.388	6.6		2.6
2025	175.999	2.8	11.133	6.4	2.0	8.758	5.5	2.375	14.9	5.738	6.2	5.394	6.5		2.2
2025 Q1	175.637	2.7	11.072	6.3	2.1	8.702	5.5	2.371	14.8	5.651	6.1	5.421	6.6		2.4
Q2	176.037	2.8	11.199	6.4	2.1	8.854	5.5	2.345	14.6	5.814	6.2	5.385	6.5		2.2
Q3	176.048	2.8	11.234	6.4	2.0	8.855	5.5	2.380	14.9	5.790	6.2	5.444	6.6		2.1
Q4	176.276	2.8	11.026	6.3	2.0	8.621	5.4	2.405	15.1	5.699	6.1	5.327	6.4		2.2
2025 Aug.	-	-	11.107	6.3	-	8.756	5.5	2.351	14.8	5.718	6.1	5.389	6.5		-
Sep.	-	-	11.144	6.3	-	8.747	5.5	2.397	15.0	5.743	6.1	5.401	6.5		-
Oct.	-	-	11.140	6.3	-	8.700	5.4	2.440	15.3	5.772	6.2	5.369	6.5		-
Nov.	-	-	11.026	6.3	-	8.635	5.4	2.392	15.0	5.744	6.1	5.282	6.4		-
Dec.	-	-	10.954	6.2	-	8.575	5.3	2.380	15.0	5.695	6.1	5.260	6.4		-
2026 Jan.	-	-	10.770	6.1	-	8.418	5.2	2.352	14.8	5.596	6.0	5.174	6.3		-

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).
Note: Euro area data include Bulgaria.

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	2.0	-1.8	-2.5	-1.0	-1.6	2.3	14.6
2024	-3.0	-3.2	-4.0	-4.9	-0.1	-0.1	-1.0	1.4	0.9	1.8	0.7	1.6	-8.5
2025	1.5	1.6	-0.6	0.8	5.5	0.9	0.1	2.4	1.4	3.1	2.2	2.1	10.4
2025 Q1	1.3	1.3	-1.2	-1.6	8.9	0.4	-0.3	2.3	1.5	3.1	1.7	2.8	-2.4
Q2	1.2	1.2	-1.4	0.5	5.7	1.4	0.5	3.0	2.1	3.6	4.0	2.3	-1.6
Q3	1.6	1.7	-0.5	1.2	5.1	0.5	0.3	2.0	0.9	2.8	1.5	2.6	6.4
Q4	2.1	2.1	0.7	3.1	2.6	1.4	-0.1	2.2	1.2	3.0	1.7	1.0	4.1
2025 Aug.	1.3	1.6	-1.5	-0.1	7.7	-0.8	0.7	1.8	0.9	2.6	0.9	2.2	8.1
Sep.	1.3	1.3	0.5	1.3	1.9	1.8	-0.3	1.4	0.7	1.6	1.4	2.7	4.9
Oct.	1.9	1.6	0.5	0.5	4.4	5.0	1.8	2.1	1.3	3.1	2.1	2.1	4.9
Nov.	2.2	2.2	0.2	3.5	3.1	0.5	-1.3	2.6	1.0	3.9	1.0	0.3	5.4
Dec.	2.2	2.6	1.5	5.6	-0.1	-1.0	-0.9	1.8	1.3	2.3	2.0	0.7	2.0
2026 Jan.	-1.2	-2.2	-2.1	1.1	-6.2	5.8	.	2.0	1.4	2.4	0.7	.	1.1
month-on-month percentage changes (s.a.)													
2025 Aug.	-0.8	-0.7	-0.2	-1.2	-0.1	-0.3	0.0	-0.1	0.4	-0.5	-0.3	-0.2	0.8
Sep.	0.0	-0.4	0.2	-0.1	-2.5	1.1	-0.8	0.3	-0.2	0.3	0.1	0.1	-0.2
Oct.	0.7	0.5	0.3	0.4	1.4	1.7	1.7	0.4	0.5	0.4	0.5	0.3	1.4
Nov.	0.2	0.6	0.0	2.4	-1.5	-2.6	-1.5	0.0	-0.4	0.6	-0.2	-0.7	3.2
Dec.	-0.6	-0.6	-0.2	-0.7	0.5	-0.3	0.8	0.2	0.4	-0.4	0.6	0.2	-4.8
2026 Jan.	-1.5	-2.3	-1.9	-2.3	-5.6	4.7	.	-0.1	0.3	-0.2	-1.1	.	-1.0

Sources: Eurostat, ECB calculations and European Automobile Manufacturers Association (col. 13).
1) Excluding trade and financial services.
Note: Euro area data include Bulgaria.

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
1999-21	.	.	.	.	.	.	.	.
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 Q2	94.7	-10.7	77.5	-14.3	-3.0	-7.7	2.8	89.8
Q3	95.9	-10.0	77.8	-13.6	-3.0	-6.7	3.9	89.9
Q4	97.2	-8.5	77.9	-12.9	-1.5	-6.3	5.1	89.9
2026 Q1	.	.	77.8	.	.	.	.	89.7
2025 Sep.	96.1	-9.9	.	-13.4	-3.0	-7.5	4.1	.
Oct.	97.3	-8.0	77.9	-12.6	-2.2	-6.7	4.2	89.9
Nov.	97.4	-8.9	.	-12.8	-1.2	-5.5	5.6	.
Dec.	97.0	-8.6	.	-13.2	-1.1	-6.6	5.4	.
2026 Jan.	99.3	-6.8	77.8	-12.4	-1.3	-5.7	6.8	89.7
Feb.	98.3	-7.1	.	-12.2	-2.1	-4.5	5.0	.

Source: European Commission (Directorate-General for Economic and Financial Affairs).
Note: Euro area data include Bulgaria.

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 investment	Non-financial investment (gross)	Net worth [2]	Housing wealth	Profit rate [3]	Saving rate (gross)	Debt ratio [4]	Financial investment	Non-financial investment (gross)	Financing
	Percentage of gross disposable income (adjusted) [1]		Annual percentage changes					Percentage of gross value added		Percentage of GDP	Annual percentage changes		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2022	13.5	90.7	0.8	2.1	12.6	2.4	8.0	37.9	5.2	72.6	5.0	9.7	3.4
2023	14.2	84.7	1.2	1.9	2.4	4.2	1.9	37.1	5.9	68.5	1.6	3.6	0.7
2024	15.2	81.7	2.4	2.2	-2.7	6.0	5.5	35.6	4.3	67.0	1.8	-2.4	0.8
2024 Q4	15.2	81.7	2.2	2.2	-1.4	6.0	5.5	35.6	4.3	67.0	1.8	2.2	0.8
2025 Q1	15.2	81.3	1.1	2.4	0.1	5.4	6.0	35.5	4.0	67.0	2.8	8.1	1.8
Q2	15.2	81.5	1.4	2.6	2.9	5.5	5.4	35.4	3.6	66.2	2.5	12.3	1.6
Q3	15.2	81.4	0.8	2.6	2.9	4.8	4.9	35.2	3.5	65.9	2.2	7.2	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 Q1	1,551.1	1,475.8	75.3	753.5	642.8	391.6	361.1	357.8	381.5	48.3	90.3	32.0	26.6
Q2	1,503.5	1,419.8	83.7	716.9	630.0	387.5	349.0	349.8	344.7	49.1	96.1	18.6	17.3
Q3	1,467.6	1,421.8	45.8	721.4	626.5	382.1	355.9	316.9	342.5	47.2	96.9	23.5	20.5
Q4	1,476.1	1,425.6	50.5	707.0	630.6	383.9	344.5	336.7	355.0	48.5	95.5	35.2	17.9
2025 July	489.2	471.9	17.3	239.6	209.8	126.6	118.5	107.6	111.4	15.4	32.2	8.8	5.4
Aug.	486.6	474.1	12.5	238.6	207.7	128.0	119.0	104.5	115.2	15.6	32.2	5.5	6.3
Sep.	491.8	475.7	16.1	243.2	209.1	127.6	118.3	104.8	115.8	16.3	32.5	9.2	8.8
Oct.	495.1	468.1	27.0	235.4	202.7	127.9	114.6	116.1	119.0	15.6	31.8	7.6	4.7
Nov.	493.2	484.3	8.9	234.3	210.6	128.6	116.7	113.0	124.5	17.3	32.5	9.2	4.3
Dec.	487.9	473.3	14.6	237.3	217.3	127.4	113.3	107.6	111.5	15.6	31.3	18.4	8.9
12-month cumulated transactions													
2025 Dec.	5,998.3	5,743.0	255.3	2,898.8	2,529.8	1,545.1	1,410.6	1,361.2	1,423.7	193.2	378.9	109.2	82.3
12-month cumulated transactions as a percentage of GDP													
2025 Dec.	37.9	36.3	1.6	18.3	16.0	9.8	8.9	8.6	9.0	1.2	2.4	0.7	0.5

1) The capital account is not seasonally adjusted.

