



EUROPEAN CENTRAL BANK

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Contents

Economic, financial and monetary developments	2
Summary	2
1 External environment	6
2 Economic activity	10
3 Prices and costs	18
4 Financial market developments	25
5 Financing conditions and credit developments	28
Boxes	37
1 Assessing cross-border integration of equity markets in the euro area: evidence from a gravity model	37
2 The impact of China's industrial rise on the euro area	44
3 Dispersion in real GDP growth across euro area countries: developments and drivers	51
4 Save your energy: how the war in the Middle East could affect household savings and the economy	57
5 What drives employment trends among older workers?	63
6 Main findings from the ECB's recent contacts with non-financial companies	68
7 What's new in the HICP? The 2026 classification update and its implications for inflation analysis	73
Articles	79
1 Tariffs and foreign direct investment – a nuanced relationship	79
Box 1 The trade-foreign direct investment nexus revisited	85
Box 2 Does outward foreign direct investment crowd out domestic investment in the euro area?	93
2 Drivers of the labour force in the euro area	100
Box 1 A comparison of labour force participation trends in the euro area and the United States	113
Statistics	S1

Economic, financial and monetary developments

Summary

At its meeting on 30 April 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. While the incoming information has been broadly consistent with its previous assessment of the inflation outlook, the upside risks to inflation and the downside risks to growth have intensified. The Governing Council is committed to setting monetary policy to ensure that inflation stabilises at the 2% target in the medium term.

The war in the Middle East has led to a sharp increase in energy prices, pushing up inflation and weighing on economic sentiment. The implications of the war for medium-term inflation and economic activity will depend on the intensity and duration of the energy price shock and the scale of its indirect and second-round effects. The longer the war continues and the longer energy prices remain high, the stronger is the likely impact on broader inflation and the economy.

The Governing Council remains well positioned to navigate the current uncertainty. The euro area entered this period of surging energy prices with inflation at around the 2% target, and the economy has shown resilience over recent quarters. Longer-term inflation expectations remain well anchored, although inflation expectations over shorter horizons have moved up significantly.

The Governing Council will closely monitor the situation and 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 euro area economy was showing some momentum when the current turbulence started. Real GDP grew by 0.1% in the first quarter of 2026, according to Eurostat's preliminary flash estimate. Domestic demand remains the main driver of growth, supported by a resilient labour market. However, the economic outlook is highly uncertain and will depend on how long the war in the Middle East lasts and how strongly it affects energy and other commodity markets, as well as global supply chains.

The incoming information suggests that the conflict is weighing on economic activity. Survey results point to slowing growth, and consumers and businesses have

become less confident about the future since the war began. Longer delivery times and rising input prices suggest supply chains are coming under pressure.

Looking ahead, high energy costs are expected to continue to weigh on real incomes, making households and firms more reluctant to consume and invest. While unemployment remained close to historical lows in March 2026, at 6.2%, labour demand has cooled further. At the same time, households are still benefiting from a solid financial position, and investment should continue to be underpinned by governments spending more on defence and infrastructure and by firms increasingly investing in new digital technologies. This favourable starting point provides some cushioning against the fallout from the war.

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

Inflation

In April 2026 inflation rose to 3.0%, from 2.6% in March and 1.9% in February. The rise has been driven by surging energy prices caused by the war in the Middle East. Energy price inflation jumped to 10.9%, after 5.1% in March, and food price inflation edged up to 2.5%. Inflation excluding energy and food decreased to 2.2%, from 2.3% in March, reflecting a fall in services inflation, which declined to 3.0%, from 3.2% in March. Goods inflation went up to 0.8%, from 0.5% in March.

Indicators of underlying inflation have changed little over recent months. For now, the ECB's wage tracker and the results of surveys on wage expectations continue to indicate easing labour costs in the course of 2026. At the same time, survey results indicate an increase in other cost components and in selling price expectations. Inflation expectations have moved up significantly over shorter horizons. Most measures of longer-term inflation expectations stand at around 2%, supporting the stabilisation of inflation around target in the medium term.

The increase in energy prices will keep inflation well above 2% in the near term. As the period of high energy prices extends, the likely impact on broader inflation through indirect and second-round effects intensifies. The Governing Council will therefore closely monitor the size and persistence of the energy price surge, and how it feeds through to price and wage-setting, inflation expectations and overall economic dynamics.

Risk assessment

The risks to the growth outlook are to the downside. The war in the Middle East remains a downside risk to the euro area economy, adding to the volatile global policy environment. Prolonged disruption of the supply of energy could increase energy prices further and for longer than currently expected. These factors would erode incomes and make firms and households more reluctant to invest and spend. The drag on growth would intensify if the closure of major shipping routes were to cause acute shortages of key inputs that forced euro area firms to curtail output. A worsening of global financial market sentiment could further dampen demand. Additional frictions in international trade could exacerbate supply chain disruptions, reduce exports and weaken consumption and investment. Other geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, growth could turn out to be higher if the economy proved to be more adaptable to the disruption caused by the war in the Middle East or if the conflict were resolved more quickly 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 to the upside. If energy prices were to rise by more and for longer than currently expected, euro area inflation would increase further. This could be reinforced and become more persistent if higher energy prices were to spill over by more than expected to other prices and to wages, if longer-term inflation expectations were to rise in response or if global supply chains were disrupted more broadly. Ongoing trade tensions could also give rise to more fragmented global supply chains, curtail the supply of critical raw materials and worsen capacity constraints in the euro area economy. By contrast, inflation could turn out to be lower if the economic effects of the war in the Middle East proved to be more short-lived than currently expected or if indirect and second-round effects proved less pronounced. 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 caused significant volatility in global financial markets. Overall financial conditions remain tighter than before the war.

The cost of issuing market-based debt rose to 3.9% in March 2026, from 3.5% in February. Bank lending rates for firms – based on data recorded prior to the war – edged down to 3.5% in February, while mortgage rates remained at 3.4%.

The annual growth rate of bank lending to firms increased to 3.2% in March, from 3.0% in February, while the growth rate of corporate bond issuance fell to 3.9%, from 4.5% in February. Credit standards for loans to firms tightened in the first quarter, as reported in the April 2026 bank lending survey for the euro area. This tightening was

due to banks becoming more concerned about the economic risks faced by their customers. Demand for loans to firms decreased slightly in the first quarter, especially for fixed investment.

Mortgage lending grew by 3.0% in March, after 3.1% in February, amid a small tightening in credit standards and unchanged demand.

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 30 April 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. It is committed to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. 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.

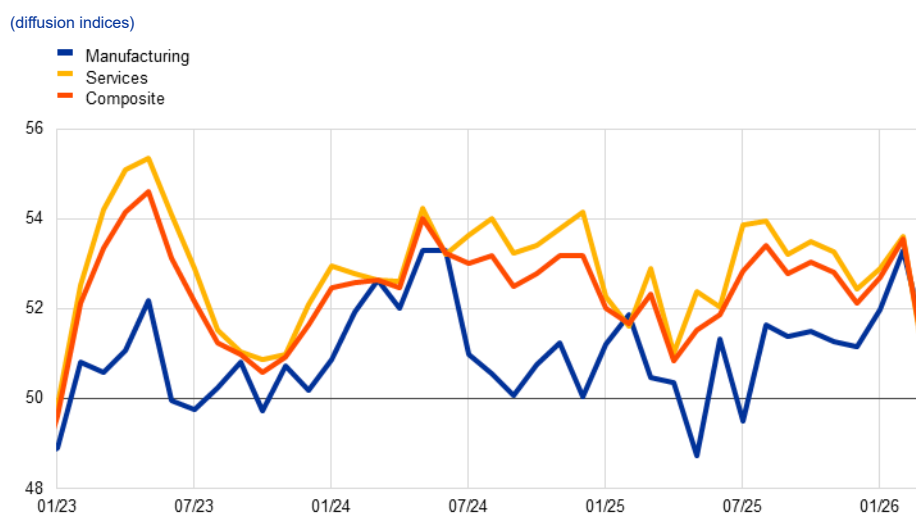
In any case, the Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises sustainably at its medium-term target and to preserve the smooth functioning of monetary policy transmission.

1 External environment

Global economic activity has remained relatively resilient but is beginning to weaken, as the war in the Middle East weighs on energy markets, confidence and short-term growth prospects. Higher oil and gas prices, driven by reduced supply from the Gulf, are affecting energy-importing economies, notably Japan, South Korea and India. Global inflation stabilised by February 2026, but rising energy prices are generating renewed upward pressure. The direct impact on global trade, aside from the energy sector, has been limited so far. Disruptions to non-energy shipping have remained limited, despite tensions affecting energy transit through the Strait of Hormuz. However, indirect effects may still emerge, because even though non-energy exports from the Gulf are limited, disruptions to key inputs such as helium and methanol could affect sectors such as microchips and aerospace.

Global economic activity has remained resilient but is showing early signs of weakening. With the war in the Middle East weighing on energy markets, confidence and near-term growth prospects, the global composite output Purchasing Managers' Index (PMI), excluding the euro area, declined to 50.9 in March 2026 from 53.5 in February, but remained in expansionary territory (Chart 1). According to this survey indicator, economic activity in March slowed more sharply in emerging Asia, including China, and in the United States. Rising energy prices also appear to be dampening consumer spending, with PMI indicators for consumer-oriented sectors showing the greatest weakening. At the same time, consumer confidence surveys point to a modest decline in household sentiment, albeit far less severe than during the 2022 energy shock. As the energy shock continues to feed through the economy, its drag on economic activity is expected to intensify over the coming quarters.

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 March 2026.

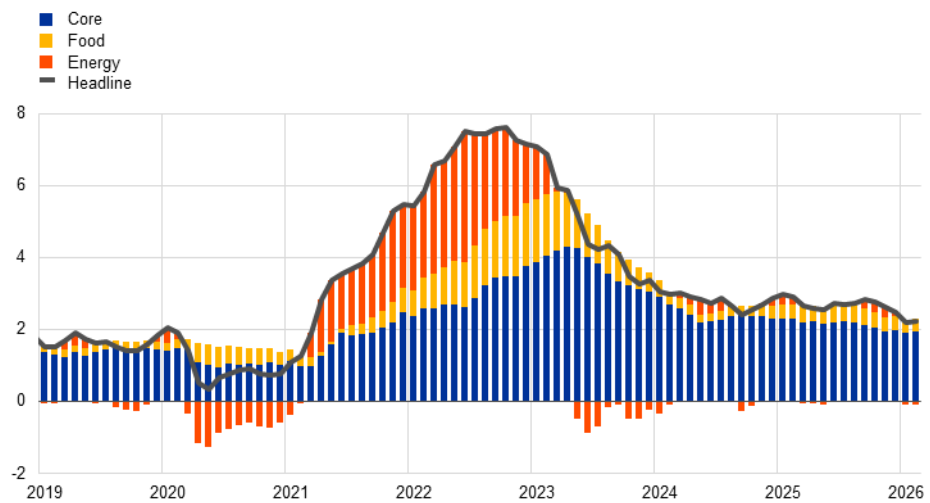
Energy prices remain highly volatile following disruptions to shipping through the Strait of Hormuz. Brent crude oil prices have risen by 9%, reaching USD 120 per barrel, as the continued blockade of the Strait has amplified the size of the oil supply shock. Prices remained highly volatile as market sentiment fluctuated between optimism around the potential reopening of the Strait of Hormuz – particularly following the ceasefire announcement agreed between the United States and Iran in early April – and pessimism whenever tensions rose, including due to attacks on oil tankers. Overall, oil prices stand 67% above pre-conflict levels. By contrast, gas prices declined by 14% after the ceasefire announcement but remain 47% higher than before the conflict. Much of this increase, in Europe’s case, is largely driven by precautionary demand linked to concerns about future supply disruptions, rather than an actual reduction in import volumes. This is demonstrated by a marked slowdown in inventory depletion, indicating that shortfalls have been avoided to date. This relative resilience reflects, first, the delayed impact of disruptions to Qatari liquefied natural gas (LNG) shipments on European imports and, second, the overall limited exposure of Europe to Middle Eastern LNG exports. It has also been supported by weaker demand for LNG from China owing to milder weather. Despite rising fertiliser prices, food prices have remained rather stable so far, particularly when set against the pressures seen in 2022. Unlike the current shock, the crisis in 2022 combined an energy shock with a significant food supply shock – as Ukraine and Russia were major cereal exporters – which is not the case today. In addition, cereal inventories remain high, providing a buffer against supply fluctuations for potential yield declines. Fertilisers are also heavily subsidised in many countries, which makes their final use less sensitive to price changes. Meanwhile, metal prices have increased by 7%, with supply disruptions in the Middle East pushing up the price of aluminium.

The war in the Middle East is weighing on energy-importing economies, whereas its broader impact on global trade has been limited to date. Reduced energy exports from the Gulf are affecting energy-intensive industries, with Japan, South Korea and India being most exposed. Although reserves provide short-term buffers, early signs of strain are emerging, including longer delivery times and upward pressure on prices. By contrast, disruptions to non-energy trade have been contained. Traffic through the Strait of Hormuz accounts for only a small share of global shipping capacity and trade through the Suez Canal had already been rerouted in response to earlier risks. As a result, freight costs for non-energy goods have remained broadly stable. PMI export orders point to robust trade momentum at the start of 2026, albeit their decline in March signals a possible slowdown. Inventory indicators do not show evidence of stockpiling and short-term estimates imply that global trade growth could ease from around 1.2% quarter on quarter in early 2026 to around 0.6% in the second quarter. While the war could still affect supply chains through non-energy Gulf exports, exposure remains limited. These exports account for less than 1% of imports in most economies and roughly 1% of global trade, suggesting a smaller impact than previous disruptions in East Asia. Risks are concentrated in specific products such as helium and methanol, of which Gulf countries hold large market shares, with potential knock-on effects for specific sectors such as microchips and aerospace.

Headline inflation stabilised at 2.2% in February 2026, before the war in the Middle East escalated and the subsequent rise in energy prices began to generate renewed upward pressure. Core inflation edged up to 2.6% from 2.5% in January, still well below the peaks seen in 2022 (Chart 2). However, rising energy prices are beginning to spread across the global economy. In March, both the United States and China reported increases in energy-related inflation, with global PMI input and output prices rising sharply to their highest levels since 2022, signalling a renewed build-up of pipeline pressures.

Chart 2
OECD CPI inflation

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



Sources: OECD and ECB staff calculations.

Notes: The OECD aggregate includes euro area countries that are OECD member countries and excludes Türkiye. It is calculated using OECD consumer price index (CPI) annual weights. The latest observations are for February 2026.

Inflationary pressures stemming from the current energy shock could be more contained than those observed in the 2022 crisis. Global demand is more subdued than in the period following the COVID-19 pandemic and monetary policy across advanced economies is now broadly neutral to restrictive. Labour market tightness has also eased, as reflected in a lower vacancy-to-unemployment ratio and in the moderating nominal wage growth, thus reducing the risk of pronounced wage-price dynamics. These factors combined suggest that rising energy prices will have less of an impact on core inflation. At the same time, inflation expectations may be more sensitive to renewed energy shocks, given the relatively recent period of elevated inflation in many economies, and firms may be faster to adjust prices.

In the United States, economic activity weakened at the start of 2026 and inflationary pressures intensified. Private consumption growth slowed markedly between December 2025 and February 2026, driven by falling goods spending. Services consumption, though moderating, remained relatively resilient. This pattern is consistent with weaker growth in disposable income, reflecting softer employment and wage dynamics, alongside very low consumer confidence. Real GDP growth in the fourth quarter of 2025 was revised downwards significantly, from an initial estimate of 0.4% quarter on quarter to 0.1%. This marks a sharp deceleration from

the third quarter of 2025, mainly on account of reduced government spending amid government shutdowns. Growth was set to rebound in the first quarter of 2026 as government activity normalised. However, data for March are still scarce and do not yet fully capture the effects of the war. Labour market data present a mixed picture. Non-farm payrolls rose strongly by 178,000 in March, supported by healthcare hiring, whereas public employment continued to decline. The unemployment rate edged downwards to 4.3% on account of lower labour force participation. Wage growth moderated slightly and hiring rates fell to their lowest level since April 2020. Inflation rose sharply, with headline consumer price index (CPI) inflation reaching 3.3% year on year in March, driven largely by energy prices. Core inflation increased modestly to 2.6%, but underlying pressures persist, including tariff pass-through. Inflation is expected to rise further, with risks skewed upwards, reducing expectations of near-term monetary policy easing.

Growth in China strengthened at the start of 2026, supported by a rebound in investment and strong domestic spending. Quarterly GDP growth edged upwards, from 1.2% in the fourth quarter of 2025 to 1.3% in the first quarter of 2026, somewhat higher than market expectations. Industrial activity picked up, reflecting a gradual recovery in fixed investment following earlier declines. While services activity remains below historical levels, both retail sales and services output have improved, bolstered by Chinese New Year spending. Exports remained buoyant in the first quarter of 2026 but contributed only modestly to overall growth, as imports also increased. Domestic demand continues to underperform and the property sector remains a persistent drag. Inflation dynamics are mixed: CPI inflation moderated in March 2026, as energy price caps have limited the pass-through of higher energy prices, and producer prices turned positive for the first time since 2022, driven by energy costs. The exposure of China to energy shocks is relatively limited compared with other Asian economies. Its energy mix is less reliant on oil and gas, reflecting the continued role of coal and the rapid expansion of renewable energy. Diversified supply sources and sizeable oil inventories provide additional buffers, despite some reliance on the Strait of Hormuz. At the same time, China faces headwinds from weaker regional demand. Across Asian economies, rising commodity prices are likely to lift inflation and dampen growth, further depressing external demand. Higher energy costs are also weighing on the current accounts of net energy-importing economies, as trade balances deteriorate. This, in turn, may exert downward pressure on exchange rates.

In the United Kingdom, real GDP growth is expected to have remained modest in the first quarter of 2026. Following weak growth of 0.1% in the fourth quarter of 2025, high-frequency indicators point towards only a modest pick-up. PMI data improved in January and February 2026 before falling sharply in March and consumer sentiment weakened significantly, likely reflecting the effects of the war in the Middle East. Headline inflation increased to 3.3% in March 2026, whereas core inflation decreased slightly, from 3.2% to 3.1%. Against a backdrop of rising inflationary pressures, the Bank of England kept its policy rate unchanged at 3.75% at the March meeting of its Monetary Policy Committee.

2 Economic activity

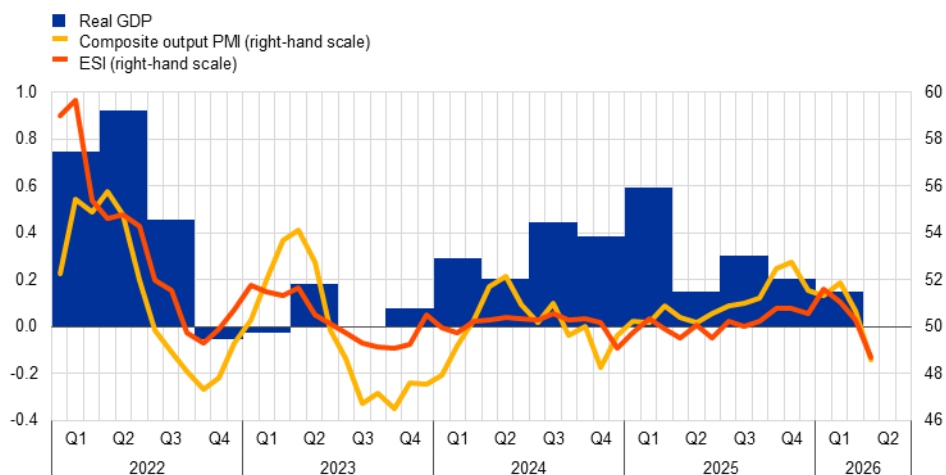
After expanding steadily in 2025, real GDP continued to grow modestly in the first quarter of 2026. Domestic demand remained the main driver of growth, supported by a resilient labour market. Nevertheless, momentum has weakened following the outbreak of the war in the Middle East, leading to a marked deterioration in confidence from March onwards, particularly among consumers and retailers. The incoming survey data thus suggest that the conflict is beginning to weigh on economic activity. While contacts in the corporate sector reported that current conditions are broadly manageable, the April euro area flash composite output Purchasing Managers' Index (PMI) fell into contractionary territory, driven by services, and the PMI for business expectations worsened markedly. Signs of renewed supply chain pressures have emerged, as reflected in longer delivery times and higher input prices. The economic outlook is highly uncertain and will depend on how long the war in the Middle East lasts and how strongly it affects energy and other commodity markets, as well as global supply chains. Looking ahead, high energy costs are expected to continue to weigh on real incomes, making households and firms more reluctant to consume and invest. While unemployment remained close to historical lows in March, labour demand has cooled further. At the same time, resilient household balance sheets and declining energy dependence may partly mitigate the impact. Business investment is expected to remain broadly supportive of growth, with higher government spending on defence and infrastructure, and firms increasingly investing in new digital technologies. This favourable starting point provides some cushioning against the fallout from the war.

Euro area GDP growth slowed in the first quarter of 2026. According to Eurostat's preliminary flash estimate, real GDP edged up by 0.1% in the first quarter (Chart 3), after having expanded by 0.2% in the fourth quarter of 2025.¹ Among the largest euro area countries, GDP increased by 0.6% quarter on quarter in Spain, by 0.3% in Germany, by 0.2% in Italy and by 0.1% in the Netherlands, while it remained unchanged in France. Dispersion of real GDP growth across euro area Member States (excluding Ireland) has declined over recent quarters and is relatively low by historical standards, indicating limited divergence in growth dynamics across countries. Differences in growth performance appear to be more closely related to demographic and labour market trends than to differences in productivity growth (see [Box 3](#)). Although the expenditure breakdown is not yet available, conjunctural indicators and country-level data suggest that the contribution of domestic demand to growth moderated in the first quarter of 2026. Production data point to slowing dynamics in services and weak manufacturing. Over January and February industrial production (excluding construction) stood, on average, 1.0% lower than in the fourth quarter of 2025, and retail sales were flat, while services production increased marginally in January compared with December.

¹ The preliminary flash estimate of the euro area quarterly GDP was released on 30 April, one day after the cut-off date for the data in this issue of the Economic Bulletin.

Chart 3**Euro area real GDP, composite output PMI and ESI**

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



Sources: Eurostat, European Commission and S&P Global.

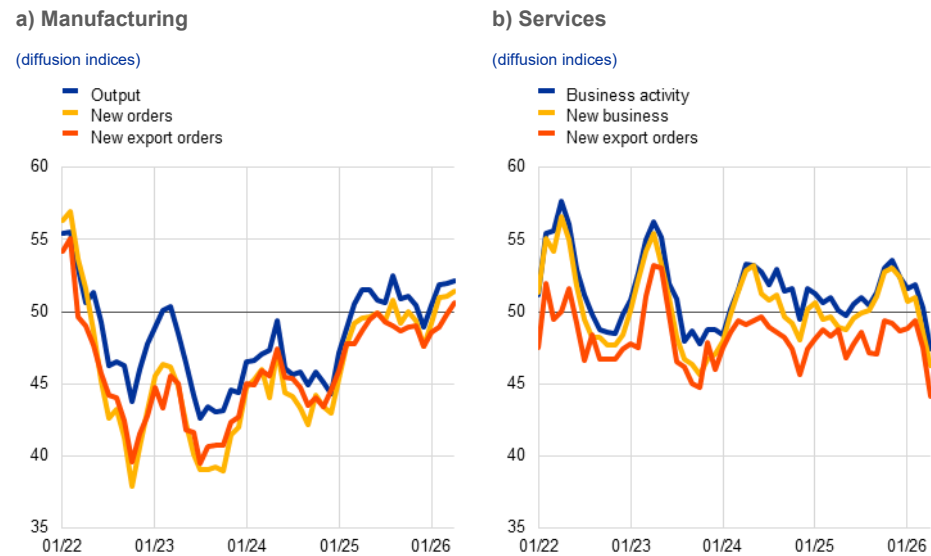
Notes: The two lines indicate monthly developments; the bars show quarterly data. For the composite output PMI, the horizontal line at 50 marks the neutral baseline dividing expansion and contraction. The European Commission's Economic Sentiment Indicator (ESI) has been standardised and rescaled to have the same mean and standard deviation as the composite output PMI. The latest observations are for the first quarter of 2026 for real GDP and for April 2026 for the composite output PMI and the ESI.

Confidence fell markedly following the outbreak of the war in the Middle East, and survey indicators point to weakening growth momentum in the second quarter of 2026 and beyond.

The euro area composite output PMI decreased in both March and April, falling below the threshold of 50. This deterioration was entirely driven by services activity, which has been the sole driver of growth over recent quarters (Chart 4). Manufacturing sector activity remained in positive territory, which may partly reflect spending on defence and frontloading of purchases in anticipation of future oil price increases or supply shortages. The European Commission's Economic Sentiment Indicator also fell significantly in both March and April, with a particularly sharp decline among consumers, and in the services and retail sectors. At the same time, supply chain disruptions have clearly intensified. The PMI for suppliers' delivery times worsened sharply in March and April, mirroring the severity of the deterioration observed in April 2022. PMI manufacturing input prices – a complementary indicator of supply bottlenecks – also increased strongly. Information from corporate sector contacts suggests that a prolongation of the conflict into May-June could trigger broader supply chain disruptions, in particular owing to potential shortages of oil and oil-based products that are critical for manufacturing processes. However, contacts generally expect any such disruptions to be less severe than those experienced during the pandemic (see [Box 6](#)).

Chart 4

PMI indicators across sectors of the economy



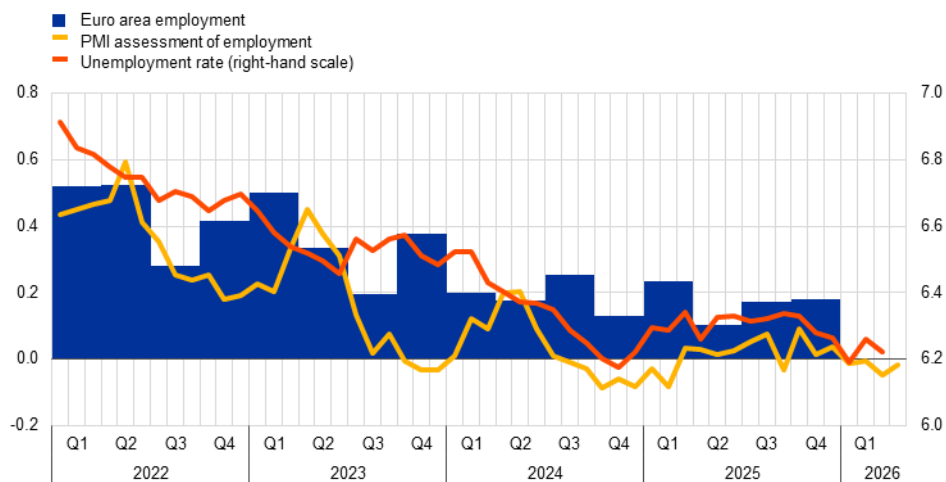
Source: S&P Global Market Intelligence.
Note: The latest observations are for April 2026.

Forward-looking indicators have also deteriorated notably since the outbreak of the war. The composite PMI for new business declined strongly in March and April, driven entirely by the services sector. The PMI for business expectations one year ahead also dropped significantly, standing well below its historical average in April, with indicators for both manufacturing and services sectors showing marked declines. Overall, these developments point to a growing sense of pessimism, as firms increasingly expect the conflict to weigh more visibly on activity in the coming months.

Labour market conditions remain stable overall, although labour demand is gradually cooling. Employment and total hours worked increased by 0.2% and 0.6% respectively in the fourth quarter of 2025 (Chart 5). The ongoing moderation in employment growth partly reflects a continued softening in labour demand. The job vacancy rate stabilised at 2.2% in the fourth quarter, thereby remaining below the pre-pandemic levels observed in the fourth quarter of 2019 for the second consecutive quarter. The tendency for older workers to retire later than in previous generations has supported the employment rate among the euro area population in recent years (see [Box 5](#)). The labour force expanded further, by 0.9% year on year, in the fourth quarter of 2025, while the latest monthly numbers indicate a moderation in growth. At the same time, the unemployment rate stood at 6.2% in March, down from 6.3% in February, but remaining close to historically low levels.

Chart 5**Euro area employment, PMI assessment of employment and unemployment rate**

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



Sources: Eurostat, S&P Global Market Intelligence and ECB calculations.

Notes: The two lines indicate monthly developments, while the bars show quarterly data. The PMI is expressed in terms of the deviation from 50, then divided by 10 to gauge quarter-on-quarter employment growth. The 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, April 2026 for the PMI assessment of employment and March 2026 for the unemployment rate.

Short-term labour market indicators suggest muted employment growth in the first quarter of 2026. According to the PMI flash release, the monthly composite PMI employment indicator stood at 49.8 in April, slightly above the value of 49.5 recorded in March, suggesting broadly flat employment developments. The indicator dropped further into contractionary territory in the manufacturing sector while it increased in the services sector, remaining just above the threshold of 50.

Private consumption likely slowed in the first quarter of 2026, while the short-term outlook is subject to headwinds stemming from the war in the Middle East. Following the strong momentum seen at the end of 2025, household spending appears to have moderated in early 2026 – with some softening possibly already underway before the onset of the conflict. Consistent with this, retail trade volumes remained broadly flat in the first quarter of 2026 (January-February average) compared with the fourth quarter of 2025. Survey evidence also points to a softening in consumption dynamics amid heightened geopolitical uncertainty. The European Commission consumer confidence indicator declined in March, mainly driven by weaker expectations for the general economic situation amid geopolitical tensions in the Middle East (Chart 6, panel a), and fell further in April to its lowest level since the end of 2022. Meanwhile, consumer uncertainty increased, suggesting more cautious spending behaviour by households. However, the deterioration in households' expectations remains significantly less pronounced than the decline seen in the aftermath of Russia's invasion of Ukraine (Chart 6, panel b). The European Commission consumption-weighted expected activity indicator – an aggregate index based on business expectations for activity over the next three months – dropped further in March, moving closer to its long-term average. In addition, the ECB Consumer Expectations Survey indicates that expectations for holiday-related purchases weakened further in March. Looking ahead, the outlook for private

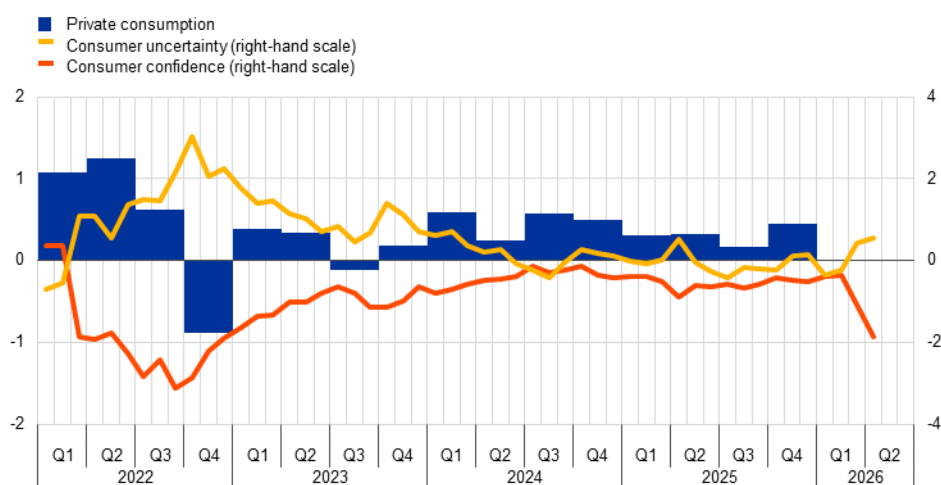
consumption is facing headwinds, although some mitigating factors remain in place. Higher energy prices may weigh on real income growth and restrain household spending. At the same time, households could draw on their savings to cushion the impact of the energy shock, while elevated uncertainty could encourage them to maintain or rebuild precautionary savings buffers, thereby weighing on private consumption (see [Box 4](#)).

Chart 6

Household consumption and households' expectations

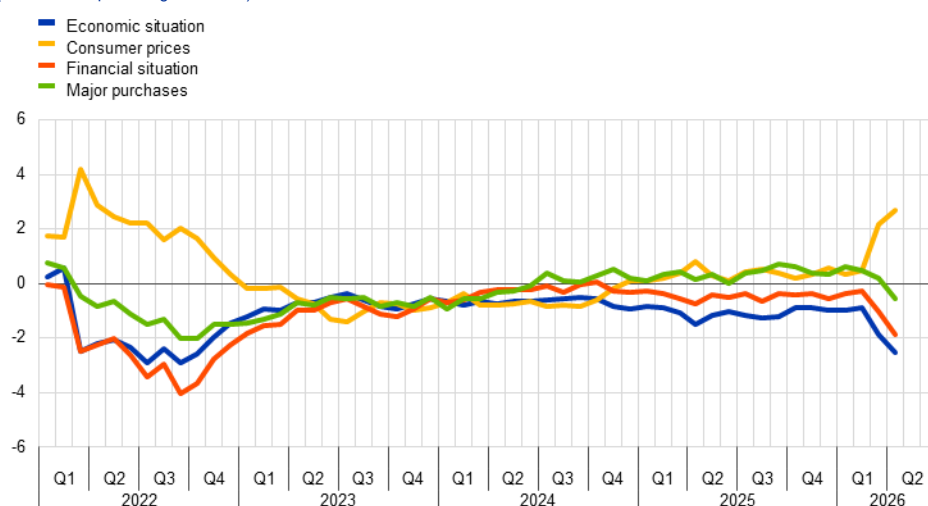
a) Real private consumption, consumer confidence and uncertainty

(quarter-on-quarter percentage changes, standardised percentage balances)



b) Households' expectations

(standardised percentage balances)



Sources: Eurostat, European Commission and ECB calculations.

Notes: "Consumer uncertainty" refers to the European Commission consumer economic uncertainty index. All series from the European Commission Business and Consumer Survey are standardised for the whole sample from January 1999, except for consumer uncertainty, which is standardised for the whole sample from April 2019, owing to data availability. The latest observations are for the fourth quarter of 2025 for private consumption and April 2026 for all other variables.

Business investment has likely continued to grow in the first quarter of 2026, but a prolonged war in the Middle East could give rise to downside risks in the second half of the year. Drivers of investment remained sound before the war in

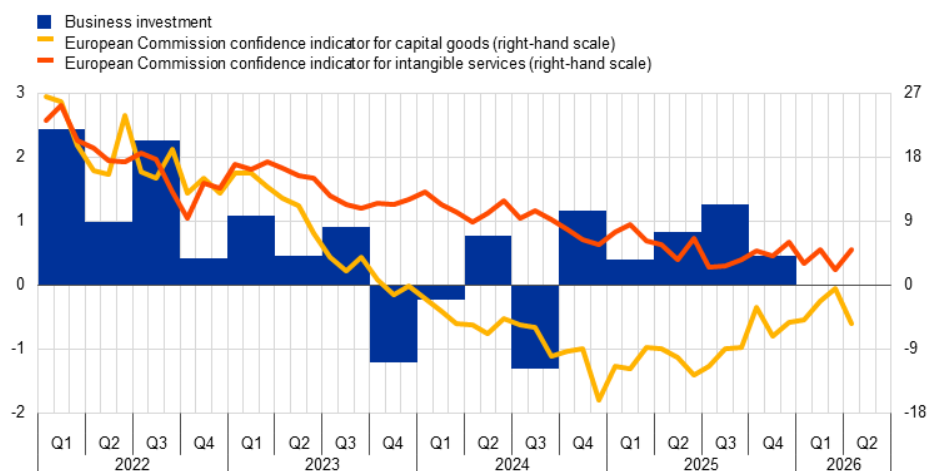
the Middle East, with improving corporate profits, healthy balance sheets and strong demand for digital technologies. In the first quarter of 2026, despite the outbreak of the conflict, the European Commission confidence indicator for the capital goods sector improved through to March. Confidence in the intangible services sectors remained positive – albeit weakening slightly – during the period (Chart 7, panel a). Overall, this suggests positive investment growth at the start of 2026. The picture changed with the outbreak of the war in the Middle East. Uncertainty and oil prices rose and the European Commission confidence indicator for the capital goods sector dropped in April. Business investment growth is expected to be muted for the remainder of 2026, with downside risks in the second half of the year should the war in the Middle East persist and uncertainty remain high (see [Box 6](#)). Industrial firms could face more severe global supply chain disruptions, with higher energy prices feeding through to aluminium, steel and other components. Digital investment could be adversely affected through critical supply chains, particularly by disruptions affecting semiconductor supply and data centre construction. Looking ahead, demand for digitalisation and defence spending, along with remaining Next Generation EU funds, should mitigate the adverse impact of these factors on business investment.

Chart 7

Real investment dynamics and survey data

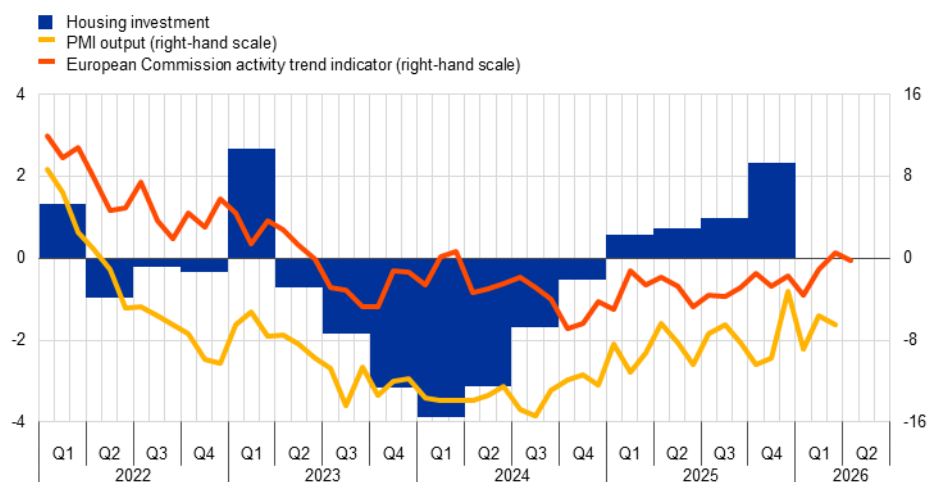
a) Business investment

(quarter-on-quarter percentage changes and percentage balances)



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. In panel a), business investment is measured by non-construction investment excluding Irish intangibles. The European Commission confidence indicator for intangible services refers to a weighted average of publishing activities (J58); computer programming, consultancy and related activities (J62); and information service activities (J63). In panel b), the PMI is expressed in terms of the deviation from 50. 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, March 2026 for PMI output and April 2026 for the European Commission indicators.

Housing investment appears to have continued to recover in the first quarter of 2026, supported by finishing works.

The overall positive trend in housing investment (Chart 7, panel b) continued to be driven by finishing works (specialised construction activities), which also include renovation work on existing buildings. These works continued to outperform the construction of new buildings, both at the euro area level and across the largest euro area countries. Short-term indicators fell recently but the trend remains broadly supportive. The European Commission indicator for recent trends in building and specialised construction activity declined in

April but remained close to its highest level since the first quarter of 2024, while the PMI housing output index declined slightly but remained above its January value. Looking ahead, consumer assessment of housing as a good investment remains at high levels according to the ECB Consumer Expectations Survey, pointing to robust underlying demand. At the same time, households' mortgage rate expectations increased in March, suggesting downside risks to the ongoing recovery in housing demand. These risks reflect the prospects of less favourable financing conditions following the energy-driven price shock and the deterioration in confidence associated with the conflict.

Euro area exports continue to encounter headwinds from US tariffs and competition from China. Goods export volumes declined by 3.4% in three-month-on-three-month terms in February 2026, having also contracted in January. Exports to both the United States and the rest of the world decreased, underscoring the ongoing challenges for euro area exporters. Survey indicators suggest that new export orders continued to decline in March as well. Looking ahead, competitiveness challenges for European exporters are likely to intensify amid persistent disruptions in energy and commodity markets, given that oil and gas remain central to the euro area's energy mix, making it particularly exposed to global price shocks. Overall, euro area exporters are facing a triple challenge: US tariffs, competition from China and rising energy prices. Concerns are rising about potential jet fuel shortages, which could trigger air traffic disruptions and rising flight fares, thereby dampening tourism demand. At the same time, the adverse effect on demand could be partly offset by some diversion of tourism flows towards European destinations. However, while there are no discernible effects on high-frequency flight passenger data so far, survey indicators are pointing to weakening demand for tourism services amid heightened uncertainty. Import volumes decreased by 1.5% in three-month-on-three-month terms in February, driven largely by a significant drop in imports of chemicals (including pharmaceuticals) from the United States, while imports from China continued to grow. Meanwhile, import prices continued their downward trend, falling by 3.5% year on year in January. This decline still reflects the impact of the appreciation of the euro since the spring of 2025, along with sustained downward price pressures from China.

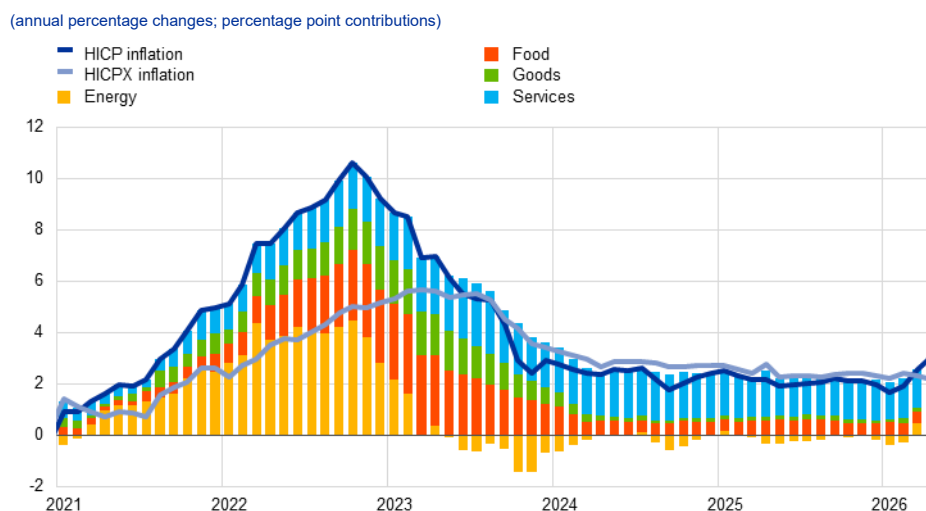
Overall, the economic outlook remains highly uncertain, hinging on the duration of the war and its impact on energy, other commodity markets and global supply chains. At the same time, solid household balance sheets, together with increased spending on defence and infrastructure, as well as continued investment in digital technologies, should help cushion the impact.

3 Prices and costs

Annual euro area headline inflation increased to 3.0% in April 2026, from 2.6% in March, owing to the surge in energy prices caused by the war in the Middle East.² Food inflation also increased, while inflation excluding energy and food edged down slightly. Indicators of underlying inflation have remained broadly stable over recent months. Annual growth in compensation per employee decreased to 3.7% in the fourth quarter of 2025, from 3.9% the quarter before. For now, negotiated wage growth and forward-looking indicators, such as the ECB's wage tracker and the surveys on wage expectations, continue to point to easing labour cost pressures in the course of 2026. Inflation expectations have moved up significantly over shorter horizons. Most measures of longer-term inflation expectations stand at around 2%, supporting the stabilisation of inflation around target in the medium term.

Annual euro area headline inflation, as measured in terms of the Harmonised Index of Consumer Prices (HICP), rose to 3.0% in April 2026, from 2.6% in March (Chart 8). This reflects a further increase in energy inflation and a modest increase in food inflation, only partly offset by a slight decline in HICP inflation excluding energy and food (HICPX). In the first quarter of 2026 euro area headline inflation stood at 2.0%, 0.1 percentage points below the March 2026 ECB staff macroeconomic projections for the euro area.

Chart 8
Headline inflation and its main components



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 April 2026 (flash estimate).

Energy inflation rose sharply in April, to 10.9% from 5.1% in March. The increase was driven primarily by a strong month-on-month rise in energy prices (3.0%) and an upward base effect (around 2.7 percentage points). Data available up to March show an increase in the annual rate of inflation on the main energy sub-

² The flash estimate of April inflation data, published by Eurostat on 30 April 2026, has exceptionally been included despite the cut-off date for data in this issue of the Economic Bulletin being 29 April.

components, particularly transport and liquid fuels. HICP inflation excluding energy decreased to 2.2% in April from 2.3% in March.

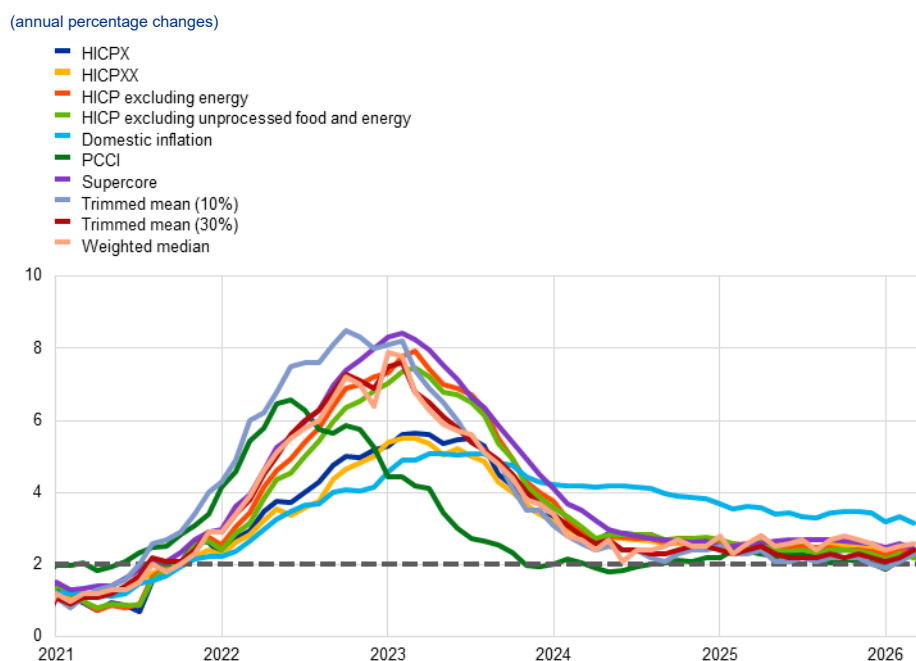
Food inflation increased to 2.5% in April, from 2.4% in March. The increase was driven by unprocessed food inflation rising to 4.7% in April, from 4.2% in March, while processed food inflation was unchanged at 1.7%. In the coming months, indirect effects of the recent surge in energy costs may gradually start feeding through to food inflation.

HICPX inflation moderated to 2.2% in April, from 2.3% in March. The decline reflects a lower annual growth rate for services inflation (3.0% in April after 3.2% in March), only partially offset by the increase in non-energy industrial goods (NEIG) inflation (to 0.8% in April, from 0.5% in March). According to data up to March, the slowdown in services inflation was mainly driven by the decline in the annual growth rate for recreation services, primarily due to lower contributions from accommodation and, to a smaller extent, restaurant services. The subdued rate of NEIG inflation in March mainly reflected continued weak price pressures for semi-durable and durable goods.