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.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports	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 Q1	8.0	7.7	768.2	378.0	145.6	230.9	640.1	708.3	400.1	115.1	178.0	508.0	67.7
Q2	0.0	1.7	725.3	337.9	139.3	229.7	604.4	692.2	382.6	117.8	176.7	506.1	59.4
Q3	1.4	1.9	724.4	338.9	146.0	223.6	601.6	690.7	377.5	119.6	176.4	509.6	63.1
Q4	0.3	-0.3	719.4	.	.	.	591.8	683.5	.	.	.	506.7	.
2025 July	0.6	2.7	239.1	109.6	49.6	75.3	198.0	232.2	127.5	39.9	59.5	170.7	21.7
Aug.	-4.6	-3.6	236.8	108.9	47.9	74.2	195.8	227.4	124.1	39.4	57.9	167.8	20.4
Sep.	7.8	6.1	248.5	120.4	48.5	74.2	207.7	231.1	125.9	40.3	59.0	171.1	20.9
Oct.	1.2	-3.3	237.6	109.2	48.3	74.3	196.2	223.5	121.0	39.9	55.4	167.1	18.5
Nov.	-3.4	-1.1	239.5	110.5	46.8	75.4	197.6	229.3	125.4	39.9	58.1	169.8	19.1
Dec.	3.4	4.2	242.3	.	.	.	198.0	230.7	.	.	.	169.7	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2024 Q4	-2.1	1.9	94.3	87.9	90.8	108.2	94.3	100.4	95.6	98.4	110.1	100.6	135.0
2025 Q1	0.6	1.9	98.2	93.6	94.3	108.2	98.7	100.6	96.1	98.1	110.7	100.9	129.0
Q2	-2.8	1.0	94.2	87.3	90.5	109.0	94.2	100.9	95.5	101.7	111.3	101.5	134.9
Q3	0.2	3.0	95.2	88.6	94.9	106.7	95.2	102.0	96.4	104.0	111.4	103.1	137.8
2025 June	-1.3	6.2	93.4	85.1	90.8	109.9	93.1	103.2	96.8	105.2	115.2	104.2	134.3
July	-0.1	3.6	94.9	86.4	96.6	108.0	94.9	102.1	96.7	103.8	111.4	103.1	136.5
Aug.	-5.8	-1.5	93.8	86.1	94.7	106.3	93.4	101.5	96.0	104.0	110.3	102.8	136.8
Sep.	6.1	6.5	96.8	93.4	93.6	105.9	97.3	102.4	96.4	104.4	112.5	103.5	140.3
Oct.	-0.1	-2.6	93.1	84.9	93.0	106.3	92.8	99.0	92.8	104.2	105.6	100.6	131.6
Nov.	-5.0	1.3	93.0	85.3	90.1	106.5	92.7	103.1	96.8	105.6	110.9	103.8	141.3

Sources: ECB and 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.

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: 2015 = 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 2024	100.0	100.0	70.6	54.9	45.1	100.0	14.2	5.3	25.5	9.9	45.1	88.5	11.5
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 Q1	98.9	2.3	2.6	1.2	3.7	0.8	0.5	0.6	0.2	2.9	0.9	2.2	3.6
Q2	100.1	2.0	2.4	0.8	3.5	0.2	0.6	1.1	0.0	-4.1	0.9	1.9	2.9
Q3	100.4	2.1	2.3	1.2	3.2	0.6	0.8	0.9	0.3	0.3	0.7	2.0	2.7
Q4	100.6	2.1	2.4	0.9	3.4	0.5	0.4	0.3	0.0	-0.1	0.8	2.0	2.3
2025 Sep.	100.5	2.2	2.4	1.4	3.2	0.2	0.2	-0.1	0.1	-0.1	0.3	2.2	2.6
Oct.	100.7	2.1	2.4	1.0	3.4	0.1	0.1	0.0	0.0	-0.2	0.3	2.1	2.3
Nov.	100.5	2.1	2.4	1.0	3.5	0.2	0.1	0.0	0.0	1.0	0.2	2.1	2.3
Dec.	100.6	2.0	2.3	0.7	3.4	0.1	0.0	0.7	-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	0.7	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	1.0	0.2	0.6	0.3	1.8	2.4

	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 2024	19.5	14.2	5.3	35.5	25.5	9.9	9.6	5.6	7.5	2.4	16.3	9.4
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 Q1	2.6	2.7	2.5	0.5	0.6	0.4	3.3	2.9	3.9	-1.7	4.2	4.1
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
2025 Sep.	3.0	2.7	3.9	0.5	0.7	-0.4	3.2	2.9	3.3	0.3	3.4	3.7
Oct.	2.5	2.4	2.7	0.2	0.6	-0.9	3.2	2.9	3.9	1.0	3.4	3.7
Nov.	2.4	2.3	2.7	0.2	0.5	-0.5	3.2	3.0	3.3	0.4	3.9	3.7
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

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 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		Industry excluding construction and energy						Energy			
							Consumer goods						
	Total (index: 2021 = 100)	Total	Manufacturing	Total	Intermediate goods	Capital 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	-1.1	-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	2.0	-4.5
2025	125.1	0.4	0.4	1.1	0.4	1.7	2.2	1.7	1.6	-0.8	1.0	.	.
2025 Q1	127.8	2.4	0.7	1.3	0.9	1.7	2.1	1.6	1.6	5.4	0.7	5.3	1.1
Q2	123.5	0.6	-0.1	1.1	0.3	1.7	2.3	2.1	1.4	-0.4	0.6	5.1	2.1
Q3	124.2	-0.1	0.5	1.0	-0.1	1.7	2.4	2.0	1.5	-2.3	1.1	5.1	.
Q4	124.6	-1.2	0.6	1.0	0.5	1.7	2.0	0.9	1.8	-6.0	1.7	.	.
2025 Aug.	124.1	-0.6	0.3	0.9	-0.2	1.7	2.4	2.1	1.6	-3.8	-	-	-
Sep.	124.0	-0.1	0.9	0.9	-0.1	1.8	2.3	1.9	1.5	-2.1	-	-	-
Oct.	124.1	-0.4	0.5	0.9	0.3	1.7	2.1	1.3	1.6	-3.4	-	-	-
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	-	-	-

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 11 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)					
			Domestic demand							Import-weighted [2]			Use-weighted [2]		
	Total (s.a.; index: 2020 = 100)	Total	Total	Private consumption	Government consumption	Gross fixed capital formation	Exports [1]	Imports [1]		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	114.0	6.1	4.8	6.3	3.7	4.1	0.7	-2.2	83.7	-13.0	-13.7	-12.4	-13.7	-14.0	-13.4
2024	117.3	3.0	2.4	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	120.2	2.4	2.2	2.0	3.0	1.9	0.5	-0.1	69.9	-0.6	0.2	-1.2	-1.1	-0.6	-1.6
2025 Q1	119.1	2.3	2.3	1.9	2.9	1.8	2.1	1.9	76.7	11.1	15.8	7.1	12.3	16.3	8.2
Q2	119.8	2.5	2.1	1.9	3.0	2.0	0.4	-0.4	68.9	-6.1	-2.9	-8.7	-5.6	-2.8	-8.4
Q3	120.4	2.4	2.2	2.0	2.8	1.7	0.0	-0.7	69.9	-1.9	-1.9	-1.9	-3.0	-3.2	-2.9
Q4	121.5	2.5	2.2	2.3	3.4	2.0	-0.3	-1.1	64.3	-4.8	-9.5	-0.8	-7.3	-11.6	-2.8
2025 Sep.	-	-	-	-	-	-	-	-	68.2	-0.5	-0.5	-0.5	-2.5	-3.3	-1.7
Oct.	-	-	-	-	-	-	-	-	65.2	-3.3	-5.0	-1.9	-5.4	-7.5	-3.3
Nov.	-	-	-	-	-	-	-	-	64.1	-4.5	-8.2	-1.5	-7.1	-10.9	-3.2
Dec.	-	-	-	-	-	-	-	-	63.4	-6.5	-14.8	0.8	-9.2	-16.1	-1.9
2026 Jan.	-	-	-	-	-	-	-	-	68.2	-4.3	-18.6	8.8	-6.7	-16.9	4.5
Feb.	-	-	-	-	-	-	-	-	73.3	-12.4	-21.4	-4.1	-13.3	-18.3	-7.9

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.
Note: Euro area data in columns 10 to 15 include Bulgaria.

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
1999-21	35.9	27.7	12.6	23.8	36.3
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 Q1	10.4	17.0	15.4	4.8	50.0
Q2	8.2	16.3	13.6	3.4	49.2
Q3	7.8	16.8	13.3	3.0	48.0
Q4	9.6	17.4	13.5	7.8	48.4
2025 Sep.	7.4	16.9	12.2	4.5	47.6
Oct.	7.8	16.1	12.3	6.7	48.0
Nov.	10.0	18.3	13.7	7.9	48.0
Dec.	10.9	17.8	14.5	8.7	49.1
2026 Jan.	10.3	16.4	14.1	8.6	46.9
Feb.	11.5	17.1	13.9	6.5	45.8

Source: European Commission (Directorate-General for Economic and Financial Affairs).
Note: Euro area data include Bulgaria.