Underlying inflation indicators provided mixed signals in March compared with the previous month (Chart 9). These indicators ranged between 2.2% and 2.6% in March. Among the exclusion-based measures, HICP inflation excluding food and energy, travel-related items, clothing and footwear was unchanged, while the trimmed means increased by 0.2 percentage points. The remaining indicators declined by 0.1 percentage points. Regarding model-based indicators, the Persistent and Common Component of Inflation rose to 2.3% in March, from 2.1% in February. By contrast, the Supercore indicator, which comprises HICP items sensitive to the business cycle, edged down to 2.5% from 2.6%.³ Domestic inflation, which comprises items with a low import content, also declined in March, to 3.1% from 3.3% in February. Data that are already available for April show that most exclusion-based measures fell by 0.1 percentage points compared with March. Overall, underlying inflation measures continued to point to broadly stabilising underlying price pressures.

³ The Supercore indicator has been substantially revised. While part of the change can be attributed to the switch to the ECOICOP version 2 classification system, the largest impact stems from an adjustment in the estimation method itself, which has been implemented alongside the classification change. For more information, see Eiglsperger, M., Bodnár, K., Bouhaouita Haddad, R. and Wieland, E., "[What's new in the HICP? The 2026 classification update and its implications for inflation analysis](#)", in this issue of the Economic Bulletin.

Chart 9
Indicators of underlying inflation



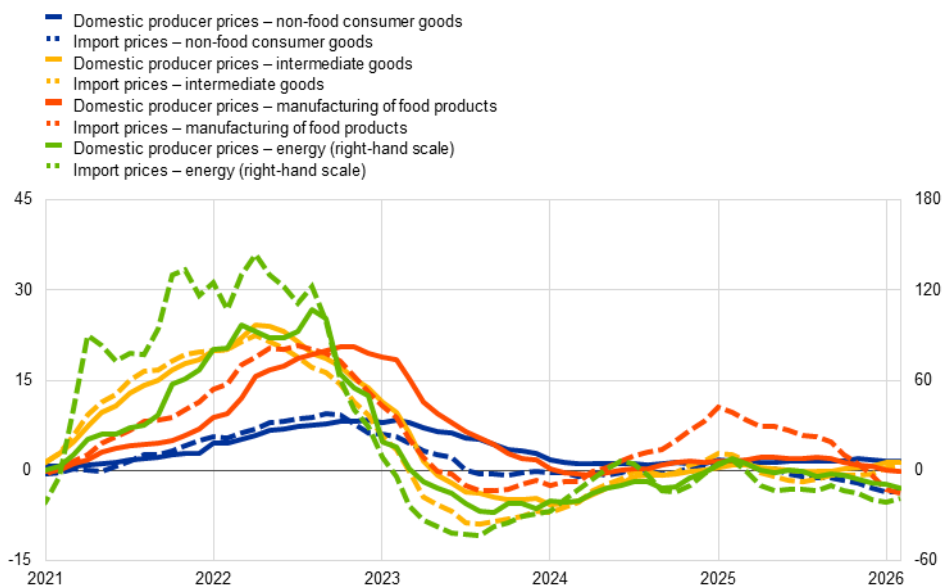
Sources: Eurostat and ECB calculations.

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

Before the outbreak of the war in the Middle East, indicators of pipeline pressures had signalled subdued inflationary pressures for goods and food prices (Chart 10). At the early stages of the pricing chain, price pressures on intermediate goods remained moderate. Domestic producer price inflation eased slightly in February (1.3%), while import price inflation edged up (0.6%). At the later stages of the pricing chain, pipeline pressures on non-food consumer goods were broadly unchanged in February, with domestic producer price inflation stable at 1.6% and import price inflation still negative at -3.5%. At the same time, manufactured food producer price inflation turned negative in February (-0.2%) for the first time since May 2024. Import price inflation for manufactured food continued its persistent decline, falling to -3.7% in February. Overall, these dynamics reflect the past appreciation of the euro and possibly increased exports from China to the euro area market. As the data predate the start of the war in the Middle East, subsequent developments in producer prices and import prices are being closely monitored.

Chart 10**Indicators of pipeline pressures**

(annual percentage changes)



Sources: Eurostat and ECB calculations.

Note: The latest observations are for February 2026.

Domestic cost pressures, as measured by growth in the GDP deflator, increased to 2.6% in the fourth quarter of 2025, after having declined continuously until the beginning of that year (Chart 11). The increase reflects a higher contribution from unit profits, while contributions from unit labour costs and unit taxes were unchanged. In growth rate terms, unit labour costs remained at 3.1% in the fourth quarter of 2025, reflecting a decrease in the annual growth rate of compensation per employee (to 3.7% from 3.9%), which was partially offset by a decline in labour productivity growth (to 0.5% from 0.8%). The moderation in the growth rate of compensation per employee stemmed from a decline in the contribution from the wage drift component, to 0.4 percentage points from 1.9 percentage points in the previous quarter. This partially offset an increase in negotiated wage growth, to 3.0% from 1.9%. Looking ahead, the ECB wage tracker, which has been updated with data on wage agreements negotiated up to middle of April 2026, indicates that negotiated wage pressures will stabilise at 2.6% in 2026, having eased from 3.0% in 2025.⁴ The moderation is also confirmed by the latest survey indicators on wage growth, such as the results of the ECB's Corporate Telephone Survey, in which respondents expected wage growth to fall from 3.5% in 2025 to 2.9% in 2026 and 2.8% in 2027.⁵

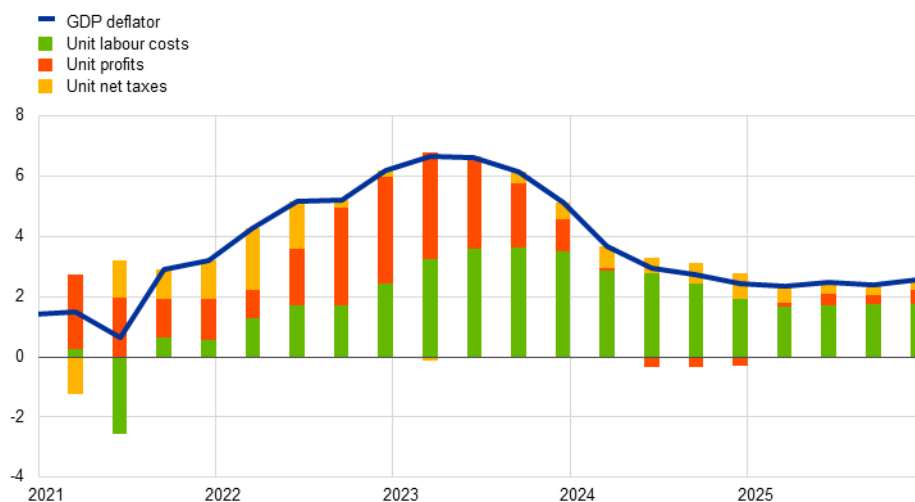
⁴ For further details, see [“New data release: ECB wage tracker indicates negotiated wage pressures stable in 2026”](#), press release, ECB, 6 May 2026.

⁵ For more information, see Elding C., Kuik F., Meyler A. and Morris, R., [“Main findings from the ECB's recent contacts with non-financial companies”](#), in this issue of the Economic Bulletin.

Chart 11

Breakdown of the GDP deflator

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.

Notes: Compensation per employee contributes positively to changes in unit labour costs. Labour productivity contributes negatively. The latest observations are for the fourth quarter of 2025.

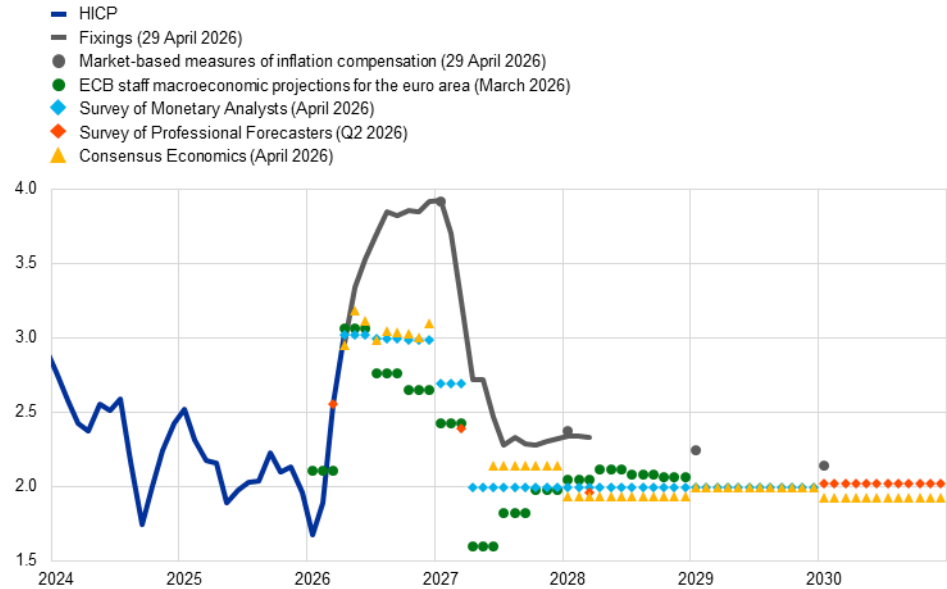
Shorter-term inflation expectations among professional forecasters, monetary analysts and consumers increased in March 2026. The median of longer-term inflation expectations in the ECB Survey of Monetary Analysts (SMA) for April 2026 and in the ECB Survey of Professional Forecasters (SPF) for the second quarter of 2026 were unchanged at 2% (Chart 12, panel a). By contrast, short-term inflation expectations were revised up, with the SMA expecting 2.8% and the SPF 2.7% in 2026, followed by a decline in 2027, to 2.2% for the SMA and 2.1% for the SPF. As regards short-term consumer inflation perceptions and expectations, the median rate of perceived inflation over the previous 12 months increased to 3.5% in the March 2026 ECB Consumer Expectations Survey (Chart 12, panel b), from 3.0% in February. Median expectations for inflation over the next 12 months and three years ahead jumped to 4.0% and 3.0% respectively, both from 2.5% in February. Median expectations for inflation five years ahead increased slightly, to 2.4% from 2.3%.

Chart 12

Headline inflation, inflation projections and expectations

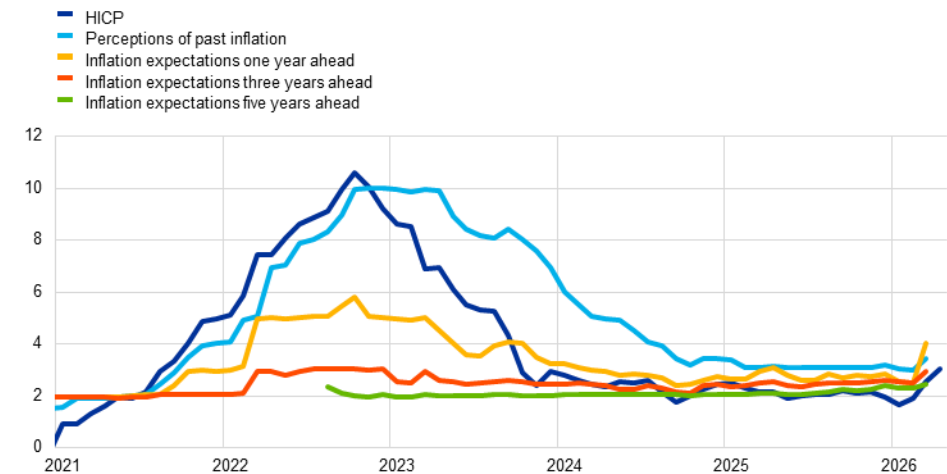
a) Headline inflation, market-based measures of inflation compensation, inflation projections and survey-based indicators of inflation expectations

(annual percentage changes)



b) Headline inflation and ECB Consumer Expectations Survey

(annual percentage changes)



Sources: Eurostat, LSEG, Consensus Economics, ECB (SMA, SPF, CES), ECB staff macroeconomic projections for the euro area, March 2026 and ECB calculations.

Notes: In panel a), the market-based measures of inflation compensation series is based on the one-year spot inflation linked swap rate, the one-year forward rate one year ahead, the one-year forward rate two years ahead, the one-year forward rate three years ahead and the one-year forward rate four years ahead. The latest observations for the market-based measures of inflation compensation series and for fixings are for 29 April 2026. Inflation fixings are swap contracts linked to specific monthly releases of euro area year-on-year HICP inflation excluding tobacco. The SPF for the second quarter of 2026 was conducted between 31 March and 8 April 2026. The SMA for April 2026 was conducted between 13 and 15 April. The cut-off date for the Consensus Economics forecasts was 16 April 2026. The March 2026 ECB staff macroeconomic projections for the euro area were finalised on 13 March 2026, and the cut-off date for the technical assumptions was 11 March 2026. In panel b), the lines for the Consumer Expectations Survey (CES) represent the median rates. The latest observations are for April 2026 (flash estimate) for HICP and March 2026 for the remaining measures.

Over the review period from 19 March to 29 April, near-term market-based measures of inflation compensation increased, while longer-term expectations remained well anchored (Chart 12, panel a). The war in the Middle East triggered

large swings in energy prices, inducing volatility in the pricing of the inflation outlook. Inflation fixings, which are swap contracts linked to the euro area HICP excluding tobacco, increased across horizons and currently imply that investors expect inflation to remain elevated over the coming year before easing to levels close to the Governing Council's target by mid-2027. Looking beyond the near term, the one-year forward inflation-linked swap rate one year ahead increased by 26 basis points and stood at around 2.4% at the end of the review period. Longer-term market-based inflation expectations, as reflected in the five-year forward inflation-linked swap rate five years ahead, remained firmly anchored at around 2.0% once adjusted for inflation risk premia, supporting the stabilisation of inflation around the Governing Council's target in the medium term.

4 Financial market developments

Financial markets in the euro area were marked by pronounced volatility during the review period from 19 March to 29 April 2026. Uncertainty surrounding the war in the Middle East triggered an initial risk-off repricing, which was followed by a broad-based recovery once a ceasefire was announced and then renewed volatility in the final days of the review period. Phases in which the conflict intensified were marked by rising energy prices and interest rates, a widespread decline in investor sentiment and sell-offs in risk assets, while there was a reversal of this pattern during periods of de-escalation. At the end of the review period, the risk-free forward curve suggested that markets were pricing in 83 basis points of cumulative interest rate hikes by year-end. Longer-term risk-free rates rose over the review period, while sovereign bond spreads were broadly unchanged. In spite of headwinds from geopolitical uncertainty and higher interest rates, risk assets performed strongly overall. Euro area equities ended the review period higher and investment-grade corporate bond spreads returned to their pre-war level. In foreign exchange markets, the euro strengthened against the US dollar (+1.9%) and was broadly stable in trade-weighted terms (+0.6%).

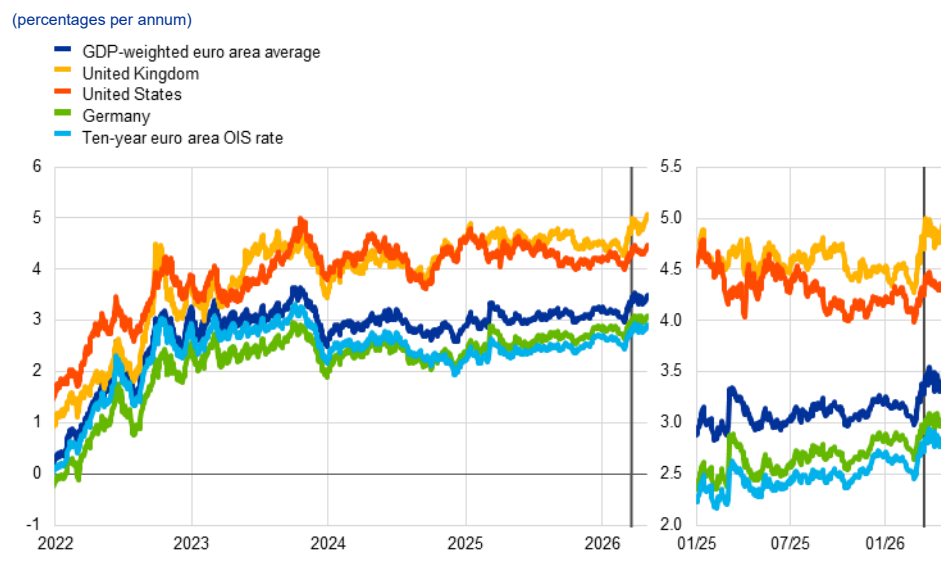
Euro area risk-free rates increased over the review period at both short and long-term maturities, with the forward curve remaining well above the levels prevailing before the outbreak of the war in the Middle East. The benchmark euro short-term rate (€STR) stood at 1.93% at the end of the review period, following the Governing Council's decision at its meeting on 19 March 2026 to keep the three key ECB interest rates unchanged. Excess liquidity decreased by around €101 billion to €2,263 billion, which mainly reflected the continuing decline in the portfolios of securities held for monetary policy purposes. As concerns over a prolonged conflict eased following the ceasefire announcement on 8 April, near-term forward rates fell significantly. However, movements over the last part of the review period reversed this decline, shifting the €STR forward curve upwards versus the start of the review period and further above pre-war levels. At the end of the review period, the €STR forward curve implied that markets were pricing in cumulative interest rate hikes of 83 basis points by the end of the year, up from 71 basis points priced in at the start of the review period on 19 March. The forward curve also shifted up materially at horizons beyond 2026. Overall, the ten-year nominal overnight index swap (OIS) rate rose by 15 basis points, ending the review period at around 2.9%.

Long-term euro area sovereign bond yields rose broadly in line with risk-free rates over the review period, while yield spreads remained largely unchanged (Chart 13). Euro area sovereign bonds experienced a marked repricing at the start of the war in the Middle East, with yields rising sharply amid inflation concerns linked to higher energy prices. This upward momentum extended into the review period but was subsequently partly unwound following the ceasefire announcement on 8 April. The uptick observed in the final days of the review period was broadly in line with the repricing in risk-free rates. Overall, the ten-year GDP-weighted euro area sovereign bond yield increased by 13 basis points, closing the review period at around 3.5%, with spreads relative to the OIS rate at the same maturity narrowing marginally. In the United States, the ten-year Treasury yield rose by 18 basis points to stand at

around 4.5% at the end of the review period, while the ten-year UK sovereign bond yield went up by 23 basis points to around 5.1%.

Chart 13

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



Sources: LSEG and ECB calculations.

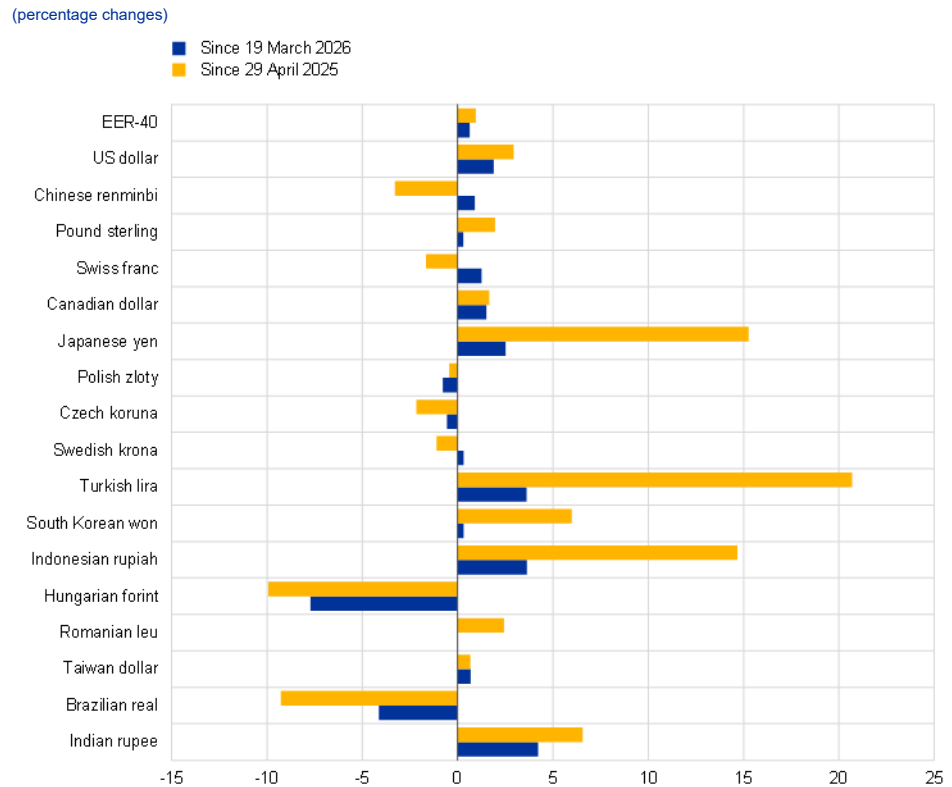
Notes: The vertical grey line denotes the start of the review period on 19 March 2026. The latest observations are for 29 April 2026.

While euro area equity markets regained some ground over the review period, equity prices remained lower than before the outbreak of the war. The Middle East ceasefire announcement shored up euro area equities and initially triggered a full recovery from the losses sparked by the outbreak of the war, but this was not sustained until the end of the review period. The broad euro area stock market index went up by 4.3%, with financial sector stocks advancing by 7.5% and the sub-index for non-financial corporations (NFCs) rising by 2.6%. In the United States, the S&P 500 gained 7.7% over the review period, with the NFC and financial sector indices increasing by 8.1% and 5.6% respectively. This recovery in equity markets on both sides of the Atlantic suggests that global equity valuations were supported by common factors, in particular the tentative improvement in risk sentiment despite continued geopolitical uncertainty, alongside a rebound in artificial intelligence stocks. At the same time, the relative underperformance of euro area equities reflected their higher exposure to the Middle East conflict, particularly in the case of NFCs.

Euro area corporate bond markets also reflected the fragile improvement in risk sentiment, with spreads tightening over the review period. The Middle East ceasefire announcement on 8 April reduced geopolitical uncertainty and reversed the widening in corporate bond spreads that had followed the outbreak of the war. Investment-grade corporate bond spreads tightened by 9 basis points over the review period, returning to their pre-war level. By contrast, spreads in the high-yield segment declined by 28 basis points but remained approximately 6 basis points above their pre-conflict level.

In foreign exchange markets, the euro appreciated against the US dollar and was broadly stable in trade-weighted terms (Chart 14). The nominal effective exchange rate of the euro – as measured against the currencies of 40 of the euro area’s most important trading partners – increased by a marginal 0.6% over the review period. This relative stability reflected broadly counterbalancing movements against several of these currencies. Notably, the euro appreciated against the US dollar (+1.9%) following ceasefire negotiations between the United States and Iran, approaching its pre-war level of USD 1.18 per euro. It also appreciated against the Chinese renminbi (+0.9%), which is closely linked to the US dollar, the Swiss franc (+1.3%), the Japanese yen (+2.5%) and the Turkish lira (+3.6%), while remaining broadly stable against the pound sterling (+0.3%). By contrast, the euro depreciated against the Hungarian forint (-7.7%), following the Hungarian parliamentary elections, and the Brazilian real (-4.1%).

Chart 14
Changes in the exchange rate of the euro vis-à-vis selected currencies

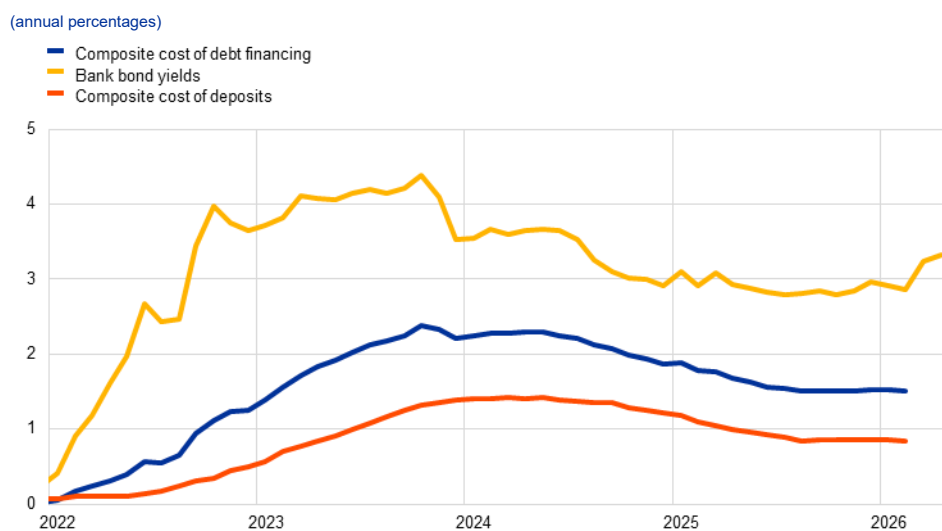


Source: ECB calculations.
Notes: EER-40 is the nominal effective exchange rate of the euro against the currencies of 40 of the euro area’s most important trading partners. A positive (negative) change corresponds to an appreciation (depreciation) of the euro. All changes have been calculated using the foreign exchange rates prevailing on 29 April 2026.

5 Financing conditions and credit developments

Financing conditions for firms and households were broadly stable up to February 2026 but have become tighter since the outbreak of the war in the Middle East. In February bank lending rates for firms edged down to 3.5%, while the average interest rate on new mortgages remained at 3.4%. Over the review period from 19 March to 29 April 2026, the cost to non-financial corporations of market-based debt remained virtually unchanged despite higher risk-free rates, while the cost of equity increased, as did bank bond yields. Growth in loans to firms increased in March, while growth in loans to households was stable. The annual growth rate of broad money (M3) increased marginally to 3.2%. According to the April 2026 euro area bank lending survey, banks further tightened credit standards for loans to firms in the first quarter of 2026, and demand for new loans to firms declined slightly. Credit standards for housing loans tightened slightly and those for consumer credit tightened further. Demand for housing loans remained unchanged, while consumer credit demand contracted significantly. In the Survey on the Access to Finance of Enterprises for the first quarter of 2026, firms reported an increase in bank interest rates and a continued tightening of other lending conditions.

Bank funding costs remained broadly stable until February 2026, but bank bond yields increased markedly in March. In February the composite cost of debt financing for euro area banks stood at 1.5%, having stayed at this level since July 2025 (Chart 15). Bank bond yields were stable, hovering at around 3% since early 2025. However, they increased markedly following the outbreak of the war in the Middle East on 28 February, primarily reflecting higher medium to long-term risk-free rates (see Section 4, “Financial market developments”). The composite deposit rate remained unchanged at 0.9% in February. Interest rates on overnight deposits and deposits redeemable at notice saw little change, as did interbank rates, while rates on savings accounts decreased slightly.

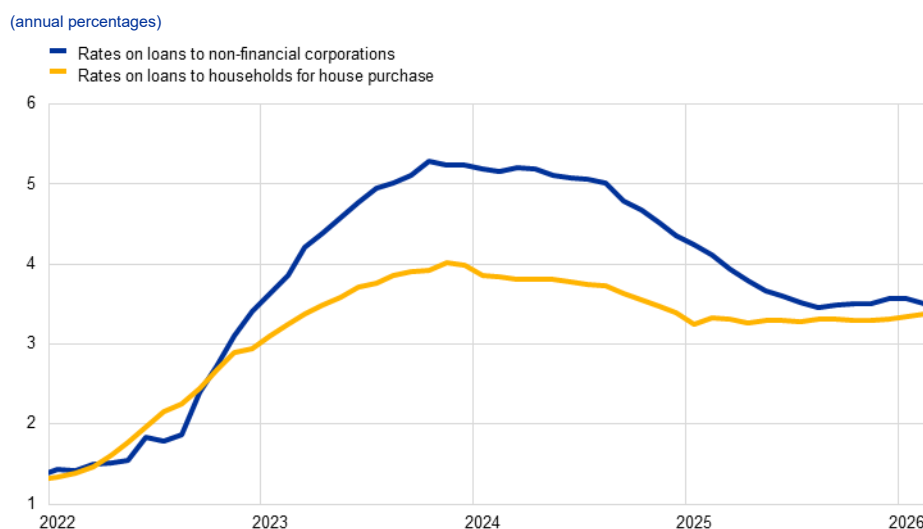
Chart 15**Composite bank funding costs in the euro area**

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 February 2026 for the composite cost of debt financing and the composite cost of deposits, and 29 April 2026 for bank bond yields.

Bank lending rates for firms fell slightly in February, while those for households were stable (Chart 16).

The cost of bank borrowing for non-financial corporations decreased to 3.5% in February, from 3.6% in January, standing around 1.8 percentage points below its October 2023 peak. This was driven by a decline in rates on short-term loans (up to one year), while rates on medium-term and longer-term loans (over one year) increased. The spread between interest rates on small and large loans to firms rose somewhat in February, mostly on the back of falling rates on large loans, while rates on small loans increased. The cost of borrowing for households for house purchase was unchanged at 3.4% in February and stood around 70 basis points below its November 2023 peak. Across rate fixation periods, the picture was mixed: rates increased for mortgages with longer-term fixation periods (over five years), remained unchanged for those with medium-term fixation periods (between one and five years) and decreased for shorter-term loans (below one year).

Chart 16**Composite bank lending rates for firms and households in the euro area**

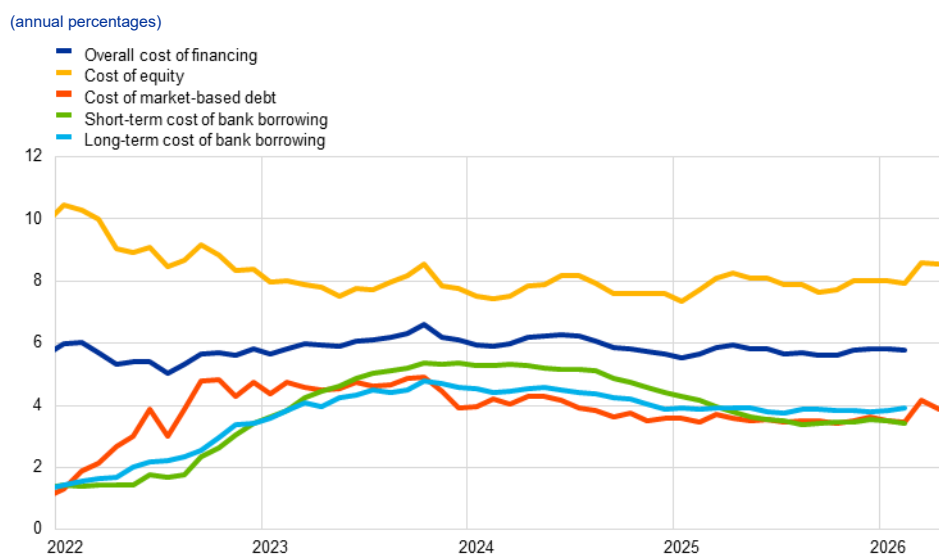
Sources: ECB and ECB calculations.

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 February 2026.

Over the review period from 19 March to 29 April 2026, there was no change in the cost of firms' market-based debt, while the cost of equity financing increased.

The overall cost of financing for non-financial corporations – the composite cost of bank borrowing, market-based debt and equity – remained unchanged in February, at 5.8% for the fourth consecutive month (Chart 17).⁶ A 10 basis point increase in the long-term cost of bank borrowing was compensated by slight declines in all other components of the overall cost of financing. Daily data for the review period show an increase in the cost of equity financing and virtually no change in the cost of market-based debt. The increase in the cost of equity almost exclusively reflected a higher equity risk premium, while the stability in the cost of market-based debt was due to the compression of corporate spreads – especially in the high-yield sector – which offset the slight rise in long-term risk-free rates.

⁶ Owing to lags in the availability of data on the cost of borrowing from banks, data on the overall cost of financing for non-financial corporations are only available up to February 2026.

Chart 17**Nominal cost of external financing for euro area firms, broken down by component**

Sources: ECB, Eurostat, Dealogic, Merrill Lynch, Bloomberg Finance L.P., LSEG and ECB calculations.

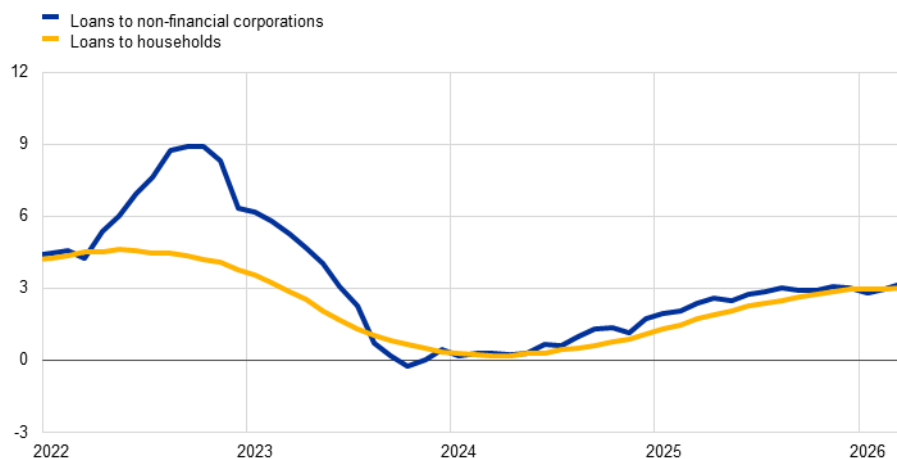
Notes: The overall cost of financing for non-financial corporations is based on monthly data and is calculated as an average of the long and short-term costs of bank borrowing (monthly average data) and the costs of market-based debt and equity (end-of-month data), weighted by their respective outstanding amounts. The latest observations are for 29 April 2026 for the cost of market-based debt and the cost of equity (daily data), and February 2026 for the overall cost of financing and the long-term and short-term cost of borrowing from banks (monthly data).

Growth in loans to firms increased in March, while growth in loans to households remained stable (Chart 18).

The annual growth rate of bank lending to non-financial firms rose to 3.2% in March, from 3.0% in February, but remained well below its historical average of 4.3% since the start of the time series in 1999. The issuance of debt securities by firms fell to 3.9%, from 4.5% in February, as issuance costs initially surged following the outbreak of the war in the Middle East. This kept the annual growth rate of debt financing by firms broadly stable in March, at 3.4%. Growth in longer-term loans weakened, reflecting lower loan demand for investment purposes. The annual growth rate of loans to households was stable at 3.0% in March, also remaining well below its historical average of 4.1%. The growth in loans to households was mainly supported by growth in consumer credit and, to a lesser extent, in mortgages, while other forms of lending to households, including loans to sole proprietors, remained weak. According to the ECB [Consumer Expectations Survey](#) for March 2026, the war in the Middle East has adversely affected household expectations regarding credit access, which in March were at their tightest level since the peak of the last policy rate hiking cycle in December 2023.

Chart 18
MFI loans in the euro area

(annual percentage changes)



Sources: ECB and ECB calculations.

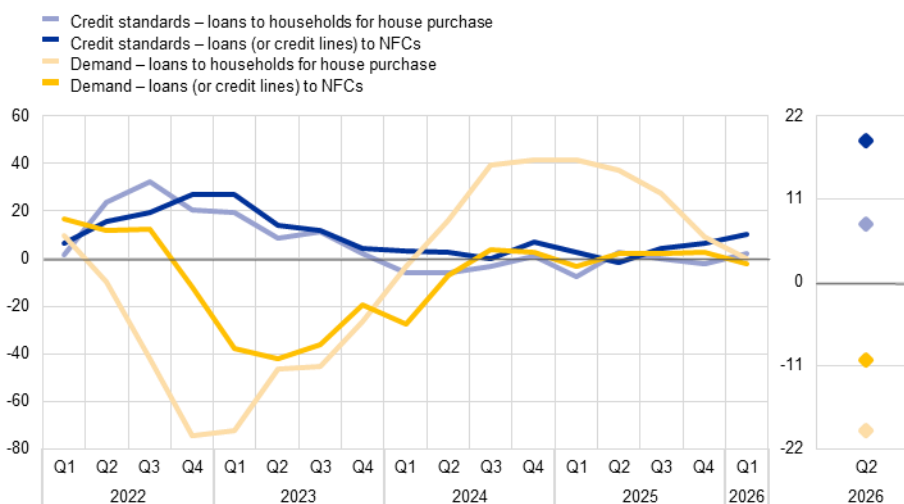
Notes: Loans from monetary financial institutions (MFIs) are adjusted for loan sales and securitisation; in the case of non-financial corporations, loans are also adjusted for notional cash pooling. The latest observations are for March 2026.

The April 2026 euro area bank lending survey reports a further tightening of credit standards for loans to firms in the first quarter of 2026 and a small tightening of credit standards for housing loans (Chart 19). The tightening of credit standards for loans or credit lines to euro area firms was larger than previously expected by banks. It stood above the historical average and represented the most pronounced tightening since the third quarter of 2023, extending a continued cumulative tightening trend that began in mid-2025. Higher perceived risks to the economic outlook and lower risk tolerance on the part of banks were the main contributing factors. Some banks reported additional tightening as a result of exposures to energy-intensive firms and to the Middle East. Credit standards for housing loans tightened slightly, and those for consumer credit tightened further in the first quarter of 2026. For housing loans, risk perceptions had a tightening impact on credit standards, while competition had a small easing effect. For consumer credit, the lower risk tolerance and higher risk perceptions of banks were the main drivers of the tightening. For the second quarter of 2026, euro area banks expect credit standards to tighten markedly for loans to firms, while credit standards are expected to tighten further for both housing loans and consumer credit.

Chart 19

Changes in credit standards and net demand for loans to NFCs and loans to households for house purchase

(net percentages of banks reporting a tightening of credit standards or an increase in loan demand)



Source: ECB (bank lending survey).

Notes: NFCs stands for non-financial corporations. For survey questions on credit standards, "net percentages" are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". For survey questions on demand for loans, "net percentages" are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The diamonds denote expectations reported by banks in the current round. The latest observations are for the first quarter of 2026.

Banks reported that demand for loans to firms declined slightly in the first quarter of 2026, while demand for housing loans remained unchanged and demand for consumer credit decreased considerably. The decrease in demand for loans to firms was unexpected, as in the previous survey round banks had anticipated a moderate increase similar to the increases observed in the preceding three consecutive quarters. The drop in demand for loans was driven mainly by a decrease in demand for fixed investment and was partially offset by higher demand for inventories and working capital, primarily among small and medium-sized enterprises (SMEs). While demand for housing loans was unchanged, demand for consumer credit decreased markedly. In the previous survey round, banks had expected stronger demand in both categories. Deteriorating consumer confidence and developments in interest rates weighed on demand for housing loans. Weaker spending on durable goods and lower consumer confidence, as well as the general level of interest rates, contributed to the weak demand for consumer credit. For the second quarter of 2026, banks expect a more pronounced net decrease in demand for loans to firms and further declines in demand for housing loans and consumer credit.

According to the responses of banks to the ad hoc questions in the survey, their access to funding deteriorated further, while risks to credit quality also had a tightening impact on credit standards. In the first quarter of 2026 the ease with which banks were able to access debt securities, money markets and securitisations deteriorated, while it remained broadly unchanged for retail funding. Over the next three months, banks expect access to debt securities, money market funding and securitisation markets to deteriorate further, with access to retail funding

aligning with this trend. Banks reported a net tightening impact of non-performing loans ratios and other credit quality indicators on their credit standards for loans to firms and consumer credit in the first quarter of 2026, while credit standards for housing loans were broadly unaffected. Banks indicated that higher risk perceptions, lower risk tolerance, pressure stemming from supervisory or regulatory requirements and costs related to balance sheet clean-up operations had contributed to the net tightening. For the second quarter of 2026, euro area banks expect credit quality to have a further tightening impact on their credit standards for loans to firms and, more markedly, for consumer credit. In response to a new question on the securitisation activities of banks and their impact on lending, nearly half of euro area banks reported using either traditional or synthetic securitisation. Euro area banks identified freeing up capital to issue new loans as their primary motivation for securitising loans, followed by improving their liquidity position, managing credit risks, improving access to funding and meeting regulatory or supervisory requirements.

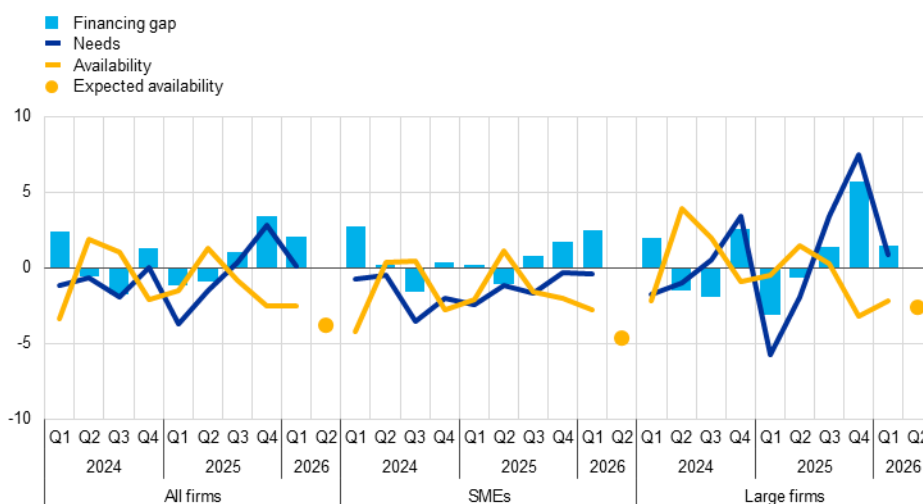
In the latest Survey on the Access to Finance of Enterprises (SAFE), conducted between 19 February and 1 April 2026, firms reported a tightening in bank lending conditions amid increases in bank interest rates. In the first quarter of 2026 a net 26% of firms reported an increase in bank interest rates, compared with a net 12% in the previous quarter. SMEs and large firms reported similar perceptions regarding the rise in interest rates. Firms also indicated a further net tightening of other loan conditions, particularly for other financing costs, such as charges, fees and commissions and collateral requirements.

Firms reported unchanged needs for bank loans, accompanied by a marginal decrease in availability (Chart 20). In the first quarter of 2026 firms indicated unchanged needs for bank loans, while a net 3% of firms reported a decline in the availability of bank loans (up from 2% in the previous quarter), with similar results observed for both SMEs and large firms. The bank loan financing gap indicator – an index capturing the difference between changes in perceived needs and availability – remained positive for a net 2% of firms, although this figure is slightly lower than in the previous quarter (net 3%), thus continuing to signal that needs exceed availability. Looking ahead, firms expect the availability of external financing to decrease marginally over the next three months, marking a less optimistic outlook than in the previous survey round. Firms surveyed before and after the outbreak of the war in the Middle East reported similar expectations for bank loan availability over the next three months. However, expectations for bank loan availability over the next six months were notably lower among firms that were surveyed after the outbreak of the war compared with firms surveyed before that.

Chart 20

Changes in needs of euro area firms for loans, current and expected bank loan availability and financing gap

(net percentages of respondents)



Sources: ECB (SAFE) and ECB calculations.

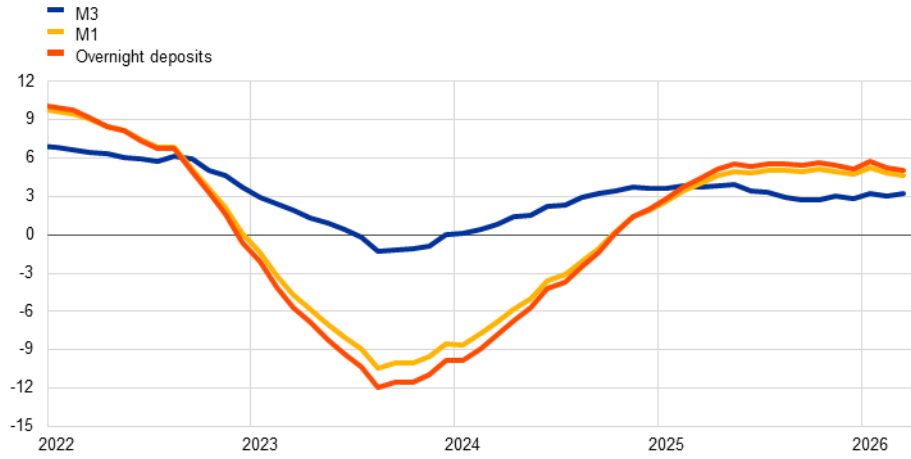
Notes: SMEs stands for small and medium-sized enterprises. Net percentages are the difference between the percentage of firms reporting an increase in the availability of bank loans (or needs and expected availability respectively) and the percentage reporting a decrease in availability in the past three months. The indicator of the perceived change in the financing gap takes a value of 1 (-1) if the need increases (decreases) and availability decreases (increases). If firms perceive only a one-sided increase (decrease) in the financing gap, the variable is assigned a value of 0.5 (-0.5). A positive value for the indicator points to a widening of the financing gap. Values are multiplied by 100 to obtain weighted net balances in percentages. Expected availability has been shifted forward by one period to allow a direct comparison with realisations. The figures refer to rounds 30 to 38 of the SAFE (January-March 2024 to January-March 2026).

The annual growth rate of broad money (M3) increased marginally in March amid robust net foreign inflows into the euro area (Chart 21).

Annual growth in M3 rose to 3.2% in March, from 3.0% in February, but remained well below its historical average of 5.2% since the start of the time series in 1999. The increase in broad money growth was supported by inflows into marketable instruments and a stronger preference for liquid assets, especially among non-bank financial intermediaries. However, strong declines in household deposits meant that the annual growth rate of narrow money (M1) – comprising the most liquid instruments, namely currency in circulation and overnight deposits – fell from 4.8% in February to 4.6% in March. From a counterpart perspective, robust net foreign monetary inflows into the euro area and bank purchases of (shorter-term) government bonds were the main contributors to the increase in money creation. By contrast, the reduction of 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 being reinvested.

Chart 21 M3, M1 and overnight deposits

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



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

Boxes

1 Assessing cross-border integration of equity markets in the euro area: evidence from a gravity model

Prepared by Pablo Anaya Longaric, Lisa Bellinghausen, Laura Parisi, Lucia Quaglietti and Fons van Overbeek

Despite some progress on integration, euro area financial markets remain fragmented. The EU savings and investments union aims to remove barriers to cross-border capital flows, unlocking investment, lowering the cost of capital and strengthening resilience. However, the scale of remaining frictions is difficult to quantify. This box addresses this gap by applying a structural gravity model to bilateral euro area equity holdings, providing estimates of the changes in financial frictions in equity markets over the past decade.

Descriptive indicators signal persistent fragmentation of euro area equity markets. For example, price indicators suggest that market integration remains below its peak in 2018, which was lower than historical highs reached a decade earlier (European Central Bank (ECB), 2026) (Chart A, panel a).¹ This has occurred alongside rising stock valuations, suggesting that stronger market performance has not translated into greater financial integration. At the same time, quantity-based indicators point to a modest increase in intra-euro area cross-border investment, although it has risen by less than euro area investor holdings of US equity (Chart A, panel b).