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

			By component		For selected economic activities		
	Total (index: 2020=100)	Total	Wages and salaries	Employers' social contributions	Business economy	Mainly non-business economy	Memo item: Indicator of negotiated wages [1]
	1	2	3	4	5	6	7
% of total in 2020	100.0	100.0	75.3	24.7	69.0	31.0	
2023	110.5	4.7	4.5	5.2	5.0	4.0	4.5
2024	115.7	4.7	4.7	4.5	4.7	4.5	4.5
2025	119.8	3.6	3.4	4.0	3.8	3.1	2.8
2025 Q1	112.3	3.5	3.6	3.5	4.0	2.5	2.5
Q2	124.3	3.9	3.9	4.0	4.3	3.1	4.0
Q3	115.8	3.4	3.3	4.0	3.5	3.4	1.9
Q4	126.7	3.3	2.9	4.5	3.3	3.4	3.0

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)

			By economic activity									
	Total (index: 2020 =100)	Total	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	109.4	6.4	6.3	8.4	4.6	7.7	2.2	9.9	3.3	5.6	5.1	3.5
2024	114.3	4.5	3.8	5.1	7.0	4.5	3.0	3.8	1.4	3.9	4.4	3.7
2025	118.0	3.2	0.4	0.9	4.7	3.1	0.5	4.9	4.6	3.7	4.5	4.6
2025 Q1	116.2	3.1	1.3	0.1	5.5	3.6	1.5	4.4	3.9	3.9	4.2	3.6
Q2	117.3	3.1	0.4	0.4	5.7	3.1	0.5	6.0	4.9	4.6	4.3	4.5
Q3	118.2	3.2	-0.3	1.3	4.1	2.7	0.7	4.8	5.5	3.6	4.2	6.2
Q4	119.1	3.1	-0.2	1.2	3.0	2.6	-0.6	4.2	4.1	2.8	5.1	4.1
Compensation per employee												
2023	114.8	5.3	4.6	5.6	4.8	5.4	4.9	6.0	3.3	5.9	4.8	5.3
2024	119.9	4.5	4.4	4.3	4.3	4.4	4.0	3.8	3.3	4.7	4.7	4.5
2025	124.6	3.9	3.7	3.6	4.1	3.6	4.0	3.8	3.2	3.8	4.4	4.2
2025 Q1	122.8	3.9	4.1	3.3	4.1	4.2	4.1	3.1	1.8	4.3	4.3	3.5
Q2	124.1	4.0	4.0	3.7	4.9	3.4	3.8	4.4	2.9	4.4	4.3	4.8
Q3	125.2	4.0	3.9	3.9	4.0	3.6	4.5	3.8	4.0	3.9	4.2	4.8
Q4	126.2	3.7	2.7	3.4	3.5	3.3	3.7	3.7	4.2	2.8	4.7	3.6
Labour productivity per person employed												
2023	104.9	-1.1	-1.6	-2.5	0.1	-2.1	2.6	-3.6	0.1	0.3	-0.3	1.7
2024	104.9	-0.1	0.6	-0.8	-2.5	-0.1	1.0	0.0	1.8	0.7	0.3	0.8
2025	105.6	0.7	3.3	2.6	-0.6	0.5	3.5	-1.1	-1.3	0.1	-0.1	-0.4
2025 Q1	105.7	0.8	2.8	3.2	-1.4	0.5	2.5	-1.2	-1.9	0.3	0.1	-0.2
Q2	105.7	0.9	3.6	3.3	-0.7	0.3	3.3	-1.5	-1.9	-0.1	-0.1	0.3
Q3	105.8	0.8	4.1	2.6	-0.1	0.9	3.8	-1.0	-1.4	0.3	0.0	-1.3
Q4	105.9	0.6	2.9	2.1	0.5	0.8	4.4	-0.4	0.1	0.0	-0.3	-0.4
Compensation per hour worked												
2023	108.4	4.9	4.0	5.4	4.7	5.1	5.1	5.7	3.6	5.4	4.2	4.5
2024	113.0	4.2	4.5	4.4	4.3	4.3	3.7	3.8	2.9	3.9	4.4	4.2
2025	117.6	4.1	3.7	3.9	4.2	3.9	4.2	4.1	4.2	4.1	4.4	3.5
2025 Q1	115.7	4.1	4.3	3.8	4.2	4.3	3.9	3.6	2.3	4.5	4.2	2.7
Q2	116.9	4.2	3.6	4.2	4.4	3.7	4.0	4.8	3.9	4.8	4.5	4.0
Q3	117.8	3.8	4.5	3.6	3.9	3.4	5.0	4.2	4.2	3.7	3.9	4.3
Q4	118.1	3.4	2.4	2.8	3.5	3.5	3.1	3.2	6.0	2.5	4.2	2.4
Hourly labour productivity												
2023	98.9	-1.3	-1.3	-2.7	0.4	-2.1	2.7	-3.6	0.4	0.0	-0.8	1.1
2024	98.7	-0.2	0.2	-0.7	-2.6	-0.1	0.8	0.1	1.3	0.2	0.0	0.4
2025	99.7	1.0	3.9	3.0	-0.3	1.2	3.7	-0.8	-0.9	0.3	0.0	-1.0
2025 Q1	99.4	1.2	3.6	3.8	-1.2	1.0	2.5	-0.7	-1.6	0.7	0.1	-0.8
Q2	99.6	1.3	3.9	3.9	-0.8	1.1	3.7	-1.2	-1.5	0.2	0.2	-0.5
Q3	99.6	0.7	4.5	2.4	-0.1	1.0	4.0	-0.8	-2.8	0.0	-0.2	-2.0
Q4	99.2	0.5	3.4	1.7	0.5	1.1	3.8	-0.9	1.7	0.0	-0.8	-1.1

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 deposity (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	5.00	-0.04
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	4.25	0.47
2025 Sep.	1.92	1.90	2.03	2.10	2.17	4.30	0.48
Oct.	1.93	1.91	2.03	2.11	2.19	4.20	0.48
Nov.	1.93	1.91	2.04	2.13	2.22	3.97	0.48
Dec.	1.93	1.92	2.05	2.14	2.27	3.80	0.54
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

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 Sep.	1.94	1.94	1.99	2.27	2.78	0.83	0.58	0.82	1.97	2.12	2.82	3.63
Oct.	1.90	1.90	1.95	2.23	2.72	0.82	0.45	0.89	1.93	2.08	2.76	3.56
Nov.	1.95	1.96	2.01	2.28	2.77	0.81	0.47	1.02	1.99	2.13	2.80	3.64
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

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 Sep.	572.8	5,408.0	947.6	257.8	148.6	138.8	344.7	1,198.6	1,083.0	445.8	350.4	840.5	6,584.0	44,218.5
Oct.	594.4	5,641.1	940.9	266.6	150.6	143.2	345.2	1,246.9	1,194.5	478.4	354.1	905.0	6,735.7	48,521.1
Nov.	593.5	5,634.1	927.2	266.6	152.1	150.5	353.1	1,210.9	1,153.6	499.4	340.0	913.0	6,740.9	50,111.1
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

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					
			With an agreed maturity of:				By initial period of rate fixation				By initial period of rate fixation					
	Overnight	Redeemable at notice of up to 3 months	Up tp 2 years	Over 2 years			Floating rate and up to 1 year	Over 1 year	APRC [3)]		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years	APRC [3)]	Composite cost-of-borrowing indicator
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2025 Feb.	0.32	1.55	2.20	2.35	7.74	16.69	6.79	7.66	8.38	4.45	4.00	3.52	3.37	3.09	3.61	3.33
Mar.	0.31	1.52	2.09	2.23	7.73	16.63	6.96	7.57	8.28	4.35	3.92	3.50	3.36	3.10	3.57	3.32
Apr.	0.29	1.50	1.96	2.28	7.53	16.58	6.95	7.59	8.31	4.29	3.85	3.48	3.32	3.04	3.52	3.27
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	6.73	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	6.18	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	1.22	1.79	2.30	7.31	16.47	6.66	7.62	8.29	4.12	3.51	3.37	3.51	3.23	3.64	3.35

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
		With an agreed maturity of:			Up to EUR 0.25 million			over EUR 0.25 and up to 1 million			over EUR 1 million			
	Overnight	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 Feb.	0.72	2.50	2.73	4.33	4.37	4.54	4.79	4.22	3.81	3.69	3.98	3.75	3.58	4.11
Mar.	0.67	2.33	2.54	4.21	4.02	4.53	4.81	3.97	3.77	3.69	3.67	3.78	3.67	3.94
Apr.	0.60	2.15	2.65	4.03	3.91	4.20	4.78	3.86	3.59	3.70	3.55	3.51	3.66	3.80
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	3.60
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	3.13	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	3.34	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	3.30	3.54	3.60	3.57
2026 Jan.	0.52	1.90	2.42	3.68	3.59	4.07	4.71	3.53	3.40	3.70	3.29	3.45	3.57	3.57

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	1,573.3	622.5	163.8	104.3	85.2	701.8	659.1	537.2	242.1	117.9	91.3	48.7	128.5	104.6
2024	1,600.2	582.1	205.9	121.2	70.4	741.8	674.7	522.8	207.9	138.0	107.7	39.6	137.3	110.2
2025	1,613.6	574.4	216.3	134.4	76.9	746.0	662.7	557.6	228.8	152.8	123.9	41.3	134.7	107.8
2025 Sep.	1,637.1	606.0	222.6	131.6	92.7	715.9	635.0	584.5	235.1	154.1	123.6	46.2	149.0	111.6
Oct.	1,657.3	603.5	217.3	123.0	96.1	740.5	662.5	600.4	227.2	162.0	127.8	44.8	166.3	136.5
Nov.	1,683.2	615.7	214.5	123.6	95.2	757.9	670.3	550.9	220.6	149.3	124.1	40.4	140.7	114.3
Dec.	1,613.6	574.4	216.3	134.4	76.9	746.0	662.7	481.7	172.7	157.8	137.9	28.6	122.5	93.3
2026 Jan.	1,664.5	601.7	200.0	112.5	88.0	774.8	672.7	615.7	248.3	153.3	120.5	46.4	167.7	138.8
Feb.	1,653.5	620.8	197.5	107.1	88.1	747.2	659.2	538.4	229.7	141.6	114.1	40.4	126.7	100.0
Long-term														
2023	19,426.7	4,447.6	3,244.6	1,433.6	1,545.2	10,189.3	9,450.2	322.1	93.4	68.2	31.0	21.2	139.3	130.8
2024	20,540.3	4,776.1	3,512.5	1,527.9	1,644.2	10,607.5	9,835.6	351.3	89.5	86.0	35.1	27.0	148.8	138.1
2025	21,411.0	4,895.0	3,759.3	1,688.1	1,743.7	11,013.0	10,220.6	385.5	93.7	103.1	44.3	30.9	157.8	146.8
2025 Sep.	21,307.6	4,875.5	3,655.3	1,628.7	1,724.4	11,052.3	10,263.6	419.3	93.9	113.0	44.7	42.8	169.6	161.2
Oct.	21,468.4	4,914.4	3,708.6	1,650.5	1,733.0	11,112.5	10,312.5	389.3	83.2	117.5	45.5	35.5	153.2	142.4
Nov.	21,580.1	4,927.0	3,772.3	1,685.8	1,753.3	11,127.5	10,325.5	383.9	83.6	130.9	56.3	43.6	125.7	116.5
Dec.	21,411.0	4,895.0	3,759.3	1,688.1	1,743.7	11,013.0	10,220.6	274.9	82.3	115.1	54.7	16.3	61.2	54.8
2026 Jan.	21,717.8	4,942.7	3,765.5	1,678.9	1,767.1	11,242.6	10,429.1	540.8	143.3	97.5	28.4	37.1	262.9	235.8
Feb.	21,986.3	4,990.5	3,805.5	1,683.0	1,780.1	11,410.3	10,584.0	381.6	89.9	84.8	28.4	23.8	183.1	169.2

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	21,000.0	5,070.1	3,408.5	1,537.9	1,630.4	10,891.0	10,109.3	9,671.8	625.3	1,420.8	7,625.2
2024	22,140.4	5,358.2	3,718.4	1,649.1	1,714.6	11,349.3	10,510.3	10,150.1	755.1	1,588.2	7,806.4
2025	23,024.6	5,469.4	3,975.7	1,822.4	1,820.6	11,758.9	10,883.3	11,689.1	1,315.7	1,840.7	8,532.3
2025 Sep.	22,944.6	5,481.5	3,877.8	1,760.4	1,817.1	11,768.2	10,898.6	11,298.2	1,165.1	1,860.7	8,271.9
Oct.	23,125.7	5,517.8	3,925.9	1,773.4	1,829.0	11,852.9	10,975.0	11,514.3	1,164.3	1,846.4	8,503.2
Nov.	23,263.3	5,542.6	3,986.7	1,809.4	1,848.4	11,885.4	10,995.8	11,482.4	1,204.0	1,846.6	8,431.4
Dec.	23,024.6	5,469.4	3,975.7	1,822.4	1,820.6	11,758.9	10,883.3	11,689.1	1,315.7	1,840.7	8,532.3
2026 Jan.	23,382.3	5,544.4	3,965.5	1,791.4	1,855.1	12,017.4	11,101.9	11,938.8	1,364.6	1,819.5	8,754.3
Feb.	23,639.9	5,611.3	4,003.0	1,790.1	1,868.1	12,157.4	11,243.2	12,294.1	1,320.4	1,869.3	9,104.0
Growth rate [2)]											
2025 July	5.5	4.9	9.3	10.9	3.9	4.8	4.8	-0.1	-0.7	-0.5	0.0
Aug.	5.5	5.4	9.5	11.5	3.4	4.5	4.5	-0.1	-0.5	-0.6	0.0
Sep.	5.1	3.8	9.4	11.5	3.3	4.7	4.6	0.0	0.7	-0.7	0.0
Oct.	5.1	3.9	9.5	10.1	3.1	4.6	4.6	-0.1	0.6	-0.8	0.0
Nov.	5.6	4.8	9.6	9.9	3.9	5.0	4.8	-0.1	0.4	-0.8	-0.1
Dec.	5.7	4.4	10.7	10.5	3.8	5.1	5.0	0.0	2.9	-1.9	-0.1
2026 Jan.	5.7	3.8	10.0	10.0	4.7	5.3	5.0	-0.1	2.6	-2.0	0.0
Feb.	5.6	4.4	9.7	8.9	4.8	4.9	4.7	0.0	2.3	-2.0	0.1

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	93.9	97.8	88.9	67.1	86.3	122.1	94.4
2024	98.2	94.2	97.9	89.5	67.3	87.3	124.4	94.6
2025	100.4	96.3	101.6	.	.	.	128.3	96.5
2025 Q1	96.8	93.1	96.5	88.4	63.7	85.9	123.2	93.2
Q2	100.4	96.4	101.4	92.0	65.4	89.4	128.4	96.6
Q3	102.1	98.0	103.8	93.6	66.6	91.1	130.8	98.3
Q4	101.9	97.8	104.7	.	.	.	130.7	98.0
2025 Sep.	102.2	98.1	104.2	-	-	-	131.1	98.5
Oct.	101.9	97.7	104.3	-	-	-	130.6	97.9
Nov.	101.8	97.7	104.3	-	-	-	130.4	97.8
Dec.	102.2	98.0	105.4	-	-	-	131.1	98.2
2026 Jan.	101.8	97.7	105.2	-	-	-	130.7	97.8
Feb.	101.8	97.6	105.2	-	-	-	130.7	97.7
Percentage change versus previous month								
2026 Feb.	-0.1	-0.1	0.1	-	-	-	0.0	-0.2
Percentage change versus previous year								
2026 Feb.	5.9	5.7	10.1	-	-	-	7.0	5.7

Source: ECB.
1) For a definition of the trading partner groups and other information see the General Notes to the Statistics Bulletin.

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 Q1	7.655	25.082	7.460	405.023	160.453	4.201	0.836	4.9763	11.235	0.946	1.052
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
2025 Sep.	8.359	24.347	7.464	391.630	173.549	4.259	0.869	5.0740	11.000	0.935	1.173
Oct.	8.281	24.315	7.468	389.912	176.153	4.249	0.872	5.0872	10.970	0.929	1.163
Nov.	8.215	24.234	7.468	384.201	179.316	4.238	0.880	5.0867	10.991	0.929	1.156
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
Percentage change versus previous month											
2026 Feb.	-0.2	-0.1	0.0	-1.5	-0.3	0.1	0.2	0.1	-0.4	-1.4	0.7
Percentage change versus previous year											
2026 Feb.	7.8	-3.3	0.1	-6.1	16.0	1.1	4.8	2.4	-5.4	-2.9	13.6

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)												
2024 Q4	36,029.9	34,162.5	1,867.4	12,737.4	9,943.6	14,741.9	16,499.5	-2.1	7,157.8	7,719.5	1,394.8	16,706.8
2025 Q1	36,224.7	34,529.9	1,694.8	12,663.7	9,910.1	14,440.5	16,517.1	39.6	7,569.8	8,102.7	1,511.0	17,000.4
Q2	35,908.8	34,401.6	1,507.2	12,440.6	9,686.8	14,516.8	16,696.3	14.3	7,475.0	8,018.6	1,462.1	16,874.6
Q3	36,829.6	35,113.8	1,715.8	12,481.0	9,762.2	15,230.7	17,306.6	-0.5	7,496.2	8,045.0	1,622.2	16,957.3
Outstanding amounts as percentage of GDP												
2025 Q3	235.1	224.1	11.0	79.7	62.3	97.2	110.5	0.0	47.9	51.4	10.4	108.2
Transactions												
2025 Q1	829.5	731.2	98.3	138.1	51.1	220.4	210.1	-8.8	480.6	470.0	-0.8	-
Q2	314.2	231.7	82.6	-45.6	-46.6	203.5	186.7	0.5	147.0	91.6	8.8	-
Q3	294.6	259.8	34.8	25.1	30.1	268.4	195.5	-4.2	-0.5	34.2	5.8	-
Q4	201.4	182.3	19.1	60.1	-39.5	74.3	245.4	13.6	43.7	-23.5	9.8	-
2025 July	38.2	32.6	5.5	22.8	9.9	56.3	35.9	0.4	-41.5	-13.2	0.1	-
Aug.	140.0	161.6	-21.6	-5.3	19.2	86.4	65.5	-0.4	58.1	76.9	1.2	-
Sep.	116.5	65.6	50.9	7.6	1.0	125.7	94.1	-4.2	-17.1	-29.5	4.6	-
Oct.	206.0	208.1	-2.1	17.0	-5.8	31.6	83.5	8.7	147.9	130.4	0.8	-
Nov.	134.0	125.7	8.3	13.4	9.0	22.8	80.5	7.5	87.7	36.3	2.7	-
Dec.	-138.5	-151.5	12.9	29.8	-42.7	19.8	81.4	-2.6	-191.9	-190.1	6.3	-
12-month cumulated transactions												
2025 Dec.	1,639.8	1,405.1	234.8	177.7	-4.9	766.6	837.6	1.1	670.9	572.4	23.5	-
12-month cumulated transactions as percentage of GDP												
2025 Dec.	10.4	8.9	1.5	1.1	0.0	4.8	5.3	0.0	4.2	3.6	0.1	-

Source: ECB.
1) Net financial derivatives are included in total assets.