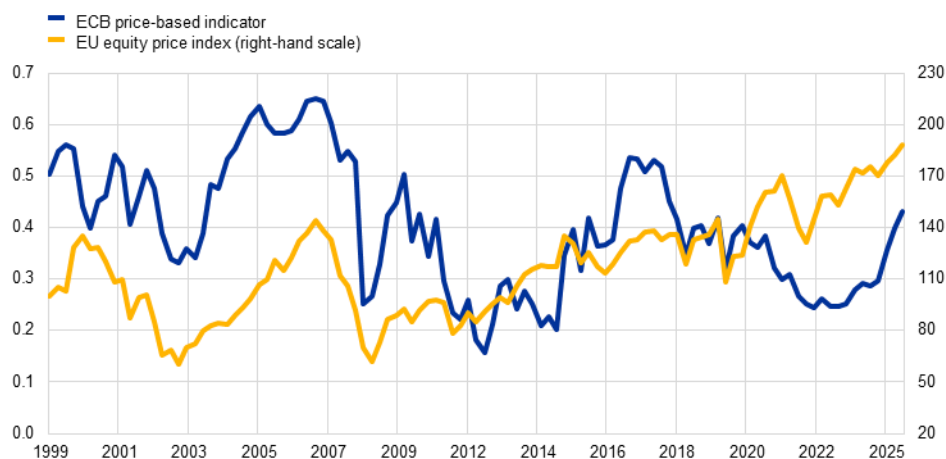
¹ Price indicators capture convergence in asset prices, returns or yields, adjusted for risk and liquidity. Quantity indicators focus on the scale of cross-border financial activity, relying on data on holdings, portfolio flows or exposures. See also ECB (2026).

Chart A

Measures of euro area equity market integration

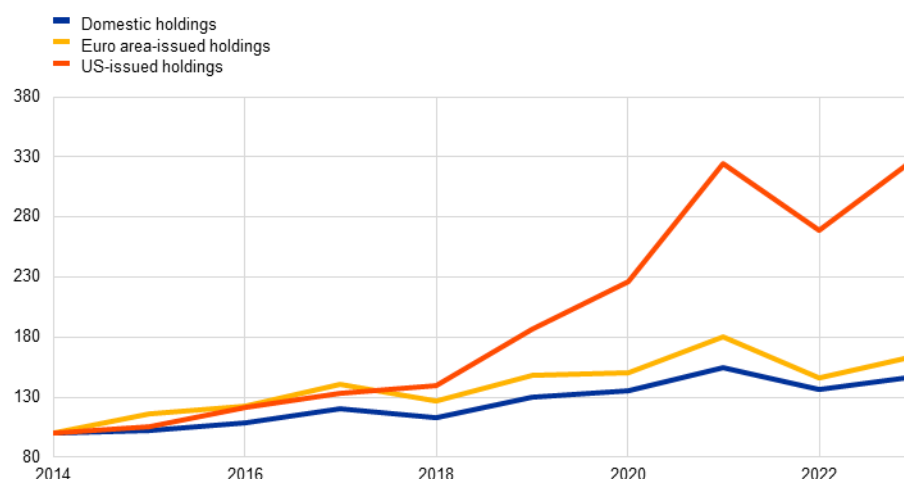
a) ECB price-based indicator of equity market integration

(left-hand scale: price-based indicator; right-hand scale: index: 1999 = 100)



b) Recent changes in the quantity of equity holdings by issuer

(index: 2014 = 100)



Sources: ECB (2026), LSEG, Beck et al. (2026) and ECB calculations.

Notes: Panel a): the blue line shows the equity market sub-index of the ECB's price-based financial integration composite indicator (0 = no integration; 1 = full integration), which is based on price dispersion. The yellow line shows changes in the EU equity price index relative to 1999. Panel b): domestic holdings refer to positions where the holder and issuer are in the same euro area country. Euro area-issued holdings denote securities issued in a euro area country other than the country of the holder, and US-issued holdings are securities held by euro area investors and issued in the United States. The instruments considered are listed equities and investment fund shares. They are classified by issuer nationality, looking through investment fund holdings.

Gravity models can complement descriptive indicators, which provide useful snapshots of financial integration but do not fully capture the structural factors shaping cross-border equity flows. Gravity models offer a structural model-based framework which controls for country-specific factors and time-invariant bilateral frictions. Their main advantage lies in isolating structural frictions based on fundamentals, although they might be less informative about market efficiency or risk-pricing than price-based indicators. Gravity models explain bilateral economic interactions as increasing with economic size and decreasing with geographical distance and other factors. While such models were originally developed for international trade, the same intuition can apply to financial markets: cross-border

investment is higher between economically important countries and countries where informational, institutional or geographical barriers are lower.² Indeed, empirical evidence shows that geographical proximity, trade ties and shared regulatory frameworks promote cross-border financial flows, while persistent frictions sustain home bias.³

Gravity models enable a structural quantification of the aggregate barriers to cross-border equity investment. They allow an assessment of how intra-euro area integration has evolved relative to extra-euro area linkages and to what extent frictions continue to weigh on cross-border portfolios.⁴ The analysis uses restatements of the portfolio investment positions of euro area countries, as included in the dataset of Beck et al. (2026).⁵ Estimated frictions are expressed as “tax-equivalents”, i.e. the tax rate yielding the same effect as observed frictions, thus enabling comparisons across countries and over time, and between euro area countries and the United States.⁶ As the dataset begins in 2014, changes in the degree of integration are expressed relative to that year.

Frictions within the euro area have eased less than those between the euro area and the United States. Chart B shows that intra-euro area frictions have declined overall since 2014 by a tax-equivalent amount of around 12 percentage points. Frictions affecting equity holdings between the euro area and the United States fell more significantly, by around 25 percentage points. This difference suggests a faster pace of integration of euro area equity markets with the United States over this period. Interpreted through the tax-equivalent lens, estimates indicate that frictions faced by euro area investors when holding US equities have fallen far more swiftly than those for cross-border holdings within the euro area. While the estimates do not allow us to assess the extent of integration prior to 2014, the European Commission and authors in the literature consistently find that EU capital markets remain fragmented, with only limited progress in integration.⁷

² Geographical distance can imply information asymmetries, higher monitoring and transaction costs, and unfamiliarity with foreign markets, all of which can discourage cross-border investment.

³ See Portes and Rey (2005), Lane and Milesi-Ferretti (2008) and Okawa and van Wincoop (2012).

⁴ We estimate a gravity model of bilateral equity holdings, assessing the role of standard factors (distance, common language, legal origin) and controlling for country characteristics, relative stock market valuations and trade flows. We include dummy variables to compare integration over time within the euro area and between the euro area and the United States. The sample covers 2014-23 and captures changes in cross-border equity market frictions relative to domestic holdings. The estimation uses the Poisson pseudo-maximum likelihood estimator, following the state-of-the-art gravity literature. See Larch, Shikher and Yotov (2025).

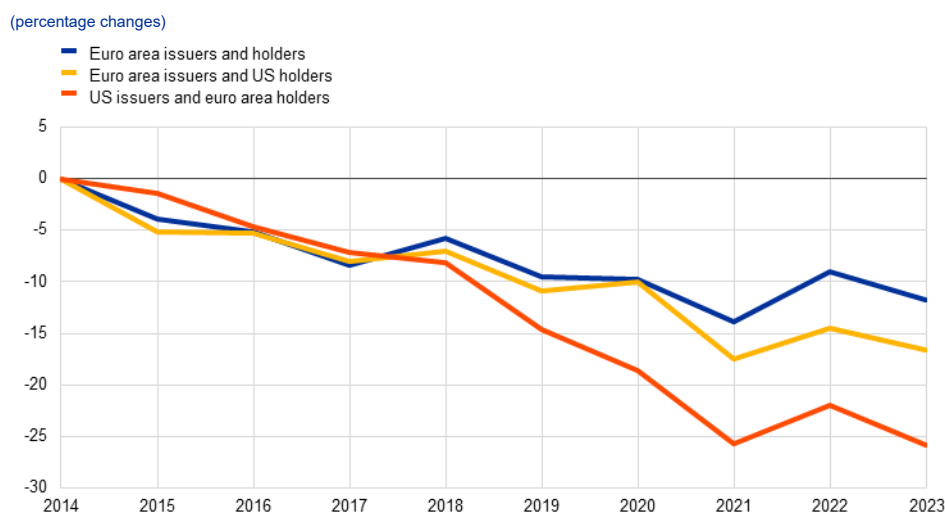
⁵ This dataset contains estimated restatements of the IMF Coordinated Portfolio Investment Survey data for euro area countries, based on the ECB’s securities holdings statistics. It looks through the investment fund holdings of euro area investors and assigns each security to the country of the ultimate parent company of its issuer. It also corrects for the holdings of non-euro area residents via euro area investment funds. These data were obtained from www.globalcapitalallocation.com.

⁶ See Head and Mayer (2021).

⁷ See European Commission (2025), Draghi (2024) and Arampatzi et al. (2025).

Chart B

Estimated changes in frictions affecting euro area equity market integration



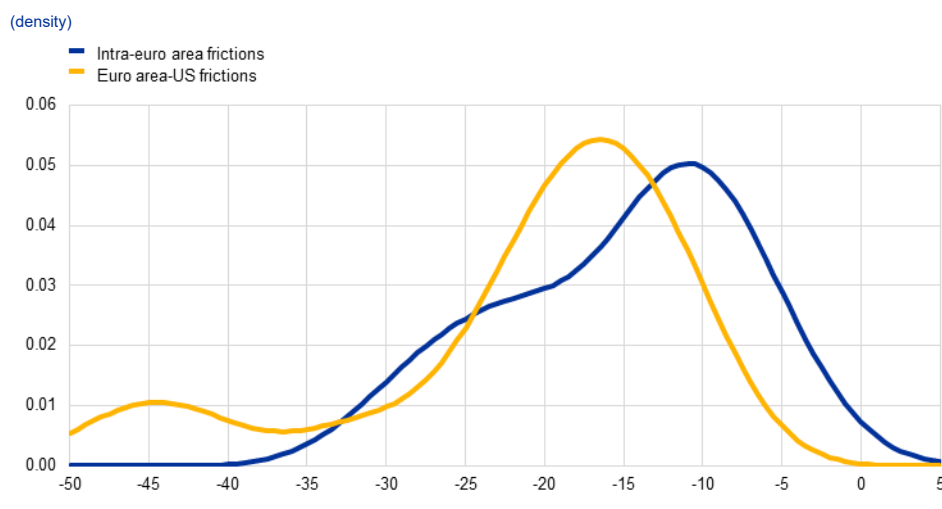
Source: ECB calculations.

Notes: The chart is based on a gravity estimation and shows the change over time in frictions between issuers and holders for three groups: issuers and holders in different euro area countries, euro area issuers and US holders, and US issuers and euro area holders. Regression coefficients are converted into tax-equivalents using an elasticity of -3.86, in line with Head and Mayer (2021). Each point is obtained by differencing with respect to 2014 domestic equity holdings. Estimates are significant at the 95% level.

Country-level results confirm that equity market integration has progressed more strongly between the euro area and the United States than within the euro area. The distribution of friction changes across euro area countries for 2014-23 shows that barriers affecting euro area-US equity holdings declined more markedly on average than intra-euro area barriers. Additionally, reductions were more widely dispersed for euro area-US integration, with a heavier left tail pointing to a subset of countries achieving markedly stronger extra-euro area integration (Chart C). The contrast between the two distributions highlights the relative underperformance of intra-euro area integration.

Chart C

Distribution of changes in equity market frictions across euro area countries



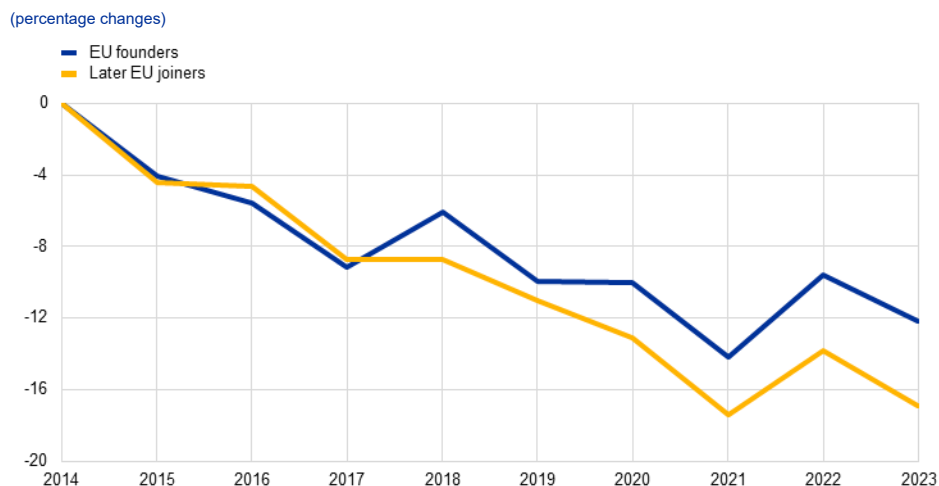
Source: ECB calculations.

Notes: The chart shows kernel density estimates of changes in equity market frictions across euro area countries, expressed in tax-equivalent terms. Each curve represents the distribution of country-level changes over 2014-23, with more negative values indicating larger reductions in frictions. The horizontal axis shows the magnitude of changes, and the vertical axis the estimated density (the area under each curve sums to one). A leftward shift indicates stronger overall reductions (greater integration), while wider dispersion or heavier tails reflects greater cross-country variation.

Countries that joined the EU later recorded larger reductions in intra-euro area frictions in recent years. A decomposition by country group shows that later entrants to the EU achieved larger, albeit more volatile, reductions in frictions, while the six founding EU Member States experienced a more moderate decline (Chart D). The more pronounced decline among later joiners, particularly in the post-COVID-19 pandemic period, may reflect a combination of catch-up dynamics and structural changes. These economies may have started with larger initial frictions, with greater scope for convergence, while the six founding Member States may have achieved a higher level of integration already prior to 2014. Additionally, the post-pandemic environment – marked by increased digitalisation of financial services and by policy support at the EU level – may have helped reduce informational and transaction barriers.

Chart D

Estimated changes in frictions affecting intra-euro area equity market integration for selected groups of euro area countries



Source: ECB calculations.

Notes: The chart is based on a gravity estimation and shows the change in frictions for different groups of euro area countries, i.e. the six founding members of the EU and countries which joined the EU at a later date. Regression coefficients are converted into tax-equivalents using an elasticity of -3.86, in line with Head and Mayer (2021). Each point is obtained by differencing with respect to 2014 domestic equity holdings.

Overall, these findings show that little progress has been made in the integration of European equity markets. Achieving the objectives of the savings and investments union will require further efforts to reduce fragmentation, including greater supervisory and regulatory harmonisation and deeper integration of trading and post-trading infrastructures to enhance liquidity, support cross-border investment and strengthen Europe's capacity to finance strategic investment.

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2 The impact of China's industrial rise on the euro area

Prepared by Alessandra Amicucci, Nicolò Gnocato, Vanessa Gunnella, Clara Lindemann, Alfonso Merendino and Carlos Montes-Galdón

China's industrial rise is a key external force influencing euro area trade, production and prices by reducing costs and increasing competitive pressures for euro area producers. The recent expansion of exports from China reflects productivity gains and technological advances that are strengthening the role of China in higher-value manufacturing, although other factors, such as lower Chinese demand for imports, are also at play.¹ For euro area producers, import penetration by Chinese competitors can exert expansionary effects through lower input costs and prices, but can also displace production through stronger competition.

The expanding presence of Chinese firms poses significant competitiveness challenges for the euro area that are increasingly visible in its economic performance, both domestically and abroad. Euro area producers have been losing market shares where they face competition from China, particularly since 2020. China's import penetration has increased considerably in the European market – especially in medium and high-tech industries – putting pressure on European producers.

The current challenges differ somewhat from those experienced during the first “China shock” in the early 2000s.² Compared with the early 2000s, euro area imports from China have recently recorded stronger growth in advanced manufacturing sectors (such as the electronics and automotive sectors) than in traditional manufacturing sectors (such as the textile and furniture sectors). Additionally, the composition of imports from China has shifted towards intermediate products (Chart A). Furthermore, unlike in the 2000s, the recent increase in Chinese exports to the euro area has not been matched by an increase in euro area exports to China, as Chinese imports from the euro area have declined since 2021.

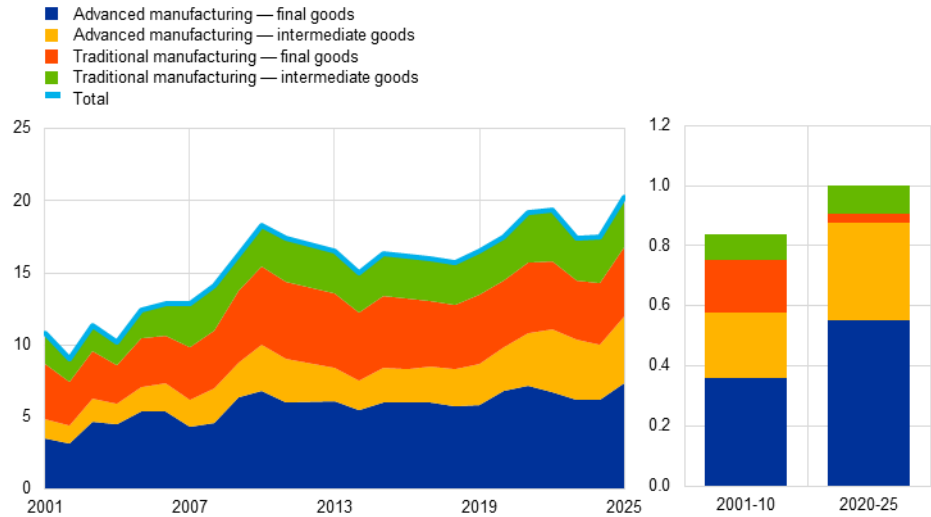
¹ See Al-Haschimi et al. (2025), “China's growing trade surplus: why exports are surging as imports stall”.

² We define the first China shock as the period 2001-10, in line with the literature which links this decade with rapid Chinese import growth (Autor et al., 2021).

Chart A

China's shares of euro area imports in terms of technological content and use

(left-hand scale: percentages; right-hand scale: average annual growth rates in the respective time period)



Sources: Trade Data Monitor and ECB staff calculations.

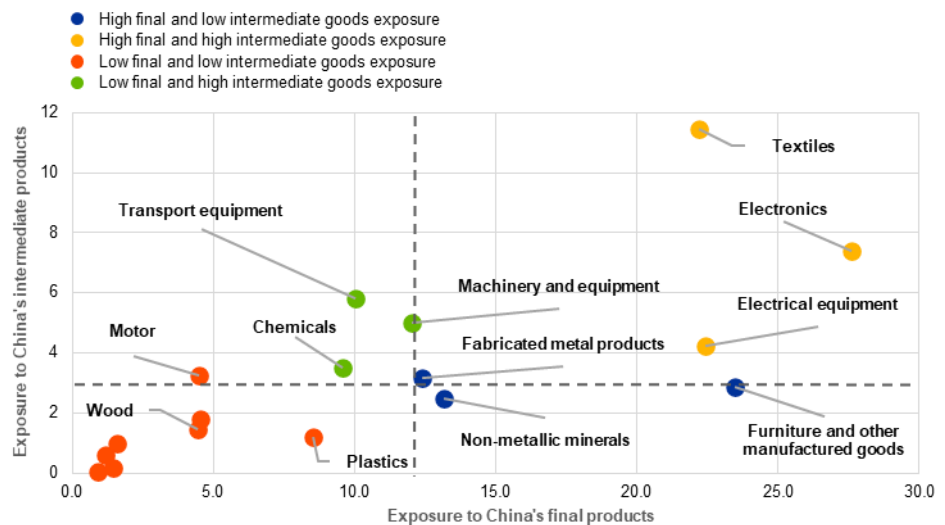
Notes: Import market shares are expressed in value terms for goods only. Trade Data Monitor data are used to calculate sector weights. The latest observations are for November 2025.

In recent years changes in the import penetration of intermediate and final goods from China have differed substantially across sectors, suggesting that the impact on production will vary across sectors. While sectors such as furniture and metal products are mainly affected through final goods competition (Chart B, blue dots), other sectors such as electronics face both large cost reductions and intense product market competition (yellow dots).

Chart B

Sectoral exposures to China

(percentages)



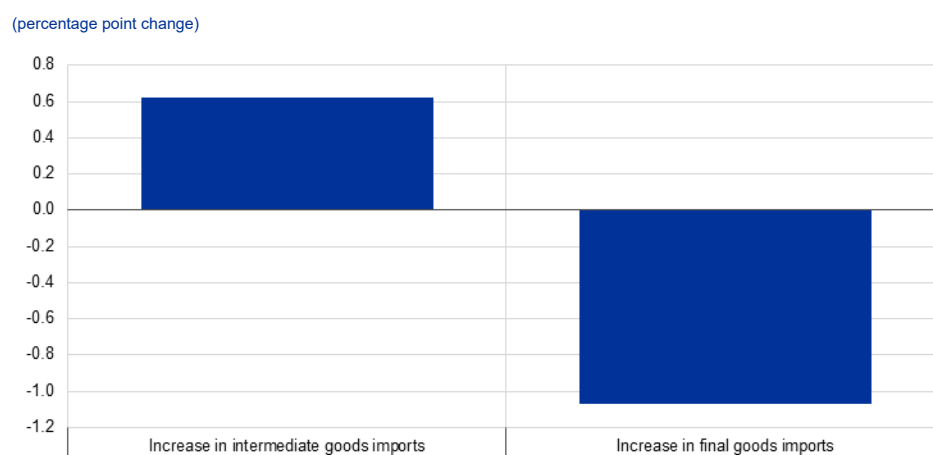
Sources: Trade Data Monitor and ECB staff calculations.

Note: Exposures are expressed as yearly average changes in China's import shares in each sector of the euro area economy in the period 2001-22.

Econometric analysis highlights a clear asymmetry between an input cost channel and a competition channel for import penetration from China. Using a country-sector panel for 2000-22, we relate changes in China’s sectoral import shares to industrial production growth in the EU, distinguishing between imports of final goods and imports of intermediate goods.³ Chart C translates the estimation coefficients into effects on production. The results show that, for sectors that recorded an average annual increase in imports, increased exposure to imports of intermediate goods from China was linked to a 0.6 percentage point boost in industrial production growth. In contrast, an average annual increase in imports of final goods was associated with a drag on production of about 1 percentage point.

Chart C

The impact of exposure to Chinese imports on EU sectoral industrial production growth



Sources: Trade Data Monitor, TIVA (2025 release) and ECB staff calculations.

Note: The chart shows production growth in response to the average annual increase in China’s import share in 2000-22.

To understand the aggregate impact of productivity gains in China on the EU, we employ a multi-country, multi-sector dynamic stochastic general equilibrium (DSGE) model that includes trade linkages and global production networks.⁴ Model-based simulations capture the rise in competitive pressure from China via separate sector-specific productivity shocks – in China’s traditional and advanced manufacturing sectors – that endogenously reduce Chinese marginal costs and export prices. A salient difference between the two sectors is that traditional manufacturing products imported from China are mostly final goods, while imports of advanced manufacturing products are used more intensively as intermediate inputs (Chart D, panel a).

³ The dependent variable is annual industrial production growth at the country-sector level. Exposures are shown as year-on-year changes in China’s import share for intermediate and final goods. To address endogeneity, we use a Bartik-style shift-share instrument based on sectoral baseline import weights and changes in China’s exports to other advanced economies, following Friesenbichler et al. (2023) and Autor et al. (2013). Regressions include country-sector and country-time fixed effects, as well as sector-specific trends, with identification based on differences in sectoral exposure to China within a specific country and year.

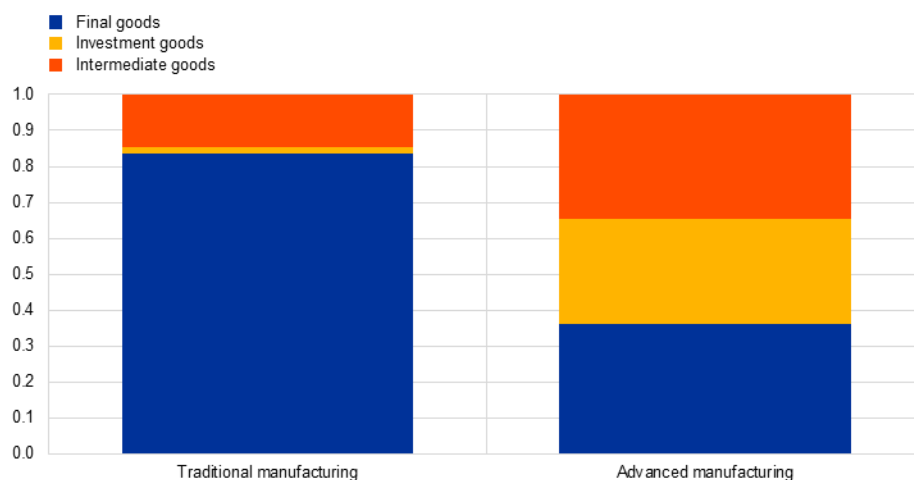
⁴ The model is a four-region extension (in which the regions comprise the EU, United States, China and the rest of the world) of Gnocato et al. (2025).

Chart D

Simulated effects of a persistent increase in Chinese productivity on EU sectoral production

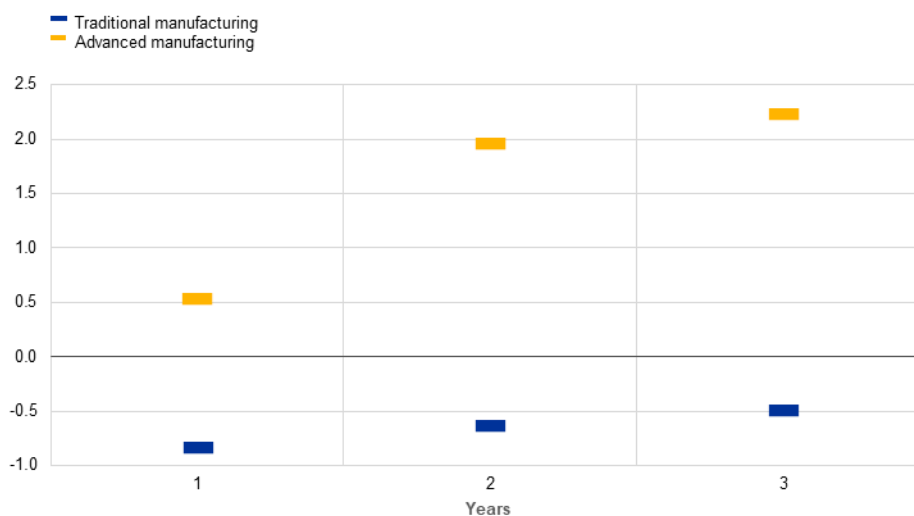
a) Composition of EU imports from China

(steady-state percentages)



b) EU sectoral production

(percentage deviations from steady state)



Source: ECB staff calculations using a multi-country DSGE model that includes global production networks and trade linkages (based on Gnocato et al., 2025).

Notes: In panel a), the bars show calibrated steady-state shares. In panel b), the shocks are scaled to cause the same increase in imports of Chinese traditional and advanced manufacturing products by year two (an increase of 10 percentage points relative to total imports from China in the steady state).

Positive productivity shocks in China support EU GDP through income effects and cheaper imported inputs – although the impact differs across sectors.

From the EU perspective, the primary effect of shocks in China's traditional manufacturing sector or in its advanced manufacturing sector is a relative reduction in the prices of imports from the affected sector and a rise in imports from China. The impact on EU production differs across sectors, depending on how imported goods are used. When imports are mainly intermediate goods (as in the advanced manufacturing sector), these help to reduce costs and support domestic production.

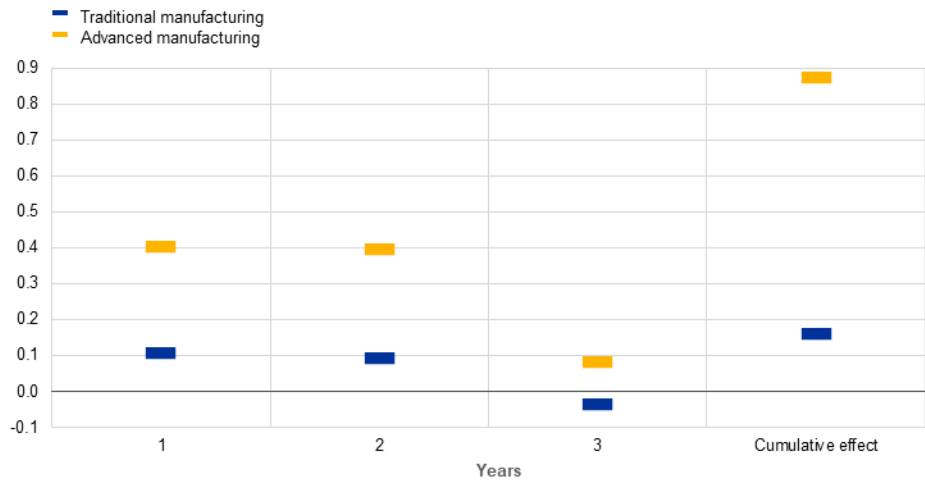
When imports are mainly final goods (as in the traditional manufacturing sector), European consumers easily switch their consumption to relatively cheaper Chinese imports and, hence, EU producers face heightened competition and a drop in demand for their goods that dampens EU sectoral production (Chart D, panel b). However, the availability of cheaper imported goods allows households to spend more, thereby raising aggregate demand, which ultimately benefits EU GDP (Chart E, panel b).

Chart E

Simulated effects of a persistent increase in Chinese productivity on EU GDP and inflation

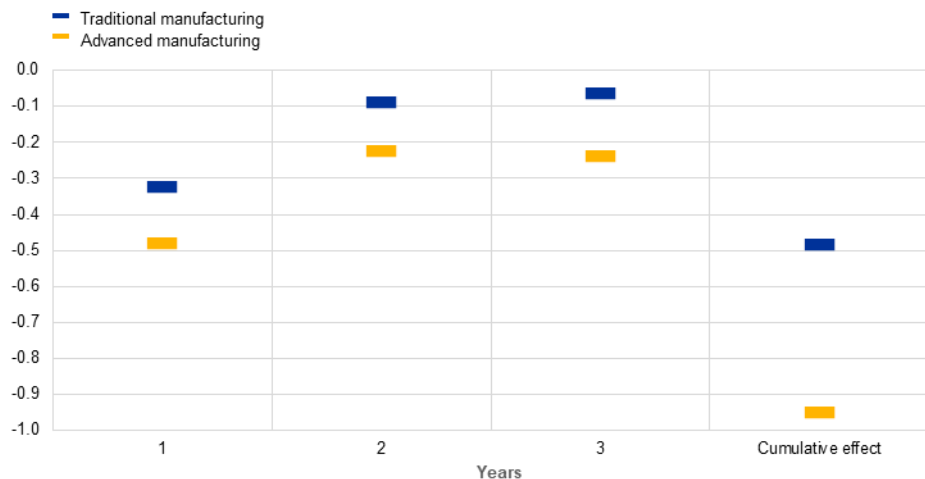
a) EU GDP

(year-on-year percentage changes)



b) EU inflation

(year-on-year percentage point changes)



Source: ECB staff calculations using a multi-country DSGE model that includes global production networks and trade linkages (based on Gnocato et. al., 2025).

Note: The shocks are scaled to cause the same increase in imports of Chinese traditional manufacturing products and advanced manufacturing products by year two (an increase of 10 percentage points relative to total imports from China in the steady state).

Cheaper Chinese goods exert disinflationary pressure in the EU through different channels across sectors. Following shocks in China's traditional

manufacturing sector or in its advanced manufacturing sector, imports of relatively cheaper Chinese goods exert substantial disinflationary pressure on the EU (Chart E, panel b). The disinflationary pressure is larger when the shock affects the Chinese advanced manufacturing sector, and the impact is mainly indirect, owing to cost-pull effects via production linkages. In the case of a shock affecting China's traditional manufacturing sector, imports enter more directly into the consumption basket of European households, and the disinflationary impact stems relatively more from the direct impact of lower Chinese import prices.

An improvement in China's competitiveness in global markets stemming from production subsidies would result in similar effects on the EU economy.

We consider an alternative scenario in which production subsidies in China are the underlying driver of increased competitiveness of Chinese firms in global markets, rather than productivity shocks. We introduce sectoral production subsidies that reduce mark-ups and lower producer prices. While the driver of China's competitiveness is different, the implications for Europe's economy are broadly similar. Once again, cheaper imports of advanced manufacturing products are beneficial for advanced manufacturing production in the EU and for EU GDP overall. In the EU's traditional manufacturing sector, production still declines while GDP gains are somewhat muted, as income effects do not fully offset production losses.

Looking beyond the model-based analysis, the broader assessment of the effects of China's industrial rise on the euro area is more nuanced.

While China's recent industrial rise may induce favourable short-term aggregate effects on the EU economy, it has coincided with weak import demand in China and a loss of market shares for EU exporters. Moreover, the positive effects on EU GDP reflect short-run channels but do not take account of longer-run risks, such as potential scarring effects from production displacement, or structural risks and strategic vulnerabilities.

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3

Dispersion in real GDP growth across euro area countries: developments and drivers

Prepared by Niccolò Battistini, Johannes Gareis and Richard Morris

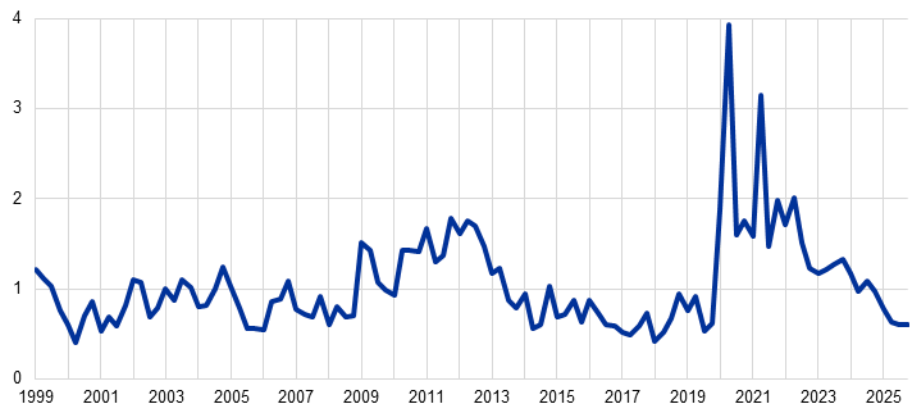
Dispersion in euro area real GDP growth has declined recently and is relatively low by historical standards.

Cross-country dispersion in euro area real GDP growth – measured as the GDP-weighted sum of absolute deviations of each country’s quarterly year-on-year growth from that of the euro area aggregate (excluding Ireland) – is now at a relatively low level.¹ Such a level has typically been associated with “calm” periods, including the period preceding the global financial crisis (1999-2007) and the period following the euro area sovereign debt crisis but preceding the COVID-19 pandemic (2015-19) (Chart A). However, dispersion in real GDP growth has only recently fallen from the elevated levels observed during the pandemic and in the wake of the Russian invasion of Ukraine.

Chart A

Dispersion in year-on-year real GDP growth

(sum of GDP-weighted absolute deviations, percentage points)



Sources: Eurostat and ECB staff calculations.

Notes: The data refer to the changing composition of the euro area, excluding Ireland. The latest observations are for the fourth quarter of 2025.

In recent years dispersion in euro area real GDP growth has been accompanied by convergence in real GDP per capita.

Measured as the sum of population-weighted absolute deviations of the real GDP per capita of each country (in percentage terms) from that of the euro area aggregate (excluding Ireland), dispersion in real GDP per capita increased between 1999 and 2014 (Chart B). Until 2007 this mostly reflected the enlargement of the euro area and later the fallout from the macroeconomic imbalances that had accumulated before the global financial crisis. Since 2015 dispersion in real GDP per capita has generally been on a downward trend, although this was interrupted by the pandemic in 2020. The gradual

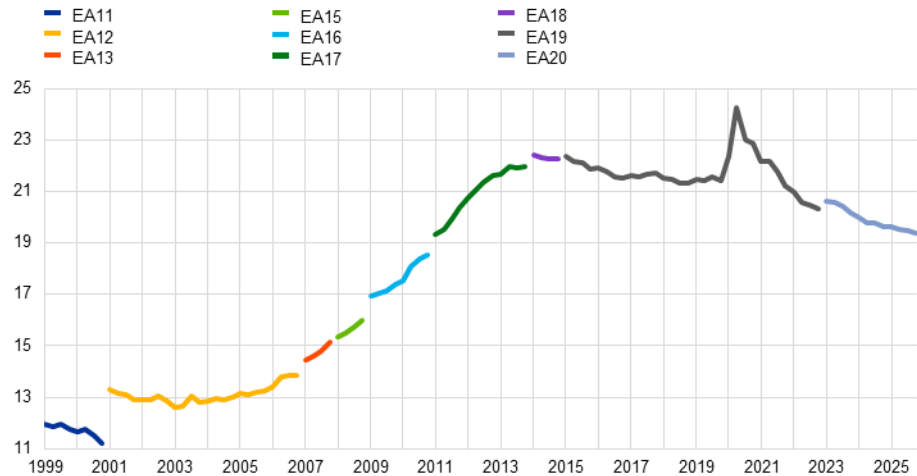
¹ The analysis in this box is based on euro area data excluding Ireland to avoid distortions caused by the extreme volatility of Irish GDP owing to the recording of the activities of multinational enterprises.

decline in growth dispersion observed since the pandemic has been consistent with the resumption of this convergence path.

Chart B

Dispersion in real GDP per capita

(sum of population-weighted absolute deviations, percentages)



Sources: Eurostat and ECB staff calculations.

Notes: "EA11, EA12, ... EA20" refer to those countries that made up the euro area at that time, excluding Ireland. The latest observations are for the fourth quarter of 2025.

In times of crisis, surges in growth dispersion have typically emerged in specific sectors.

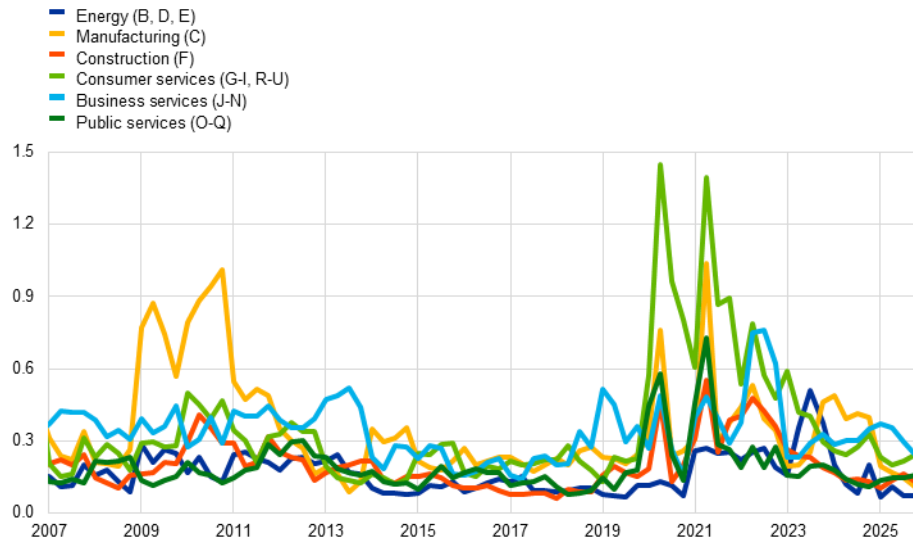
Sectoral cross-country dispersion is calculated as the gross value added (GVA)-weighted sum of absolute deviations of growth across euro area countries in six broad NACE sectors relative to the aggregate euro area growth in each sector (Chart C).² Each series is further weighted by the share of each sector in euro area GDP to approximate its contribution to overall GDP growth dispersion. During the global financial crisis, increased growth dispersion was concentrated in the manufacturing sector in particular, with much sharper contractions and subsequent recoveries in Germany and Italy than in France and Spain. During the pandemic, the rise in dispersion was broad-based but concentrated in a more contact-intensive sector, consumer services. This reflected differences in the timing and severity of pandemic waves across countries, as well as the decline in tourism, particularly affecting Mediterranean countries. Later, in the course of 2022, dispersion also notably increased in business services, with growth shifting away from Germany towards Spain and Italy. This may have reflected opportunities arising from the increased use and acceptance of remote working which, together with demographic developments and tax incentives for building renovations in Italy, may also have accounted for greater dispersion in construction activity during that period. In the aftermath of the Russian invasion of Ukraine, dispersion rose temporarily in the energy sector, as nuclear power generation ramped up in France following a period of maintenance, and in the manufacturing sector, with France and Spain benefiting at the expense of Germany.

² NACE refers to the "Statistical classification of economic activities in the European Community". For the purpose of this analysis, "consumer services" refers to NACE sections G to I and R to U, "business services" to NACE sections J to N and "public services" to NACE sections O to Q.

Chart C

Dispersion in year-on-year real GVA growth in broad NACE sectors

(sum of GVA-weighted absolute deviations, percentage points)



Sources: Eurostat and ECB staff calculations.

Notes: The data refer to a fixed composition of euro area countries (the current composition, excluding Ireland). The latest observations are for the fourth quarter of 2025.

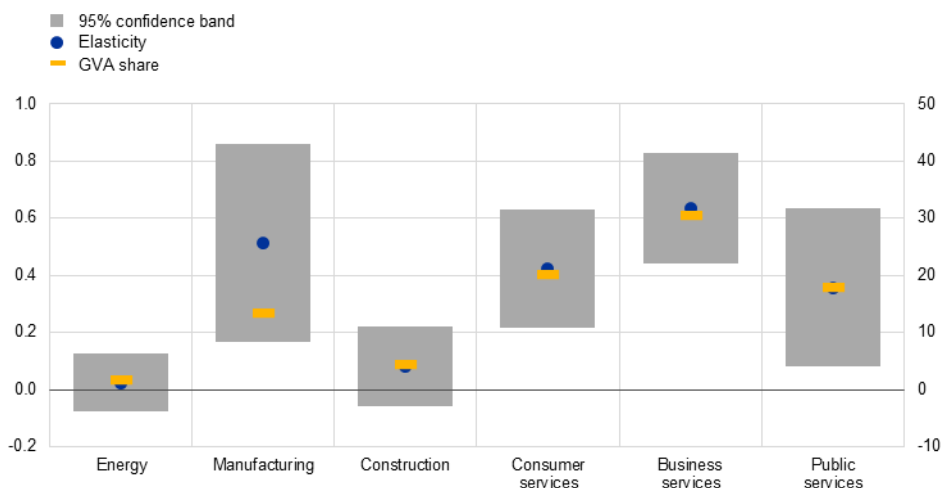
Recently growth dispersion has been less concentrated and more broad-

based. As an approximate measure of the sectoral drivers of growth dispersion, real GDP growth is regressed on real GVA growth across euro area countries in 2025 separately for each sector, with each country observation weighted by its share in total euro area GDP. The positive and significant elasticities indicate that recent growth differentials have been significantly associated with developments in both manufacturing and services (Chart D). For the consumer, business and public services sectors, the estimated elasticities are broadly proportionate to their share of GVA. At the same time, the elasticity for the manufacturing sector is higher, pointing to this sector's importance going beyond its GVA share.

Chart D

Elasticity of 2025 real GDP growth with respect to sectoral trends

(left-hand scale: elasticities; right-hand scale: GVA shares, percentages)



Sources: Eurostat and ECB staff calculations.

Note: The elasticities are the estimated slope coefficients of univariate OLS regressions of 2025 annual real GDP growth on a specific sector's 2025 annual real GVA growth across euro area countries, excluding Ireland, with each country observation weighted by its share in total euro area GDP.

Recent dispersion in GDP growth among euro area countries is more closely related to demographic and labour market trends than to differences in productivity growth.

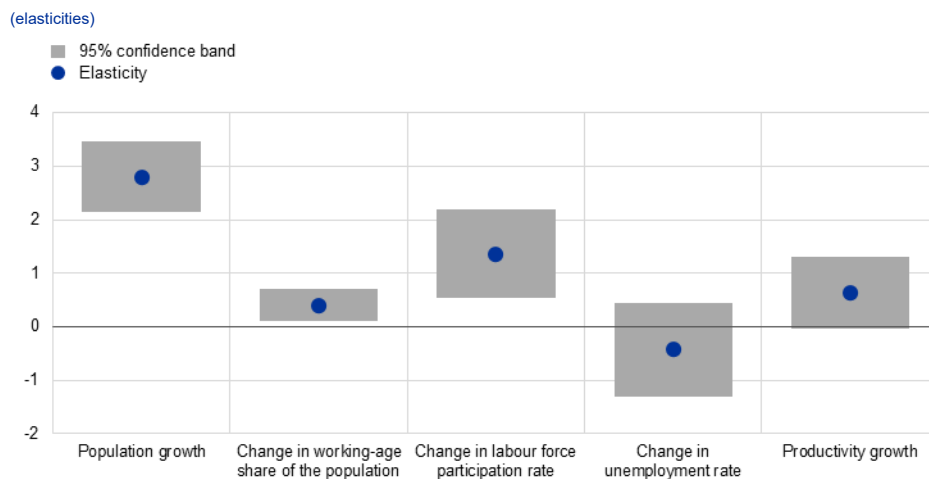
To assess the drivers of this dispersion, GDP growth can be measured against (i) population growth, (ii) the change in the working-age³ share of the population, (iii) the change in the labour force participation rate, (iv) the change in the unemployment rate, and (v) productivity growth. Accordingly, in a similar vein to the analysis above, GDP growth in 2025 is regressed across countries separately on each of these variables, with each country observation weighted by its share in total euro area GDP. The estimated elasticities indicate that varying trends in population, age structure and labour force participation are associated with cross-country growth dispersion (Chart E). By contrast, the elasticities for productivity growth and changes in the unemployment rate are smaller and less statistically significant.⁴

³ For the purpose of the analysis in this box, "working age" refers to people aged 15-74.

⁴ The regressions are univariate and do not account for potential correlations across explanatory variables; the estimated elasticities should therefore be interpreted as indicative.

Chart E

Elasticity of 2025 real GDP growth with respect to demographic and labour market trends



Sources: Eurostat and ECB staff calculations.

Notes: The elasticities are the estimated slope coefficients of univariate OLS regressions of 2025 annual real GDP growth on a specific demographic or labour market trend's 2025 annual growth or change across countries, excluding Ireland, with each country observation weighted by its share in total euro area activity. The labour force is calculated using the employment rate from the national accounts and the unemployment rate from the Labour Force Survey.

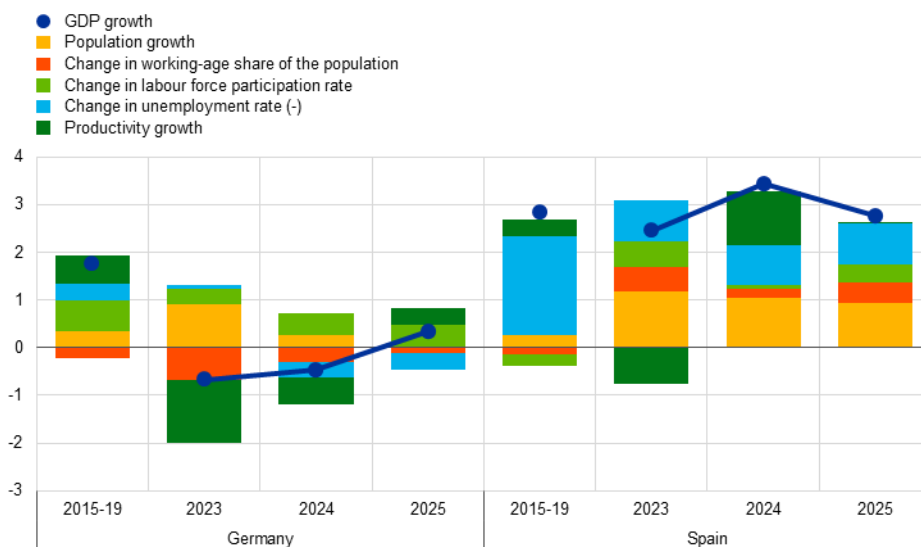
Germany and Spain illustrate the prominent role that demographic and labour market trends currently play in growth dispersion.

In 2025 around 60% of the dispersion in euro area real GDP growth was explained by Germany and Spain. Chart F breaks down the real GDP growth of these countries into contributions from the demographic and labour market trends mentioned above. In Germany, population growth has been levelling off, while the working-age share of the population has been declining, reflecting population ageing and moderating inward migration. Germany's labour force participation rate has been rising, but this has been partly offset by an increase in the unemployment rate. In Spain, by contrast, recent strong GDP growth has coincided with notable increases in its population and the working-age share of its population – both consequences of strong inward migration – as well as a rising labour force participation rate and continued reduction in its previously very high unemployment rate. In both countries, labour productivity has contributed relatively little to real GDP growth in recent years. However, rising unemployment in Germany and falling unemployment in Spain have driven convergence in real GDP per capita.

Chart F

Breakdown of real GDP growth in Germany and Spain

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



Sources: Eurostat and ECB staff calculations.

Notes: The labour force is calculated using the employment rate from the national accounts and the unemployment rate from the Labour Force Survey. The use of these different data sources results in some small discrepancies between real GDP growth and its decomposition.

Looking ahead, the war in the Middle East may lead to a resurgence in cross-country growth dispersion similar to that observed following the Russian invasion of Ukraine. Disruptions to shipments through the Strait of Hormuz and attacks on oil and gas infrastructure are pushing up oil and gas prices significantly and risk reactivating some of the asymmetric sectoral dynamics highlighted above. The energy shock is likely to widen cross-country growth differentials in manufacturing and energy-intensive industries, where exposure varies considerably across euro area countries.

Save your energy: how the war in the Middle East could affect household savings and the economy

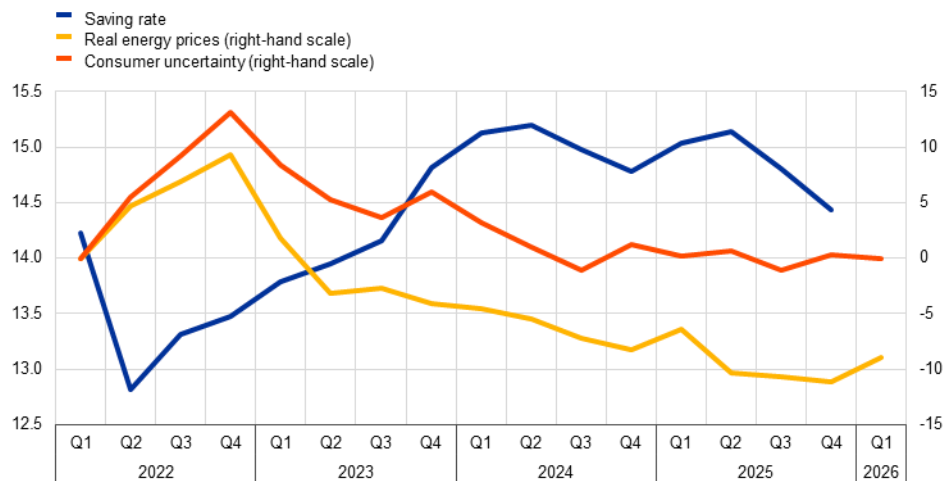
Prepared by Niccolò Battistini, Alina Bobasu, Rodolfo Dinis Rigato and Hanno Kase

Rising energy prices and heightened consumer uncertainty related to the war in the Middle East have renewed risks to the outlook for the household saving rate. After declining from its post-pandemic peak, the saving rate increased rapidly in 2022 and 2023 and has remained elevated since 2024, standing above its highest pre-pandemic level (Chart A). This has largely been on account of strong real income growth and subdued domestic demand amid declining real energy prices and uncertainty after the previously high levels triggered by Russia's invasion of Ukraine. However, as the economic repercussions of the war in the Middle East unfold, recent trends in energy prices and uncertainty may reverse, with implications for the saving rate. Against this backdrop, this box assesses how alternative paths for the terms of trade (closely tracking real energy prices) and for consumer uncertainty could affect the saving rate, as well as their distributional and macroeconomic consequences.

Chart A

Saving rate, real energy prices and consumer uncertainty

(changes since the fourth quarter of 2021, percentages and percentage points)



Sources: Eurostat, European Commission Business and Consumer Survey and ECB staff calculations.

Notes: Real energy prices are measured as the ratio of the energy component of the Harmonised Index of Consumer Prices (HICP) to overall HICP. The latest observations are for the fourth quarter of 2025 for the saving rate and the first quarter of 2026 for real energy prices and consumer uncertainty.

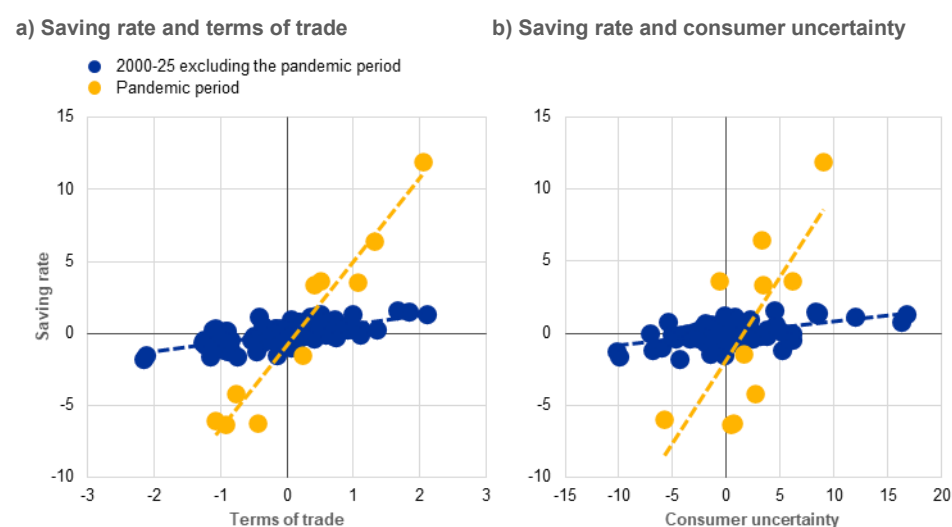
Adverse dynamics in the terms of trade and consumer uncertainty typically have opposite effects on the household saving rate in the short term. In a net energy importing economy, such as the euro area, the terms of trade – proxied by the ratio of the GDP deflator to the consumption deflator – typically decline when energy prices increase.¹ Hence, lower terms of trade typically reflect losses in the real disposable income of households both directly, through higher prices for

¹ See also Bokan et al. (2018) and Battistini et al. (2023).

imported energy products, and indirectly, through lower real wages and profits distributed by firms.² These real income losses tend to translate into lower spending and, to a larger extent, lower savings, as shown by the positive relationship between the terms of trade and the saving rate (Chart B, panel a). By contrast, higher consumer uncertainty – often triggered by the same underlying shock, such as energy price increases – strengthens precautionary motives, dampening consumption and raising the saving rate, as illustrated by the positive correlation between uncertainty and the saving rate (Chart B, panel b). During the pandemic period, the saving rate was particularly sensitive to changes in the terms of trade and consumer uncertainty. However these strong elasticities were most likely amplified by households’ responses to restrictions on mobility and have normalised since the pandemic.³

Chart B
Saving rate, terms of trade and consumer uncertainty

(x-axis: year-on-year changes, percentages and percentage points; y-axis: year-on-year changes, percentage points)



Sources: Eurostat, European Commission Business and Consumer Survey and ECB staff calculations.

Notes: In panel a), the terms of trade are proxied by the ratio of the GDP deflator to the private consumption deflator. In panel b), consumer uncertainty is leading by four quarters, broadly in line with the peak impact of consumer uncertainty shocks on the saving rate in the empirical model described below. “Pandemic period” refers to the period between the first quarter of 2020 and the second quarter of 2023.

An empirical model is used to estimate the effects of large shocks to the terms of trade and consumer uncertainty on the saving rate. A Bayesian structural vector autoregression model is estimated using euro area data from the first quarter of 1999 to the fourth quarter of 2025.⁴ It quantifies the role of unexpected changes in the terms of trade and consumer uncertainty, as well as shocks to domestic demand,

² See, for instance, Battistini et al. (2022) and Bobasu et al. (2025).

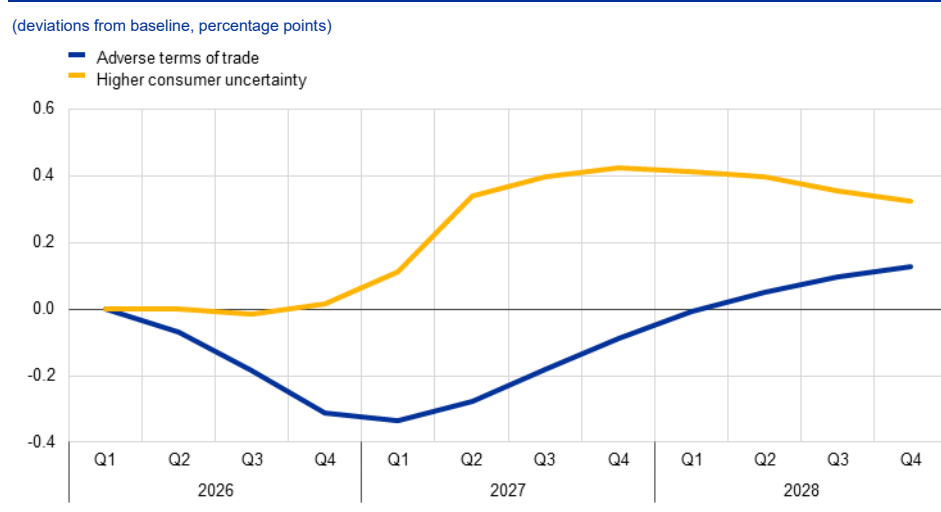
³ See Dossche et al. (2021). To decrease the importance of the correlations observed at the onset of the pandemic, the empirical model in this box is estimated by reducing the weight of observations in the four quarters of 2020 by means of an adjustment factor to account for the heteroscedasticity in the data.

⁴ The model includes real private consumption, the terms of trade, the saving rate, the risk-free interest rate and consumer uncertainty. Consumer uncertainty – available only from April 2019 – is extended backwards by linking it to the share of neutral responses to the question on 12-month-ahead expectations for the personal financial situation of respondents to the European Commission’s consumer survey.

domestic income and the interest rate.⁵ To assess the impact of adverse developments in the terms of trade and consumer uncertainty, two scenarios for the saving rate based on the estimated model elasticities are considered (Chart C). First, an adverse terms-of-trade shock of a magnitude comparable to the deterioration observed during 2022 would lower the saving rate by 0.3 percentage points at its trough at the beginning of 2027. Second, a rise in uncertainty broadly consistent with that observed at the onset of Russia’s invasion of Ukraine would raise the saving rate by 0.4 percentage points at its peak at the end of 2027.

Chart C

Alternative paths for the saving rate following large shocks to the terms of trade and consumer uncertainty



Sources: Eurostat, European Commission Business and Consumer Survey and ECB staff calculations.
 Note: The paths are computed using the model-implied elasticities of the saving rate to shocks in the terms of trade and consumer uncertainty.

Two macroeconomic models are used to assess the implications of alternative paths for the saving rate in response to adverse shocks to the terms of trade and consumer uncertainty.

The aggregate macroeconomic effects are evaluated using ECB-BASE (Angelini et al., 2019), a semi-structural model for the euro area. Moreover, terms-of-trade shocks, especially when related to energy prices, may have strong redistributive effects.⁶ When faced with higher prices for imported goods, high-income households may be able to smooth their consumption by drawing down savings, while low-income households may have to reduce their consumption more significantly. These distributional effects are assessed using an open economy extension of Kase and Rigato (2025), a Heterogeneous-Agent New Keynesian (HANK) model augmented with trade and energy imports. In the ECB-BASE model, structural shocks are calibrated to target the saving rate paths shown in Chart C, i.e. as an energy price shock for the terms-of-trade scenario and a direct

⁵ Shocks are identified using sign and zero restrictions on impact. Terms-of-trade shocks are assumed to induce movements in the same direction in private consumption, the terms of trade and the saving rate. Consumer uncertainty shocks move consumer uncertainty in the same direction, but no other variables. Domestic demand shocks move private consumption in the opposite direction to the terms of trade and the saving rate. Income shocks move private consumption and the saving rate in the opposite direction to the terms of trade. Interest rate shocks move interest rates in the same direction, but no other variables except consumer uncertainty.

⁶ See Auclert et al. (2024a) and Auclert et al. (2024b).

shock to consumption expenditure for the consumer uncertainty scenario. In the HANK model, a standardised one percentage point change in the saving rate is simulated to quantify the distributional impact of changes in household savings generated by each shock.

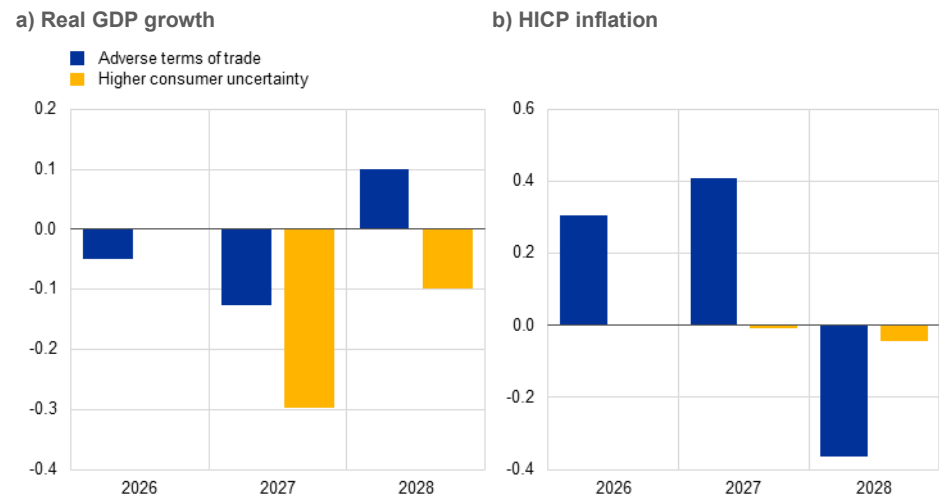
The ECB-BASE model shows that adverse shocks to the terms of trade and consumer uncertainty would weigh on real GDP growth while having opposite effects on HICP inflation (Chart D).

A deterioration in the terms of trade erodes real income, as imported energy prices rise while nominal wages adjust slowly, weighing on consumption. This increases inflation by 0.4 percentage points – driven almost entirely by the energy component – and reduces growth by 0.1 percentage points in 2027. These effects partly revert in 2028. By contrast, higher consumer uncertainty strengthens precautionary behaviour and reduces household demand. This implies a reduction in growth of 0.3 percentage points in 2027, with negligible effects on inflation.

Chart D

Effects on real GDP growth and HICP inflation

(deviations from baseline, percentage points)



Source: ECB staff calculations based on ECB-Base simulations.

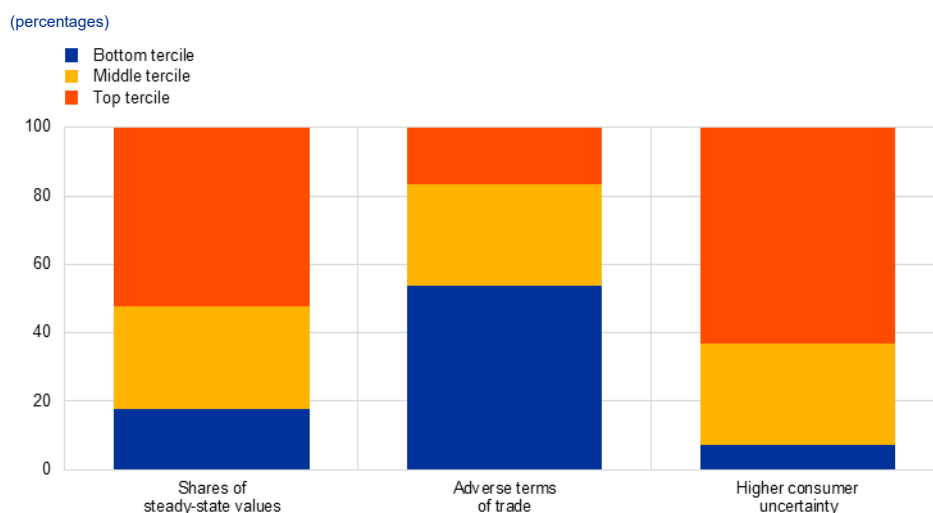
Notes: The "higher consumer uncertainty" scenario is modelled as a shock to consumption and the "adverse terms-of-trade" scenario as an imported energy price shock. All simulations assume exogenous monetary policy.

The HANK model suggests that adverse terms-of-trade shocks are regressive, with low-income households experiencing a larger decline in consumption, while shocks affecting consumer uncertainty have opposite effects (Chart E).

Following an adverse terms-of-trade shock, households in the lowest income tercile account for more than half (54%) of the decline in consumption, above their model-implied steady-state consumption share (18%), as they lack large liquidity buffers to cushion losses in real labour income. By contrast, an increase in consumer uncertainty places most of the decline in consumption (63%) with households in the top tercile, reflecting their higher baseline share in total consumption (52%). Turning to savings, households in the top tercile account for the largest adjustments following both shocks, consistent with their larger asset holdings.

Chart E

Distributional effects on consumption by income tercile



Source: ECB staff calculations based on HANK model simulations.

Notes: The column on the left displays the share of each income tercile in aggregate steady-state consumption. The columns in the middle and on the right show the contribution of different income terciles to the cumulative variation in consumption following each shock.

Simultaneous shocks to the terms of trade and consumer uncertainty, as key drivers of the household saving rate, pose significant risks to growth and inflation. Shocks to the terms of trade and consumer uncertainty affect the saving rate in opposite directions, at least in the short term. If these shocks were to materialise simultaneously in reaction to heightened geopolitical tensions linked to the war in the Middle East, they could reinforce each other through their broader effects on domestic demand, income and energy costs. In such a situation, the combined effect of these shocks could exert a sizeable drag on growth, even with a broadly stable saving rate. While the terms of trade and consumer uncertainty channels have opposite effects on inflation, their net impact would be upward pressure on inflation.

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5

What drives employment trends among older workers?

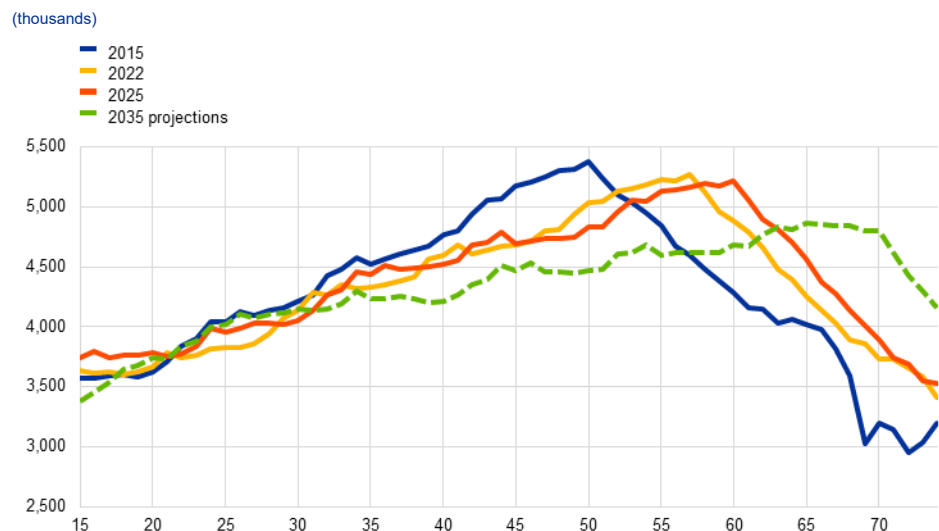
Prepared by Nina Furbach and Afonso S. Moura

The euro area is undergoing sizeable demographic changes that are visible even in the shorter run, with significant implications for employment.

Demographic changes do not just affect the economy in the long term, they can also influence short-term labour market developments. Ageing leads to noticeable changes in age distribution, even over relatively short periods of time (Chart A). Employment rates vary across age groups, with those among older people being lower on average. This means that, in an ageing economy, compositional shifts within the working-age population mechanically affect aggregate employment rates.¹ At the same time, changes in statutory retirement ages, rising life expectancy and improving health at later stages of life increase labour market attachment.²

Chart A

Working-age population (15-74 years) in the euro area, by age and year



Sources: Eurostat and ECB staff calculations.

Note: The projections for 2035 are derived from the EUROPOP2023 projections.

Older workers have contributed significantly to employment growth in recent years, while the pure negative compositional effect of ageing has been small.

Since the first quarter of 2022 the total employment rate in the euro area has increased by 1.7 percentage points, up from 60.3% to approximately 62% in the last quarter of 2025. To better understand the contribution of older workers to this growth, we decompose the total change into different contributions: (i) to isolate the contribution to changes in the employment rate from different age groups, we use the actual employment rate of a given age group and fix population shares and the employment rate of other groups at the levels observed in the first quarter of 2022 (Chart B; blue, orange and red bars); and (ii) to cover the effects of changes in age

¹ The employment rate is defined as the share of employed individuals in the total population.

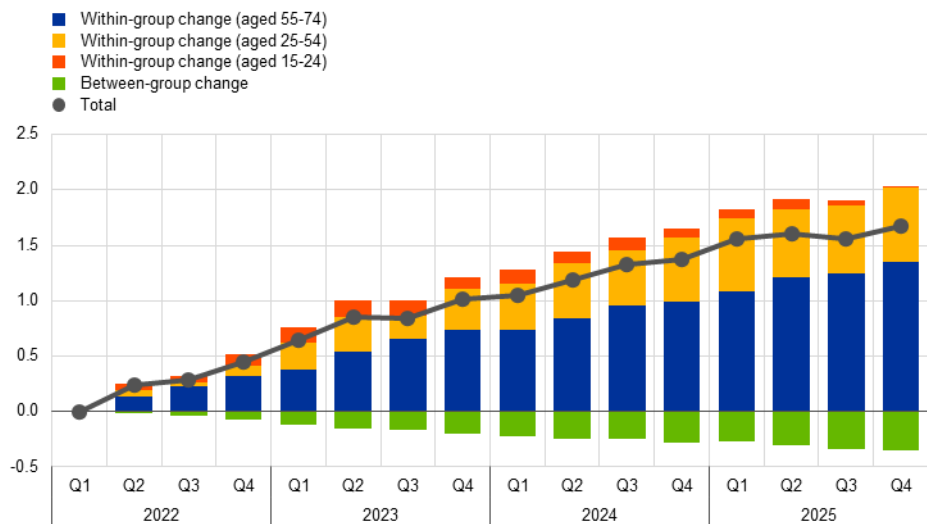
² See, for example, Arce and Sondermann (2026), Berson and Botelho (2023) and Consolo et al. (2026).

composition, we allow for changes in population weights (i.e. the size of an age group in the total population) but keep employment rates for each age group constant (Chart B; green bars). The analysis reveals that, despite representing only 34% of the working-age population in 2022, individuals aged 55-74 have contributed 1.4 percentage points to the total increase in the employment rate (compared with a zero contribution from individuals aged 15-24 and a smaller contribution of 0.7 percentage points from individuals aged 25-54). Moreover, the results show that the pure compositional effect of ageing was relatively modest from the first quarter of 2022 until the end of 2025, amounting to a contribution of only -0.4 percentage points.

Chart B

Cumulative change in the euro area employment rate

(percentages, percentage points)



Sources: EU Labour Force Survey (EU-LFS) and ECB staff calculations.

Notes: The between-group changes are derived from keeping employment rates for each age group constant but allowing for changes in population weights. For the within-group changes, both the population weights and employment rates of other groups are kept constant. The latest observations are for the fourth quarter of 2025.

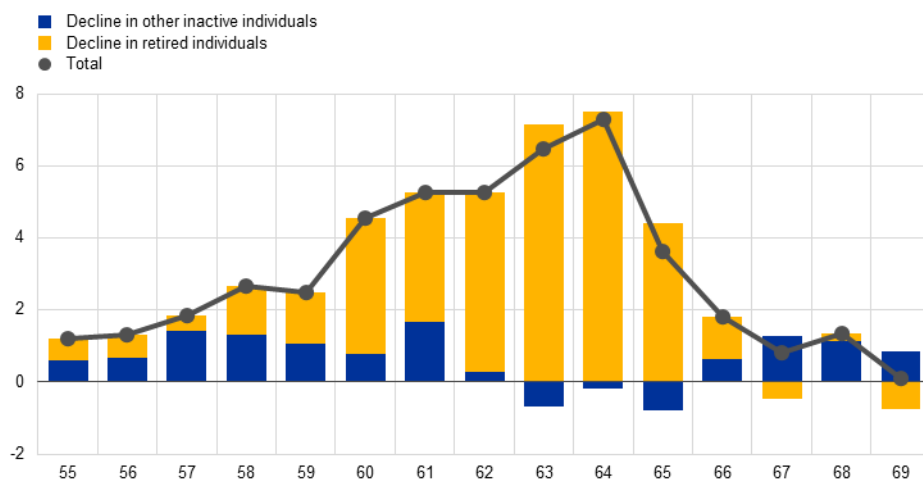
The current trend towards later retirement than in previous generations has been a key driver of employment growth. More than 90% of the increase in the employment rate among older workers has been driven by the rising participation rate in that group, rather than by a higher share of active individuals in employment.³ Using micro data from the EU Labour Force Survey, we can break down changes in the labour force participation rate by reason for inactivity. The recent rise in participation in the labour force reflected a decline in the share of retired individuals, particularly among workers aged 60-65 (Chart C). Information on employment transitions from the EU Labour Force Survey and the ECB Consumer Expectations Survey confirms that the decline in the share of retired individuals was driven by lower transitions into retirement, rather than by more people moving from inactivity back into employment.

³ The employment rate can be decomposed into the participation rate (the share of individuals in the total population who are active, i.e. either employed or actively seeking work) and the share of employed people among the pool of active individuals.

Chart C

Change in the euro area labour force participation rate from the fourth quarter of 2021 to the fourth quarter of 2024

(percentages, percentage points)



Sources: EU Labour Force Survey (EU-LFS) and ECB staff calculations.

Note: Austria, Greece, Ireland, the Netherlands and Slovakia are excluded, since there are no data available for those countries.

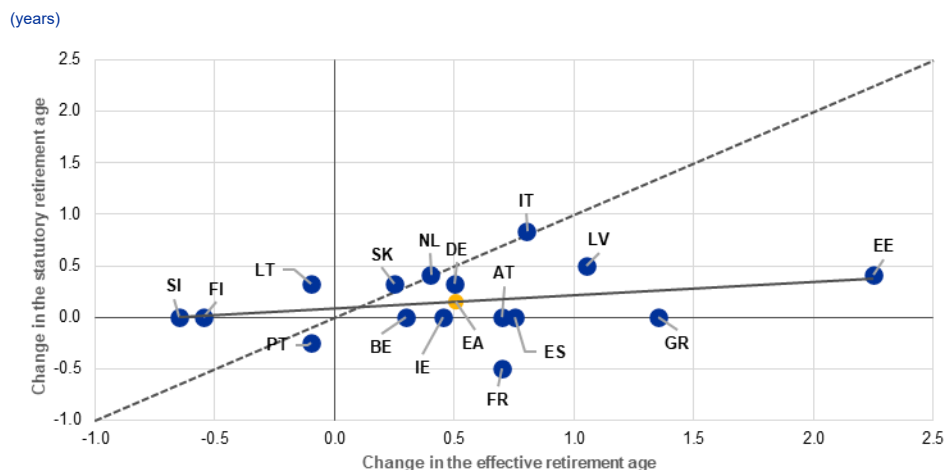
Recent changes in effective retirement ages can be only partly explained by changes in statutory retirement ages.

The average effective age of exiting the labour market rose in almost all euro area countries from 2022 to 2024, with a sizeable average increase of around 0.5 years. However, in most euro area economies, this increase in the effective retirement age was higher than the rise in the statutory retirement age (Chart D): a one-year increase in the effective retirement age was associated with an increase of just 0.1 years in the statutory retirement age (slope of the fitted line in Chart D), with this increase not being statistically significant.⁴ This suggests that recent changes in statutory retirement ages appear to have played only a limited role in driving later retirements.

⁴ When analysing data from 2000 to 2019, the slope coefficient rises to around 0.5, which is statistically significant at the 5% level. This suggests that, also in the long run, changes in statutory retirement ages can only partly explain increases in effective retirement ages.

Chart D

Changes in effective and statutory retirement ages across countries from 2022 to 2024



Sources: OECD (2023), OECD (2025) and ECB staff calculations.

Notes: The effective retirement age refers to the average age of exiting the labour market. The statutory retirement age is the average normal retirement age for an individual with a full career who entered the labour market at the age of 22. The yellow dot shows the unweighted average across the euro area countries. There are no data available for Croatia, Cyprus, Luxembourg, Malta or Bulgaria.

Rising retirement ages are expected to continue supporting employment growth in the coming years.

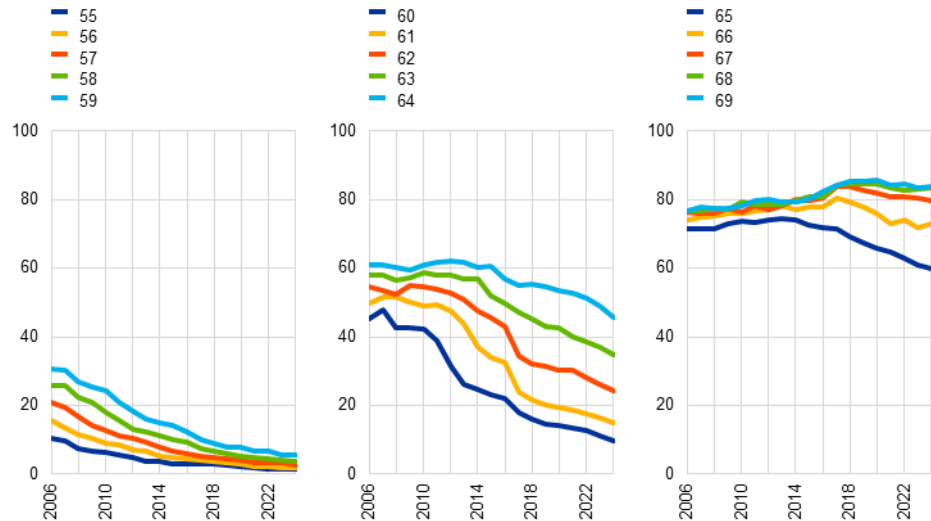
The later retirement of workers appears to be a structural, long-term trend.⁵ The share of retired individuals in the total population shows little sensitivity to the economic cycle, but declined steadily from 2006 to 2024 (Chart E). However, the timing of this decline varies across age groups. Among individuals aged 55-59, retirement rates fell sharply in the early 2000s and seem to have stabilised at below 10%. For those aged 60-65, the decline began later and is ongoing, with average rates still at around 40%. A comparison with other advanced economies suggests that there is indeed scope for further increases in employment rates among older workers. For instance, in Japan, a country that has experienced an extreme ageing process, employment rates among workers aged 60-64 and 65-69 stood at roughly 74% and 54% respectively in 2024, compared with significantly lower rates in the euro area, at 53% and 19% respectively. Looking ahead, this suggests that overall retirement ages will continue to rise, in line with the projections presented in the European Commission's 2024 Ageing Report. The pace, however, will depend on changes in statutory retirement ages and health developments.

⁵ See Bodnár and Nerlich (2020).

Chart E

The share of retired individuals in the euro area, by age

(percentages)



Sources: EU Labour Force Survey (EU-LFS) and ECB staff calculations.

Notes: Austria, Germany (until 2016), Greece, Ireland, the Netherlands and Slovakia are excluded since there are no data available. Retirement shares are relative to the age-specific population. The latest observations are for 2024.

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6 Main findings from the ECB's recent contacts with non-financial companies

Prepared by Catherine Elding, Friderike Kuik, Aidan Meyler and Richard Morris

This box summarises the main findings from recent contacts between ECB staff and representatives of 67 leading non-financial companies operating in the euro area. The exchanges mainly took place between 23 March and 1 April 2026.¹

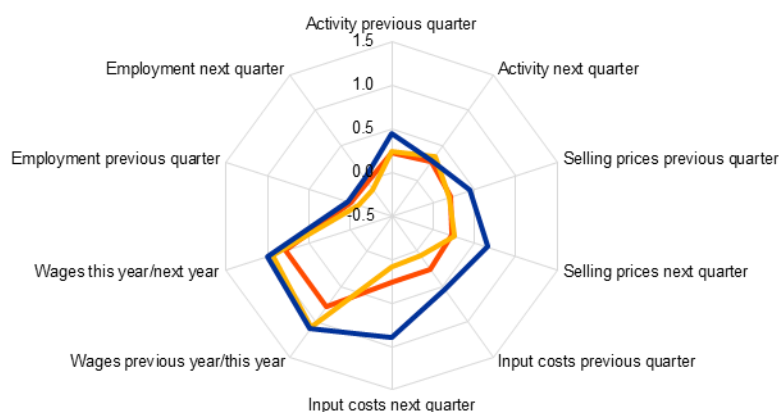
Contacts reported good business momentum in the first quarter with few signs as yet of demand reacting to the war in the Middle East. While a few contacts noted a slow start to the year, activity was generally said to be good or improving in the first quarter, broadly in line with – or above – prior expectations. Growth was still being driven mainly by services, but orders and production were also steadily picking up in manufacturing and construction. Beyond specific areas of disruption directly linked to developments in the Middle East (i.e. sales in/to and travel to/from/via the region), as of late March incoming orders did not point to a related softening of activity yet.

Chart A

Summary of views on activity, employment, prices and costs

(averages of ECB staff scores)

- Current round
- Previous round
- Historical average



Source: ECB.

Notes: The scores reflect the average of scores given by ECB staff in their assessment of what contacts said about quarter-on-quarter developments in activity (sales, production and orders), input costs (material, energy, transport, etc.) and selling prices, and about year-on-year wage developments. Scores range from -2 (significant decrease) to +2 (significant increase). A score of 0 would mean no change. For the current round, previous quarter and next quarter refer to the first and second quarters of 2026 respectively, while for the previous round these refer to the fourth quarter of 2025 and the first quarter of 2026. Discussions with contacts in January and in March/April regarding wage developments normally focus on the outlook for the current year compared with the previous year, while discussions in June/July and September/October focus on the outlook for the next year compared with the current year. The historical average is an average of scores compiled using summaries of past contacts extending back to 2008.

¹ For further information on the nature and purpose of these contacts, see Elding, Morris and Slavík (2021).

Growth in consumer spending had maintained a steady pace, but was expected to soften in the coming months. Consumer goods manufacturers and retailers reported moderate growth in an environment of intense competition. Food retailers and suppliers pointed to a continuing shift in demand favouring discounters over full-range supermarkets against the backdrop of still high levels of food prices. Activity in the clothing retail sector reportedly grew at a good pace in the first quarter, but with a slight slowdown after the winter sales period, potentially reflecting renewed consumer caution in light of the situation in the Middle East. The market for domestic appliances and consumer electronics remained challenging owing to modest growth and increasing competition from Chinese manufacturers. Such competition was affecting not only the market for lower-budget appliances, but recently also the premium/luxury segments, which were being increasingly penetrated by innovative, robotic appliances from China. Turning to consumer services, contacts in the telecoms sector pointed to sustained growth in demand for mobile and internet services. Air travel and hotel occupancy had also grown at a good pace in the first months of the year. But there were reports of a downturn in bookings in March, along with concerns about lost inbound tourism from Asia and the Middle East, especially over the summer.

Chart B

Views on developments in and the outlook for activity

(averages of ECB staff scores)



Source: ECB.

Notes: The scores reflect the average of scores given by ECB staff in their assessment of what contacts said about quarter-on-quarter developments in activity (sales, production and orders). Scores range from -2 (significant decrease) to +2 (significant increase). A score of 0 would mean no change. The dot refers to expectations for the next quarter.

Based on order intake, the outlook for investment continued to improve. Strong growth in demand was seen in the tech industry, induced by AI fuelling demand for related software and cloud services as well as data centre construction. Such construction was still very much in its early stages in Europe, but expected to gain significant traction over the next year or two given mounting concerns about digital sovereignty. Investment in defence equipment was also growing very rapidly with firms active in this sector being very positive about how spending by governments was translating into new orders. The effect of announced increases in infrastructure spending by the German Federal Government was, by contrast, not seen feeding through to construction activity yet. Nonetheless, infrastructure projects (for transport, renewable energy, industrial buildings and hospitals) were supporting

growth in construction activity. Moreover, residential investment was said to be slowly recovering in central and northern Europe (albeit not helped by high construction costs) and growing robustly in southern Europe. Demand for machinery and equipment remained weak but was seen as having bottomed out generally.

Employment was rather stable with some signs of improvement compared with recent survey rounds. According to contacts, employment was expanding modestly across most of the services sector while still contracting in much of industry, albeit with signs of a gradual levelling-off. Consistent with this, after several quarters of contraction, recruitment agencies pointed to their activity bottoming out – though at this stage only driven by a mild pick-up in temporary placement activity rather than permanent hiring. Many firms, including the recruitment agencies themselves, continued to report AI-enabled work process optimisation resulting in lower and differentiated staffing needs.

Prior to the outbreak of war in the Middle East, growth in selling prices remained moderate. In the manufacturing and non-food retail sectors, in particular, prices were held in check by still relatively low levels of consumer and industrial demand combined with intense competition, particularly from Chinese imports. Relatively few sectors were seeing significant price increases. Such sectors included tourism, AI-related services, semi-conductors, aerospace and defence (all experiencing strong growth in demand) and steel (owing mainly to the forthcoming introduction of new EU import quotas and tariffs and partly to the Carbon Border Adjustment Mechanism). In the case of food prices, the picture was mixed. Extreme weather was still tending to put upward pressure on fruit and vegetable prices. However, prices for meat, coffee, cocoa and processed food items were seen as plateauing or moderating slightly.

The jump in the price of oil in March was being transmitted rapidly to selling prices for the most oil-dependent goods and services, but the broader pass-through might be more gradual than in the past. Contacts in the air travel, logistics, chemicals, plastics and packaging industries said that selling price increases, often in double digits, had already been implemented in March or announced for the second quarter. In some cases this was facilitated by contract clauses providing for automatic adjustments in response to rising energy prices. Such clauses were more common than when Russia invaded Ukraine as firms had learned from that experience. At the same time, firms – large ones at least – tended to be better hedged against fluctuations in energy prices than they had been in 2022. This hedging should limit the impact somewhat in the short term, as the pass-through of higher energy prices for these firms was less direct, coming mainly or only via smaller, unhedged suppliers seeking higher input prices.

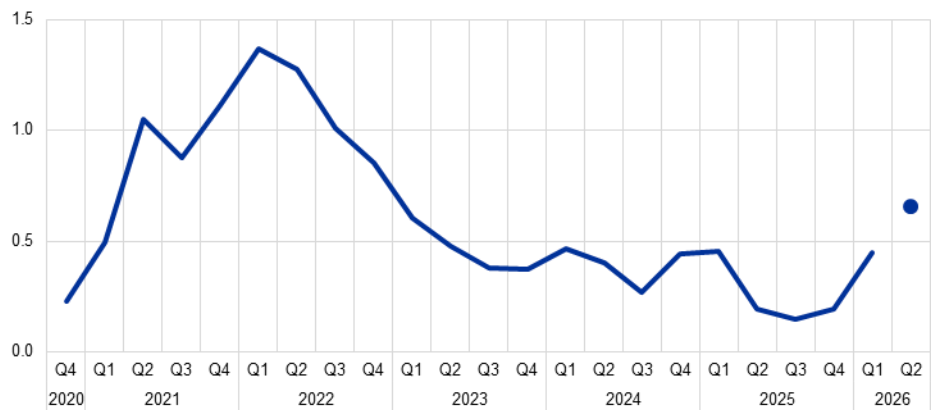
If the war in the Middle East was not concluded soon, however, it was likely to induce supply chain disruption, putting significant further upward pressure on prices and curtailing demand. A conflict lasting months rather than weeks – with the Strait of Hormuz remaining blocked and/or further attacks on oil and gas infrastructure – would result in global shortages not only of fuel but also of many products requiring oil derivatives for their manufacture. Particular concerns surrounded potential shortages of hydrogen, used in the production of fertilisers, and

helium, used for wafer cooling in semi-conductor production as well as for welding copper and nickel in many high-tech industries. Supply disruption of this nature could generate inflationary pressure more akin to that witnessed during the COVID-19 pandemic, but there were several mitigating factors. First, unlike during the pandemic, global demand was perceived to be weak, especially in view of subdued domestic demand in China. Second, there would be no abrupt shifts between goods and services consumption. Third, support from fiscal policy was likely to be more limited. Finally, following various shocks in recent years, supply chains had become more resilient and adaptable. For most contacts, the principal concern was the impact that the war would have on consumer confidence and therefore final consumer demand.

Chart C

Views on developments in and the outlook for prices

(averages of ECB staff scores)



Source: ECB.

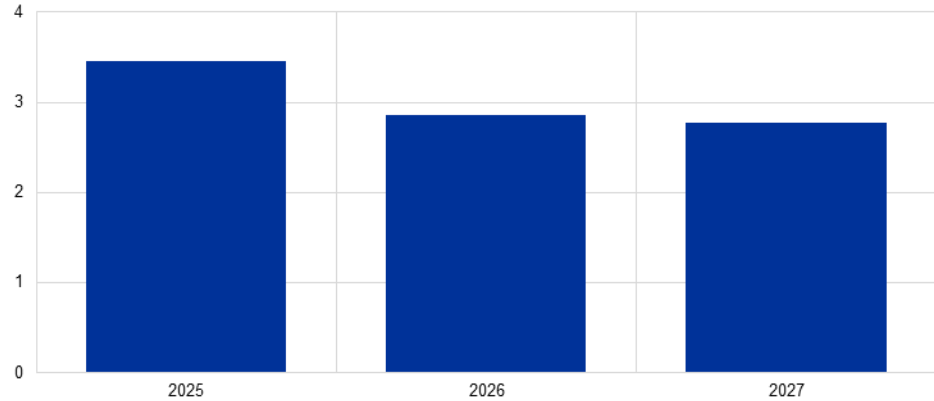
Notes: The scores reflect the average of scores given by ECB staff in their assessment of what contacts said about quarter-on-quarter developments in selling prices. Scores range from -2 (significant decrease) to +2 (significant increase). A score of 0 would mean no change. The dot refers to expectations for the next quarter.

Contacts continued to anticipate moderating wage growth. On average, the quantitative indications provided would imply that wage growth is expected to slow, from 3.5% in 2025 to 2.9% in 2026 and 2.8% in 2027. These perceptions and expectations are slightly higher than in the previous survey round, which may in part reflect a different composition of the panel rather than a change in the outlook. However, a few contacts (around 10%) had made small upward revisions to their expectations for 2027 in view of the war in the Middle East, while a larger number (around 30%) saw the latter as an upside risk.

Chart D

Quantitative assessment of wage growth

(percentages)



Source: ECB.

Notes: Averages of contacts' perceptions of wage growth in their sector in 2025 and their expectations for 2026 and 2027. The averages for 2025, 2026 and 2027 are based on indications provided by 60, 61 and 42 respondents respectively.

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What's new in the HICP? The 2026 classification update and its implications for inflation analysis

Prepared by Martin Eiglsperger, Katalin Bodnár, Rania Bouhaouita Haddad and Elisabeth Wieland

The January 2026 release of the HICP introduced a major change in how consumer products are classified. The HICP, which the European Central Bank (ECB) uses as its principal measure of inflation in the euro area, serves as a yardstick for assessing price stability, the ECB's primary monetary policy objective. A key feature of the HICP is the availability of detailed price indices by product – with products classified according to their consumption purpose – and predefined aggregate indices, for example, for food (unprocessed and processed), energy, non-energy industrial goods and services. The HICP classification is based on the Classification of Individual Consumption according to Purpose (COICOP), which was introduced in 1999 and later refined at the European level as European COICOP (ECOICOP).¹ A comprehensive update has been made to the HICP as of January 2026, aligning the European classification with the international COICOP 2018 standard to establish ECOICOP version 2. In addition, the index reference year for the HICP has changed from 2015 = 100 to 2025 = 100. The euro area aggregate has also been extended to include Bulgaria, following its entry into the euro area on 1 January 2026.²

One major objective of reclassifying HICP items was to achieve a clearer separation between goods and services. The HICP's new classification allows for finer delineation of services, some of which had previously been included in goods. For example, whereas delivery fees were previously included in the total price of delivered goods, they are now classified separately as a service. Separately invoiced delivery fees for goods are allocated to "Delivery of goods".³ There is also a "Courier and parcel delivery services" category for online purchases delivered by a standalone courier or parcel delivery company.⁴ Repair, maintenance, rental and installation services are now listed separately, and IT hardware and software have moved from "Recreation and culture" to "Information and communication". Insurance and financial services have been separated from other personal services. The new HICP classification has also been further aligned with international standards, with

¹ The United Nations classification by consumption purpose, which was first established in HICPs in 1999 and updated in 2018, is the worldwide reference for classifying private consumption. See Eurostat (2026) for more information on the classification changes.

² The weight of Bulgaria in the euro area HICP is around 0.9% in 2026. The inclusion of Bulgaria in the euro area all-items HICP has therefore not had a significant impact.

³ The weight of the "Delivery of goods" category in the euro area HICP is around 0.15% in 2026.

⁴ The weight of the "Courier and parcel delivery services" category in the euro area HICP is around 0.7% in 2026.

games of chance (such as lotteries, betting and gaming) being included as a new item.⁵

The new classification has not affected headline inflation or led to major changes in HICP main aggregates. While, in principle, recalculations using ECOICOP version 2 would have led to adjustments in total inflation rates, European statisticians left headline HICP inflation rates unchanged.⁶ Some minor differences (up to 0.1 percentage points) materialised in the annual rates of change of the all-items HICP for the euro area. However, these differences only reflect the impact of rounding, which was applied in the process of updating the index reference year from 2015 to 2025.⁷ At the level of sub-components, the recalculation of historical data using the new classification led to some changes in price indices and weights, with the largest impact being seen in aggregates of food items. In the food category, some chilled and frozen food is now classified as unprocessed rather than processed. As a result, unprocessed food inflation based on the new classification is slightly less volatile (Chart A, panel a). The maximum absolute revision in monthly year-on-year rates amounts to around 1.2 percentage points for unprocessed food and 0.3 percentage points for processed food. For the other main components (energy, non-energy industrial goods and services), the maximum absolute revision ranges between as little as 0.1 and 0.2 percentage points (Chart A, panel b).