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	2,306.0	2,451.9	4,757.9	15,112.4	183.5	740.3	72.8	996.6	16,109.0
2024	1,554.5	9,048.7	10,603.2	2,545.4	2,455.2	5,000.6	15,603.8	253.8	880.6	38.3	1,172.7	16,776.5
2025	1,587.5	9,504.8	11,092.3	2,421.2	2,563.5	4,984.7	16,077.0	259.4	851.1	19.2	1,129.7	17,206.7
2025 Q1	1,558.2	9,124.4	10,682.6	2,488.7	2,487.0	4,975.7	15,658.3	241.9	894.8	43.6	1,180.3	16,838.6
Q2	1,563.9	9,242.9	10,806.8	2,402.9	2,513.4	4,916.3	15,723.1	257.5	920.1	26.6	1,204.2	16,927.3
Q3	1,574.9	9,321.2	10,896.1	2,350.2	2,542.5	4,892.7	15,788.8	258.6	927.6	7.4	1,193.5	16,982.4
Q4 [p]	1,587.5	9,504.8	11,092.3	2,421.2	2,563.5	4,984.7	16,077.0	259.4	851.1	19.2	1,129.7	17,206.7
2025 Aug.	1,570.5	9,270.1	10,840.6	2,384.6	2,529.9	4,914.4	15,755.0	240.6	914.8	16.1	1,171.5	16,926.5
Sep.	1,574.9	9,321.2	10,896.1	2,350.2	2,542.5	4,892.7	15,788.8	258.6	927.6	7.4	1,193.5	16,982.4
Oct.	1,579.2	9,415.3	10,994.4	2,355.4	2,551.0	4,906.4	15,900.9	237.1	912.5	23.4	1,173.0	17,073.9
Nov.	1,585.5	9,473.6	11,059.0	2,407.4	2,558.2	4,965.6	16,024.7	251.7	902.0	22.2	1,175.9	17,200.6
Dec.	1,587.5	9,504.8	11,092.3	2,421.2	2,563.5	4,984.7	16,077.0	259.4	851.1	19.2	1,129.7	17,206.7
2026 Jan. [p]	1,597.0	9,628.4	11,225.4	2,410.9	2,568.3	4,979.3	16,204.7	237.3	862.0	40.7	1,140.0	17,344.7
Transactions												
2023	-5.3	-967.1	-972.4	927.4	-104.2	823.2	-149.2	39.8	93.6	23.3	156.7	7.6
2024	21.2	181.6	202.8	206.0	5.9	211.9	414.7	75.6	129.8	-34.8	170.7	585.3
2025	33.0	465.2	498.2	-123.0	101.0	-22.0	476.2	10.2	-5.3	-11.6	-6.7	469.5
2025 Q1	3.7	94.5	98.2	-51.4	24.8	-26.6	71.6	-10.5	11.0	8.2	8.8	80.3
Q2	5.7	141.3	147.0	-75.5	26.0	-49.6	97.4	18.3	23.0	-16.9	24.5	121.9
Q3	11.0	80.4	91.4	-52.5	29.2	-23.3	68.1	1.4	4.8	-16.7	-10.5	57.5
Q4 [p]	12.6	149.1	161.7	56.5	21.0	77.5	239.2	0.9	-44.3	13.9	-29.5	209.7
2025 Aug.	3.6	29.6	33.1	-14.7	7.5	-7.2	25.9	-1.4	-4.1	-7.8	-13.3	12.6
Sep.	4.4	53.3	57.6	-33.9	12.8	-21.2	36.5	18.3	11.9	-8.1	22.1	58.6
Oct.	4.3	56.0	60.3	-14.8	8.4	-6.3	53.9	-22.1	-16.0	15.5	-22.6	31.3
Nov.	6.3	58.2	64.5	52.0	7.2	59.3	123.7	14.6	-11.3	0.4	3.7	127.4
Dec.	2.1	34.9	36.9	19.2	5.4	24.6	61.5	8.4	-17.0	-2.0	-10.5	51.0
2026 Jan. [p]	2.0	49.8	51.8	-25.8	3.2	-22.7	29.1	5.1	10.3	21.8	37.3	66.4
Growth rates												
2023	-0.3	-9.9	-8.6	67.2	-4.1	20.9	-1.0	32.6	14.5	42.7	19.1	0.0
2024	1.4	2.0	2.0	8.9	0.2	4.4	2.7	41.6	17.5	-50.0	17.2	3.6
2025	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	4.1	-0.6	-34.7	-0.6	2.8
2025 Q1	1.7	4.4	4.0	0.7	2.3	1.5	3.2	25.7	11.7	-41.1	10.7	3.7
Q2	1.9	5.3	4.8	-5.3	3.4	-1.1	2.9	26.2	11.9	-54.7	11.0	3.4
Q3	2.1	5.5	5.0	-8.4	4.5	-2.1	2.7	11.2	7.0	-82.2	4.3	2.8
Q4 [p]	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	4.1	-0.6	-34.7	-0.6	2.8
2025 Aug.	2.0	5.6	5.0	-6.3	3.9	-1.3	2.9	-0.1	7.7	-65.5	2.6	2.9
Sep.	2.1	5.5	5.0	-8.4	4.5	-2.1	2.7	11.2	7.0	-82.2	4.3	2.8
Oct.	2.1	5.7	5.1	-8.0	4.6	-1.8	2.9	-1.4	5.6	-51.3	1.3	2.8
Nov.	2.3	5.5	5.0	-6.0	4.6	-0.9	3.1	5.7	3.2	-37.2	2.1	3.0
Dec.	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	4.1	-0.6	-34.7	-0.6	2.8
2026 Jan. [p]	2.2	5.8	5.3	-5.1	3.9	-0.6	3.4	2.9	1.6	3.9	1.6	3.3

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)]							
	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	Financial corporations other than MFIs and ICPFs [2)]	Insurance corporations and pension funds	Other general government [4)]
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2023	3,317.0	2,403.6	770.8	131.0	11.6	8,406.6	5,105.6	1,014.6	2,285.1	1.3	1,269.0	227.0	542.4
2024	3,415.8	2,479.2	792.3	133.3	11.1	8,733.8	5,188.4	1,255.9	2,288.2	1.3	1,373.2	231.9	548.3
2025	3,504.8	2,575.3	772.6	150.3	6.6	8,990.0	5,472.2	1,137.5	2,379.0	1.3	1,476.5	224.6	553.0
2025 Q1	3,415.8	2,479.9	786.3	139.0	10.6	8,795.9	5,256.9	1,225.1	2,312.9	1.1	1,362.1	228.7	539.4
Q2	3,439.3	2,506.4	779.8	143.8	9.3	8,844.8	5,334.0	1,175.6	2,334.1	1.1	1,354.9	233.3	544.3
Q3	3,469.1	2,538.4	779.0	145.7	6.0	8,903.2	5,400.7	1,139.5	2,361.9	1.1	1,333.8	229.2	537.3
Q4 (p)	3,504.8	2,575.3	772.6	150.3	6.6	8,990.0	5,472.2	1,137.5	2,379.0	1.3	1,476.5	224.6	553.0
2025 Aug.	3,464.4	2,525.2	784.9	145.0	9.3	8,884.1	5,372.3	1,160.9	2,349.9	1.1	1,305.4	226.5	544.8
Sep.	3,469.1	2,538.4	779.0	145.7	6.0	8,903.2	5,400.7	1,139.5	2,361.9	1.1	1,333.8	229.2	537.3
Oct.	3,473.5	2,556.2	763.3	147.8	6.1	8,932.6	5,422.9	1,139.8	2,368.9	1.0	1,383.1	223.7	546.0
Nov.	3,492.5	2,565.0	773.1	148.7	5.7	8,963.9	5,452.1	1,137.1	2,373.9	0.9	1,442.9	221.6	570.1
Dec.	3,504.8	2,575.3	772.6	150.3	6.6	8,990.0	5,472.2	1,137.5	2,379.0	1.3	1,476.5	224.6	553.0
2026 Jan. (p)	3,533.6	2,600.7	775.7	152.7	4.5	9,079.5	5,553.0	1,144.8	2,380.7	1.0	1,411.2	240.1	580.5
Transactions													
2023	-38.9	-313.8	270.9	-1.6	5.6	13.9	-459.3	571.9	-99.2	0.5	-47.3	-2.1	-29.6
2024	89.5	69.8	16.6	2.9	0.2	289.8	48.7	236.4	4.7	0.1	82.8	3.9	3.2
2025	116.2	111.9	-12.7	16.9	0.0	262.4	294.9	-116.1	83.6	-0.1	76.4	-4.8	3.3
2025 Q1	7.7	6.2	-3.9	5.5	-0.2	63.5	75.9	-30.2	18.0	-0.3	-2.2	-2.3	-9.2
Q2	36.0	34.4	-2.4	4.8	-0.8	53.5	80.3	-47.5	20.7	0.0	9.8	5.9	4.9
Q3	34.4	32.6	-0.5	2.0	0.4	59.1	67.2	-35.8	27.8	0.0	-23.8	-4.0	-7.2
Q4 (p)	38.0	38.7	-5.9	4.6	0.6	86.4	71.6	-2.6	17.2	0.2	92.6	-4.4	14.9
2025 Aug.	11.3	10.3	0.9	0.5	-0.4	11.7	17.3	-12.5	6.8	0.1	-2.4	3.2	-3.0
Sep.	9.9	14.0	-5.4	0.8	0.5	19.5	28.7	-21.2	12.0	0.0	25.9	2.8	-7.7
Oct.	3.5	17.6	-16.2	2.1	0.0	28.7	21.8	0.0	7.0	-0.1	-7.2	-5.6	8.1
Nov.	19.1	8.9	9.8	0.9	-0.4	31.4	29.2	-2.7	5.0	-0.1	59.6	-2.1	24.1
Dec.	15.4	12.2	0.6	1.6	0.9	26.3	20.6	0.1	5.2	0.4	40.2	3.3	-17.3
2026 Jan. (p)	3.1	2.5	0.3	2.3	-2.1	35.8	40.5	-4.6	0.1	-0.3	-41.0	8.9	25.4
Growth rates													
2023	-1.2	-11.5	54.2	-1.2	90.8	0.2	-8.3	129.4	-4.2	64.0	-3.5	-0.9	-5.2
2024	2.7	2.9	2.2	2.2	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	3.4	3.0	5.7	-9.3	3.6	-4.3	5.4	-2.1	0.6
2025 Q1	2.4	4.2	-3.9	9.5	-2.8	3.6	3.5	7.5	1.9	6.0	9.8	2.6	-0.5
Q2	1.8	4.3	-6.8	13.1	-9.4	3.3	4.9	-2.6	2.8	-8.6	7.6	7.2	2.1
Q3	3.1	5.5	-5.5	15.3	-9.2	3.2	6.1	-9.4	3.9	-0.5	2.7	0.0	-2.6
Q4 (p)	3.4	4.5	-1.6	12.7	3.4	3.0	5.7	-9.3	3.6	-4.3	5.4	-2.1	0.6
2025 Aug.	2.8	5.2	-5.8	14.5	-2.3	3.4	5.6	-5.6	3.3	5.7	1.6	4.1	0.3
Sep.	3.1	5.5	-5.5	15.3	-9.2	3.2	6.1	-9.4	3.9	-0.5	2.7	0.0	-2.6
Oct.	3.4	5.7	-5.2	15.5	-19.9	3.1	5.9	-9.8	4.0	3.0	2.4	0.8	-1.0
Nov.	3.5	5.4	-3.6	14.3	-26.7	3.1	5.8	-9.6	4.0	8.1	4.8	-1.6	2.0
Dec.	3.4	4.5	-1.6	12.7	3.4	3.0	5.7	-9.3	3.6	-4.3	5.4	-2.1	0.6
2026 Jan. (p)	3.4	5.1	-2.9	12.8	-38.4	3.2	6.1	-9.1	3.4	-15.6	4.8	3.2	5.2

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 Financing conditions and credit developments

5.3 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)

	Credit to general government			Credit to 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 corporations [3)]	To households [4)]	To financial coprorations other than MFIs and ICPFs [3)]	To insurance corporations 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	6,251.0	986.9	5,238.3	15,788.1	13,258.1	13,502.0	5,189.1	6,678.6	1,251.3	139.1	1,578.8	951.2
2025	6,295.1	1,020.3	5,248.6	16,248.4	13,630.8	13,904.3	5,294.3	6,853.2	1,336.3	147.1	1,571.9	1,045.6
2025 Q1	6,267.5	996.6	5,245.0	15,868.4	13,333.9	13,589.1	5,203.4	6,722.3	1,271.1	137.2	1,562.0	972.4
Q2	6,274.4	1,007.8	5,240.6	15,955.8	13,410.2	13,679.7	5,214.0	6,767.1	1,284.5	144.6	1,571.0	974.6
Q3	6,287.6	1,017.1	5,244.4	16,021.4	13,447.9	13,720.7	5,243.8	6,808.9	1,259.1	136.1	1,566.9	1,006.6
Q4	6,295.1	1,020.3	5,248.6	16,248.4	13,630.8	13,904.3	5,294.3	6,853.2	1,336.3	147.1	1,571.9	1,045.6
2025 Aug.	6,264.1	1,013.8	5,224.2	15,997.1	13,422.4	13,698.3	5,237.5	6,794.2	1,253.8	136.9	1,575.0	999.7
Sep.	6,287.6	1,017.1	5,244.4	16,021.4	13,447.9	13,720.7	5,243.8	6,808.9	1,259.1	136.1	1,566.9	1,006.6
Oct.	6,309.3	1,025.3	5,257.9	16,115.6	13,520.8	13,791.8	5,257.2	6,817.9	1,311.1	134.6	1,572.6	1,022.2
Nov.	6,310.4	1,026.4	5,258.0	16,209.1	13,578.5	13,847.0	5,266.9	6,836.2	1,338.0	137.4	1,589.9	1,040.7
Dec.	6,295.1	1,020.3	5,248.6	16,248.4	13,630.8	13,904.3	5,294.3	6,853.2	1,336.3	147.1	1,571.9	1,045.6
2026 Jan.	6,373.4	1,039.7	5,307.5	16,360.7	13,711.2	13,983.4	5,309.9	6,898.5	1,351.6	151.2	1,589.9	1,059.5
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	273.7	76.2	45.2	106.5	1.0	10.9	47.1
2025	49.7	33.3	16.2	456.0	406.1	440.3	144.3	187.4	66.1	8.3	-4.4	54.3
2025 Q1	37.6	9.3	28.2	103.0	98.2	109.2	27.6	48.5	24.2	-2.0	-13.7	18.4
Q2	-17.0	11.1	-28.1	105.0	95.5	106.8	26.6	45.8	15.3	7.8	9.9	-0.4
Q3	19.1	8.3	10.7	66.2	45.9	48.2	33.3	44.7	-23.7	-8.4	-6.7	26.9
Q4	10.0	4.5	5.4	181.8	166.4	176.1	56.7	48.4	50.3	10.9	6.0	9.4
2025 Aug.	-15.7	1.3	-17.0	20.9	7.6	15.3	15.9	15.3	-22.9	-0.7	3.1	10.1
Sep.	18.7	2.4	16.3	26.6	31.2	27.9	11.4	16.1	4.5	-0.7	-8.3	3.7
Oct.	8.3	8.1	0.2	67.3	51.1	55.8	13.1	10.0	29.6	-1.6	3.8	12.4
Nov.	5.4	1.3	4.2	72.9	59.9	58.0	11.9	19.2	26.0	2.8	18.1	-5.1
Dec.	-3.7	-4.8	1.0	41.6	55.4	62.4	31.7	19.3	-5.3	9.7	-15.9	2.1
2026 Jan.	51.6	17.6	33.9	69.0	42.2	40.4	-3.2	18.0	27.6	-0.2	16.6	10.2
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	5.3	6.0	-0.3	5.7
2025 Q1	0.5	1.8	0.2	2.2	2.4	2.6	2.2	1.5	9.0	-0.7	-0.9	4.9
Q2	0.1	2.7	-0.4	2.7	2.8	3.0	2.4	2.1	7.6	11.0	0.8	4.7
Q3	0.6	3.8	0.0	2.7	2.7	2.8	2.8	2.5	3.8	2.0	0.1	7.3
Q4	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.3	6.0	-0.3	5.7
2025 Aug.	0.1	3.4	-0.5	2.7	2.5	2.8	2.7	2.3	3.2	1.9	1.0	7.2
Sep.	0.6	3.8	0.0	2.7	2.7	2.8	2.8	2.5	3.8	2.0	0.1	7.3
Oct.	0.6	3.9	0.0	2.9	2.9	3.0	2.9	2.6	5.0	-1.1	-0.3	8.0
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	5.3	6.0	-0.3	5.7
2026 Jan.	0.9	4.3	0.3	3.0	3.1	3.3	2.6	2.8	6.6	7.0	0.9	5.4