⁵ See [Commission Delegated Regulation \(EU\) 2024/3159](#) of 2 September 2024 amending Regulation (EU) 2016/792 of the European Parliament and of the Council on harmonised indices of consumer prices and the house price index as regards the classification of consumption and the inclusion of games of chance. Games of chance have a weight of around 1% in the euro area HICP in 2026, with a range of 0.01% (Ireland) to 3.12% (Cyprus) across euro area countries. According to the preliminary assessment based on HICP data for January to March 2026, the impact of games of chance on HICP services is negligible. Owner-occupied housing (OOH) has not yet been included in the new HICP classification. European statisticians are working on various approaches to the treatment of OOH in consumer price indices. See ECB (2025).

⁶ Any differences implied by the bottom-up aggregation under ECOICOP version 2 were distributed across components, in order to keep the overall HICP inflation rate unchanged.

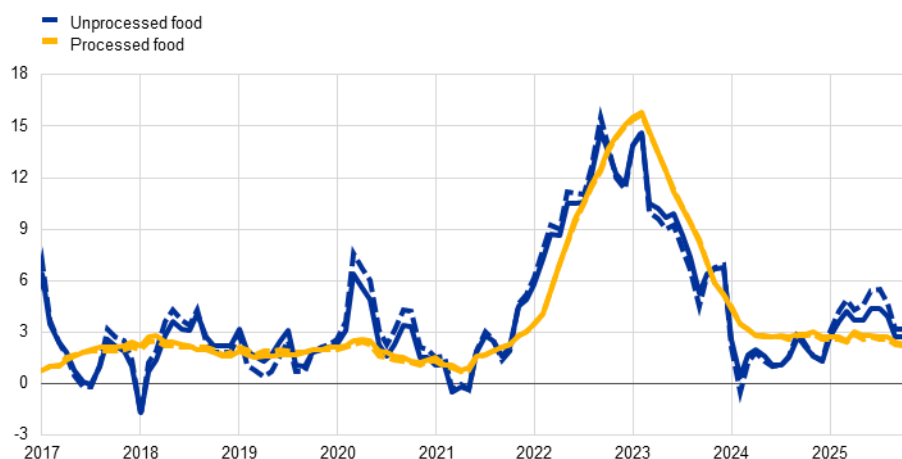
⁷ While overall HICP inflation rates were unaffected by the back-calculation according to the new classification, the change in base year from 2015 to 2025 in conjunction with HICP rounding rules resulted in some small changes in historical all-items HICP data. Some minor corrections may still be made to the historical series during the course of 2026.

Chart A

ECOICOP version 1 versus ECOICOP version 2: revisions by main HICP components

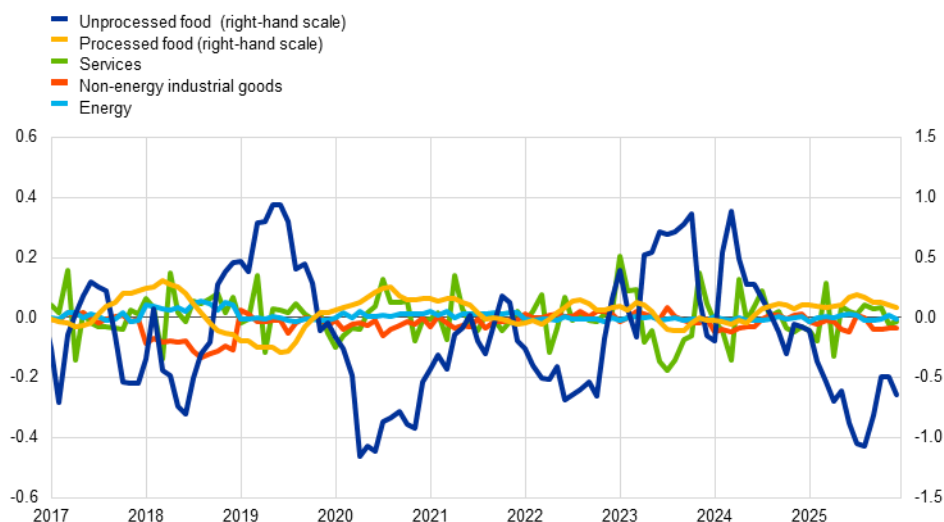
a) Annual rates of change in HICP food under ECOICOP version 1 and ECOICOP version 2

(percentages)



b) Revisions in HICP annual rates of change under ECOICOP version 2, by HICP component

(percentage points)



Sources: Eurostat and ECB calculations.

Notes: Panel a): solid lines refer to ECOICOP version 2; dashed lines refer to ECOICOP version 1. Panels a) and b): the latest observations are for December 2025.

The changes in the HICP classification have also affected measures of underlying inflation, triggering small revisions to permanent and temporary exclusion-based indicators while leaving their overall dynamics broadly unchanged. The range of underlying inflation indicators monitored by the ECB includes permanent and temporary exclusion-based indicators as well as model-based ones.⁸ Overall, the recalculation using the new classification has had only minor effects on permanent and temporary exclusion-based indicators. For example, historical data for HICP excluding energy and food (HICPX), HICP excluding energy,

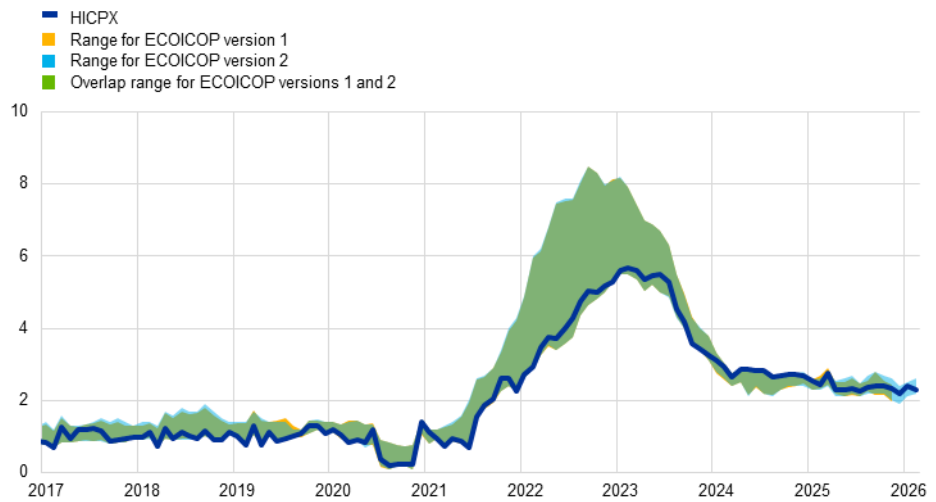
⁸ See Bańbura et al. (2023).

food, air travel-related items, clothing and footwear (HICPXX) and trimmed-mean indicators have changed very little.⁹ For these indicators, the maximum absolute revision is around 0.2 percentage points for monthly year-on-year growth rates. By contrast, the weighted median exhibits somewhat larger revisions, reaching up to 0.4 percentage points in some months. The resulting range of exclusion-based underlying inflation measures is barely affected by a recalculation of historical data (Chart B, panel a).

Chart B Underlying inflation indicators

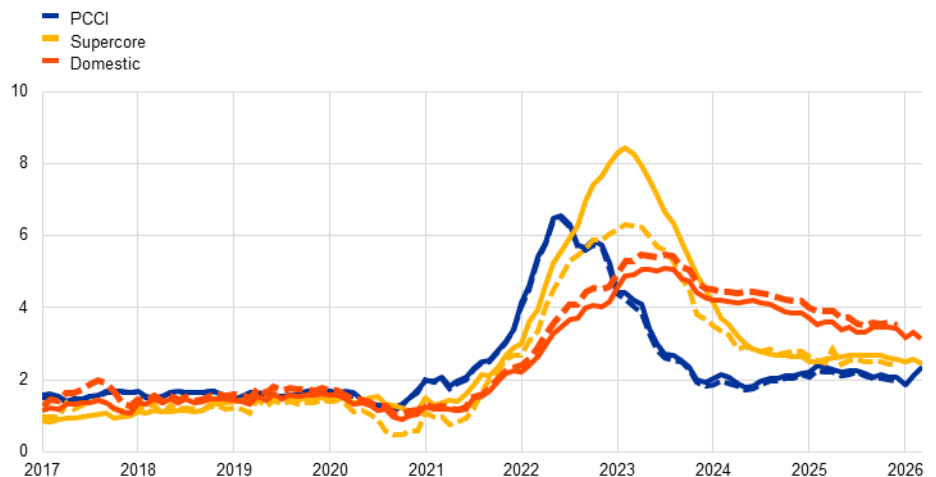
a) Range of exclusion-based measures

(annual percentage change)



b) Persistent and Common Component of Inflation (PCCI), Supercore and domestic inflation

(annual percentage change)



Sources: Eurostat and ECB calculations.

Notes: The range of exclusion-based measures covers the following underlying inflation measures: HICP excluding energy and food, HICP excluding energy, HICP excluding energy and unprocessed food, HICP excluding energy, food, air travel-related items, clothing and footwear, trimmed means (10% and 30%) and the weighted median. Panel b): solid lines refer to ECOICOP version 2; dashed lines refer to ECOICOP version 1. The latest observations are for December 2025 for ECOICOP version 1 and March 2026 for ECOICOP version 2.

⁹ Comparison of indicators from 2001 up to the latest available data point.

The PCCI and domestic inflation have shown little change in light of the new classification, while the larger revisions in Supercore mainly reflect an adjustment in the underlying methodology (Chart B, panel b). The PCCI

captures the common and persistent components across the ECOICOP four-digit classes of HICP items from 12 euro area countries.¹⁰ It has not been significantly affected by the introduction of ECOICOP version 2, despite now being based on a larger set of components. Domestic inflation captures HICPX items with a low import content. In addition to the reclassification, this indicator has also been updated using more recent information on import shares. Together, the two updates result in a different threshold for inclusion, but the indicator has been revised only moderately for the past few years. By contrast, Supercore – a proxy for cyclical inflation – has been revised to a larger degree. While part of the change in the indicator can be attributed to the switch to ECOICOP version 2, the largest impact stems from an adjustment in the estimation method itself, which has been implemented alongside the change in classification.¹¹ Previously, cyclical items were identified using the output gap in a forecast-based framework.¹² In the revised approach, cyclical items are identified based on the sign and statistical significance of the coefficient on the business cycle stance in Phillips curve regressions, estimated using the unemployment gap in the sample period preceding the COVID-19 pandemic. These estimates are based on ECOICOP version 2 HICPX items. While the overall dynamics have not changed significantly (for example, the two versions peaked at the same time), the updated and reassessed Supercore measure shows somewhat higher peaks during periods of tight labour markets compared with the previous version.

Overall, the introduction of ECOICOP version 2 is beneficial for inflation monitoring and forecasting. The enhanced HICP provides a more accurate representation of consumer price developments, reflecting more recent changes in consumption patterns and market structures. By providing a clearer separation between goods and services, the new classification allows drivers of inflation to be identified more easily and captures consumption expenditure shares more accurately, for example in the case of delivery fees and games of chance. Most underlying inflation measures have been only marginally affected by the classification changes, and their overall dynamics remain broadly unchanged.

¹⁰ See Bańbura and Bobeica (2020).

¹¹ The revised methodology for domestic inflation and Supercore will be published soon (Bodnár et al., 2026). The previous domestic inflation indicator included 29 items out of 94 HICP items, whereas the updated indicator includes 53 items out of 118 HICPX items. It is also based on a constant composition, in contrast with the previous approach, where the composition could change from year to year if import shares changed. In the case of Supercore, while the previous approach identified 47 cyclical items out of 72 HICPX items at the COICOP four-digit level, the revised approach identifies 29 cyclical items out of 118 HICPX items. Since ECOICOP version 2 introduces a more detailed classification of HICP items and changes the dynamics of some time series, a simple comparison of the cyclical items using the old and new classifications would not be meaningful.

¹² See O'Brien (2018).

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Articles

1 Tariffs and foreign direct investment – a nuanced relationship

Prepared by Isabella Moder, Tajda Spital, Virginia Di Nino, Lorenz Emter and Michael Fidora

Tariffs have re-emerged as a key policy tool amid rising protectionism, sparking debates about their impact on foreign direct investment (FDI). While traditionally associated with restricting trade and protecting domestic industries, tariffs have recently been used by some countries, including the United States, as part of a broader industrial strategy.¹ Such strategic measures seek to reshape global production patterns, enhance economic resilience and address geopolitical fragmentation by seeking to attract inward FDI into the tariff-imposing country.² However, the effectiveness of tariffs in attracting FDI, especially in the manufacturing sector, is still disputable given the mixed evidence in the empirical literature.

The relationship between tariffs and FDI is ambiguous and highly dependent on the type of FDI. Tariffs may incentivise “tariff-jumping” FDI aimed at bypassing trade barriers, but they can also raise production costs for firms reliant on cross-border supply chains, thereby discouraging investment. This dual effect depends on whether the FDI serves the local markets or exploits cost efficiencies through global value chains. Understanding this interplay is crucial for assessing the impact of tariff-driven policies.

This article examines the impact of tariffs on greenfield FDI and explores the implications for the euro area.³ The analysis in Section 1 focuses on empirical evidence from 2016 to 2023 to assess how different levels of tariff intensity influence newly announced greenfield FDI projects, especially in the manufacturing sector.⁴ In the absence of data on actual bilateral greenfield FDI flows, the analysis uses data from announced greenfield FDI projects. The correlation between announced and actual greenfield FDI projects is high. Still, it has two notable limitations. First, it

¹ For example, high trade barriers were used in the period between the 1950s and the 1980s when Brazil and India pursued import substitution and when sector-specific market protection was enforced by China in the 1990s and 2000s. US trade measures, such as the voluntary export restraints in the 1980s and the Section 232 and 301 tariffs introduced in 2018, were used to encourage local production by foreign firms.

² Recent evidence suggests that rising geopolitical fragmentation is increasingly reshaping global patterns of foreign direct investment (FDI), with firms redirecting investment towards geopolitically aligned countries. See also Boeckelmann et al. (2024).

³ Greenfield FDI flows refer to foreign investments made by companies to build new or extend existing production capacity. As such, they are arguably the component most closely associated with real economic developments and therefore are of particular interest for policymakers. By contrast, cross-border mergers and acquisitions involve ownership changes, such as acquisitions, divestitures and corporate restructurings, and have less of a direct economic impact.

⁴ The analysis is primarily based on a dataset provided by fDI Markets. The data are collected mostly from publicly available sources (e.g. media outlets, industry organisations and investment-promoting agency newswires) and they report investment-level information for over 300,000 greenfield FDI announcements between 186 countries starting in January 2003.

records the announced projects only and does not track their actual implementation. Even though announced greenfield FDI project data give a fairly accurate insight into the forward-looking investment decisions of firms, such data may overstate the number of greenfield FDI projects actually implemented if related trade policies are perceived as transitory or subject to reversal (see also Section 2). Second, the relevant dataset does not provide any information on potential disinvestment, which may be a relevant response to higher trade barriers. Section 2 of this article examines US inward and outward FDI following the 2025 tariff announcements under the second term of President Trump in order to understand how recent tariff-driven policies may influence FDI flows. Higher trade barriers, which the United States introduced with the explicit aim of attracting production and investment onshore, do incite tangible risks for the euro area, as outward FDI can displace domestic investment and reduce bilateral trade. In this context, Box 1 documents how greenfield FDI with larger and more distant partners can substitute for exports and Box 2 illustrates past episodes in which outward FDI crowded out domestic investment in the euro area.

1 The impact of tariff increases on greenfield foreign direct investment

While tariffs are designed to restrict trade between countries, their effect on greenfield FDI is uncertain and also depends on the interplay of greenfield FDI and foreign trade. Based on factors such as transport costs, trade barriers, market stability and production efficiencies, firms may need to choose between exporting or investing abroad. Exporting is often preferred in scenarios with moderate costs and uncertain demand, whereas FDI is often the preferred strategic choice in large, stable markets with high trade barriers. However, in cases where economies of scale favour geographical concentration of certain production stages and the process becomes fragmented across borders, trade and FDI can complement rather than substitute each other, fostering interconnected global supply chains.

Tariffs can spur or suppress greenfield FDI flows depending on whether the FDI is meant to serve the local markets (horizontal FDI) or to exploit cost advantages (vertical FDI). When firms decentralise their production internationally to exploit cost efficiencies or specific expertise, greenfield FDI tends to complement trade, as cross-border trade in intermediate goods rises.⁵ However, greenfield FDI is more likely to be affected negatively by tariffs, as cross-border trade in intermediate goods becomes more expensive. By contrast, when firms invest abroad primarily to serve local demand, to bypass trade barriers or to reduce transport costs, higher tariffs tend to stimulate greenfield FDI, with the aim of substituting for exports (Cole & Davies, 2011).

⁵ See Brainard, S. Lael (1997), "An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade", *American Economic Review*, Vol. 87, No 4, pp. 520-544. See Markusen, James R. (1995), "The Boundaries of Multinational Enterprises and the Theory of International Trade", *Journal of Economic Perspectives*, Vol. 9, No 2, pp. 169-189. See Markusen, James R. and Keith E. Maskus (2002), "Discriminating Among Alternative Theories of the Multinational Enterprise", *Review of International Economics*, Vol. 10, No 4, pp. 694-707.

The impact of tariff increases on greenfield FDI projects is empirically tested using a gravity framework, the workhorse model in the literature for studying the determinants of FDI. To analyse the impact of tariff increases on new greenfield FDI projects, bilateral gravity equations are estimated on a global sample of 36,218 country pairs (i.e. 182 source countries times 199 destination countries) over the period of 2016 to 2023.⁶ The focus lies exclusively on gross tariff increases, whereas potential simultaneous tariff liberalisations are disregarded. This choice reflects the expectation of an asymmetric FDI response: while tariff hikes may encourage tariff-jumping FDI and tariff liberalisations could reduce new greenfield FDI projects to some extent, the impact is unlikely to be of the same magnitude. Besides tariff increases, the regressions also include measures for harmful non-tariff trade measures, as well as dummy variables for preferential trade agreements and intra-EU FDI.⁷

To identify tariff increases and account for potential asymmetries, a distinction is made between low-, medium- and high-intensity tariff increases. Bilateral product-level trade policy data from the Global Trade Alert database are used to measure tariff increases.⁸ Their distribution is very skewed: for more than 90% of observations, no tariff increases occurred in a given year. Actual tariff increases are classified into three categories according to their distribution: a low-intensity tariff increase corresponds to up to the 95th percentile of the distribution (one to three product-level tariff increases within one year). A medium-intensity tariff increase corresponds to the 96th to the 99th percentile of the distribution (between four and 1,541 product-level tariff increases in a year). Finally, bilateral product-level tariff increases at the 100th percentile (more than 1,541 in a given year) are classified as high-intensity tariff increases. Over the sample period, the number of tariff measures peaked in 2018 (Chart 1, panel a). More than half of all country pairs experienced low-intensity tariff increases, whereas medium-intensity cases were less frequent and high-intensity shocks were rare, mainly observed in 2018 (Chart 1, panel b).

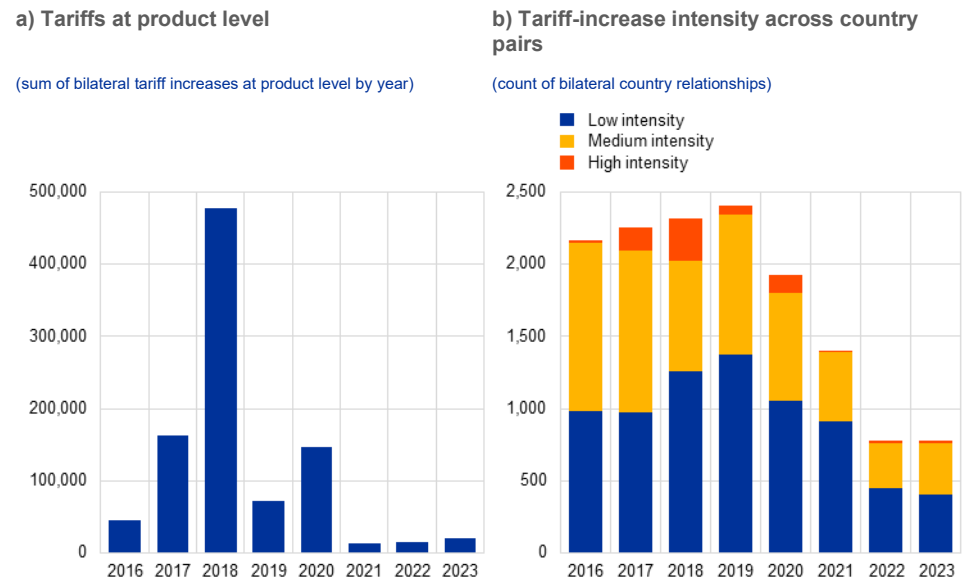
⁶ Technical details of the regression framework can be found in Moder and Spital (2025).

⁷ In addition, the regressions include origin-time, destination-time, and country-pair fixed effects to account for unobserved heterogeneity. For example, origin-time and destination-time fixed effects capture macroeconomic drivers of FDI such as GDP growth, while country-pair fixed effects account for time-invariant bilateral characteristics such as distance or common language.

⁸ Publicly available data sources on tariff schedules, such as the World Integrated Trade Solution, have significant limitations, as they fail to record bilateral tariff rates when changes are temporary, politically motivated, or implemented under national trade laws, which was the case under President Trump's first term. Therefore, in the absence of effective tariff rates, the incidence of tariff increases is counted across products.

Chart 1

Number of tariff increases at product level and intensity across country pairs



Sources: Global Trade Alert and ECB calculations.

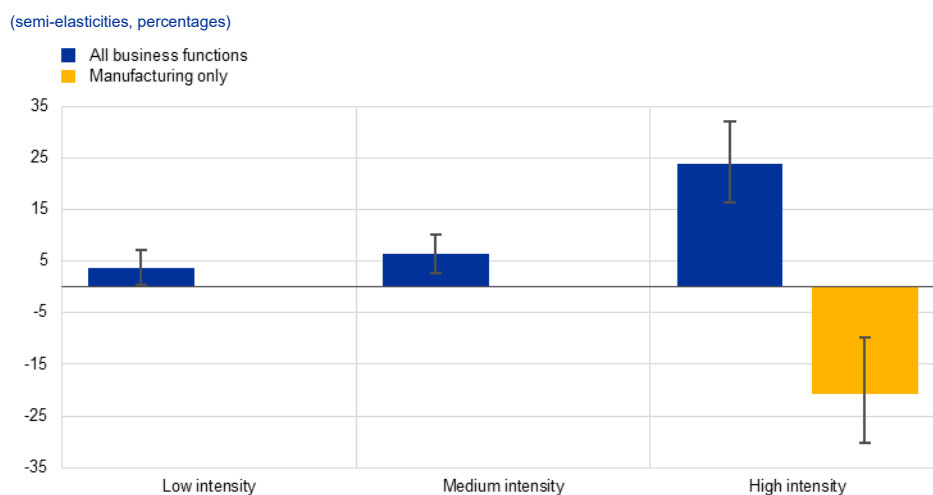
Notes: Panel a) shows the sum of all bilateral tariff increases at the product level, aggregated by year. Panel b) shows the intensity of bilateral tariff increases in each year, with each country pair counted as one observation for that year. Tariff increases are classified according to their distribution, with a low-intensity tariff increase being up to the 95th percentile, a medium-intensity tariff increase being between the 96th and the 99th percentile, and a high-intensity tariff increase corresponding to the 100th percentile of the distribution.

Our findings show that, overall, tariff increases are associated with a rise in greenfield FDI announcements, supporting the idea that firms respond to trade barriers by investing in the tariff-increasing country (Chart 2). Tariff increases are associated with a rise in overall greenfield FDI projects into the tariff-increasing country, suggesting that tariff-jumping motives dominate in the aggregate figure. A low-intensity tariff increase leads to a rise in announced greenfield FDI projects of around 4% in the following year. A medium-intensity tariff increase boosts the number of announced greenfield FDI projects by, on average, around 6%, and a high-intensity tariff increase pushes the number of announced greenfield FDI projects up by, on average, around 24%, both the year before the actual tariff increase as well as the year following the actual tariff increase, pointing to anticipatory effects or announcement effects.⁹

⁹ If no distinction is made between the intensity of tariff increases, i.e. if the same dummy is used for all types of tariff increases, the model suggests that a tariff increase leads to a rise in announced greenfield FDI projects of around 4% both the year before the tariff increase as well as the year following the tariff increase.

Chart 2

Impact of tariff increases on number of announced greenfield FDI projects



Source: ECB calculations.

Notes: The chart displays estimated semi-elasticities derived from Poisson Pseudo Maximum Likelihood coefficients of regressions linking the number of greenfield FDI projects to tariff-increase dummies. Semi-elasticities are computed from the estimated coefficients to represent the percentage change in the expected number of new FDI projects associated with a tariff increase. Results are shown separately for projects in all business functions (blue bars) and for manufacturing projects only (yellow bar). Positive coefficients indicate that higher tariffs are associated with an increase in project numbers (consistent with tariff-jumping behaviour), whereas negative coefficients imply a decline in project numbers (consistent with efficiency-seeking motives). Only values that are statistically significant with a confidence level of at least 90% are displayed. Error bars indicate the respective 90% confidence interval.

However, the direction of the impact reverses when focusing on

manufacturing FDI only.

The dataset of greenfield FDI announcements provides information on the business function of each project, defined as the activity to be carried out at the new facility, once completed. Since manufacturing is an investment category that policymakers often prioritise, the previous analysis is repeated but with a focus on manufacturing projects only. While the impact of low- and medium-intensity tariff increases becomes insignificant, the direction of the impact of high-intensity tariff increases reverses and becomes highly negative, with a fall in announced projects of around 21% in the same year as the tariff increase takes place (Chart 2, yellow bar).¹⁰ The results therefore suggest that tariff increases are ineffective at boosting manufacturing greenfield FDI and may even deter it when protectionism becomes intense, highlighting the importance of input costs and vertical linkages in global value chains, especially for manufacturing.¹¹

Distinguishing between the impact of tariffs on greenfield FDI in individual manufacturing sectors suggests considerable heterogeneity (Chart 3).

Using a gravity equation again, the impact of tariff increases on individual sectors within the manufacturing sector is assessed.¹² The sectoral results reveal substantial

¹⁰ If no distinction is made between the intensity of tariff increases, i.e. if the same dummy is used for all types of tariff increases, no statistically significant results are yielded for the impact on announced greenfield FDI manufacturing projects.

¹¹ The impact of tariff increases on FDI projects associated with business functions other than manufacturing (e.g. example sales, marketing and support; business services; retail; research and development; logistics, distribution and transport or construction) is generally positive or insignificant. One exception is FDI projects in the construction sector, where the impact of tariff increases is even more negative than for the manufacturing sector.

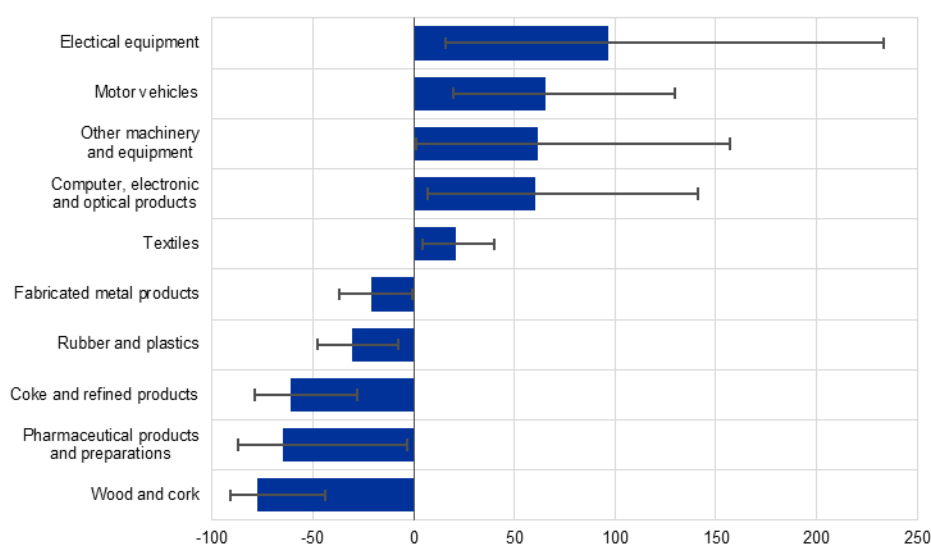
¹² Because the number of sector-level tariff increases is limited, it is not possible to differentiate between tariff intensities. Instead, a single binary indicator is used, which equals one if at least one bilateral tariff increase occurred in the respective sector during a given year.

heterogeneity in how tariffs affect greenfield FDI across sectors. Specifically, positive effects are found for textiles, motor vehicles, computers, electrical equipment and machinery. With the exception of textiles manufacturing, these sectors tend to produce final goods. Their relatively flexible production models may make tariff-jumping investment an attractive strategy, prompting firms to relocate to or expand operations within the tariff-imposing country. By contrast, several sectors show a negative FDI response to tariffs, including wood, refined petroleum products, rubber and plastic products, fabricated metals and pharmaceuticals. Many of these industries are upstream in the production chain and produce intermediate inputs. Their capital-intensive nature and – in some cases – limited orientation towards local consumer markets may reduce the appeal of locating production in tariff-imposing countries.

Chart 3

Impact of tariff increases on the number of greenfield FDI projects by manufacturing sector

(semi-elasticities, percentages)



Source: ECB calculations.

Notes: The chart reports estimated semi-elasticities derived from Poisson Pseudo Maximum Likelihood coefficients of sector-specific regressions. Each bar shows the estimated percentage change in the announced number of greenfield FDI projects in a given manufacturing sector following a tariff increase. Positive elasticities indicate that higher tariffs are associated with an expansion in FDI projects (tariff-jumping), whereas negative elasticities indicate a contraction in investment (efficiency-seeking). Only values that are statistically significant with a confidence level of at least 90% are displayed. Error bars indicate the respective 90% confidence interval.

Overall, the relationship between tariffs and greenfield FDI is complex and nuanced, influenced, among other things, by the intensity of tariff measures and the sectoral composition of investment. The observed rise in greenfield FDI projects aligns with the findings in Box 1, which suggests that horizontal FDI aimed at serving local markets may substitute for exports. However, the decline in manufacturing FDI following high-intensity tariff increases underscores the importance of input costs and global supply chains. While global data suggest that tariffs may encourage greenfield FDI overall, these dynamics vary significantly

across sectors and tariff levels.¹³ To explore these dynamics further, the next section describes in detail US inward and outward FDI following the 2025 tariff announcements under President Trump's second term.

Box 1

The trade-foreign direct investment nexus revisited

Prepared by Virginia Di Nino

The trade-foreign direct investment (FDI) nexus is a cornerstone of international economics and it provides insight into how globalisation, multinational enterprises and cross-border production shape trade patterns, growth and development.

As highlighted in the introduction, firms face a “proximity-concentration trade-off” in terms of deciding between exporting or FDI based on factors such as costs, risks and market conditions. While exporting can help to minimise fixed costs and risks, FDI can become more attractive for high trade barrier markets, thereby encouraging “tariff jumping”, or for larger markets. Trade and FDI can complement each other when production is fragmented across borders, driving higher trade volumes and fostering interconnected global supply chains.¹⁴

Understanding this dynamic is crucial for grasping the broader implications of globalisation and international economics. This box provides new empirical evidence showing that the trade-FDI relationship is systematically related to the market size of and the distance to the host country, which proxy, respectively, economies of scale and transport costs.

The analysis examines how bilateral trade responds over time to changes in greenfield FDI. Using local projection methods within a gravity-type framework, it estimates the dynamic effect of greenfield FDI on exports over horizons from 0 to 4 years ahead. For each horizon, exports are regressed on their own past values (to capture persistence in trade), on bilateral greenfield FDI announced projects, on the economic size of both countries, and on interactions between greenfield FDI and (i) geographical distance (distance between main cities, proxying transport costs) and (ii) economic size (proxying the scope for economies of scale).¹⁵

In this setting, the coefficients of greenfield FDI measure the average elasticity of bilateral trade relative to greenfield FDI at each horizon and the interaction terms show how this elasticity varies with distance and the market size of the recipient country.

The results indicate that the relationship between trade and FDI depends on the distance to and the size of the market and that these factors become significant one year after the investment is made. Evidence indicates that for small and nearby destinations, where vertical FDI and supply-chain integration are more common, outward greenfield FDI and trade typically complement each other,

¹³ Industry-specific structural factors that can vary over time also shape the tariff-FDI relationship. For instance, the size of production margins, the ability to absorb part of the tariff and the magnitude of sunk investment costs versus those of tariffs influence the decisions of firms on whether to undertake tariff-jumping.

¹⁴ Blonigen (2001) shows that US FDI in Japan substituted for US exports when trade costs were high. Brainard (1997) confirms the existence of “proximity-concentration trade-off”. Lendle et al. (2016) argue that e-commerce could weaken the trade-FDI nexus by reducing the need for physical presence in foreign markets.

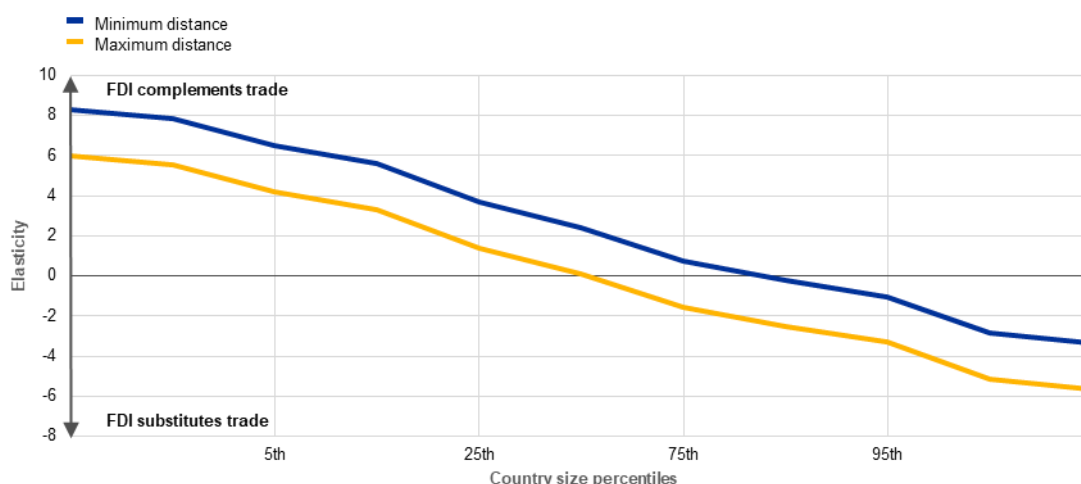
¹⁵ The estimation controls for origin-destination fixed effects, total outflows and inflows of FDI and inflows of greenfield FDI. The methodology allows for heteroscedasticity and autocorrelation in the errors, the sample covers all aggregate country-pair relationships over 2004-24.

as new investment tends to raise trade levels in intermediates. For large and distant destinations, outward greenfield FDI and trade tend to be substitutes, suggesting that in these instances, FDI is more geared towards serving local markets. Specifically, for geographically close partner countries, the complementarity between trade and outward greenfield FDI transforms into substitutability once the recipient economy exceeds roughly the 80th percentile of the global size distribution. For very distant partners, this turning point occurs already around the median size (Chart A).

Chart A

Bilateral trade elasticity relative to greenfield FDI by economic size of the recipient country for very close and very distant trading partners

(percentages)



Sources: ECB, IMF, FT intelligence and ECB calculations.

Notes: The chart illustrates how bilateral trade in year t+1 responds to outward bilateral greenfield FDI in year t, based on the economic size of the recipient country. The vertical axis represents the elasticity of bilateral trade relative to greenfield FDI and the horizontal axis represents the recipient country's economic size. The blue line shows bilateral trade elasticity for geographically close partner countries, calculated using the minimum bilateral distance across all country pairs. The yellow line shows the same elasticity for distant partner countries, calculated using the maximum bilateral distance across all country pairs. The area between the blue and yellow lines represents the range of possible bilateral trade elasticities in relation to greenfield FDI, influenced by both economic size and the bilateral distance between the two countries' main cities.

For the United States — a large and geographically distant market from the euro area — the evidence points to trade substitutability. An increase in euro area outward greenfield FDI to the United States of the magnitude observed between 2021 and 2025 (i.e. more than doubling the original size) is estimated to reduce euro area exports to the United States by around 4% in the following year.

In August 2025, the EU pledged to increase its investment in the United States by USD 600 billion by 2028, in addition to an existing stock of bilateral FDI of around USD 5 trillion. If interpreted narrowly as additional EU greenfield FDI to the United States, and considering historical patterns (Chart 11), the headline figures in the EU-US framework agreement might appear rather ambitious. This agreement would require the EU greenfield FDI to the United States between 2025 and 2028 to average more than twice the peak level seen in 2024. However, even a smaller but sustained increase in outward greenfield FDI to the United States would meaningfully reshape the composition of euro area external activity.

A rebalancing from serving the US market through exports to serving it via local production would have mixed implications for the euro area economy. Lower exports to the United States would mechanically reduce euro area GDP, as fewer goods and services for the US market are produced domestically. At the same time, euro area firms would benefit from lower tariff burdens and higher

profits from foreign operations; and if these profits are repatriated, they would support gross national income.

2 US inward and outward foreign direct investment following the 2025 US tariff announcements

During his second term, President Trump has been implementing broad-based tariff measures as a means of encouraging manufacturing production in the United States and of attracting greenfield FDI. In his speech on 2 April 2025, announcing new tariffs, President Trump declared that “if you want your tariff rate to be zero, then you build your product right here in America” (Trump, 2025). Official statements from his administration framed tariffs as an instrument for attracting foreign investment, particularly greenfield manufacturing FDI, by shifting the incentives of firms away from exporting and towards local production. However, the descriptive evidence available so far does not indicate a clear tariff-induced surge in inward investment into the United States.

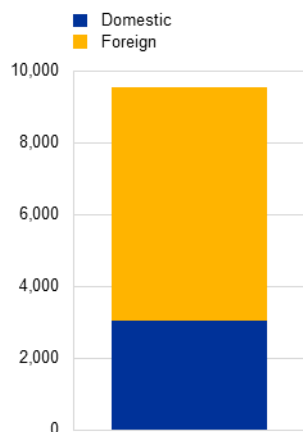
Reported aggregate investment commitments cited in official White House communications exceed the levels of announced inward greenfield FDI recorded in project-level data. Official communications by the White House report cumulative investment commitments of USD 9.6 trillion since the beginning of President Trump’s second term, referring to “major investment announcements”, with a significant share attributed to foreign investment (Chart 4, panel a). However, the White House website does not provide a detailed methodological breakdown of how these aggregates are compiled or which categories of trade flows are included. The published figures are presented at the aggregate level and do not explicitly distinguish between greenfield FDI and other types of commitment. In addition, some announcements may relate to multi-year projects, previously announced investment plans, or broader commercial agreements. In certain cases, reported “deals” may be associated with purchases of US goods, which could affect exports rather than domestic fixed investment. This makes it difficult to establish a direct correspondence between headline commitments and standard measures of inward greenfield FDI. By contrast, the fDi Markets database records announced greenfield FDI projects at the firm level on a consistent and internationally comparable basis. When focusing exclusively on greenfield FDI, as defined in the dataset, inward investment appears to be substantially lower than the headline commitments reported in official communications (Chart 4, panel b).

Chart 4

US inward greenfield FDI announcements in 2025

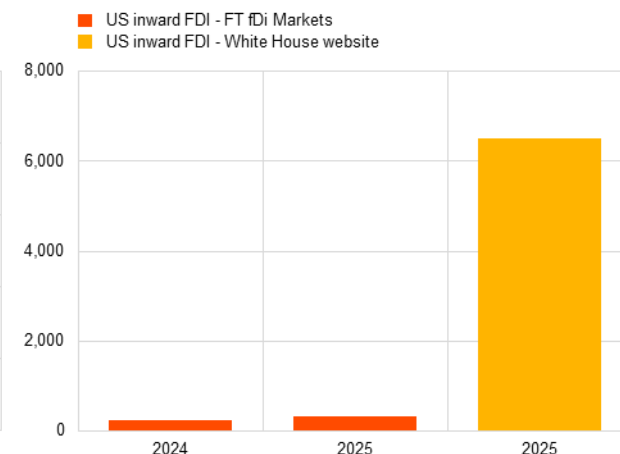
a) Official US domestic and foreign investment announcements in 2025

(USD billions)



b) US inward greenfield FDI announcements made by the US government and by fDi Markets

(USD billions)



Sources: FT fDi Markets, White House website and ECB staff calculations.

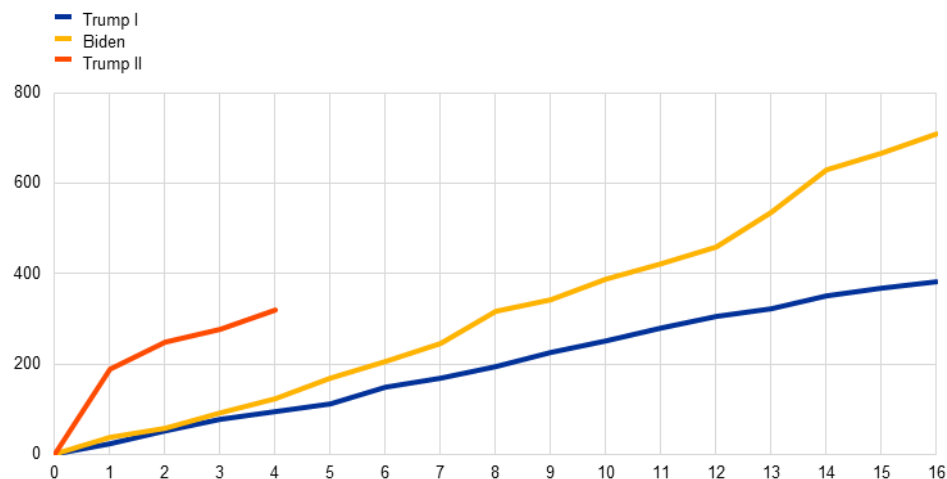
Notes: Panel a) shows investment into the United States in 2025, as announced on the official White House website. Panel b) compares US inward greenfield FDI announcements in the FT fDi Markets database (red bars) with that announced on the official White House website (yellow bar). The latest observations are for December 2025.

US inward greenfield FDI under President Trump's second term has so far outpaced that recorded under other recent US administrations. Despite the gap between White House headline announcements and investments as measured by the fDi Markets database, US inward greenfield FDI remained elevated relative to comparable periods under previous presidents (Chart 5). Investment under President Biden's term accelerated from the second year onwards, likely reflecting policy initiatives such as the CHIPS Act and the Inflation Reduction Act, which supported advanced manufacturing and green technologies. However, the pace of increase observed during President Trump's second term has so far been more pronounced.

Chart 5

US inward greenfield FDI announcements within each US presidential term

(y-axis: USD billions; x-axis: quarters)



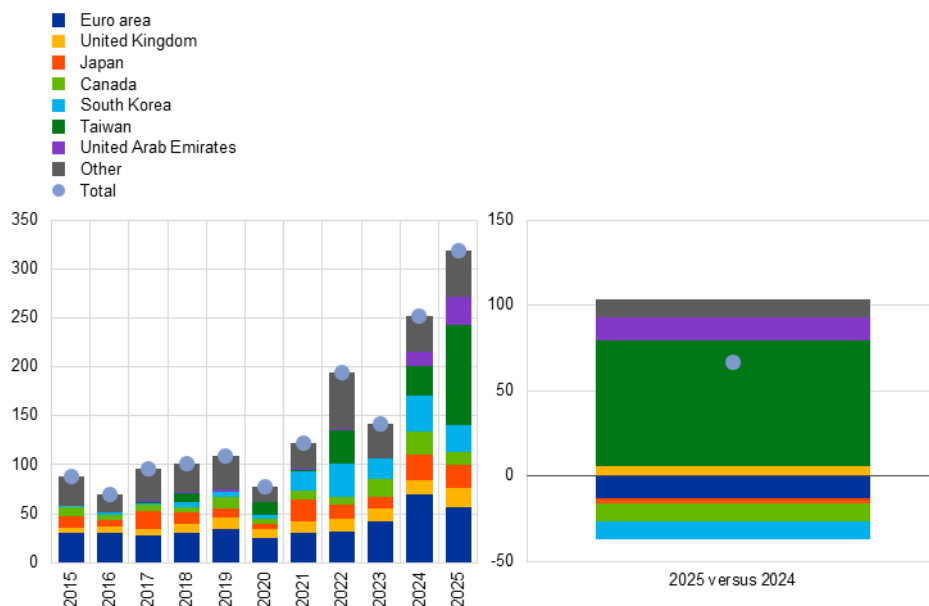
Sources: FT fDi Markets and ECB staff calculations.

Notes: The chart shows developments in US inward greenfield FDI announcements, cumulative since the start of each US presidency. The latest observations are for December 2025.

The recent increase in announced FDI is narrowly concentrated in a small number of countries and projects. While the total value of announced FDI projects in 2025 exceeds that recorded in 2024, the increase is highly concentrated. Nearly half of the announced investments in 2025 originate from Taiwan, with commitments made by the Taiwan Semiconductor Manufacturing Company serving as the main driver of the year-on-year change (Chart 6). Part of this rise also reflects higher investment by the United Arab Emirates, whereas announced investment by the euro area and other G7 countries declined.

Chart 6**US inward greenfield FDI announcements by source country**

(USD billions)

a) Annual US inward greenfield FDI**b) Change in annual US inward greenfield FDI**

Sources: FT FDI Markets and ECB calculations.

Notes: Both panels show the country decomposition of US inward FDI flows. The latest observations are for December 2025.

US inward greenfield manufacturing FDI shows little evidence of a tariff-induced surge, with recent increases coinciding with strong AI-related investment trends.

Judging by manufacturing projects alone, the primary target of the US administration's tariff strategy, there is little support for the existence of a tariff-driven investment boom. Announced manufacturing investment briefly peaked in March 2025, ahead of the major US tariff announcements, but this rise appears to have been driven mainly by investment in AI-related business. Such investment is only weakly linked to trade policy and is more plausibly explained by the global AI demand cycle (Chart 7, panel a). Outside this sector, rare minerals are the only other industry that is currently contributing meaningfully to recent growth. By contrast, greenfield manufacturing FDI in electric vehicles, battery supply chains and clean technologies, which partly also drove euro area manufacturing greenfield FDI to the United States until 2024, partially in connection with policy incentives such as the CHIPS and Science Act and the Inflation Reduction Act, declined (Chart 7, panel b).¹⁶

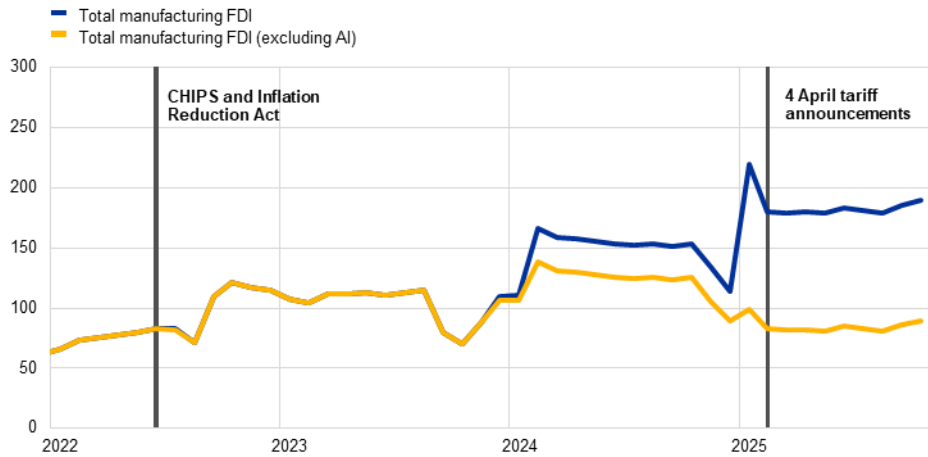
¹⁶ The CHIPS and Science Act, adopted in August 2022, provided federal subsidies and tax incentives to support semiconductor manufacturing and research in the United States, while the Inflation Reduction Act, also adopted in August 2022, introduced fiscal incentives aimed at promoting clean energy, electric vehicle production and domestic manufacturing.

Chart 7

US inward greenfield manufacturing FDI announcements

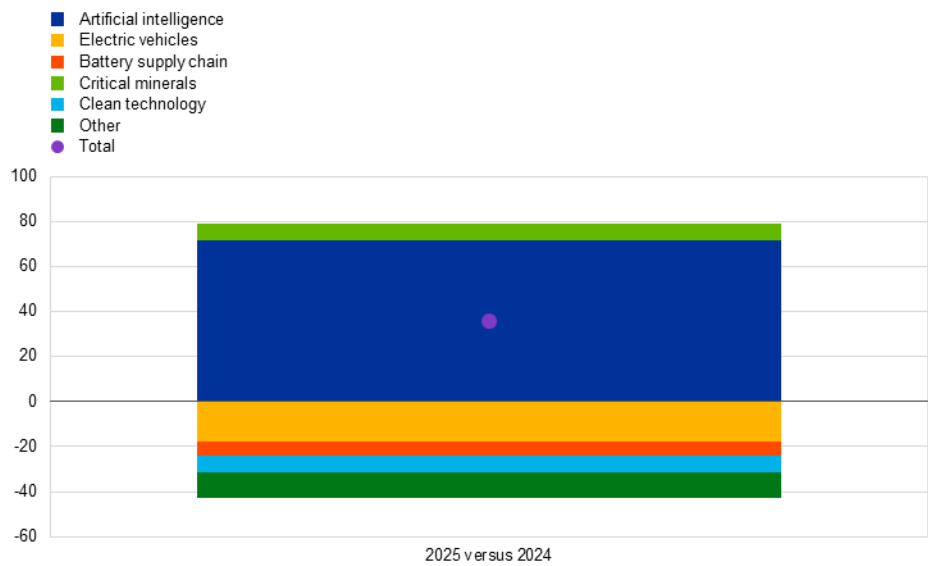
a) US inward greenfield manufacturing FDI and the role of AI investment

(USD billions)



b) Change in annual US inward greenfield manufacturing FDI by sector

(USD billions)



Sources: FT fDi Markets and ECB calculations.

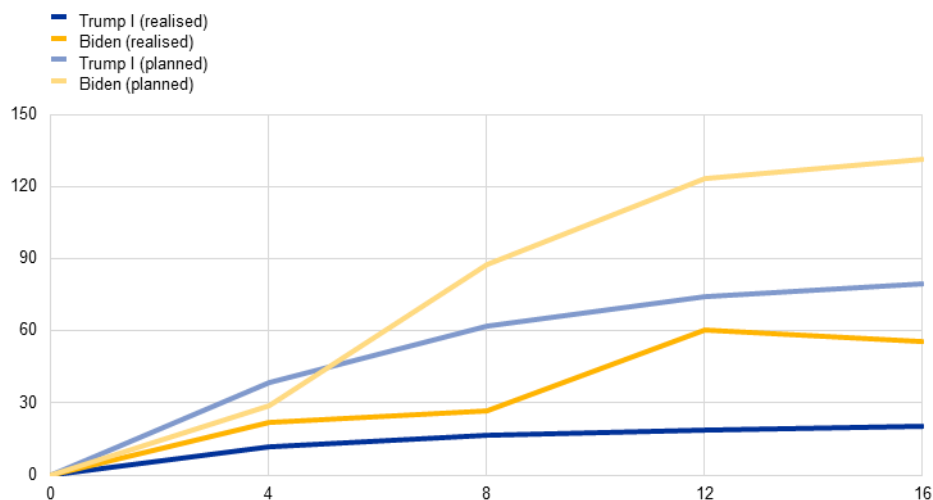
Notes: The chart depicts US inward greenfield FDI with manufacturing as a business function. The latest observations are for December 2025.

An important caveat is the large and persistent gap between announced and realised inward greenfield FDI. Only a small share of announced inward greenfield FDI projects ultimately translates into realised investment within each presidential term (Chart 8). The US Bureau of Economic Analysis provides a consistent basis for comparing planned (announced) and realised investment. While planned FDI rose steadily under both previous administrations, realised investment increased at a much slower pace. This disconnect suggests that announcement-based measures of investment, such as those announced by fDi Markets, may overstate near-term investment outcomes and should therefore be interpreted with caution when assessing the effectiveness of tariff policy incentives.

Chart 8

Planned and realised greenfield FDI within each US presidential term

(y-axis: USD billions; x-axis: quarters)



Sources: US Bureau of Economic Analysis and ECB calculations.

Notes: Planned FDI refers to greenfield FDI that is initiated and planned to be realised within each president's term. Realised FDI similarly refers to greenfield FDI that was initiated and realised within the respective term.

US outward investment grew more slowly in 2025 than in 2018. In theory, the effect of US tariffs on outward FDI is similarly ambiguous as that on inward FDI. On the one hand, higher trade costs due to intermediate goods trade may induce firms to substitute exports with local production abroad. On the other hand, higher input costs, heightened uncertainty and compressed profit margins may weaken the incentives and capacity of firms to expand overseas.¹⁷ Focusing solely on manufacturing FDI, following the first round of US tariff measures in 2018, US outward manufacturing FDI increased substantially, whereas the opposite pattern emerged during the second round of measures (Chart 10, panel a). One possible explanation is that the second round of measures was marked by greater trade policy uncertainty and it involved a broader set of targeted countries, which may have led firms to postpone or scale back foreign expansion plans rather than reallocate production abroad.¹⁸ After 2018, the increase in US outward FDI was relatively broad-based across destination countries, including China — the primary target of US tariffs (Chart 9, panel b). By contrast, the 2025 pattern in US outward FDI is less clear-cut. Although the euro area remains the largest destination for US FDI with stable flows in 2025, the most pronounced increases in 2025 were directed towards South Korea and India, with investment concentrated in digital infrastructure, particularly data centres and cloud computing, as well as selected high-tech manufacturing activities such as semiconductors and electronic components.

¹⁷ See also Helpman et al. (2004) and Amiti et al. (2019).

¹⁸ See also Handley and Limão (2017) and Caldara et al. (2020).

Chart 9

US outward greenfield manufacturing FDI announcements

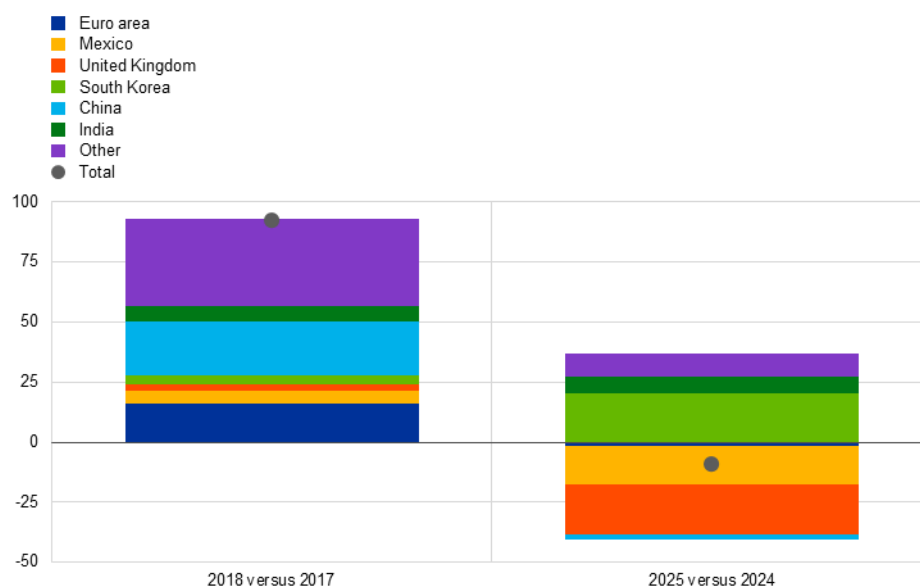
a) US outward greenfield manufacturing FDI

(USD billions, 12-month moving average)



b) Annual change in US outward greenfield manufacturing FDI by country

(USD billions)



Sources: FT fDi Markets and ECB calculations.
Note: The latest observations are for December 2025.

Box 2

Does outward foreign direct investment crowd out domestic investment in the euro area?

Prepared by Lorenz Emter and Michael Fidora

Outward foreign direct investment (FDI) can affect domestic investment activity, i.e. fixed capital formation, in the euro area through several channels. First, outward FDI can affect domestic investment through financial channels, particularly in euro area countries with low national savings. Relocation can initially lower profits of parent companies or it can tighten the financial conditions of those parent companies. Second, outward FDI, as firms shift part of their production abroad, can reduce domestic capital expenditure. Therefore, on the one hand, purely market-seeking outward

FDI may dampen domestic investment activity if firms shift most of their production activity to serve the foreign market, as would be the case if firms were to build up production capacity in the United States in order to avoid higher tariff rates. On the other hand, efficiency-seeking FDI that relocates a part of the production chain abroad to take advantage of lower production costs can generate exports of intermediates and capital goods or services for the foreign market and, in general equilibrium, stimulate domestic investment. This may also be the case for outward FDI that targets strategic assets, as it can facilitate technology and knowledge transfer and thereby increase the productivity of firms.

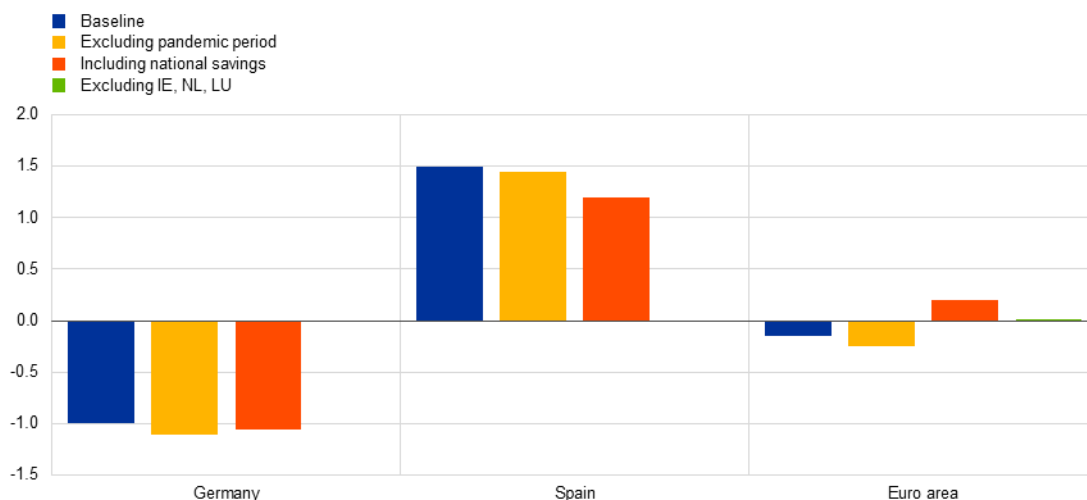
Empirically, the long-run relationship between outward FDI and domestic investment can be gauged from cointegration analysis, as in Herzer and Schrooten (2008). To this end, cointegration tests on domestic investment and outward FDI (both as shares of GDP) are performed on annual data for the period 1975-2024 obtained from the World Bank for the euro area as well as for individual euro area countries. The estimation is based on total FDI asset flows from the balance of payments to ensure a sufficiently long sample for which data on greenfield FDI are not available. Once cointegration is established, the long-run effect of outward FDI on domestic investment is estimated using a single equation error correction model.

The empirical evidence suggests that, for the euro area as a whole, there is no clear link between domestic investment and FDI, although this masks heterogeneity across individual euro area countries. Specifically, the analysis suggests that there is no statistically significant link at the euro area aggregate level, even when excluding countries for which financialised flows may bias aggregate outward FDI (Chart A). However, this aggregate result masks heterogeneity across the larger euro area countries. While no significant long-run relationship is found for France and Italy, the analysis suggests that outward FDI and domestic investment are substitutes in Germany but complements in Spain. For Germany, these findings are in line with Herzer and Schrooten (2008), who also document long-run substitution effects reflecting a dynamic adjustment path. Initial foreign investment may require domestic capacity-building and may boost domestic investment in the short run (as also documented in Goldbach et al., 2019), but once foreign affiliates become established, they replace domestic production, reducing long-run domestic capital formation. These findings are also robust to the exclusion of the COVID-19 pandemic period and to controlling for aggregate national savings.

Chart A

Long-run multiplier coefficients of outward FDI flows for domestic investment

(elasticities)



Sources: Eurostat and ECB calculations.

Notes: The chart shows estimated long-run multiplier coefficients for the effects of outward FDI flows on domestic investment based on a single error correction model in line with Herzer and Schrooten (2008). "Including national savings" refers to aggregate national savings over GDP as an additional control variable. "Excluding IE, NL, LU" refers to estimates for the euro area excluding countries in which FDI flows may be more distorted by financialised flows. IE stands for Ireland, NL stands for the Netherlands, and LU stands for Luxembourg.

The heterogeneous relationship between FDI and domestic investment plausibly reflects differences in the nature and sectoral composition of outward FDI. Outward FDI from Spain, in particular in Latin America, is focused on financial and insurance activities, information and communication and extractive industries. This investment is therefore largely market-expanding and directed towards non-tradable sectors, potentially supporting domestic investment through the provision of additional services and research and development activities in the firms' headquarters and with potential spillovers to firm productivity and competitiveness. By contrast, outward FDI from Germany is concentrated in the build-up of manufacturing capacity abroad, first in central and eastern Europe and later in China, which may substitute for domestic industrial output and exports. Indeed, the share of gross output produced abroad amounted to around 26% of Germany's GDP in 2019, roughly double the corresponding share for Spain, at around 13%. This suggests that increased foreign investment in the United States to build productive capacity for the local market to avoid higher tariffs would likely have a dampening effect on domestic investment in euro area countries, especially for countries with significant exports of industrial goods to the United States.

3 Potential consequences of tariff-induced changes in outward foreign direct investment for the euro area

The potential for new tariffs to lead to structurally higher euro area outward FDI has important implications for euro area macroeconomic developments.

Tariff increases are, on average, associated with higher greenfield FDI announcements, particularly when firms use investment as a way to bypass new trade barriers. This has potential repercussions for euro area trade and domestic investment.

Higher tariffs on imports from the euro area by the United States – a large and geographically distant market – could potentially lower euro area exports. The bilateral trade-FDI relationship crucially depends on the size of the country and its distance. For small and medium-sized nearby economies, outward greenfield FDI and exports tend to be complementary, i.e. investment abroad supports additional cross-border trade in intermediate and final goods. By contrast, for larger and more distant economies, FDI tends to substitute for exports (Box 1).

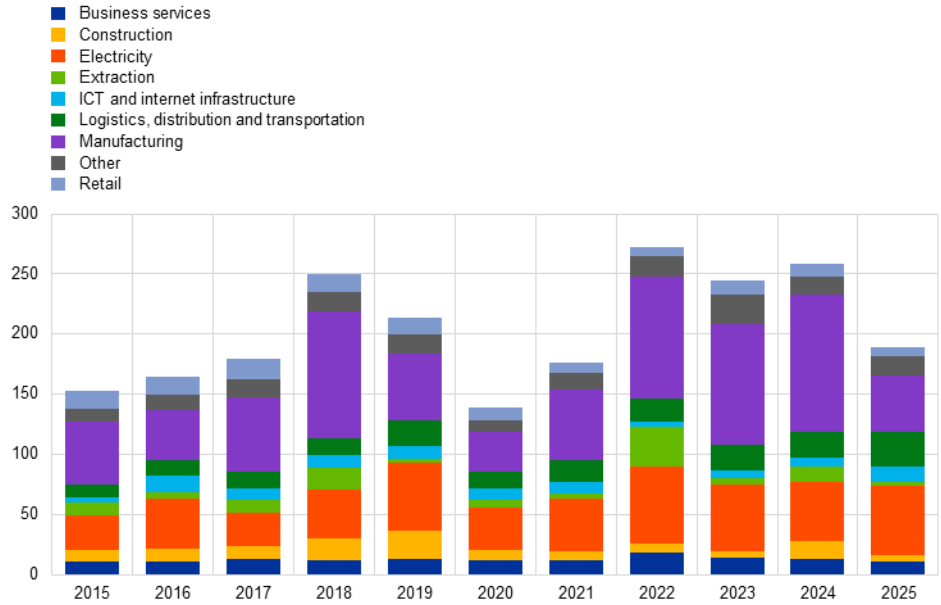
Higher tariffs applied to euro area exports that encourage firms to build productive capacity abroad through FDI can also affect euro area domestic investment. In particular, purely market-seeking outward FDI may dampen domestic investment activity if firms shift most of their production activity to serve the foreign market, whereas FDI in non-tradable sectors may act as a complement to domestic investment as firm's businesses expand (see Box 2).

Challenges stemming from tariff-induced changes in euro area outward FDI seem contained. The available data show that euro area outward greenfield FDI declined in 2025. The decline in outward greenfield FDI was largely due to manufacturing FDI (Chart 10). A substantial portion of this decline was accounted for by a decrease in outward manufacturing FDI into the United States, in line with the empirical findings presented in Section 3 (Chart 11). The concentration of euro area greenfield FDI in the United States in global value chain-reliant manufacturing therefore indeed seems to mitigate the risk of a crowding-out of euro area exports and domestic investment. Moreover, continued strong outward greenfield FDI into market-expanding investment in the non-tradable sector, such as AI-related investments in the electricity sector, may even act as a complement to euro area domestic investment.

Chart 10

Outward euro area greenfield FDI by business function

(USD billions)

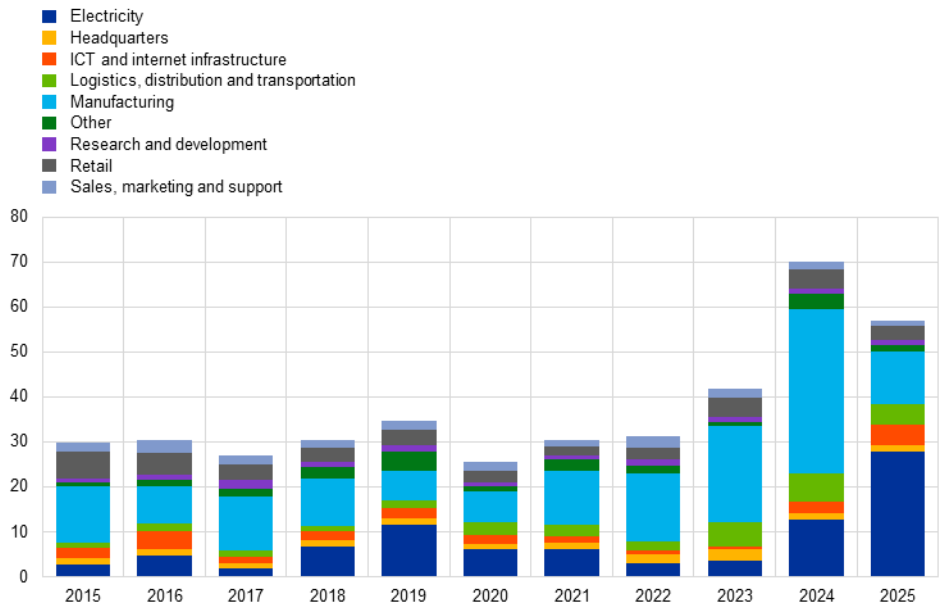


Sources: FT fDi Markets and ECB calculations.
 Note: The latest observations are for December 2025.

Chart 11

Outward euro area greenfield FDI into the United States by business function

(USD billions)



Sources: FT fDi Markets and ECB calculations.
 Note: The latest observations are for December 2025.

4 Conclusions

The impact of tariffs on greenfield FDI is complex and depends on the primary motives for investing abroad. The analysis presented in this article shows that while tariffs can encourage overall greenfield FDI through tariff-jumping motives, their impact on manufacturing FDI is different. High-intensity tariff measures tend to deter investment in manufacturing sectors that rely on intermediate inputs and are vertically integrated into global supply chains, highlighting the challenges of using protectionist policies to drive investment in key industries. Moreover, sectoral heterogeneity plays a critical role in determining how FDI responds to tariffs. Positive FDI responses are concentrated in sectors directed toward local markets, such as motor vehicles, whereas upstream industries, such as pharmaceuticals and fabricated metals, experience negative effects.

The most recent experience of US tariffs illustrates the limits of tariff-induced investment strategies. Despite ambitious policy goals and official claims of surging inward FDI under President Trump's second term, data reveal significant gaps between announced and realised investment, with only a small share of announced greenfield FDI projects translating into actual investment within a given presidential term. Moreover, tariff-driven FDI was narrowly concentrated in specific industries and countries, such as AI-related manufacturing and FDI from economies such as Taiwan.

The structure of euro area FDI suggests that tariff-induced changes in euro area outward FDI might be rather limited and that associated risks to the euro area economy remain contained. Rising protectionism and tariff-induced investment flows may pressure euro area firms to invest abroad to circumvent trade barriers, with potentially heterogeneous effects on domestic investment across countries. However, the risk that increased FDI in the United States to build productive capacity for the local market could lower domestic investment in the euro area is limited. This is because euro area outward greenfield FDI into the United States is concentrated in the manufacturing sector, which is likely to react negatively to higher tariffs due to its reliance on global value chains, and such investment in the manufacturing sector indeed fell in 2025.

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2 Drivers of the labour force in the euro area

Prepared by Agostino Consolo, António Dias da Silva, Nina Furbach and Ramon Gomez-Salvador

1 Introduction

The euro area labour force has expanded significantly in recent years, driven by rising participation rates, demographic shifts and sustained net migration.

The labour force comprises all individuals of working age – which we define as those aged 15 to 74 to account for longer working lives – who are either in employment or actively seeking work. The share of the working-age population participating in the labour force, known as the “participation rate”, has increased across multiple dimensions in recent years: the share of women in employment has risen, narrowing long-standing gender gaps; older workers have remained active for longer, partly reflecting pension reforms and a secular shift towards less physically demanding occupations; and successive cohorts with higher educational qualifications have entered the labour force, which supports labour force expansion given that the higher educated tend to have higher participation rates. Alongside these domestic trends, net migration has been persistently positive since around 2010, with non-EU workers becoming an increasingly important driver of labour force growth.

Older workers and migrants have been the two most important sources of labour force expansion in recent years, each having distinct effects on aggregate labour market outcomes. Both groups have grown not only in terms of population, but also in terms of participation rates. Older workers, who typically exhibit lower unemployment rates, have exerted a structural downward pull on the aggregate unemployment rate. Migrants tend to have higher unemployment rates, but recent evidence suggests that much of the increase in labour supply from this group has translated directly into employment, thereby limiting the upward pressure on the unemployment rate.

The number of hours worked has not followed the trend in the number of persons employed, with average hours per employee remaining below levels seen before the COVID-19 pandemic in several euro area countries. Although the number of persons employed has grown sharply, the average number of hours worked per employee has fallen. This reflects compositional effects (e.g. older workers and women work fewer hours per week on average) as well as broader shifts in working patterns. This divergence matters for the assessment of economic activity, as growth in gross domestic product (GDP) depends not only on the number of people in employment but also on the intensity with which labour is used.

The expansion and the changing composition of the labour force have significant implications for potential output, equilibrium unemployment and labour market dynamics. Labour force growth has directly supported potential output at a time when investment and total factor productivity have been subdued.

The shift towards older and more educated workers has both lowered unemployment and reduced labour market dynamism, while the growing share of foreign workers has helped to contain labour shortages in key sectors of the euro area economy. However, less market fluidity and lower shares of young people in the population may jeopardise entrepreneurship and drag productivity down. At the same time, the rise in the average age at which individuals first produce notable innovations, the adoption of new technologies and the availability of age-friendly jobs may mitigate the negative effects of population ageing.¹

This article analyses these developments in the euro area labour force and discusses their consequences for growth and labour market dynamics.

Section 2 examines how strong labour force growth has supported GDP growth in recent years. Section 3 describes labour force participation across age, gender and education levels and provides a detailed assessment of ageing and its consequences for future labour supply. Section 4 analyses the contribution of foreign workers to euro area labour force growth. Section 5 examines the implications of the changing composition of the labour force for labour market volatility and dynamics, including average hours worked. Section 6 concludes.

2 The contribution of the labour force to GDP growth

The euro area labour force has expanded rapidly over the past five years. It has risen by 7.8 million since the fourth quarter of 2019 and reached 173 million in mid-2025 (Chart 1). This increase is substantial when compared with the previous ten years. Had the labour force grown in line with the trend observed between 2009 and 2019, it would currently stand at around 167 million, 5.9 million below the current level. The rise in the labour force since the fourth quarter of 2019 reflects two factors: an increase in total working-age population, which has grown by 5.8 million, and a rise in the labour force participation rate, which increased from 64.6% in the fourth quarter of 2019 to 66.2% in the fourth quarter of 2025. Foreign workers account for most of the increase in the working-age population.²

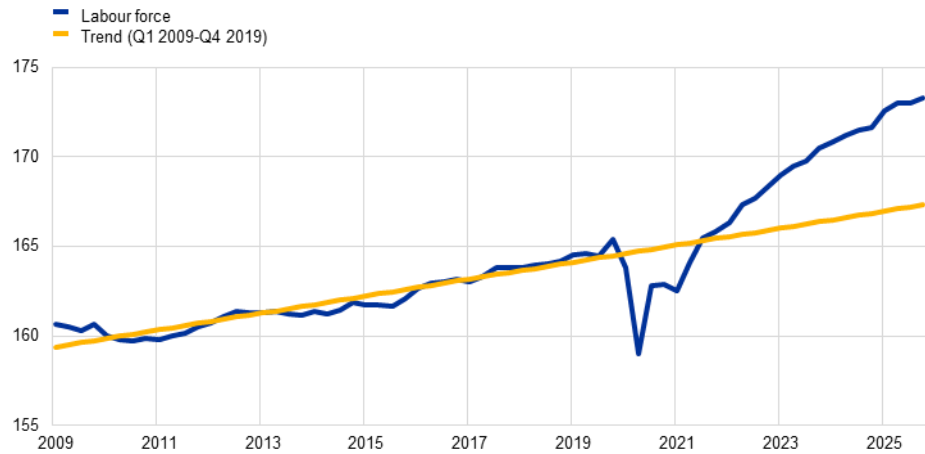
¹ See Acemoglu et al. (2022), Maestas et al. (2023), IMF (2025), OECD (2025) and Jones (2010) for a discussion of the impact of ageing on productivity, the role of age-friendly jobs and the shift in the age distribution of innovation.

² Most analyses in this article are for the euro area as a whole. However, there is significant cross-country heterogeneity in labour force and migration developments across the euro area. See, for example, Arce et al. (2025) and Bodnár and Nerlich (2022).

Chart 1

Labour force developments

(millions of people)



Sources: Eurostat and ECB staff calculations.

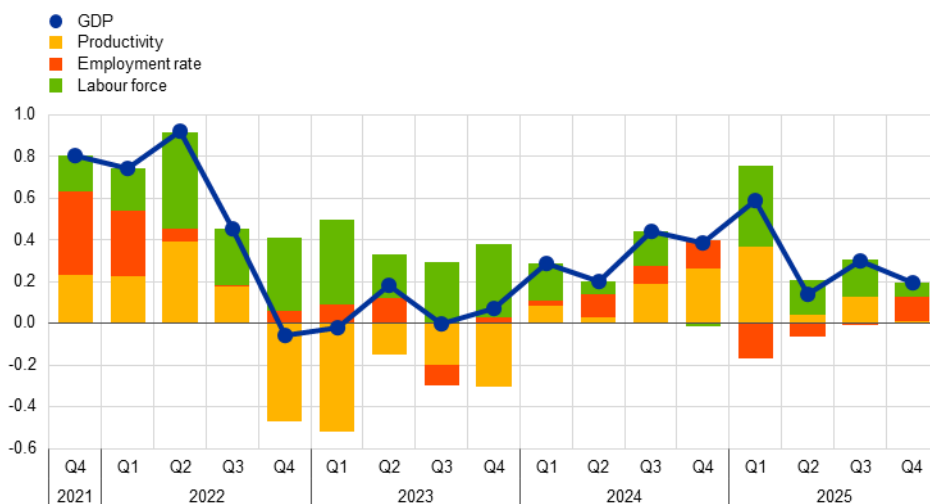
Notes: The linear trend is calculated for the period from the first quarter of 2009 to the fourth quarter of 2019. The latest observation is for the fourth quarter of 2025.

The increase in the labour force has been an important factor supporting GDP growth in recent years. Since the third quarter of 2021, the labour force and the employment rate (those working as a share of the labour force) have together accounted for more than half of GDP growth in most quarters (Chart 2). Over this period, labour (the combined contribution of labour force growth and changes in the employment rate) has been the most consistent positive contributor to GDP growth. This pattern reflects a broader feature of the post-pandemic recovery in the euro area (particularly in 2022 and 2023), which is that growth has been unusually labour-intensive, relying more heavily on growth in the number of people in employment than on productivity gains (Berson et al., 2024; Arce and Sondermann, 2024; Consolo et al., 2026). This pattern was partly reversed in 2024 and 2025, with productivity growth recovering. The following sections examine the drivers of this expansion in labour supply, including developments in participation rates, the role of older workers and the contribution of migration.

Chart 2

The contribution of the employment rate and labour force to GDP growth

(quarter-on-quarter percentage changes for GDP; percentage point contributions for other variables)



Sources: Eurostat and ECB staff calculations.

Notes: The employment rate used here is the number of employed persons as a share of the total labour force (the employed plus the unemployed). The latest observations are for the fourth quarter of 2025.

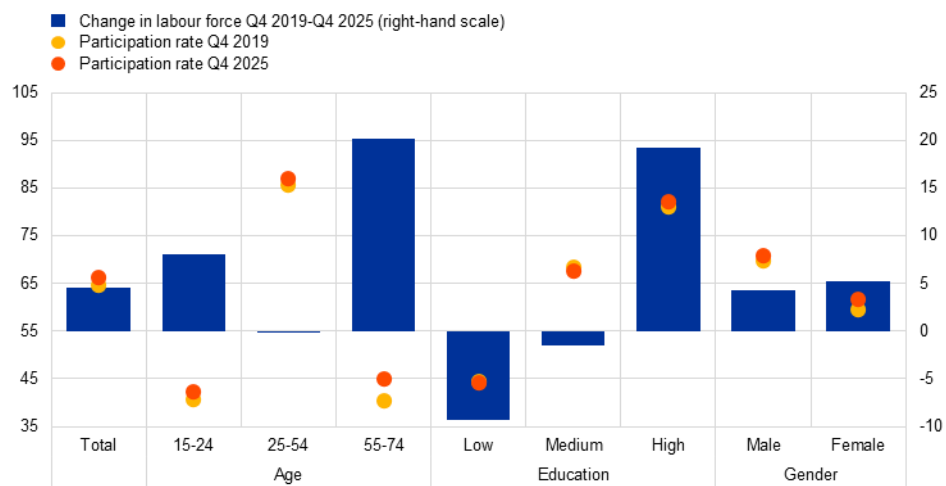
3 Labour force developments: age, skills and gender

The composition of the euro area labour force has shifted markedly since 2019, with growing shares of older and highly skilled workers.

The number of workers aged 55-74 increased by 20.2% between the fourth quarter of 2019 and the fourth quarter of 2025, while the number of workers with tertiary education rose by 19.3% over the same period (Chart 3). The share of older workers in the labour force increased from around 20% in 2019 to 23% in 2025, while the share of workers with tertiary education rose from 34% to 39%. These changes were driven not only by ageing and upskilling but also by increased participation rates.

Chart 3**Participation rates and changes in the labour force by demographic group**

(left-hand scale: percentages of the working-age population; right-hand scale: percentage changes)



Sources: Eurostat and ECB staff calculations.

Participation rates increased across most demographic groups, with the most pronounced gains recorded among older workers and women. The participation rate for the 55-74 age group rose from 40.3% to 44.9% between the fourth quarter of 2019 and the fourth quarter of 2025 (Chart 3). The participation gap between women and men continued to close, with the female labour force growing by 5.2% over the same period, compared with 4.3% for men. Nonetheless, a gap of 9 percentage points remained in the fourth quarter of 2025. While this represents a significant narrowing relative to historical levels, the gap remains substantial, suggesting that structural barriers to female participation (including the availability of childcare, the tax treatment of second earners and sectoral segregation) have not been fully resolved.³ These shifts in the composition of the labour force towards groups with historically different participation rates have implications for the aggregate participation rate (as also discussed in Box 1).

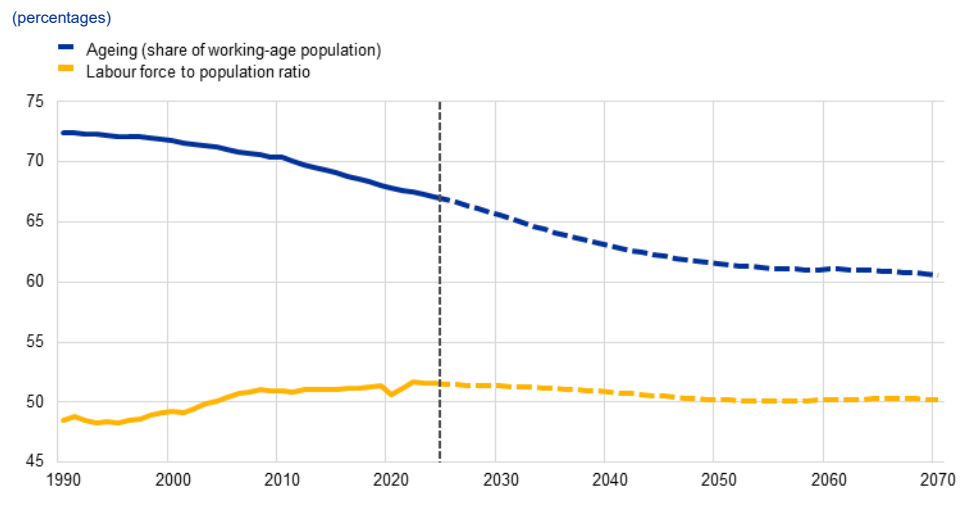
The ageing of the euro area working population has not translated into a commensurate decline in the labour force. While the share of the working-age population as a percentage of the total population has been decreasing since the early 1990s, the labour force as a share of the total population has remained broadly stable and has even edged up relative to its 1990s level (Chart 4). According to the European Commission's latest Ageing Report, this divergence is expected to persist, driven by a sustained rise in female labour force participation, increasing participation among older workers and continued positive net migration (European Commission, 2024; Abbritti et al., forthcoming).^{4,5}

³ In addition to the gender participation gap, there is a considerable gender pay gap. See, for example, Berson, Botelho et al. (2025).

⁴ This is also driven by increases in the retirement age (see Bodnár and Nerlich, 2020).

⁵ In the European Commission's 2024 Ageing Report, the net migration assumptions tend to reflect historical averages. Looking ahead, migration is expected to have a lower impact.

Chart 4
Ageing and labour force



Sources: World Bank Development indicators and European Commission Ageing Working Group.
Notes: The variable "ageing" is defined as the share of the working-age population (aged 15-64) in the total population. As both the working-age population and labour force are defined in relation to the total population, the chart indicates that the labour force has also been increasing in terms of the number of people.

Population ageing and recent labour force developments have offsetting implications for economic growth and labour market tightness. While demographic ageing alone would tend to put direct downward pressure on economic growth and the labour supply, rising participation rates and sustained net migration can expand the labour supply, helping it to meet demand and mitigating these demographic headwinds.⁶

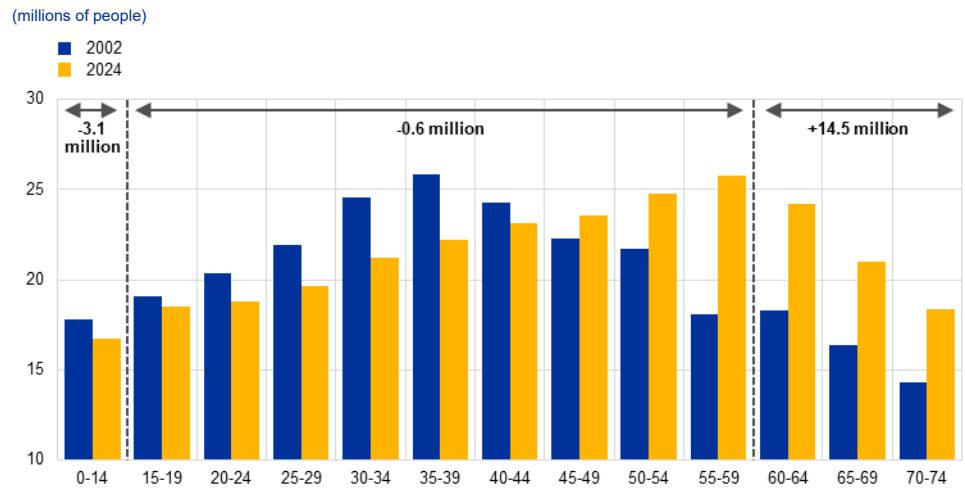
Ageing shifts the euro area population distribution, with implications for key labour market indicators. Ageing reduces the number of people in younger cohorts, while simultaneously increasing the population share in the 60-74 age group (Chart 5). In the context of rising life expectancy and higher statutory and effective retirement ages, these older cohorts are contributing more to the labour force than in previous decades. When assessing the impact of ageing on labour supply, it is therefore important to look at the upper end of the age distribution, where an expanding pool of active older individuals provides a buffer against demographic headwinds. However, persistently low fertility rates are continuing to shrink the share of younger cohorts entering the labour force, meaning that the current rise in the participation of older workers offers only transitional offsetting of the longer-term demographic drag.⁷

⁶ See Fernández-Villaverde et al. (2025) and Abbritti et al. (forthcoming) for a discussion of how ageing and labour force changes contribute to economic growth.

⁷ While ageing is one measure of how the working-age population is developing, it is also important to take into account the increase in the effective retirement age (right tail in Chart 5) and the reduction in total fertility rates (left tail in Chart 5) to better gauge the upward shift in the age distribution of the euro area population since the early 2000s.

Chart 5

Age distribution of euro area population

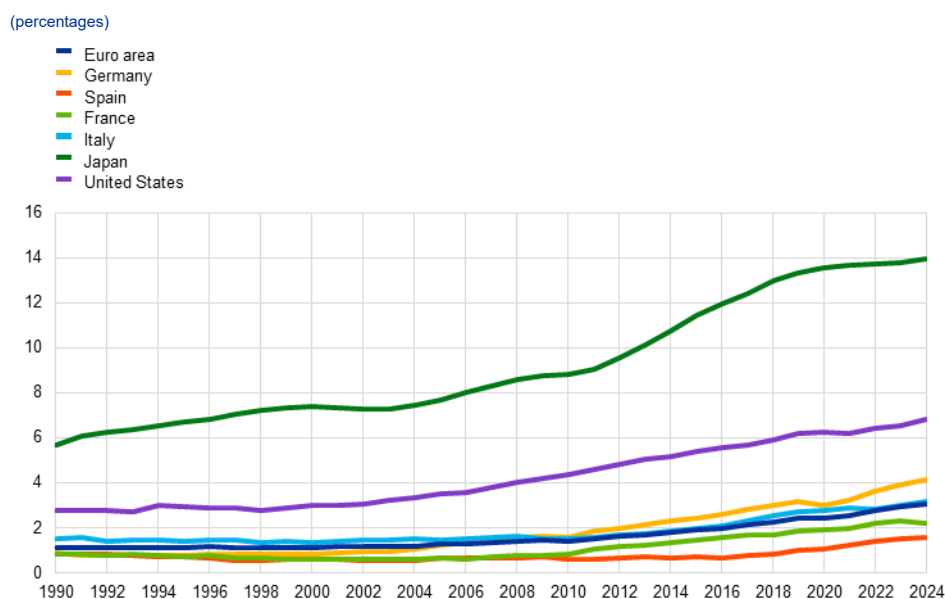


Sources: Eurostat and ECB staff calculations.

In the euro area there is significant scope to raise labour force participation among older workers relative to other advanced economies. Workers aged 65 and above account for about 3% of the euro area labour force, compared with around 7% in the United States and about 14% in Japan (Chart 6). This gap partly reflects differences in pension system design and institutional settings, but it also points to untapped labour supply in the euro area. Part of this adjustment is already under way, as successive cohorts gradually adapt to higher statutory and effective retirement ages. In addition, rising longevity and improving health in later stages of life are likely to enable a growing share of workers to remain active for longer, particularly in less physically demanding occupations. Taken together, these factors suggest that increased participation among older workers could continue to mitigate the impact of ageing on the euro area labour force, at least over the medium term. However, participation rates across different demographic groups and countries tend to exhibit a ceiling. This puts a limit on the potential offsetting effects of the increase in participation. Migration and technological advancement are therefore essential to help mitigate the economic impact of population ageing.

Chart 6

Workers aged 65 and above as a share of the total labour force



Sources: World Bank Development indicators and ECB staff calculations.

Note: The total labour force comprises all employed and unemployed workers aged 15 and above.

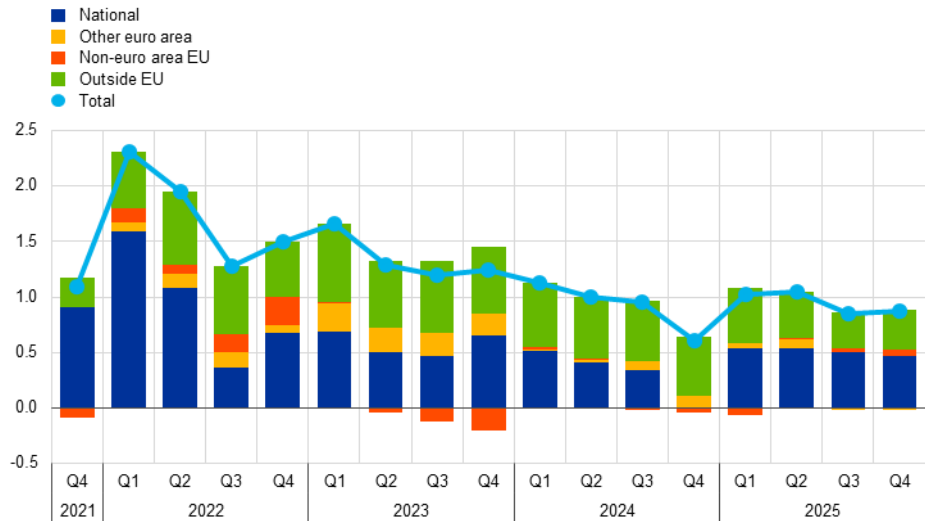
4 Contribution of migration to the euro area labour force

Foreign workers have contributed significantly to the recent growth in the euro area labour force.⁸ Although foreign workers only represented about 8% of the total euro area labour force in 2021, they have accounted for more than half of labour force growth over the past four years (Chart 7), equivalent to 4.2 million additional workers, bringing their share up to 10% (Arce et al., 2025).

⁸ The analysis in this section relies on data from the EU Labour Force Survey (EU-LFS) on individuals with foreign citizenship. This measure may underestimate the number of migrants in a country, as some migrants acquire the citizenship of the host country over time. In addition, the EU-LFS only covers individuals living in private households, meaning that short-term migrants may not be captured in the data. Nonetheless, the EU-LFS remains the most comprehensive harmonised source of data on migration in the euro area.

Chart 7
Labour force growth by nationality

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



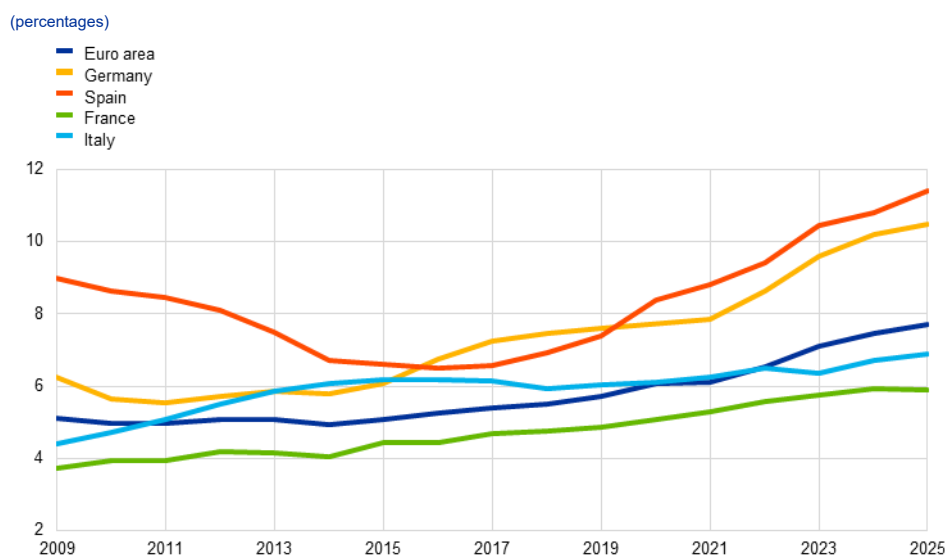
Sources: Eurostat and ECB staff calculations.

Notes: "Non-euro area EU" and "outside EU" refer to individuals who are part of the euro area labour force but are not citizens of euro area countries. The latest observations are for the fourth quarter of 2025.

This increase was largely driven by substantial inflows of workers from non-EU countries and their increased participation in the labour force. The growth of the foreign labour force has accelerated, reflecting the arrival of Ukrainians displaced by Russia's war against their country, many of whom relocated to Germany, and higher inflows of people from Latin American countries to Spain (Chart 8). At the same time, the labour force participation rate of non-EU citizens increased from roughly 64.1% in 2022 to almost 66.6% in 2025. Notably, it has exceeded that of euro area nationals since 2024, despite the steady increase in the participation rate of euro area nationals from roughly 63% to almost 66% over the past decade and the sizeable inflows of Ukrainian refugees with lower participation rates upon arrival and a high share of women (Botelho and Hägele, 2023).

Chart 8

Share of foreign population across major euro area countries



Sources: Eurostat and ECB staff calculations.

Notes: "Foreign population" refers to individuals of working age (15 to 74) with citizenship of countries outside the EU. The latest observations are for 2025.