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	5,189.1	5,199.9	930.7	1,097.7	3,160.7	6,678.6	6,929.5	744.8	5,255.6	678.2
2025	5,294.3	5,323.7	949.8	1,121.3	3,223.2	6,853.2	7,111.6	777.1	5,403.5	672.6
2025 Q1	5,203.4	5,224.1	926.5	1,112.4	3,164.5	6,722.3	6,971.8	750.4	5,294.0	677.9
Q2	5,214.0	5,250.1	929.7	1,114.7	3,169.6	6,767.1	7,016.7	757.7	5,333.4	676.1
Q3	5,243.8	5,282.0	926.6	1,126.7	3,190.5	6,808.9	7,061.1	767.3	5,369.2	672.4
Q4	5,294.3	5,323.7	949.8	1,121.3	3,223.2	6,853.2	7,111.6	777.1	5,403.5	672.6
2025 Aug.	5,237.5	5,274.6	929.5	1,123.2	3,184.8	6,794.2	7,045.4	764.1	5,357.1	673.0
Sep.	5,243.8	5,282.0	926.6	1,126.7	3,190.5	6,808.9	7,061.1	767.3	5,369.2	672.4
Oct.	5,257.2	5,290.7	935.3	1,126.0	3,195.9	6,817.9	7,074.0	771.1	5,373.9	673.0
Nov.	5,266.9	5,300.8	938.5	1,123.4	3,204.9	6,836.2	7,093.3	775.3	5,386.8	674.1
Dec.	5,294.3	5,323.7	949.8	1,121.3	3,223.2	6,853.2	7,111.6	777.1	5,403.5	672.6
2026 Jan.	5,309.9	5,340.4	953.6	1,122.7	3,233.6	6,898.5	7,156.3	789.7	5,436.1	672.8
Transactions										
2023	-6.5	23.7	-44.8	10.5	27.8	8.5	26.8	19.1	10.3	-20.9
2024	76.2	87.5	21.8	14.6	39.8	45.2	77.1	26.6	28.3	-9.7
2025	144.3	156.5	31.4	34.8	78.0	187.4	204.9	38.7	148.4	0.3
2025 Q1	27.6	35.7	-2.4	19.6	10.4	48.5	48.9	8.7	39.8	0.0
Q2	26.6	37.6	9.2	8.2	9.2	45.8	47.5	6.9	37.7	1.2
Q3	33.3	34.7	-1.4	12.0	22.7	44.7	46.8	11.2	36.3	-2.8
Q4	56.7	48.6	26.0	-5.0	35.7	48.4	61.7	11.9	34.6	1.9
2025 Aug.	15.9	17.8	2.7	4.1	9.1	15.3	15.8	4.2	11.5	-0.4
Sep.	11.4	12.1	0.6	4.0	6.8	16.1	17.0	3.8	12.3	-0.1
Oct.	13.1	8.4	8.3	-2.1	6.9	10.0	20.0	4.3	4.7	1.0
Nov.	11.9	12.4	4.6	-2.0	9.3	19.2	20.8	5.0	13.1	1.1
Dec.	31.7	27.8	13.1	-0.9	19.4	19.3	20.8	2.6	16.8	-0.2
2026 Jan.	-3.2	-3.0	-5.6	0.5	1.9	18.0	17.1	1.9	16.0	0.1
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	1.3	1.3	0.7	1.1	3.7	0.5	-1.4
2025	2.8	3.0	3.4	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2025 Q1	2.2	2.4	4.7	3.3	1.1	1.5	1.7	3.7	1.4	-0.7
Q2	2.4	2.8	4.0	4.1	1.3	2.1	2.3	4.5	2.1	-0.3
Q3	2.8	2.9	2.9	4.5	2.1	2.5	2.6	5.0	2.5	-0.1
Q4	2.8	3.0	3.4	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2025 Aug.	2.7	3.0	3.6	4.7	1.7	2.3	2.5	4.8	2.3	-0.1
Sep.	2.8	2.9	2.9	4.5	2.1	2.5	2.6	5.0	2.5	-0.1
Oct.	2.9	2.9	2.9	4.4	2.3	2.6	2.8	5.2	2.6	0.1
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	3.4	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2026 Jan.	2.6	2.8	3.1	2.8	2.4	2.8	3.0	5.1	2.8	0.0

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			
		Longer-term financial liabilities vis-à-vis other euro area residents						Other		
	Central government holdings [2)]	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	Net external assets	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	7,337.9	1,826.7	90.5	2,415.1	3,005.6	1,853.9	271.3	152.1	152.6
2024	395.9	7,856.0	1,842.3	117.2	2,595.7	3,300.8	2,664.2	325.1	140.4	136.0
2025	398.5	8,368.7	1,872.6	131.7	2,623.2	3,741.2	3,242.2	188.1	326.5	238.4
2025 Q1	388.3	7,934.8	1,834.8	121.7	2,576.4	3,401.9	2,795.3	230.5	182.9	161.3
Q2	410.9	7,908.1	1,833.7	129.6	2,562.0	3,382.8	2,829.8	186.2	177.9	165.9
Q3	430.1	8,092.7	1,842.7	132.5	2,589.9	3,527.6	3,052.8	143.3	168.3	168.6
Q4 [p]	398.5	8,368.7	1,872.6	131.7	2,623.2	3,741.2	3,242.2	188.1	326.5	238.4
2025 Aug.	412.7	7,967.6	1,839.6	132.9	2,575.7	3,419.5	2,885.2	160.4	206.3	179.4
Sep.	430.1	8,092.7	1,842.7	132.5	2,589.9	3,527.6	3,052.8	143.3	168.3	168.6
Oct.	441.4	8,220.4	1,852.9	132.4	2,618.3	3,616.8	3,185.9	124.9	366.3	251.8
Nov.	423.0	8,325.1	1,874.9	131.8	2,617.1	3,701.3	3,257.1	172.1	405.3	266.9
Dec.	398.5	8,368.7	1,872.6	131.7	2,623.2	3,741.2	3,242.2	188.1	326.5	238.4
2026 Jan. [p]	481.6	8,602.0	1,884.7	132.3	2,615.3	3,969.8	3,536.2	158.1	398.7	250.3
Transactions										
2023	-199.0	325.1	24.9	40.2	227.5	32.5	437.1	-192.5	17.1	9.0
2024	-80.6	284.7	15.6	26.7	169.7	72.8	530.5	35.7	-11.7	-16.7
2025	2.2	191.2	33.2	16.3	101.5	40.1	300.1	-142.9	21.0	32.5
2025 Q1	-7.2	1.7	-4.3	5.6	4.3	-3.9	23.3	-89.2	42.4	25.3
Q2	22.7	39.8	4.3	7.9	33.7	-6.1	126.9	-30.5	-5.0	4.7
Q3	19.2	38.0	9.2	3.6	29.1	-3.8	63.7	-34.2	-9.6	2.7
Q4 [p]	-32.5	111.7	24.1	-0.8	34.5	54.0	86.1	10.9	-6.9	-0.2
2025 Aug.	15.7	8.7	4.4	0.3	0.2	3.8	14.2	17.6	32.8	12.4
Sep.	17.4	17.8	3.4	0.3	18.9	-4.9	53.6	-5.2	-38.0	-10.7
Oct.	10.4	20.6	6.1	-0.2	20.6	-5.9	31.3	-44.6	63.1	20.9
Nov.	-18.4	47.2	22.0	-0.6	-0.1	25.8	35.9	42.0	8.8	7.5
Dec.	-24.5	43.9	-4.0	0.0	13.9	34.1	19.0	13.6	-78.8	-28.6
2026 Jan. [p]	73.5	5.8	10.5	0.5	2.9	-8.1	66.0	-41.0	71.0	10.3
Growth rates										
2023	-29.6	4.7	1.4	80.3	10.7	1.1	-	-	12.4	6.0
2024	-16.9	3.8	0.9	29.5	7.1	2.2	-	-	-7.7	-10.9
2025	0.6	2.4	1.8	14.0	4.0	1.1	-	-	35.9	28.2
2025 Q1	-6.6	2.5	0.3	17.9	3.4	2.6	-	-	2.7	-7.4
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	-10.5
Q4 [p]	0.6	2.4	1.8	14.0	4.0	1.1	-	-	35.9	28.2
2025 Aug.	-3.1	2.3	1.1	19.6	2.9	1.8	-	-	6.8	5.1
Sep.	6.1	2.1	0.8	17.9	3.3	1.5	-	-	-9.0	-10.5
Oct.	2.1	2.1	1.2	16.4	3.7	1.1	-	-	36.4	10.1
Nov.	0.1	2.6	2.1	15.2	3.6	1.8	-	-	34.0	19.0
Dec.	0.6	2.4	1.8	14.0	4.0	1.1	-	-	35.9	28.2
2026 Jan. [p]	15.2	2.5	2.5	12.6	4.1	0.8	-	-	42.3	24.1

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
2021	-5.1	-5.1	0.0	0.0	0.0	-3.7
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	-3.1	-2.7	-0.2	-0.3	0.1	-1.2
2024 Q4	-3.1	.	.	.	.	-1.2
2025 Q1	-3.0	.	.	.	.	-1.1
Q2	-2.9	.	.	.	.	-1.0
Q3	-3.0	.	.	.	.	-1.1

Sources: ECB for annual data; Eurostat for quarterly data.