Even before the strong migration inflows of recent years, workers from non-EU countries represented an increasingly important part of the euro area's working-age population. The share of non-EU citizens residing in the euro area has steadily increased over the past decade (Chart 8), starting in 2015 with sizeable inflows of refugees from the Middle East and North Africa. Migration flows were temporarily slowed down by the pandemic, but increased at an even faster pace after pandemic restrictions were eased.

Migration from non-EU countries is gaining importance relative to migration from EU countries. Trends in migration patterns over time and across major euro area countries suggest that migration is driven not only by developments in the countries of origin but also by economic conditions and migration policies in the destination countries.⁹ Lower economic growth in the euro area compared with some central and eastern European countries and the fading impact of policy changes in the context of the EU enlargement process might explain why migration from EU countries outside the euro area has become less significant than migration from non-EU countries. The share of migrants from non-euro area EU countries has remained at roughly 1.7% since 2020, following a period of very strong inflows before the pandemic.¹⁰ Looking ahead, evolving demographic trends and resulting labour

⁹ Sastre et al. (2025) provide evidence showing that roughly half of migration inflows into the EU between 2015 and 2021 can be explained by developments in the countries of origin and roughly half can be explained by developments in the destination countries. Furthermore, migration flows tend to be larger the higher the income per capita and the lower the unemployment rate in the destination country (Kiss et al., 2026). This evidence is consistent with the strong negative impact of the pandemic on migration flows (Bodnár and O'Brien, 2022).

¹⁰ The strong inflows before the pandemic came from central and eastern European countries in the context of EU enlargement. The migration was largely into Germany and Austria, starting in 2011 and 2014 respectively, following the lifting of restrictions on free movement of nationals from the new EU Member States, and to some countries that lifted restrictions before 2011, such as Ireland, the United Kingdom and Sweden.

shortages (see Section 3) are likely to act as a pull factor for migration from non-EU countries. Given their large and growing contribution to the euro area labour force, the remainder of this section focuses on non-EU citizens.

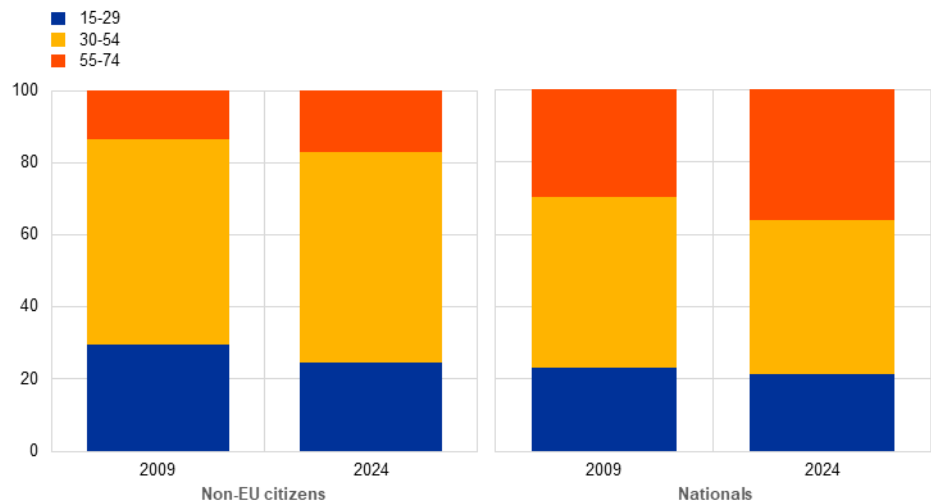
There are notable differences between migrants and euro area nationals: first, migrants from outside the EU are on average younger. The share of young individuals (aged 15-29) in the working-age population is slightly higher for non-EU citizens, while the share of older individuals (aged 55-74) is considerably lower and has increased to a much smaller extent since 2009 (Chart 9, panel a). This may reflect the fact that many people who move countries do so for work reasons, but also that moving between countries is more difficult for older individuals. Owing to the younger age of foreign workers, migration has partially mitigated the demographic drag caused by population ageing in the euro area (see Section 3).

Chart 9

Demographic composition of non-EU migrants and national populations

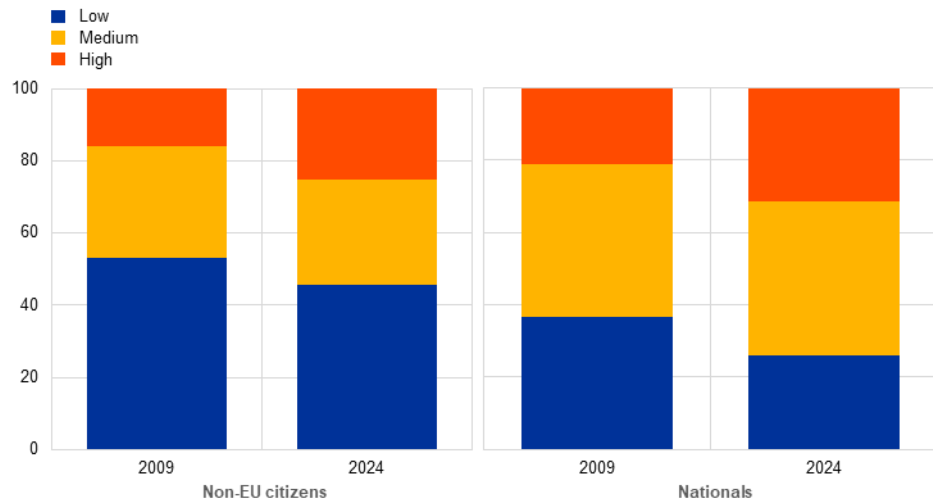
a) Age

(percentages)



b) Education

(percentages)



Sources: Eurostat and ECB staff calculations.

Notes: Only the working-age population (15 to 74) is covered. Education levels are based on the International Standard Classification of Education (ISCED). A "low" education level means less than primary, primary and lower secondary education (ISCED levels 0 to 2), "medium" covers upper secondary and post-secondary non-tertiary education (ISCED levels 3 and 4), and "high" refers to tertiary education (ISCED levels 5 to 8).

Second, the educational attainment of non-EU migrants is somewhat lower, although it is steadily improving over time. There are more low-skilled individuals and fewer medium and high-skilled individuals among non-EU citizens (Chart 9, panel b) than among the national populations. However, the gap between nationals and non-EU citizens in tertiary educational attainment ("high" skill level) is relatively modest: in 2024, 25% of non-EU citizens held a tertiary degree, compared with 31% of nationals. Educational attainment has increased at a broadly similar pace in both groups. At the same time, Eurostat data show that second-generation migrants catch up entirely with nationals in terms of their education.

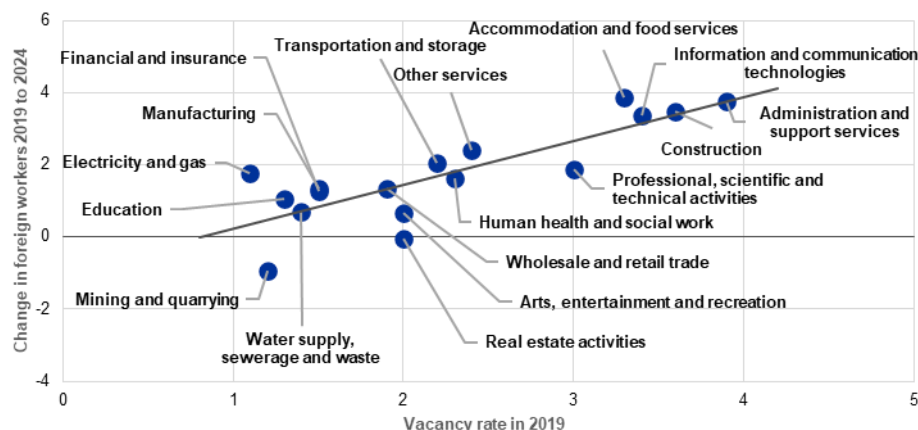
Third, foreign workers tend to join sectors with higher labour demand. Workers with non-EU citizenship have contributed significantly more than nationals to employment growth in sectors facing higher labour shortages as measured by the vacancy rate (Chart 10, panel a). These include some sectors requiring higher skills (such as information and communication services) and some requiring lower skills (such as accommodation and food services and construction).

Chart 10

Sectoral allocation and job matching of non-EU citizens

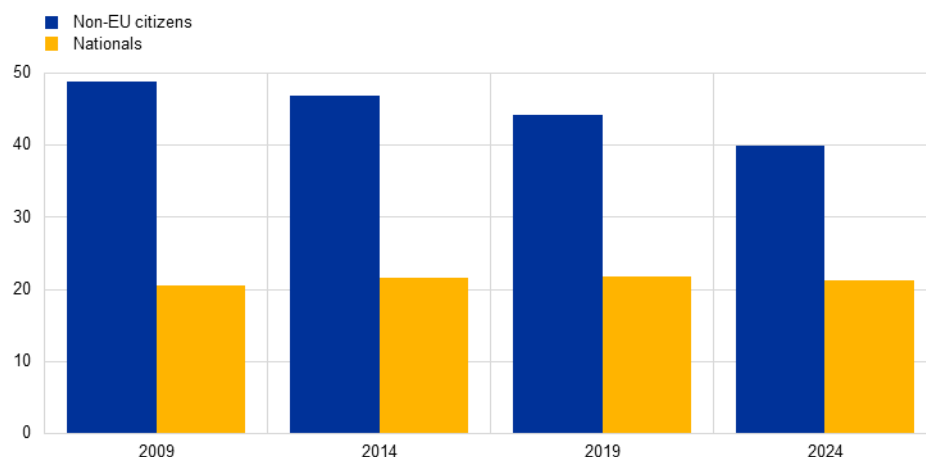
a) Changes in the share of foreign workers and vacancies across industries

(x-axis: percentages, y-axis: percentage points)



b) Overqualification rates

(percentages)



Sources: Eurostat and ECB staff calculations.

Notes: Panel a): the change in foreign workers from 2019 to 2024 is calculated as the percentage point change in the share of workers with non-EU citizenship. Only the working-age population (age 15 to 74) is covered. Panel b): the overqualification rate is calculated as persons aged 15-64 with tertiary education (ISCED levels 5 to 8) who are employed in low or medium-skilled occupations (International Standard Classification of Occupations major groups 4 to 9).

Matching the qualifications of foreign workers to the right jobs remains a key challenge.

Taken together, the evidence suggests that increased migration has contributed to the easing of both labour and skills shortages. However, efficient matching of qualifications to occupations is crucial to maximise the gains from migration. In 2024 the overqualification rate – the proportion of individuals with tertiary education working in medium and low-skilled occupations – was as high as 40% for non-EU citizens, nearly twice as high as for nationals (Chart 10, panel b). The gap has narrowed significantly since 2009, suggesting better alignment of the qualifications of foreign workers with job requirements, but there is still ample room for improvement. Overqualification is also a drag on productivity, as workers employed below their skill level are not contributing their full potential.

Box 1

A comparison of labour force participation trends in the euro area and the United States

Prepared by Ramon Gomez-Salvador and Til Pommer

In 2024 the labour force participation rate (LFPR) for the 15-74 age group averaged 65.7% in the euro area, 2.3 percentage points lower than the rate for the United States. This gap, which was marginally wider for men than for women, has been closing over recent years. Compared with 2009, the LFPR has increased by 3.1 percentage points in the euro area (particularly for women) while it has declined by 2 percentage points in the United States (mostly for men), reducing the gap between the euro area and the United States by around 5 percentage points.¹¹ This box looks at long-run trends in the euro area and the United States to determine how the shift towards an older and more educated population is affecting the LFPR. The analysis uses micro data and follows an approach taken by the Federal Reserve System which allow us to create 44 distinct groups combining two genders, seven age categories (15-19, 20-24, 25-34, 35-44, 45-54, 55-64 and 65-74) and four educational categories for those above the age of 24 (high school, some college education, bachelor's degree, and master's degree or higher).¹² Using these data, we run a shift-share analysis and also estimate trend developments across groups.

To quantify how much developments in the aggregate LFPR since 2009 are driven by demographic changes, we construct two scenarios: scenario 1 fixes the participation rate of each age-gender group at 2009 levels and uses the actual population shares as weights up to 2024 (yellow lines in Chart A); scenario 2 adds the educational distribution and allows the educational levels of each age-gender group to move with the data (red lines). These counterfactuals isolate the impact of changes in the participation rate caused solely by demographic shifts.

The results indicate that age and gender compositional changes are pushing participation rates lower in both the euro area and the United States. This reflects the fact that population ageing is moving an increasing share of the population into age groups with lower labour force participation (cumulated effect between 2009 and 2024 shown by the yellow bars in Chart A). Educational attainment partially offsets the negative contribution of population trends – more visibly in the euro area than in the United States – showing the positive impact of education on labour force participation (red bars). The main difference between the two economic areas are within-group changes that contributed positively and significantly to euro area participation, while having a small negative impact on US participation (grey bars).¹³

¹¹ The 2008 global financial crisis did not appear to alter the trends in participation in either the euro area or the United States. Key results are similar if the analysis starts in 2013. Only the age-gender impact becomes smaller, but it is still negative.

¹² See, for example, Hornstein et al. (2018). Owing to data availability, the youngest group includes 15-19 year-olds for the euro area and 16-19 year-olds for the United States.

¹³ The contribution of within-group changes is obtained by default. It includes time-varying age effects, i.e. changes in participation at a certain age (e.g. higher propensity to retire), and birth-cohort effects, i.e. changes in participation across generations. Cyclical effects are also part of the residual but are estimated to be negligible.

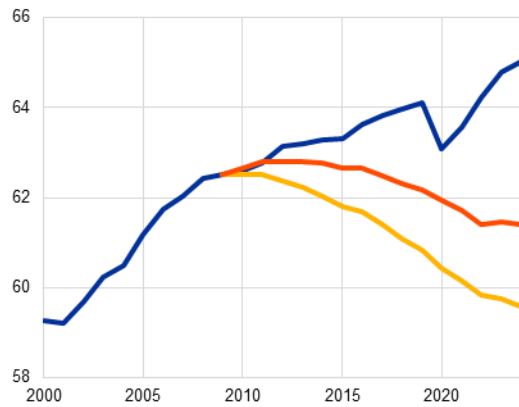
Chart A

Euro area and US participation rates and drivers

a) Euro area

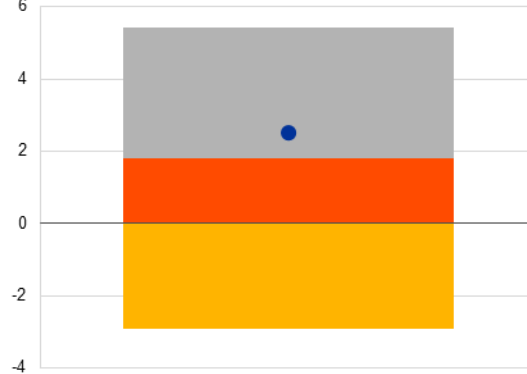
(percentages; percentage points)

— Actual LFPR
— Age and gender effect
— Age, gender and education effect



■ Within-group change
■ Education
■ Age and gender
● Total

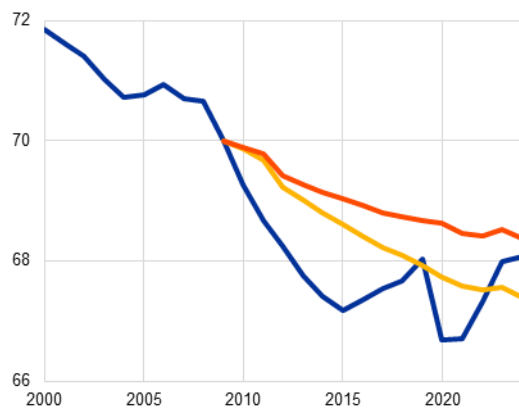
Cumulated effect (2009-2024)



b) United States

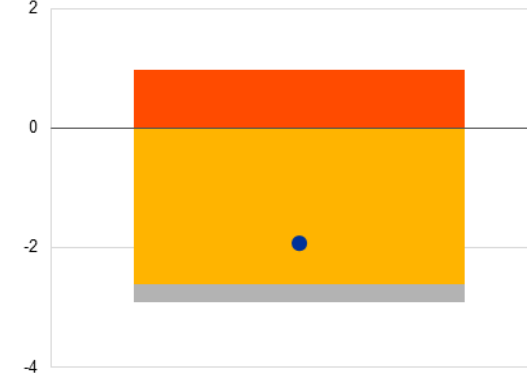
(percentages; percentage points)

— Actual LFPR
— Age and gender effect
— Age, gender and education effect



■ Within-group change
■ Education
■ Age and gender
● Total

Cumulated effect (2009-2024)



Sources: US Current Population Survey, EU Labour Force Survey (EU-LFS) and ECB staff calculations.

Notes: The LFPRs shown cover the 15-74 age range for the euro area and the 16-74 age range for the United States. For each sub-group, LFPRs are fixed in 2009, while the actual group shares are applied. The "within-group" change is defined as the difference between the total LFPR change and age, gender and education effects. The latest observations are for 2024.

To further explore the within-group changes, we examine how LFPRs have evolved across specific age and gender groups (Chart B). As regards female participation, in both the euro area and the United States we observe a broad-based increase in LFPRs across age groups. But the increase in the euro area is more marked for women aged 55-64 (over 20 percentage points), while in the United States the increase is more limited and concentrated at the lower end of the prime (25-54) age group. Turning to male participation, there are also some common patterns, such as the increase in LFPRs in the oldest groups (over 54 years). However, in the euro area this increase is not only more significant (especially in the 60-65 age group, for which the LFPR increased by 4.7

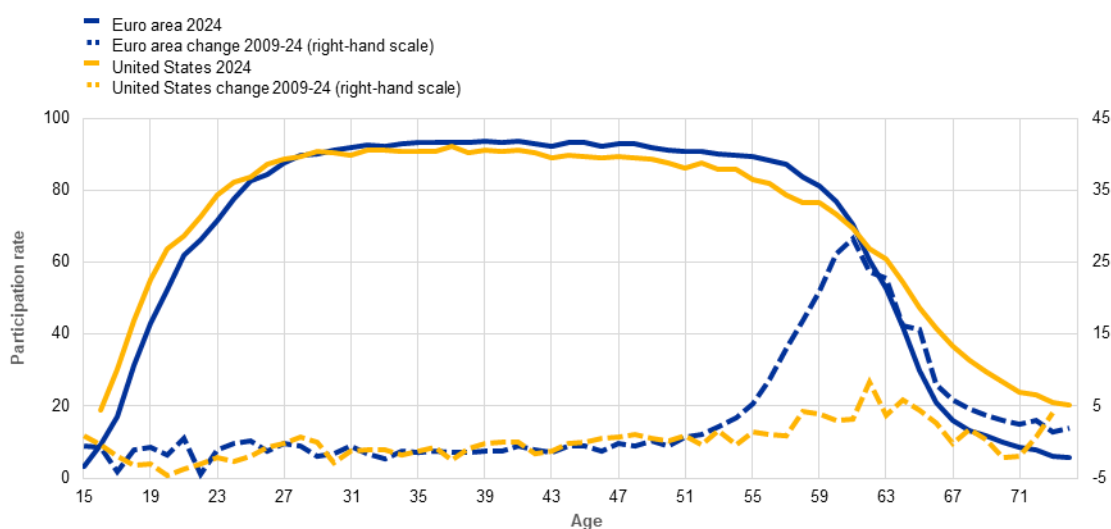
percentage points in the United States and 22.1 percentage points in the euro area) but also continues across older age groups. Across younger male age groups, participation rates have been broadly stable since 2009, the only exception being for under 25 year-olds, for whom a slight decline is visible, particularly in the United States.

Chart B

Participation rates by age and gender

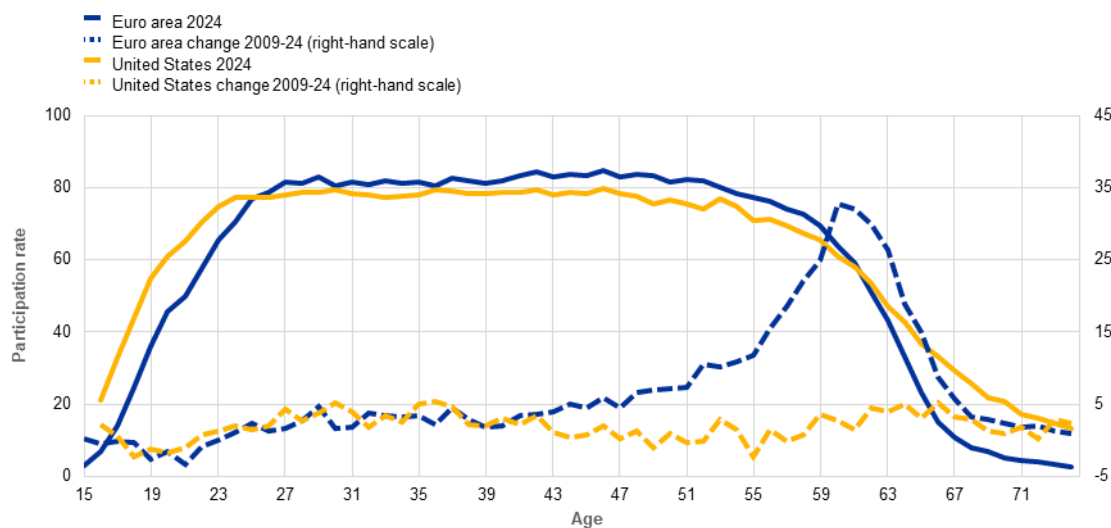
a) Male

(left-hand scale: participation rate in 2024, percentages; right-hand scale: change in participation rate 2009-24, percentage points)



b) Female

(left-hand scale: participation rate in 2024, percentages; right-hand scale: change in the participation rates 2009-24, percentage points)



Sources: US Current Population Survey, EU Labour Force Survey (EU-LFS) and ECB staff calculations.
Note: The latest observations are for 2024.

These changes in participation rates within demographic groups have various causes. In the euro area, more older workers have remained in the labour force. This is in part due to later retirement, pension reforms and longevity (see Section 3). Furthermore, the female participation rate has increased. This is partly due to policy measures aimed at increasing female employment, including subsidised childcare for working parents with young children, tax changes and improved leave

(Berson and Botelho, 2023). In the United States, male participation rates have been falling across all age ranges, but particularly for those under 35 owing to prolonged investment in formal education. By contrast, prime-age female participation rates are pushing up overall participation, with white and Hispanic women leading this trend. In both groups, the younger generations are generally participating in the labour market at higher rates than their predecessors (cohort effect), but for Hispanic women this has been reinforced by a pronounced increase in participation as they move through their prime working years (age effect).

5 Implications for labour market dynamics

The expansion and the changing composition of the euro area labour force have significant implications for key labour market indicators and average hours worked. This section examines two dimensions of this. First, the changing composition of the labour force has implications for assessing the level and volatility of the unemployment rate and for gauging labour market fluidity.¹⁴ Second, beyond the number of people in the labour force (the “extensive margin”), the euro area labour market is continuing to see a declining trend in average weekly hours worked per worker (the “intensive margin”). As a result, not all of the increase in the labour force translates into a commensurate increase in labour input, as labour force growth is partly offset by the decline in average hours worked.

Measuring unemployment and labour market fluidity

The changing composition of the labour force has exerted significant downward pressure on the unemployment rate. As shown in the preceding sections, older workers and migrants have been the primary drivers of labour force growth, alongside a broad-based upskilling of the workforce. Given that unemployment rates vary considerably across demographic groups, these compositional shifts have important implications for the measurement of aggregate unemployment (Chart 11, panel a). The growing share of older workers and workers with tertiary education, both of which have significantly lower unemployment rates than the overall average, has exerted persistent downward pressure on the aggregate unemployment rate. Older workers in particular tend to transition from employment directly into inactivity rather than into unemployment, leaving the aggregate unemployment rate largely unaffected by their exit from the labour force (Berson, Dias da Silva et al., 2025). Similarly, the increase in the share of foreign workers in the labour force has not led to an increase in the total unemployment rate, because the unemployment rate for that group has fallen by more than the rate for national workers. Since the fourth quarter of 2021, the unemployment rate for foreign workers has declined from 12% to 10.5% (fourth quarter of 2025), while the rate for nationals has declined from 6.5% to 5.6%. Although non-EU citizens still exhibit higher unemployment rates than nationals, this gap has narrowed significantly since

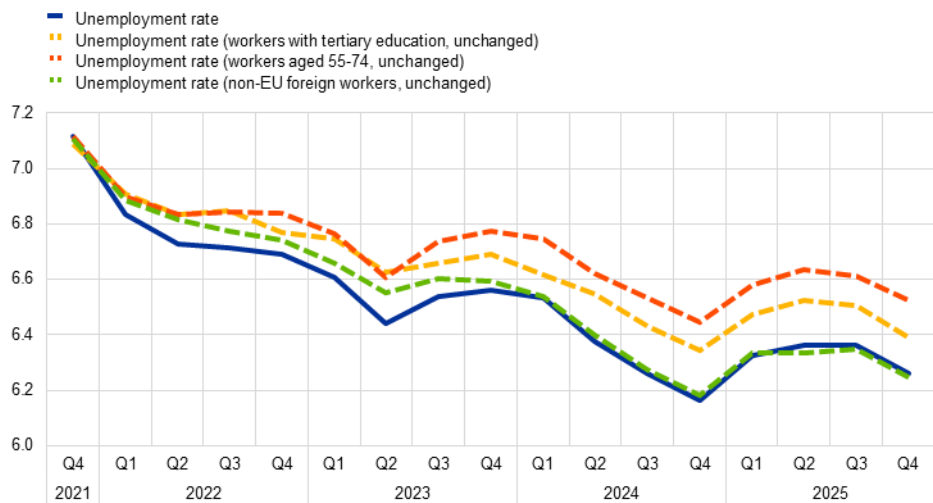
¹⁴ The analysis of labour market heterogeneity is also critical for assessing labour market tightness and changes in the Beveridge curve over the business cycle (Abbritti and Consolo, 2024).

2021. Crucially, the overall unemployment rate has not risen as a result of migration, because new arrivals have largely filled positions in sectors facing acute labour shortages rather than displacing existing workers or adding to the pool of jobseekers. These changes have helped to lower the unemployment rate to levels not observed since the early 1980s, a trend that started before the pandemic (Botelho and Dias da Silva, 2019).

Chart 11
Unemployment rate: level and volatility

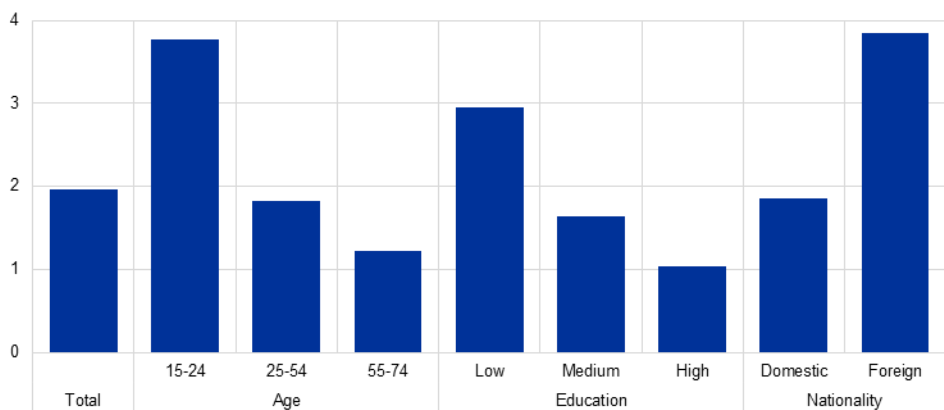
a) Labour force composition and unemployment rate

(percentages)



b) Unemployment rate volatility

(standard deviation)



Sources: Eurostat and ECB staff calculations.

Notes: Panel a): in the counterfactual scenarios, the unemployment rates and labour force figures for non-EU labour, workers with a tertiary education and older workers remain at their fourth quarter of 2021 levels. The latest observations are for the fourth quarter of 2025. Unemployment rates and labour force figures are seasonally adjusted. Panel b): for the total unemployment rate and each demographic group, the bars show the standard deviation over the period from the first quarter of 2009 to the fourth quarter of 2025.

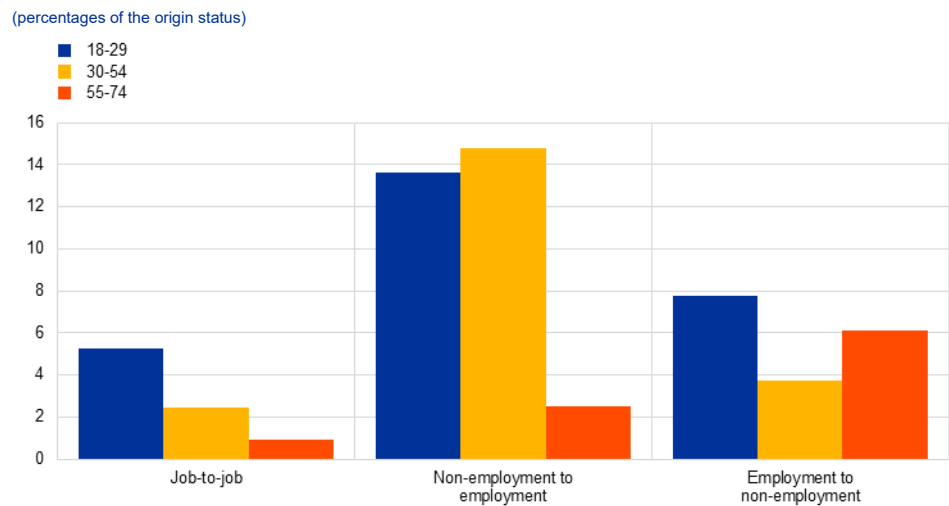
The volatility of the unemployment rate has also been affected by these shifts in the labour force. While ageing and migration can be thought of as long-term structural drivers of the unemployment rate in terms of its level, they also affect its cyclicity and volatility, which has implications for its sensitivity to the business cycle and for the assessment of labour market tightness that is relevant for monetary

policy. Younger workers exhibit substantially higher unemployment rate volatility than middle-aged and older workers, meaning that a labour force increasingly weighted towards older cohorts may display a more muted unemployment response over the cycle than historical patterns would suggest (Chart 11, panel b).¹⁵

A higher share of older workers in the labour force reduces labour market dynamism, with implications for the cyclical behaviour of unemployment.

It is well established that as workers accumulate tenure, they engage less in job searches and experience fewer job-to-job transitions.¹⁶ Evidence from the ECB Consumer Expectations Survey confirms a steady decline in such transitions with age. Over the period 2022-25, more than 5% of workers aged 18-29 experienced a job-to-job transition each quarter, compared with just 1% of those aged 55-74 (Chart 12). Moreover, older workers who exit employment are more likely to transition directly into inactivity (through retirement or early exit from the labour market) than into unemployment. Taken together, these patterns suggest that the ongoing ageing of the labour force is likely to reduce the frequency and duration of spells of unemployment over the business cycle, with significant implications for the assessment of labour market tightness that is relevant to monetary policy. Fewer job-to-job transitions would affect labour market fluidity and the capacity of the euro area economy to adjust to reallocation shocks (Schoefer, 2025; Fuchs-Schündeln, 2025).

Chart 12
Labour market transitions by age group



Source: ECB Consumer Expectations Survey.
Note: Quarterly averages for the period 2022-25.

¹⁵ The youth unemployment rate is about three times more volatile than the rate for older people (aged 55-74) and 1.5 times more volatile than that for middle-aged workers. See Abbritti and Consolo (2024) for an analysis of the volatility and business cycle responses of different groups to business cycle shocks.

¹⁶ See Arlia et al. (2025) for an analysis of job-to-job transition rates in Germany, Spain and France.

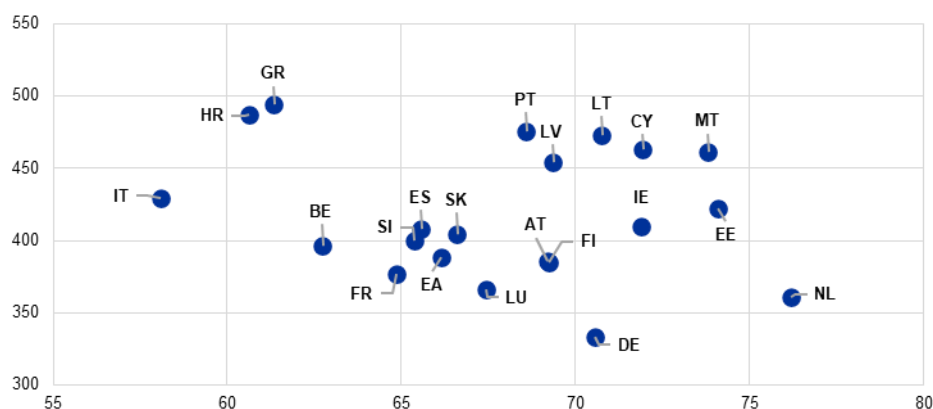
Intensive and extensive margins of labour force participation

To account for the impact of the labour force on total labour input, both the extensive and intensive margins need to be considered. While the labour force has expanded rapidly in recent years, average hours worked per worker are still slightly lower than they were in 2019 (Berson and Weissler, 2025). It is important to consider two factors: first, whether there is a relationship between participation in the labour market and average hours worked in the economy; second, whether the changing composition of the labour force can affect average hours worked.

Across euro area countries, there is a negative relationship between participation rates and average hours worked, though the correlation remains modest and cross-country heterogeneity is considerable. Higher participation rates have been associated with lower average hours worked in various euro area countries, with the cross-country correlation standing at -0.18 (Chart 13). Several factors help explain this pattern. On the labour supply side, more flexible working arrangements enable participation among groups that might otherwise remain outside the labour force, such as students, second earners in dual-income households (often women), and older workers transitioning into retirement, typically on a part-time basis, which raises participation while weighing on average hours (Bodnár, 2018; Eiffe et al., 2024). On the structural side, service-oriented economies tend to feature a higher incidence of part-time work than those with a larger manufacturing base, further contributing to the negative relationship between labour force participation and hours worked.

Chart 13
Participation rate and average hours worked

(y-axis: quarterly hours worked per worker; x-axis: participation rate, percentages of the working-age population)



Sources: Eurostat and ECB staff calculations.
Note: Average hours and participation rates for 2025.

The intensive margin is also shaped by the composition of the labour force.

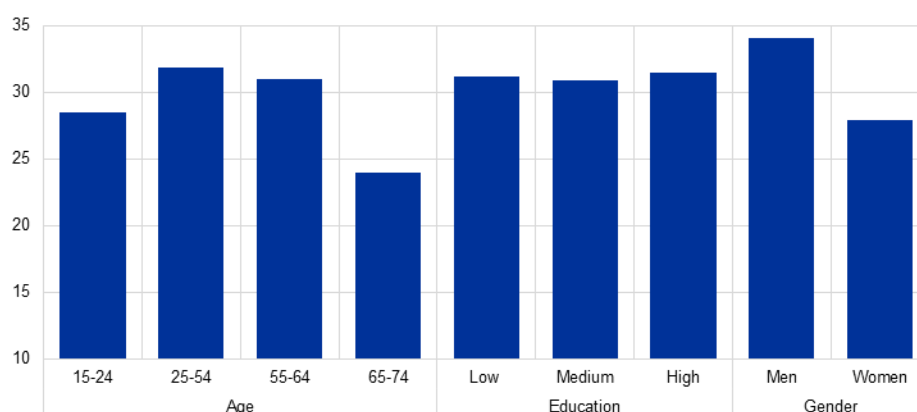
Average weekly hours vary considerably across demographic groups (Chart 14). Prime-age workers (aged 25-54) work the longest hours, while both younger workers (aged 15-24) and older workers (aged 55-74) work notably fewer hours per week. As the share of older workers rises with population ageing, this will, all else being equal, exert downward pressure on average hours worked across the economy. A similar

compositional effect operates through gender. On average, women work significantly fewer hours in paid occupations than men. Therefore, while clearly positive for the extensive margin, their increasing labour force participation weighs on average hours worked at the aggregate level. The skills dimension tells a somewhat different story. Average hours worked appear broadly similar across low, medium and high-skilled workers, suggesting that the ongoing upskilling of the labour force is unlikely to meaningfully offset the demographic and gender-related pressures on hours worked. Overall, while compositional shifts in the labour force have supported participation, some of the groups driving that increase – older workers, women and younger workers – tend to be associated with shorter working hours. This creates a structural tension between the extensive and intensive margins: gains on the extensive margin may not translate fully into higher labour input owing to a lower intensive margin. It should be noted that not all of the decline in average hours worked reflects voluntary choices: some part-time workers would prefer to work longer hours, suggesting that the headline labour force expansion may overstate the effective increase in labour input from a monetary policy perspective.

Chart 14

Weekly hours worked by demographic group

(number of hours worked per week)



Sources: Eurostat and ECB staff calculations.
Note: Average weekly hours worked in 2024.

6 Conclusion

The rising participation rates of both national and foreign workers have supported labour force growth in recent years. However, as participation rates among older and highly skilled workers rise, the scope for further gains may narrow. In addition, geopolitical developments and policy choices are creating significant uncertainty around migration flows. Changes in the composition of the labour force are affecting the adjustment of the labour market over the business cycle, as these continue to dampen labour market dynamism by reducing job-to-job transitions and compressing the cyclical responsiveness of unemployment.

These drivers of labour supply have alleviated labour market tightness and have had important consequences for wage growth and inflation. The ECB's

[2025 monetary policy strategy assessment](#) highlights the importance for monetary policy of understanding the interactions between cyclical and structural factors that affect labour market conditions. In the euro area, an increase in the labour supply has offset the decline in the working-age population arising from population ageing, thereby helping to satisfy the increase in labour demand in the post-pandemic period. This dynamic is expected to continue in the medium term, driven by the convergence of participation rates across demographic groups.

Technological advances, particularly artificial intelligence (AI), could play an important role in mitigating the impact of ageing on economic growth. The adoption of AI and automation technologies have the potential to boost economic growth and partly offset the demographic decline. However, the pace and distributional consequences of this transition remain highly uncertain, and the interaction between technological change and demographic developments will continue to warrant close monitoring.

Policy can play an important complementary role in supporting labour force participation and mitigate the impacts of the ageing population for an extended period. Well-designed measures to support female labour force participation (including affordable childcare and flexible working arrangements) can help close the remaining female participation gap, expand structural labour supply and help sustain potential output. In addition, migration policy has an important role to play in attracting and retaining workers with skills and profiles that match current and prospective labour demand. At the same time, education and training policies that facilitate the reskilling of workers displaced by technological change will be essential to increase productivity and ensure that productivity gains from AI and automation are broadly shared.

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Statistics

Contents

1	External environment	S 2
2	Economic activity	S 3
3	Prices and costs	S 9
4	Financial market developments	S 13
5	Financing conditions and credit developments	S 18
6	Fiscal developments	S 23

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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	2.2	1.4	1.2	5.0	1.4	.	3.4	3.2	0.1	2.1
2025 Q2	0.9	0.9	0.2	0.6	1.1	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	0.1	0.1	0.3	1.2	0.2	.	3.4	2.7	0.6	2.1
2026 Q1	.	.	.	.	1.3	0.1	2.7	3.1	1.4	0.8	2.0
2025 Nov.	-	-	-	-	-	-	2.7	3.2	2.9	0.7	2.1
Dec.	-	-	-	-	-	-	2.7	3.4	2.1	0.8	2.0
2026 Jan.	-	-	-	-	-	-	2.4	3.0	1.5	0.2	1.7
Feb.	-	-	-	-	-	-	2.4	3.0	1.3	1.3	1.9
Mar.	-	-	-	-	-	-	3.3	3.3	1.5	1.0	2.6
Apr.	-	-	-	-	-	-	.	.	.	.	3.0

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	
<i>Current prices (EUR billions)</i>												
2023	14,758.0	14,228.2	7,804.6	3,115.1	3,232.7	1,649.5	937.0	639.7	75.8	-529.8	7,437.1	6,907.3
2024	15,338.0	14,669.8	8,100.2	3,279.7	3,215.8	1,639.8	934.5	635.1	74.2	-668.2	7,545.7	6,877.5
2025	15,938.3	15,319.6	8,390.0	3,436.8	3,375.8	1,703.3	960.3	705.4	117.0	-618.7	7,741.4	7,122.8
2025 Q1	3,937.2	3,778.9	2,074.8	841.7	839.7	419.7	235.7	182.6	22.7	-158.2	1,946.8	1,788.6
Q2	3,967.4	3,805.9	2,087.6	853.5	834.1	423.1	238.8	170.5	30.7	-161.5	1,926.1	1,764.6
Q3	4,000.8	3,852.7	2,104.8	863.7	848.2	427.9	242.7	175.8	36.1	-148.1	1,938.4	1,790.2
Q4	4,045.6	3,893.0	2,127.7	878.4	860.4	437.1	244.9	176.7	26.5	-152.7	1,940.3	1,787.7
<i>as percentage of GDP</i>												
2025	100.0	96.1	52.6	21.6	21.2	10.7	6.0	4.4	0.7	-3.9	-	-
<i>Chain-linked volumes (prices for the previous year)</i>												
<i>quarter-on-quarter percentage changes</i>												
2025 Q2	0.1	0.4	0.3	0.5	-1.4	0.3	0.9	-8.4	-	-	-0.4	-0.1
Q3	0.3	0.7	0.3	0.7	1.2	0.4	1.4	3.1	-	-	0.8	1.8
Q4	0.2	0.3	0.4	0.5	0.7	1.5	0.3	-0.7	-	-	-0.4	-0.2
2026 Q1	0.1	.	.	.	.	.	.	.	-	-	.	.
<i>annual percentage changes</i>												
2023	0.4	0.0	0.5	1.5	2.5	1.1	2.4	6.4	-	-	-1.2	-2.0
2024	0.9	0.6	1.4	2.3	-2.5	-2.6	-1.8	-3.2	-	-	0.5	-0.1
2025	1.4	2.1	1.5	1.6	3.0	1.5	1.5	9.0	-	-	2.0	3.7
2025 Q2	1.6	2.6	1.8	1.5	3.6	1.4	0.2	15.8	-	-	0.7	2.8
Q3	1.4	2.0	1.4	1.5	3.3	2.3	3.5	5.4	-	-	2.9	4.2
Q4	1.3	1.9	1.4	1.5	3.2	3.1	2.6	4.3	-	-	2.4	3.9
2026 Q1	0.8	.	.	.	.	.	.	.	-	-	.	.
<i>contributions to quarter-on-quarter percentage changes in GDP; percentage points</i>												
2025 Q2	0.1	0.3	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	0.2	-0.4	-	-
Q4	0.2	0.3	0.2	0.1	0.1	0.2	0.0	0.0	-0.2	-0.1	-	-
2026 Q1	0.1	.	.	.	.	.	.	.	.	.	-	-
<i>contributions to annual percentage changes in GDP; percentage points</i>												
2023	0.4	0.0	0.3	0.3	0.5	0.1	0.2	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	0.2	0.1	0.4	0.3	-0.6	-	-
2025 Q2	1.6	2.5	0.9	0.3	0.8	0.1	0.0	0.6	0.5	-0.9	-	-
Q3	1.4	1.9	0.8	0.3	0.7	0.2	0.2	0.2	0.1	-0.5	-	-
Q4	1.3	1.8	0.7	0.3	0.7	0.3	0.2	0.2	0.1	-0.6	-	-
2026 Q1	0.8	.	.	.	.	.	.	.	.	.	-	-

Sources: Eurostat and ECB calculations.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade.

2) Including acquisitions less disposals of valuables.