6.2 Revenue and expenditure

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

	Revenue						Expenditure						
		Current revenue						Current expenditure					
	Total	Total	Direct taxes	Indirect taxes	Net social contribu-tions	Capital revenue	Total	Total	Compen-sation of employ-ees	Inter-mediate consump-tion	Interest	Social benefits	Capital expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
2021	46.9	46.1	13.0	13.2	15.0	0.8	52.0	46.9	10.3	6.0	1.4	23.7	5.1
2022	46.5	45.7	13.3	12.9	14.6	0.8	49.9	44.7	9.8	5.9	1.7	22.4	5.2
2023	45.9	45.0	13.1	12.4	14.5	0.9	49.4	44.0	9.8	5.9	1.7	22.2	5.3
2024	46.4	45.6	13.3	12.4	14.7	0.8	49.5	44.5	9.9	6.0	1.9	22.8	5.0
2024 Q4	46.4	45.6	13.3	12.4	14.7	0.8	49.5	44.5	9.9	6.0	1.9	22.8	5.0
2025 Q1	46.6	45.8	13.3	12.4	14.8	0.8	49.6	44.6	10.0	6.0	1.9	22.9	5.0
Q2	46.7	45.9	13.3	12.4	14.9	0.8	49.6	44.6	10.0	6.0	1.9	22.9	5.0
Q3	46.7	45.9	13.3	12.4	15.0	0.7	49.7	44.7	10.0	6.0	1.9	23.0	5.0

Sources: ECB for annual data; Eurostat for quarterly data.

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 de-posits	Loans	Debt securi-ties	Resident creditors		Non-resident credi-tors	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 curren-cies
					Total	MFIs								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2021	93.8	2.9	13.8	77.1	54.5	40.9	39.3	9.8	84.0	17.3	29.8	46.8	92.4	1.4
2022	89.3	2.6	13.1	73.5	52.4	39.5	36.9	8.6	80.7	16.0	28.3	45.1	88.4	0.9
2023	87.0	2.4	12.1	72.5	49.1	35.7	37.8	7.8	79.2	14.9	27.9	44.1	86.2	0.8
2024	87.1	2.2	11.8	73.1	46.7	33.7	40.4	7.7	79.4	14.4	28.2	44.5	86.3	0.8
2024 Q4	87.1	2.2	11.8	73.1	.	.	.	.	.	.	.	.	.	.
2025 Q1	87.7	2.3	11.6	73.8	.	.	.	.	.	.	.	.	.	.
Q2	88.2	2.2	11.7	74.3	.	.	.	.	.	.	.	.	.	.
Q3	88.5	2.3	11.8	74.5	.	.	.	.	.	.	.	.	.	.

Sources: ECB for annual data; Eurostat for quarterly data.

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 requirement
			Total	Transactions in main financial assets					Revaluation effects and other changes in volume	Other		
				Total	Currency and deposits	Loans	Debt securities	Equity and investment fund shares				
	1	2	3	4	5	6	7	8	9	10	11	12
2021	-2.7	3.7	-0.1	0.6	0.4	0.1	0.0	0.1	-0.1	-0.6	-6.2	5.1
2022	-4.5	1.7	-0.1	-0.2	-0.7	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	0.1	1.2	0.3	0.0	-0.4	0.1	0.2	0.1	0.3	0.0	-1.4	3.1
2024 Q4	0.1	1.2	0.3	0.0	-0.4	0.1	0.2	0.1	0.2	0.1	-1.4	3.1
2025 Q1	0.3	1.1	0.5	0.3	-0.1	0.1	0.1	0.1	0.2	0.0	-1.3	3.3
Q2	0.5	1.0	0.8	0.7	0.4	0.0	0.1	0.1	0.2	-0.1	-1.3	3.5
Q3	0.8	1.1	1.0	0.7	0.4	0.0	0.1	0.2	0.1	0.1	-1.3	3.9

Sources: ECB for annual data; Eurostat for quarterly data.
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	
										Fixed rate			
		Total	Maturities of up to 3 months	Total	Maturities of up to 3 months		Total	Floating rate	Zero coupon	Total	Maturities of up to 1 year	Issuance	Redemption
	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	13.0	11.5	4.1	1.5	0.4	8.2	2.1	1.1	1.4	2.3	1.7	2.8	2.5
2025 Q1	12.3	10.8	3.7	1.4	0.4	8.3	2.2	1.3	2.0	2.2	1.9	3.4	2.9
Q2	12.8	11.3	3.2	1.5	0.4	8.3	2.2	1.3	1.6	2.2	2.1	3.1	2.8
Q3	13.2	11.7	3.6	1.5	0.4	8.2	2.2	1.3	1.6	2.2	2.0	2.9	2.6
Q4	13.0	11.5	4.1	1.5	0.4	8.2	2.1	1.1	1.4	2.3	1.7	2.8	2.5
2025 Aug.	13.0	11.5	3.7	1.5	0.4	8.2	2.1	1.3	1.4	2.2	2.0	2.9	2.7
Sep.	13.2	11.7	3.6	1.5	0.4	8.2	2.2	1.3	1.6	2.2	2.0	2.9	2.6
Oct.	13.2	11.7	3.4	1.5	0.4	8.2	2.1	1.2	1.5	2.3	1.9	2.8	2.6
Nov.	13.2	11.7	3.8	1.5	0.4	8.2	2.1	1.1	1.6	2.3	1.9	2.8	2.5
Dec.	13.0	11.5	4.1	1.5	0.4	8.2	2.1	1.1	1.4	2.3	1.7	2.8	2.5
2026 Jan.	13.1	11.6	4.6	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.7	2.8	2.5

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	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus
	1	2	3	4	5	6	7	8	9	10
	Government deficit (-)/surplus (+)									
2021	-5.4	-3.2	-2.5	-1.3	-7.2	-6.7	-6.6	-2.6	-8.9	-1.6
2022	-3.6	-1.9	-1.0	1.6	-2.6	-4.6	-4.7	0.1	-8.1	2.7
2023	-4.0	-2.5	-2.7	1.4	-1.4	-3.3	-5.4	-0.8	-7.2	1.7
2024	-4.4	-2.7	-1.7	4.0	1.2	-3.2	-5.8	-1.9	-3.4	4.1
2024 Q4	-4.4	-2.7	-1.7	4.1	1.2	-3.2	-5.8	-1.9	-3.4	4.1
2025 Q1	-4.6	-2.4	-1.2	4.1	2.5	-3.2	-5.8	-2.6	-3.4	4.2
Q2	-4.7	-2.2	-1.1	3.8	2.2	-3.2	-5.7	-3.0	-3.0	4.1
Q3	-5.1	-2.3	-1.1	1.4	2.6	-2.9	-5.6	-3.1	-3.2	3.5
	Government debt									
2021	108.7	67.9	18.4	52.4	197.3	115.7	112.8	78.2	145.8	96.5
2022	103.4	64.4	19.2	42.9	177.8	109.3	111.4	68.5	138.4	80.3
2023	102.4	62.3	20.2	41.8	164.3	105.2	109.8	60.9	133.9	71.1
2024	103.9	62.2	23.5	38.3	154.2	101.6	113.2	57.4	134.9	62.8
2024 Q4	103.9	62.2	23.5	38.3	154.2	101.6	113.2	57.4	134.9	62.8
2025 Q1	106.0	62.0	23.9	34.5	152.9	103.4	114.2	58.3	137.4	62.1
Q2	106.2	62.3	23.2	33.4	151.9	103.5	115.9	57.5	138.3	61.4
Q3	107.1	63.0	22.9	32.8	149.7	103.2	117.7	57.2	137.8	60.6

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Austria	Portugal	Slovenia	Slovakia	Finland
	11	12	13	14	15	16	17	18	19	20
	Government deficit (-)/surplus (+)									
2021	-7.2	-1.1	1.1	-7.0	-2.3	-5.7	-2.8	-4.6	-5.1	-2.7
2022	-4.9	-0.7	0.2	-5.3	0.0	-3.4	-0.3	-3.0	-1.6	-0.2
2023	-2.4	-0.7	-0.7	-4.4	-0.4	-2.6	1.3	-2.6	-5.3	-2.9
2024	-1.8	-1.3	0.9	-3.5	-0.9	-4.7	0.5	-0.9	-5.5	-4.4
2024 Q4	-1.8	-1.3	0.9	-3.5	-0.9	-4.7	0.5	-0.9	-5.5	-4.4
2025 Q1	-1.2	-1.3	0.5	-3.1	-1.3	-4.9	0.7	-1.6	-5.3	-4.1
Q2	-1.7	-1.8	-0.4	-4.3	-1.5	-4.9	0.6	-1.8	-4.8	-3.8
Q3	-2.2	-1.7	-0.9	-3.9	-1.6	-4.6	0.4	-1.7	-4.6	-3.4
	Government debt									
2021	45.9	43.3	24.2	49.8	50.5	82.4	123.9	74.8	60.2	73.1
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	47.0	45.8	77.8	96.9	68.3	55.8	77.1
2024	46.6	38.0	26.3	46.2	43.7	79.9	93.6	66.6	59.7	82.5
2024 Q4	46.6	38.0	26.3	46.0	43.7	79.9	93.6	66.6	59.7	82.5
2025 Q1	45.4	40.4	26.2	46.6	43.2	83.0	95.0	69.5	63.2	84.2
Q2	48.0	39.1	25.2	46.8	42.7	82.2	96.7	69.3	62.9	88.5
Q3	45.2	40.7	27.9	46.5	42.4	83.7	97.6	67.6	62.3	86.8

Source: Eurostat.

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

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