2 Economic activity

2.2 Value added by economic activity

(quarterly data seasonally adjusted; annual data unadjusted)

	Gross value added (basic prices)											Taxes less subsidies on products
	Total	Agriculture, forestry and fishing	Manufacturing energy and utilities	Construction	Trade, transport, 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
Current prices (EUR billions)												
2023	13,349.2	226.7	2,633.8	714.5	2,482.1	704.2	605.4	1,479.6	1,620.4	2,469.4	413.0	1,408.8
2024	13,809.2	236.2	2,612.1	729.9	2,569.6	742.2	641.2	1,535.7	1,694.0	2,613.8	434.4	1,528.8
2025	14,319.1	246.4	2,704.2	760.1	2,645.6	776.6	665.4	1,566.8	1,757.6	2,744.7	451.7	1,619.2
2025 Q1	3,535.5	60.8	673.8	187.0	654.8	190.7	163.9	387.5	432.1	673.7	111.1	401.7
Q2	3,566.4	62.2	675.7	189.7	660.0	192.4	164.0	390.1	436.6	682.7	112.8	401.0
Q3	3,591.3	62.5	674.1	191.0	663.6	195.3	167.7	392.5	442.5	688.6	113.6	409.5
Q4	3,637.8	61.0	686.8	194.0	669.2	198.3	170.0	396.6	447.3	700.4	114.2	407.8
<i>as percentage of value added</i>												
2025	100.0	1.7	18.9	5.3	18.5	5.4	4.6	10.9	12.3	19.2	3.2	-
Chain-linked volumes (prices for the previous year)												
<i>quarter-on-quarter percentage changes</i>												
2025 Q1	0.7	1.5	1.8	0.9	0.6	0.8	0.6	0.2	0.3	0.1	0.2	-0.2
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	0.8	-0.1	0.2	0.4	1.2	0.4	0.2	0.5	0.4	0.3	0.1
Q4	0.2	0.3	-0.2	0.8	0.0	0.9	0.9	0.4	0.2	0.2	0.0	0.3
<i>annual percentage changes</i>												
2023	0.7	-2.9	-1.7	1.7	-0.1	6.8	-2.8	2.1	2.2	1.0	3.5	-1.8
2024	0.9	-0.3	-0.5	-1.5	1.0	3.0	1.6	1.2	1.4	1.8	1.9	0.9
2025	1.4	1.6	2.1	0.6	1.3	3.2	0.3	1.0	1.0	1.2	0.6	1.8
2025 Q1	1.5	1.1	2.9	-0.5	1.2	3.2	0.3	0.9	1.0	1.6	1.2	2.8
Q2	1.4	1.5	2.8	0.4	1.3	3.4	-0.3	1.0	0.7	1.2	1.1	3.0
Q3	1.4	2.3	2.1	1.3	1.5	3.2	0.4	1.0	1.0	1.2	-0.3	1.5
Q4	1.3	2.0	1.6	2.0	1.4	3.3	1.0	0.9	1.3	0.8	0.6	0.3
<i>contributions to quarter-on-quarter percentage changes in value added; percentage points</i>												
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	-
<i>contributions to annual percentage changes in value added; percentage points</i>												
2023	0.7	-0.1	-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	1.4	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	0.5	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)

	Total	By employment status		By economic activity									
	1	Employees 2	Self-employed 3	Agriculture, forestry and fishing 4	Manufacturing, energy and utilities 5	Construction 6	Trade, transport, accommodation and food services 7	Information and communication 8	Finance and insurance 9	Real estate 10	Professional business and support services 11	Public administration, education, health and social work 12	Arts, entertainment and other services 13
Persons employed													
<i>as a percentage of total persons employed</i>													
2023	100.0	85.9	14.1	3.1	14.2	6.4	24.3	3.4	2.3	1.1	14.1	24.7	6.5
2024	100.0	85.9	14.1	3.0	14.1	6.4	24.4	3.4	2.3	1.0	14.1	24.8	6.5
2025	100.0	85.9	14.1	2.9	13.9	6.4	24.4	3.4	2.3	1.1	14.1	24.9	6.5
<i>annual percentage changes</i>													
2023	1.5	1.6	1.0	-1.1	0.8	1.6	2.0	4.1	0.7	2.1	1.8	1.3	1.7
2024	1.0	1.0	0.6	-1.4	0.3	1.0	1.1	2.1	1.5	-0.6	0.7	1.5	1.2
2025	0.7	0.7	0.7	-1.6	-0.5	1.2	0.8	-0.1	1.4	2.3	1.0	1.3	1.2
2025 Q1	0.8	0.9	0.2	-2.1	-0.4	0.9	0.7	0.8	1.6	2.9	0.8	1.6	1.5
Q2	0.8	0.7	0.9	-2.0	-0.5	1.1	1.0	0.1	1.3	3.0	0.9	1.3	0.9
Q3	0.7	0.7	0.8	-1.6	-0.5	1.4	0.7	-0.5	1.5	2.4	0.9	1.2	1.1
Q4	0.7	0.7	1.1	-0.8	-0.5	1.5	0.6	-0.9	1.3	0.7	1.4	1.2	1.1
Hours worked													
<i>as a percentage of total hours worked</i>													
2023	100.0	81.8	18.2	3.9	14.7	7.3	25.1	3.6	2.4	1.1	14.1	22.0	5.9
2024	100.0	81.9	18.1	3.8	14.6	7.3	25.1	3.7	2.4	1.1	14.1	22.1	5.9
2025	100.0	82.0	18.0	3.7	14.4	7.3	25.1	3.7	2.4	1.1	14.1	22.3	6.0
<i>annual percentage changes</i>													
2023	1.8	2.0	0.5	-1.6	1.0	1.5	2.1	4.2	0.9	1.8	2.1	1.9	2.5
2024	1.1	1.2	0.6	-1.0	0.2	1.0	1.0	2.1	1.4	-0.2	1.2	1.8	1.5
2025	0.4	0.5	-0.1	-2.4	-0.8	1.0	0.2	-0.3	1.0	1.8	0.7	1.2	1.7
2025 Q1	0.5	0.7	-0.6	-2.9	-0.9	0.7	0.3	0.8	1.1	2.5	0.4	1.5	2.1
Q2	0.3	0.4	-0.1	-2.6	-1.1	1.2	0.3	-0.2	0.9	2.5	0.6	0.9	1.6
Q3	0.7	0.7	0.7	-2.3	-0.2	1.4	0.6	-0.6	1.2	3.8	1.1	1.3	1.8
Q4	0.8	0.9	0.4	-1.7	-0.1	1.5	0.4	-0.3	1.7	-0.8	1.6	1.5	1.8
Hours worked per person employed													
<i>annual percentage changes</i>													
2023	0.2	0.4	-0.5	-0.5	0.2	-0.1	0.1	0.1	0.1	-0.3	0.4	0.6	0.7
2024	0.1	0.2	0.0	0.5	-0.1	0.0	0.0	0.1	-0.1	0.4	0.4	0.3	0.3
2025	-0.3	-0.2	-0.8	-0.8	-0.3	-0.3	-0.6	-0.2	-0.4	-0.4	-0.3	-0.1	0.5
2025 Q1	-0.3	-0.2	-0.8	-0.8	-0.5	-0.2	-0.5	0.0	-0.5	-0.4	-0.4	-0.1	0.6
Q2	-0.4	-0.3	-1.0	-0.6	-0.5	0.1	-0.7	-0.3	-0.4	-0.5	-0.4	-0.3	0.7
Q3	0.1	0.1	-0.1	-0.7	0.2	0.0	-0.1	-0.2	-0.3	1.4	0.3	0.1	0.7
Q4	0.1	0.2	-0.7	-0.9	0.4	0.0	-0.3	0.6	0.4	-1.6	0.2	0.3	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 unemployment, % of labour force ²⁾	By age				By gender				
			Millions	% of labour force		Adult		Youth		Male		Female		
						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 2025			100.0			78.7		21.3		51.6		48.4		
2023	172.764	2.9	11.296	6.6	2.4	8.990	5.7	2.306	14.5	5.712	6.2	5.584	6.9	3.0
2024	174.343	2.8	11.054	6.4	2.1	8.715	5.5	2.339	14.6	5.666	6.1	5.388	6.6	2.6
2025	175.842	2.8	11.158	6.4	2.1	8.779	5.5	2.379	14.9	5.754	6.2	5.404	6.6	2.2
2025 Q1	175.425	2.7	11.105	6.3	2.1	8.732	5.5	2.373	14.8	5.671	6.1	5.434	6.6	2.4
Q2	175.831	2.8	11.221	6.4	2.1	8.871	5.6	2.351	14.7	5.833	6.2	5.388	6.5	2.2
Q3	175.923	2.8	11.270	6.4	2.0	8.885	5.6	2.384	14.9	5.807	6.2	5.463	6.6	2.1
Q4	176.187	2.8	11.037	6.3	2.0	8.628	5.4	2.410	15.1	5.707	6.1	5.330	6.5	2.2
2025 Sep.	-	-	11.155	6.3	-	8.759	5.5	2.396	15.0	5.743	6.1	5.412	6.6	-
Oct.	-	-	11.156	6.3	-	8.716	5.4	2.440	15.3	5.771	6.2	5.385	6.5	-
Nov.	-	-	11.049	6.3	-	8.655	5.4	2.394	15.1	5.750	6.1	5.299	6.4	-
Dec.	-	-	10.997	6.2	-	8.609	5.4	2.388	15.0	5.700	6.1	5.297	6.4	-
2026 Jan.	-	-	10.826	6.1	-	8.458	5.3	2.368	14.9	5.606	6.0	5.220	6.3	-
Feb.	-	-	10.919	6.2	-	8.546	5.3	2.373	14.9	5.624	6.0	5.295	6.4	-

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						Construction production	Retail sales				Services production ¹⁾	New passenger car registrations
	Total (excluding construction)		Main Industrial Groupings					Total	Food, beverages, tobacco	Non-food	Fuel		
	Total	Manufacturing	Intermediate goods	Capital goods	Consumer goods	Energy							
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total in 2021	100.0	88.7	32.4	33.2	22.5	11.9	100.0	100.0	38.1	54.4	7.5	100.0	100.0
annual percentage changes													
2023	-1.7	-1.3	-6.1	3.1	-1.0	-5.4	2.4	-1.8	-2.5	-0.9	-1.6	2.3	14.6
2024	-3.0	-3.2	-4.0	-4.8	-0.1	-0.1	-1.1	1.3	0.7	1.8	0.6	1.5	-0.1
2025	1.5	1.6	-0.7	0.8	5.5	0.9	2.3	2.4	1.5	3.2	2.2	2.0	1.1
2025 Q2	1.2	1.2	-1.4	0.5	5.7	1.3	2.5	3.1	2.1	3.7	4.0	2.1	-1.8
Q3	1.5	1.6	-0.7	1.1	5.0	0.5	2.5	2.0	1.0	2.9	1.5	2.5	6.4
Q4	1.9	2.1	0.5	3.0	2.5	1.3	2.5	2.2	1.3	3.0	1.7	0.9	3.8
2026 Q1	.	.	.	.	.	.	.	.	.	.	.	.	3.6
2025 Oct.	1.8	1.5	0.3	0.4	4.4	5.0	5.0	2.1	1.5	3.0	2.1	2.0	5.0
Nov.	2.1	2.2	0.1	3.5	3.0	0.5	0.9	2.5	1.0	3.7	1.2	0.3	6.2
Dec.	1.9	2.5	1.2	5.2	-0.1	-1.0	1.3	2.0	1.4	2.3	1.9	0.5	0.3
2026 Jan.	-0.6	-1.6	-1.7	1.2	-5.5	6.3	-4.1	2.1	1.8	2.6	1.1	1.5	1.2
Feb.	-0.6	-0.8	-1.5	2.5	-5.0	2.0	-1.9	1.7	1.0	2.3	1.4	.	1.9
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	7.8
month-on-month percentage changes (s.a.)													
2025 Oct.	0.7	0.5	0.3	0.4	1.4	1.7	1.8	0.3	0.5	0.4	0.5	0.2	1.5
Nov.	0.2	0.6	-0.1	2.5	-1.5	-2.6	-1.5	0.0	-0.4	0.4	-0.1	-0.5	3.8
Dec.	-0.7	-0.7	-0.1	-1.0	0.5	-0.4	0.6	0.2	0.4	-0.1	0.6	0.0	-5.7
2026 Jan.	-0.8	-1.6	-1.4	-1.7	-4.9	5.5	-1.3	0.0	0.5	-0.2	-0.8	1.2	-0.4
Feb.	0.4	0.8	0.5	1.0	2.1	-2.1	-0.2	-0.2	-0.5	0.0	0.7	.	2.0
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	3.0

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
1999-22	118.3	14.3	60.1	-4.7	7.5	4.8	17.1	.
2023	96.3	-6.1	80.6	-16.1	-1.1	-4.1	6.7	90.4
2024	95.9	-10.8	78.4	-12.6	-4.2	-6.8	6.3	90.1
2025	95.9	-10.1	77.6	-13.4	-2.6	-6.6	4.1	90.0
2025 Q3	96.0	-9.9	77.8	-13.6	-3.0	-6.7	4.0	89.9
Q4	97.1	-8.5	77.9	-12.9	-1.5	-6.5	4.8	89.9
2026 Q1	97.6	-7.1	78.0	-13.8	-1.9	-6.4	4.8	89.7
Q2	.	.	78.2	.	.	.	.	89.8
2025 Nov.	97.2	-9.0	.	-12.9	-1.2	-5.7	5.3	.
Dec.	96.8	-8.6	.	-13.3	-1.1	-7.0	4.9	.
2026 Jan.	98.9	-6.9	78.0	-12.6	-1.3	-6.1	6.2	89.7
Feb.	97.8	-7.3	.	-12.4	-2.2	-5.4	4.2	.
Mar.	96.2	-7.0	.	-16.4	-2.1	-7.6	4.1	.
Apr.	93.0	-7.7	78.2	-20.6	-2.4	-9.9	0.9	89.8

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
2023	14.2	84.7	1.2	1.9	2.4	4.0	1.6	37.3	6.0	68.8	1.8	3.4	0.9
2024	15.1	81.7	2.4	2.3	-6.8	5.5	4.7	35.8	4.4	67.3	1.8	-0.6	0.9
2025	14.8	81.4	1.0	2.6	3.5	4.9	4.5	35.5	3.4	65.8	2.1	6.6	1.5
2025 Q1	15.0	81.4	1.0	2.4	-1.0	5.2	5.5	35.8	4.1	67.3	2.9	8.4	1.8
Q2	15.0	81.6	1.4	2.7	3.2	5.5	5.3	35.6	3.7	66.6	2.5	10.9	1.7
Q3	14.9	81.5	0.8	2.6	4.6	4.9	5.0	35.5	3.5	66.2	2.2	6.4	1.5
Q4	14.8	81.4	1.0	2.6	7.0	4.9	4.5	35.5	3.4	65.8	2.1	1.2	1.5

Sources: ECB and Eurostat.

1) Based on four-quarter cumulated sums of saving, debt and gross disposable income (adjusted for the change in pension entitlements).

2) Financial assets (net of financial liabilities) and non-financial assets. Non-financial assets consist mainly of housing wealth (residential structures and land). They also include non-financial assets of unincorporated enterprises classified within the household sector.

3) The profit rate is gross entrepreneurial income (broadly equivalent to cash flow) divided by gross value added.

4) Defined as consolidated loans and debt securities liabilities.

2 Economic activity

2.8 Euro area balance of payments, current and capital accounts

(EUR billions; seasonally adjusted unless otherwise indicated; transactions)

	Current account											Capital account ¹⁾	
	Total			Goods		Services		Primary income		Secondary income		Credit	Debit
	Credit	Debit	Balance	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2025 Q1	1,556.5	1,481.5	74.9	755.9	646.0	395.2	364.5	358.2	381.8	47.3	89.3	32.4	29.1
Q2	1,501.5	1,420.9	80.6	718.2	632.2	389.6	352.2	345.9	342.1	47.7	94.5	20.0	19.8
Q3	1,478.3	1,426.0	52.3	722.3	631.4	386.4	357.6	322.6	341.3	47.1	95.7	24.6	22.2
Q4	1,486.3	1,424.5	61.8	711.3	635.3	390.8	344.9	337.3	345.7	46.8	98.6	42.1	20.1
2025 Sep.	495.2	478.6	16.7	243.5	210.8	129.4	119.5	106.2	115.7	16.1	32.5	9.3	9.6
Oct.	498.3	467.9	30.4	237.0	204.2	130.0	114.2	116.0	116.5	15.3	33.0	9.0	4.9
Nov.	495.7	482.0	13.7	235.0	211.5	131.9	116.9	112.4	120.0	16.5	33.7	11.1	5.0
Dec.	492.3	474.5	17.7	239.4	219.6	128.9	113.8	108.9	109.2	15.1	31.9	22.0	10.3
2026 Jan.	514.0	473.6	40.4	237.9	202.6	138.3	121.8	120.7	117.0	17.1	32.2	15.4	13.3
Feb.	519.6	494.7	24.9	243.4	218.1	139.0	123.4	120.0	121.7	17.2	31.4	10.5	7.8
<i>12-month cumulated transactions</i>													
2026 Feb.	6,023.2	5,734.2	289.0	2,894.9	2,539.8	1,572.9	1,419.8	1,363.4	1,392.0	191.9	382.5	124.0	92.3
<i>12-month cumulated transactions as a percentage of GDP</i>													
2026 Feb.	37.8	35.9	1.8	18.1	15.9	9.9	8.9	8.5	8.7	1.2	2.4	0.8	0.6

Source: ECB.

1) The capital account is not seasonally adjusted.

Note: Euro area data include Bulgaria.

2.9 Euro area external trade in goods ¹⁾, values and volumes by product group ²⁾

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total				Memo item:	Total				Memo items:	
			Total	Intermediate goods	Capital goods	Consumption goods		Manu- facturing	Total	Intermediate goods	Capital goods	Consumption goods	Manu- facturing	Oil
1	2	3	4	5	6	7	8	9	10	11	12	13	
<i>Values (EUR billions; annual percentage changes for columns 1 and 2)</i>													
2025 Q1	8.0	7.9	769.4	379.1	145.7	230.6	640.6	713.1	403.2	115.8	179.0	510.4	68.3
Q2	-0.1	1.7	724.2	338.6	139.1	229.1	602.7	695.3	384.3	118.7	177.4	507.7	60.0
Q3	1.4	2.0	724.8	340.2	145.9	222.9	601.5	693.6	379.8	120.5	177.0	510.3	64.0
Q4	0.3	0.0	719.0	331.5	144.8	223.9	592.9	688.2	373.6	122.6	172.7	511.7	58.3
2025 Sep.	7.8	6.2	248.4	120.8	48.5	73.9	207.4	232.1	126.8	40.6	59.1	171.3	21.2
Oct.	1.1	-3.2	237.7	109.8	48.3	74.1	195.9	224.8	121.8	40.4	55.6	167.6	19.0
Nov.	-3.3	-0.4	239.8	111.0	47.4	75.0	197.7	231.7	126.6	40.8	58.5	171.0	19.5
Dec.	3.3	4.3	241.5	110.8	49.1	74.8	199.3	231.6	125.2	41.4	58.7	173.1	19.8
2026 Jan.	-7.7	-7.8	236.9	111.3	46.9	73.0	194.1	224.0	121.0	40.5	56.6	166.3	19.1
Feb.	-6.7	-2.2	239.0	.	.	.	192.8	232.0	.	.	.	167.3	.
<i>Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)</i>													
2025 Q1	0.5	2.1	97.4	93.3	94.0	106.8	96.9	100.3	95.6	98.1	110.4	100.6	130.3
Q2	-2.9	1.1	93.5	87.0	89.8	108.6	94.1	100.7	95.6	101.7	110.9	101.2	135.5
Q3	0.2	3.1	94.5	87.8	94.8	105.7	94.5	101.7	96.6	103.9	110.9	102.6	139.3
Q4	-0.7	2.4	92.3	83.7	91.8	105.6	92.1	101.7	95.2	105.5	109.2	103.1	141.8
2025 Aug.	-5.8	-1.4	92.9	85.1	95.2	104.9	93.9	101.0	96.0	103.2	109.5	101.9	138.5
Sep.	6.1	6.5	96.5	92.7	93.3	105.0	95.6	102.1	96.8	104.0	111.9	103.1	141.6
Oct.	-0.1	-2.3	92.4	84.0	92.2	105.7	92.9	98.9	92.8	104.3	105.2	100.5	134.4
Nov.	-4.6	2.0	93.7	85.1	91.8	106.8	92.5	104.0	96.9	107.8	112.1	104.7	144.9
Dec.	2.8	8.3	90.9	82.0	91.3	104.4	90.9	102.2	95.7	104.5	110.3	104.2	146.2
2026 Jan.	-7.6	-4.4	90.6	81.8	90.9	104.4	90.7	98.0	90.1	101.0	107.0	98.7	140.1

Source: Eurostat.

1) Differences between ECB's b.o.p. goods (Table 2.8) and Eurostat's trade in goods (Table 2.9) are mainly due to different definitions.

2) Product groups as classified in the Broad Economic Categories.

Note: Euro area data include Bulgaria.

3 Prices and costs

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

	Total					Total (s.a.; percentage change vis-à-vis previous period) ²⁾						Administered prices	
	Index: 2025 = 100	Total		Goods	Services	Total	Processed food	Unpro- cessed food	Non- energy indus- trial goods	Energy (n.s.a.)	Services	Total HICP excluding adminis- tered prices	Adminis- tered prices
		Total	Total excluding food and energy										
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total in 2026	100.0	100.0	72.0	53.3	46.7	100.0	13.8	5.2	25.3	9.0	46.7	87.7	12.3
2023	95.7	5.4	4.9	5.7	4.9	-	-	-	-	-	-	5.5	4.9
2024	97.9	2.4	2.8	1.1	4.0	-	-	-	-	-	-	2.3	3.3
2025	100.0	2.1	2.4	1.0	3.4	-	-	-	-	-	-	2.0	2.9
2025 Q2	100.1	2.0	2.4	0.8	3.5	0.2	0.6	1.1	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	0.9	2.0	2.3
2026 Q1	100.9	2.0	2.3	1.0	3.3	0.8	0.1	2.0	0.2	3.3	0.7	2.0	2.3
2025 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
Mar.	102.0	2.6	2.3	2.0	3.2	0.8	0.1	0.3	0.0	7.0	0.2	2.6	2.6
Apr. ³⁾	103.1	3.0	2.2	.	3.0	0.5	0.0	0.9	0.2	3.0	0.3	.	.

	Goods						Services					
	Food (including alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communi- cation	Recreation and personal care	Miscel- laneous
	Total	Processed food	Unpro- cessed food	Total	Non- energy industrial goods	Energy	Total	Rents				
14	15	16	17	18	19	20	21	22	23	24	25	
% of total in 2026	19.0	13.8	5.2	34.3	25.3	9.0	9.7	5.9	6.8	2.1	18.0	10.0
2023	10.9	11.4	9.5	2.9	5.0	-2.0	3.6	2.7	5.2	0.4	6.9	4.0
2024	2.9	3.2	2.1	0.0	0.8	-2.2	3.3	2.9	4.2	-0.7	5.0	4.0
2025	2.8	2.6	3.4	0.0	0.6	-1.4	3.2	2.9	3.9	-1.0	3.7	3.9
2025 Q2	3.1	2.8	3.8	-0.5	0.5	-3.2	3.3	3.0	4.4	-1.8	3.8	3.9
Q3	3.1	2.8	4.2	0.1	0.7	-1.6	3.2	2.9	3.7	-0.9	3.2	3.8
Q4	2.5	2.3	3.0	0.1	0.5	-1.1	3.2	3.0	3.7	0.6	3.7	3.7
2026 Q1	2.5	1.8	4.3	0.2	0.5	-0.7	3.1	2.8	3.2	0.2	3.8	3.2
2025 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
Mar.	2.4	1.7	4.2	1.8	0.5	5.1	3.1	2.7	3.5	0.4	3.7	3.2
Apr. ³⁾	2.5	1.7	4.7	.	0.8	10.9	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.

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

2) In May 2016 the ECB started publishing enhanced seasonally adjusted HICP series for the euro area, following a review of the seasonal adjustment approach as described in Box 1, Economic Bulletin, Issue 3, ECB, 2016 (<https://www.ecb.europa.eu/pub/pdf/ecbu/eb201603.en.pdf>).

3) Flash estimate.

3 Prices and costs

3.2 Industry, construction and property prices

(annual percentage changes, unless otherwise indicated)

	Industrial producer prices excluding construction ¹⁾										Construction ²⁾	Residential property prices	Experimental indicator of commercial property prices ³⁾
	Total (index: 2021 = 100)	Total		Industry excluding construction and energy					Energy				
		Total	Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods						
							Total	Food, beverages and tobacco		Non-food			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total in 2021	100.0	100.0	77.8	72.3	30.9	19.3	22.2	15.7	6.5	27.7			
2023	130.0	-2.2	1.9	3.8	-0.2	4.8	8.3	8.4	5.7	-13.4	6.9	-1.1	-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	5.2	1.6
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	0.5
Q2	123.5	0.6	-0.1	1.1	0.3	1.7	2.3	2.1	1.4	-0.4	0.6	5.2	1.3
Q3	124.2	-0.1	0.5	1.0	-0.1	1.7	2.4	2.0	1.5	-2.3	1.1	5.1	2.3
Q4	124.6	-1.2	0.6	1.0	0.5	1.7	2.0	0.9	1.8	-6.0	1.8	5.1	2.3
2025 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.	125.7	-2.0	0.2	1.2	1.5	1.6	1.4	0.1	1.6	-8.9	-	-	-
Feb.	124.8	-3.0	0.3	1.0	1.3	1.6	1.1	-0.2	1.6	-11.7	-	-	-

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)					
	Total (s.a.; index: 2020 = 100)	Total	Domestic demand				Exports ¹⁾	Imports ¹⁾		Import-weighted ²⁾			Use-weighted ²⁾		
			Total	Private consumption	Government consumption	Gross fixed capital formation				Total	Food	Non-food	Total	Food	Non-food
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
% of total									100.0	45.5	54.6	100.0	50.4	49.6	
2023	114.1	6.2	4.8	6.3	3.8	4.1	0.7	-2.2	83.7	-13.0	-13.7	-12.4	-13.7	-14.0	-13.4
2024	117.5	3.0	2.5	2.4	2.9	2.0	0.9	-0.3	82.0	2.9	2.8	3.0	3.9	4.3	3.5
2025	120.4	2.5	2.3	2.0	3.1	1.9	0.5	-0.1	69.9	-0.6	0.2	-1.2	-1.1	-0.6	-1.6
2025 Q2	120.0	2.5	2.2	1.8	3.1	2.1	0.4	-0.4	68.9	-6.1	-2.9	-8.7	-5.6	-2.8	-8.4
Q3	120.6	2.5	2.3	2.1	2.9	1.8	0.0	-0.7	69.9	-1.9	-1.9	-1.9	-3.0	-3.2	-2.9
Q4	121.7	2.6	2.3	2.3	3.5	2.0	-0.3	-1.1	64.3	-4.8	-9.5	-0.8	-7.3	-11.6	-2.8
2026 Q1	.	.	.	.	.	.	.	.	82.9	-6.6	-17.2	2.8	-7.9	-14.4	-0.9
2025 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	-4.2	-18.6	8.8	-6.7	-16.9	4.5
Feb.	-	-	-	-	-	-	-	-	73.3	-12.3	-21.3	-4.1	-13.3	-18.2	-7.9
Mar.	-	-	-	-	-	-	-	-	105.7	-3.1	-11.3	3.9	-3.5	-7.6	0.8

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)					Consumer price trends over past 12 months 5
	Selling price expectations (for next three months)					
	Manufacturing 1	Retail trade 2	Services 3	Construction 4		
1999-22	44.8	44.5	22.4	36.5	60.2	
2023	9.0	28.8	19.6	15.0	75.6	
2024	6.1	14.6	15.1	4.7	55.9	
2025	9.0	16.9	13.9	4.7	48.9	
2025 Q2	7.4	15.6	13.4	3.1	49.2	
Q3	7.2	16.5	13.3	2.9	48.0	
Q4	10.0	17.7	13.6	7.9	48.4	
2026 Q1	15.1	18.6	14.4	8.9	46.7	
2025 Nov.	10.4	18.6	13.8	8.0	48.0	
Dec.	11.7	18.3	14.6	8.9	49.1	
2026 Jan.	11.5	17.1	14.3	8.8	46.9	
Feb.	13.0	17.9	14.1	6.8	45.8	
Mar.	20.8	20.7	14.9	11.2	47.5	
Apr.	31.1	28.1	17.4	19.4	56.5	

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)

	Total (index: 2020=100) 1	Total 2	By component		For selected economic activities		Memo item: Indicator of negotiated wages ¹⁾ 7
			Wages and salaries 3	Employers' social contributions 4	Business economy 5	Mainly non-business economy 6	
% 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	4.3
2024	115.7	4.7	4.7	4.5	4.7	4.5	4.6
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)

	Total (index: 2020 =100)	Total	By economic activity									
			Agriculture, forestry and fishing	Manu- facturing, energy and utilities	Con- struction	Trade, transport, accom- modation and food services	Information and commu- nication	Finance and insurance	Real estate	Professional, business and support services	Public ad- ministration, education, health and social work	Arts, enter- tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
Unit labor costs												
2023	109.5	6.5	6.7	8.4	4.7	7.7	2.3	9.9	3.3	5.6	5.1	3.6
2024	114.5	4.6	3.5	5.2	7.0	4.5	3.1	3.8	1.5	4.0	4.5	3.8
2025	118.1	3.2	0.4	1.1	4.5	3.1	0.7	4.9	4.5	3.8	4.4	4.7
2025 Q1	116.3	3.1	0.9	0.2	5.4	3.7	1.6	4.4	3.8	3.9	4.2	3.7
Q2	117.5	3.1	0.5	0.5	5.5	3.1	0.6	6.0	4.8	4.6	4.3	4.6
Q3	118.4	3.2	0.0	1.4	3.9	2.8	0.9	4.9	5.3	3.6	4.1	6.2
Q4	119.3	3.2	0.2	1.4	2.8	2.7	-0.4	4.2	4.0	2.9	5.1	4.1
Compensation per employee												
2023	115.0	5.3	4.7	5.7	4.8	5.4	5.0	6.0	3.4	6.0	4.8	5.3
2024	120.2	4.5	4.6	4.4	4.4	4.5	4.0	3.9	3.3	4.8	4.8	4.5
2025	124.8	3.9	3.8	3.7	3.9	3.7	4.1	3.7	3.1	3.7	4.3	4.1
2025 Q1	123.1	3.9	4.2	3.5	4.0	4.2	4.0	3.1	1.8	4.1	4.2	3.4
Q2	124.3	4.0	4.1	3.8	4.8	3.4	3.9	4.4	2.7	4.3	4.2	4.8
Q3	125.4	3.9	3.9	4.0	3.8	3.6	4.6	3.8	3.9	3.8	4.1	4.7
Q4	126.4	3.7	3.0	3.5	3.3	3.5	3.9	3.8	4.1	2.8	4.6	3.6
Labour productivity per person employed												
2023	105.0	-1.1	-1.8	-2.5	0.1	-2.1	2.6	-3.5	0.0	0.4	-0.3	1.7
2024	105.0	0.0	1.1	-0.8	-2.5	-0.1	0.9	0.0	1.8	0.7	0.3	0.7
2025	105.6	0.7	3.3	2.6	-0.6	0.5	3.3	-1.1	-1.3	0.0	-0.1	-0.5
2025 Q1	105.7	0.8	3.2	3.3	-1.4	0.5	2.4	-1.3	-2.0	0.2	0.0	-0.3
Q2	105.8	0.8	3.6	3.3	-0.7	0.3	3.3	-1.6	-2.0	-0.3	-0.1	0.2
Q3	105.9	0.8	4.0	2.6	-0.1	0.8	3.7	-1.1	-1.4	0.2	0.0	-1.4
Q4	105.9	0.5	2.8	2.1	0.5	0.7	4.2	-0.3	0.2	-0.1	-0.4	-0.5
Compensation per hour worked												
2023	108.7	4.9	4.2	5.5	4.5	5.1	4.9	5.7	3.5	5.4	4.2	4.4
2024	113.4	4.4	4.6	4.5	4.5	4.4	3.9	3.9	3.0	4.0	4.5	4.3
2025	118.1	4.1	4.0	4.0	4.1	4.0	4.2	4.2	4.3	4.1	4.4	3.5
2025 Q1	116.0	4.1	4.5	4.0	4.2	4.3	3.9	3.6	2.4	4.4	4.3	2.7
Q2	117.3	4.3	3.9	4.4	4.4	3.8	4.0	4.8	3.9	4.8	4.6	4.0
Q3	118.2	3.9	4.7	3.8	3.8	3.4	5.0	4.2	4.2	3.7	4.0	4.2
Q4	118.6	3.5	2.8	3.0	3.4	3.7	3.2	3.4	6.0	2.5	4.2	2.4
Hourly labour productivity												
2023	99.0	-1.3	-1.3	-2.7	0.2	-2.2	2.5	-3.7	0.3	0.0	-0.8	1.0
2024	98.9	-0.1	0.7	-0.7	-2.5	0.0	0.8	0.1	1.3	0.3	0.0	0.4
2025	99.9	1.0	4.2	3.0	-0.4	1.1	3.6	-0.7	-0.9	0.2	0.0	-1.0
2025 Q1	99.6	1.2	4.1	3.8	-1.2	0.9	2.4	-0.8	-1.6	0.6	0.1	-0.8
Q2	99.8	1.3	4.2	3.9	-0.8	1.0	3.6	-1.2	-1.4	0.1	0.3	-0.5
Q3	99.8	0.7	4.7	2.4	-0.1	0.9	3.8	-0.8	-2.7	-0.1	-0.1	-2.1
Q4	99.4	0.4	3.7	1.7	0.5	1.0	3.6	-0.7	1.8	-0.3	-0.8	-1.2

Sources: Eurostat and ECB calculations.

4 Financial market developments

4.1 Money market interest rates

(percentages per annum, period averages)

	Euro area ¹⁾					United States	Japan
	Euro short-term rate (€STR)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	Secured overnight financing rate (SOFR)	Tokyo overnight average rate (TONAR)
	1	2	3	4	5	6	7
2023	3.21	3.24	3.43	3.69	3.87	5.01	-0.03
2024	3.64	3.56	3.57	3.48	3.27	5.15	0.12
2025	2.18	2.12	2.18	2.20	2.22	4.24	0.47
2025 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	3.98	0.48
Dec.	1.93	1.92	2.05	2.14	2.27	3.80	0.56
2026 Jan.	1.93	1.96	2.03	2.14	2.25	3.66	0.73
Feb.	1.93	1.95	2.01	2.14	2.22	3.67	0.73
Mar.	1.93	1.93	2.11	2.32	2.57	3.65	0.73

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 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
Mar.	2.09	2.50	2.59	2.69	3.07	0.58	0.71	1.20	2.74	2.63	3.04	3.75

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 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
Mar.	606.2	5,693.8	978.4	237.0	154.6	201.2	358.9	1,194.9	1,213.6	561.9	402.5	821.8	6,654.4	53,964.9

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					Composite cost-of-borrowing indicator
	Over-night	Redeemable at notice of up to 3 months	With an agreed maturity of:				By initial period of rate fixation		APRC ³⁾		By initial period of rate fixation				APRC ³⁾	
			Up to 2 years	Over 2 years			Floating rate and up to 1 year	Over 1 year			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2025 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	6.74	7.46	8.18	4.14	3.52	3.39	3.49	3.17	3.61	3.31
Oct.	0.25	1.21	1.78	2.16	7.32	16.40	6.40	7.42	8.10	4.18	3.52	3.37	3.48	3.16	3.59	3.31
Nov.	0.25	1.21	1.77	2.21	7.25	16.41	6.19	7.45	8.07	4.17	3.53	3.35	3.48	3.15	3.58	3.30
Dec.	0.25	1.22	1.78	2.27	7.23	16.42	6.36	7.24	7.91	4.01	3.55	3.37	3.48	3.13	3.59	3.32
2026 Jan.	0.25	1.22	1.79	2.30	7.27	16.49	7.17	7.62	8.37	4.13	3.51	3.37	3.51	3.23	3.65	3.35
Feb.	0.25	1.17	1.80	2.23	7.26	16.42	6.83	7.59	8.27	4.20	3.48	3.37	3.55	3.26	3.66	3.37

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
	Over-night	With an agreed maturity of:			Up to EUR 0.25 million			over EUR 0.25 and up to 1 million			over EUR 1 million			
		Up to 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 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	3.57	3.40	3.71	3.29	3.45	3.57	3.57
Feb.	0.52	1.90	2.36	3.67	3.66	4.14	4.80	3.51	3.41	3.70	3.20	3.15	3.62	3.51

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	1,573.6	622.5	164.1	104.6	85.2	701.8	659.1	536.9	241.9	117.8	91.3	48.7	128.5	104.6
2024	1,600.1	582.1	205.5	121.2	70.7	741.8	674.7	516.8	206.1	133.5	104.2	40.1	137.2	110.1
2025	1,614.7	576.6	215.2	133.6	77.1	745.8	662.7	555.3	227.0	151.7	123.5	42.0	134.6	107.8
2025 Oct.	1,656.5	603.7	216.1	120.7	96.2	740.5	662.5	600.6	227.2	162.3	128.0	44.9	166.2	136.4
Nov.	1,681.2	615.9	212.2	121.5	95.1	757.9	670.3	547.6	220.4	146.4	122.4	40.1	140.6	114.3
Dec.	1,614.7	576.6	215.2	133.6	77.1	745.8	662.7	484.6	174.7	158.9	139.3	28.7	122.3	93.2
2026 Jan.	1,674.4	608.4	202.5	114.5	88.8	774.6	672.7	621.6	252.3	154.8	121.6	47.1	167.4	138.7
Feb.	1,677.7	625.7	206.0	114.9	92.3	753.7	659.4	557.9	231.9	149.7	121.1	43.7	132.6	99.8
Mar.	1,645.1	591.1	194.1	104.9	88.1	771.8	682.7	608.7	237.5	154.2	124.5	49.8	167.3	144.7
Long-term														
2023	19,433.5	4,454.8	3,244.3	1,432.4	1,545.5	10,188.8	9,449.7	322.0	93.4	68.2	31.1	21.2	139.2	130.8
2024	20,540.2	4,776.1	3,513.2	1,526.8	1,643.8	10,607.2	9,835.4	351.1	89.5	86.0	35.1	26.9	148.7	138.1
2025	21,410.9	4,896.1	3,757.6	1,689.4	1,744.5	11,012.7	10,220.4	385.2	93.0	103.4	44.3	31.0	157.8	146.7
2025 Oct.	21,469.2	4,915.5	3,708.0	1,649.3	1,733.5	11,112.2	10,312.2	389.4	83.2	117.7	44.4	35.5	153.0	142.2
Nov.	21,578.4	4,928.1	3,769.2	1,684.6	1,753.8	11,127.3	10,325.3	384.6	83.6	131.7	56.2	43.6	125.7	116.5
Dec.	21,410.9	4,896.1	3,757.6	1,689.4	1,744.5	11,012.7	10,220.4	266.9	74.8	114.0	55.3	17.0	61.1	54.7
2026 Jan.	21,714.7	4,949.1	3,756.2	1,680.2	1,766.9	11,242.5	10,429.1	540.2	147.9	92.8	28.5	36.4	263.1	236.0
Feb.	21,972.9	4,994.0	3,785.4	1,684.5	1,778.7	11,414.8	10,588.6	391.5	88.6	91.4	32.7	23.2	188.3	174.5
Mar.	21,697.7	4,950.6	3,802.4	1,717.3	1,735.0	11,209.7	10,393.8	422.8	114.9	115.0	56.2	20.3	172.6	155.3

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	21,007.0	5,077.3	3,408.4	1,537.0	1,630.7	10,890.5	10,108.8	9,673.5	625.3	1,420.8	7,626.9
2024	22,140.3	5,358.2	3,718.7	1,648.0	1,714.5	11,349.0	10,510.1	10,150.1	755.1	1,588.2	7,806.4
2025	23,025.6	5,472.6	3,972.8	1,823.0	1,821.6	11,758.6	10,883.1	11,698.9	1,315.7	1,850.6	8,532.2
2025 Oct.	23,125.7	5,519.2	3,924.1	1,770.1	1,829.8	11,852.7	10,974.8	11,523.3	1,164.3	1,855.3	8,503.2
Nov.	23,259.6	5,544.0	3,981.5	1,806.1	1,848.9	11,885.2	10,995.6	11,492.5	1,204.0	1,856.7	8,431.3
Dec.	23,025.6	5,472.6	3,972.8	1,823.0	1,821.6	11,758.6	10,883.1	11,698.9	1,315.7	1,850.6	8,532.2
2026 Jan.	23,389.1	5,557.5	3,958.7	1,794.6	1,855.7	12,017.1	11,101.9	11,949.4	1,364.6	1,830.0	8,754.3
Feb.	23,650.6	5,619.7	3,991.4	1,799.5	1,871.0	12,168.5	11,248.0	12,304.3	1,320.3	1,879.5	9,103.9
Mar.	23,342.8	5,541.7	3,996.5	1,822.2	1,823.0	11,981.5	11,076.4	11,333.7	1,177.3	1,772.8	8,383.1
Growth rate ²⁾											
2025 Aug.	5.2	4.7	9.0	11.0	3.4	4.5	4.6	0.0	-0.5	-0.7	0.1
Sep.	4.8	3.2	8.6	10.6	3.4	4.7	4.7	0.1	0.7	-0.7	0.1
Oct.	4.9	3.3	9.3	10.3	3.1	4.6	4.6	0.0	0.6	-0.9	0.1
Nov.	5.5	4.1	9.9	11.0	4.0	5.0	4.8	-0.1	0.4	-0.9	0.0
Dec.	5.4	3.3	10.4	12.0	4.0	4.9	4.8	0.0	2.9	-1.9	0.1
2026 Jan.	5.5	3.4	9.7	10.1	4.7	5.3	5.0	-0.1	2.6	-2.0	0.0
Feb.	5.4	3.9	9.2	9.2	4.9	5.0	4.8	0.0	2.3	-2.0	0.1
Mar.	5.5	3.4	9.6	9.5	4.2	5.5	5.4	0.1	2.3	-1.6	0.2

Source: ECB.

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

2) For details on the calculation of growth rates, see the Technical Notes.

4 Financial market developments

4.8 Effective exchange rates ¹⁾

(period averages; index: 1999 Q1=100)

	EER-17						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2023	97.9	93.6	98.0	88.9	65.2	87.1	122.1	94.0
2024	98.2	94.0	98.2	89.5	65.1	88.2	124.4	94.2
2025	100.4	96.0	101.7	91.9	63.0	90.3	128.3	96.1
2025 Q2	100.4	96.1	101.6	92.0	63.1	90.4	128.4	96.2
Q3	102.1	97.7	103.9	93.5	64.1	92.1	130.8	97.9
Q4	101.9	97.4	104.8	93.5	63.4	91.9	130.7	97.5
2026 Q1	101.4	97.2	105.0	.	.	.	130.3	97.1
2025 Oct.	101.9	97.3	104.5	-	-	-	130.6	97.4
Nov.	101.8	97.3	104.4	-	-	-	130.4	97.3
Dec.	102.2	97.7	105.5	-	-	-	131.1	97.8
2026 Jan.	101.8	97.5	105.3	-	-	-	130.7	97.4
Feb.	101.8	97.4	105.2	-	-	-	130.7	97.3
Mar.	100.8	96.6	104.4	-	-	-	129.6	96.5
<i>Percentage change versus previous month</i>								
2026 Mar.	-0.9	-0.8	-0.8	-	-	-	-0.9	-0.8
<i>Percentage change versus previous year</i>								
2026 Mar.	2.8	2.8	6.2	-	-	-	3.7	2.7

Source: ECB.

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

4.9 Bilateral exchange rates

(period averages; units of national currency per euro)

	Chinese renminbi	Czech koruna	Danish krone	Hungarian forint	Japanese yen	Polish zloty	Pound sterling	Romanian leu	Swedish krona	Swiss franc	US Dollar
	1	2	3	4	5	6	7	8	9	10	11
2023	7.660	24.004	7.451	381.853	151.990	4.542	0.870	4.9467	11.479	0.972	1.081
2024	7.787	25.120	7.459	395.304	163.852	4.306	0.847	4.9746	11.433	0.953	1.082
2025	8.119	24.688	7.463	397.767	169.043	4.240	0.857	5.0424	11.066	0.937	1.130
2025 Q2	8.197	24.920	7.461	404.114	163.813	4.262	0.849	5.0323	10.955	0.937	1.134
Q3	8.360	24.498	7.464	395.800	172.286	4.258	0.866	5.0703	11.121	0.935	1.168
Q4	8.250	24.272	7.469	386.506	179.223	4.237	0.875	5.0884	10.952	0.930	1.163
2026 Q1	8.103	24.328	7.471	384.158	183.596	4.235	0.868	5.0939	10.695	0.917	1.170
2025 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
Mar.	7.970	24.438	7.472	389.186	183.399	4.271	0.866	5.0954	10.761	0.909	1.156
<i>Percentage change versus previous month</i>											
2026 Mar.	-2.4	0.7	0.0	2.8	0.0	1.3	-0.5	0.0	1.2	-0.5	-2.2
<i>Percentage change versus previous year</i>											
2026 Mar.	1.7	-2.3	0.2	-2.7	13.8	2.1	3.5	2.4	-1.9	-4.7	7.0

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
<i>Outstanding amounts (international investment position)</i>												
2025 Q1	36,234.7	34,654.4	1,580.3	12,786.0	9,986.3	14,303.7	16,559.5	39.9	7,594.1	8,108.6	1,511.0	17,014.7
Q2	35,913.9	34,533.4	1,380.5	12,563.9	9,760.3	14,385.4	16,751.1	-0.2	7,502.7	8,021.9	1,462.1	16,870.9
Q3	36,834.3	35,241.8	1,592.5	12,613.6	9,816.5	15,099.1	17,385.9	-14.5	7,514.0	8,039.4	1,622.2	16,980.3
Q4	37,592.6	35,833.8	1,758.9	12,798.4	9,798.2	15,457.0	17,986.7	-5.1	7,567.5	8,048.9	1,774.8	16,999.2
<i>Outstanding amounts as percentage of GDP</i>												
2025 Q4	235.9	224.8	11.0	80.3	61.5	97.0	112.9	0.0	47.5	50.5	11.1	106.7
<i>Transactions</i>												
2025 Q1	836.5	738.8	97.7	149.9	65.0	209.7	195.9	-8.6	486.3	477.9	-0.8	-
Q2	337.0	252.8	84.2	-17.3	-47.9	208.5	208.6	-17.9	155.0	92.1	8.8	-
Q3	304.6	261.0	43.6	41.3	35.8	275.6	200.9	-4.4	-13.6	24.2	5.8	-
Q4	377.3	299.2	78.1	143.4	-3.1	134.6	257.8	-23.5	114.2	44.5	8.6	-
2025 Sep.	120.3	79.9	40.5	15.2	10.8	128.5	100.3	-4.3	-23.6	-31.3	4.6	-
Oct.	212.7	180.5	32.2	13.7	-48.5	34.3	68.6	1.4	162.6	160.4	0.8	-
Nov.	226.5	236.6	-10.1	67.8	66.7	38.7	107.7	-6.4	123.7	62.1	2.7	-
Dec.	-62.0	-117.9	55.9	62.0	-21.4	61.6	81.4	-18.6	-172.1	-178.0	5.1	-
2026 Jan.	385.3	380.4	4.9	25.5	16.5	129.6	138.9	-10.1	238.8	225.0	1.5	-
Feb.	290.3	262.6	27.7	25.2	19.3	107.1	144.0	-1.0	157.4	99.2	1.6	-
<i>12-month cumulated transactions</i>												
2026 Feb.	1,812.4	1,537.1	275.3	248.2	15.5	918.5	1,013.1	-72.9	692.8	508.5	25.8	-
<i>12-month cumulated transactions as percentage of GDP</i>												
2026 Feb.	11.4	9.6	1.7	1.6	0.1	5.8	6.4	-0.5	4.3	3.2	0.2	-

Source: ECB.

1) Net financial derivatives are included in total assets.

Note: Euro area data include Bulgaria.

5 Financing conditions and credit developments

5.1 Monetary aggregates ¹⁾

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

	M3											
	M2						M3-M2				Total	
	M1			M2-M1			Total	Repos	Money market fund shares	Debt securities with a maturity of up to 2 years		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					8		9	10	11
1	2	3	4	5	6	7	8	9	10	11	12	
Outstanding amounts												
2023	1,534.0	8,820.5	10,354.5	2,305.6	2,451.9	4,757.5	15,112.0	183.5	743.6	69.4	996.6	16,108.6
2024	1,554.5	9,048.7	10,603.2	2,544.5	2,456.1	5,000.6	15,603.8	253.8	885.7	33.2	1,172.7	16,776.5
2025	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	259.4	855.7	11.8	1,126.9	17,204.1
2025 Q2	1,563.9	9,242.9	10,806.8	2,401.7	2,514.5	4,916.3	15,723.1	257.5	918.6	28.1	1,204.2	16,927.3
Q3	1,574.9	9,321.2	10,896.1	2,348.9	2,543.7	4,892.6	15,788.7	258.6	922.6	12.3	1,193.5	16,982.3
Q4	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	259.4	855.7	11.8	1,126.9	17,204.1
2026 Q1 ^(a)	1,602.2	9,677.6	11,279.8	2,423.8	2,573.9	4,997.7	16,277.5	230.1	900.1	38.9	1,169.1	17,446.5
2025 Oct.	1,579.2	9,415.3	10,994.5	2,354.2	2,552.2	4,906.4	15,900.9	237.1	910.9	25.1	1,173.0	17,074.0
Nov.	1,585.5	9,473.5	11,059.0	2,406.2	2,559.4	4,965.6	16,024.6	251.7	901.9	22.4	1,176.0	17,200.6
Dec.	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	259.4	855.7	11.8	1,126.9	17,204.1
2026 Jan.	1,597.0	9,625.8	11,222.8	2,411.4	2,569.2	4,980.6	16,203.4	233.0	870.7	32.9	1,136.6	17,340.0
Feb.	1,598.0	9,636.6	11,234.6	2,435.4	2,574.5	5,010.0	16,244.6	216.3	886.7	19.8	1,122.8	17,367.4
Mar. ^(a)	1,602.2	9,677.6	11,279.8	2,423.8	2,573.9	4,997.7	16,277.5	230.1	900.1	38.9	1,169.1	17,446.5
Transactions												
2023	-5.3	-967.1	-972.4	927.2	-104.0	823.2	-149.2	39.8	94.7	22.2	156.7	7.6
2024	21.2	181.6	202.8	205.5	6.8	212.3	415.0	75.6	131.5	-36.4	170.7	585.7
2025	33.0	465.4	498.4	-123.3	101.4	-21.9	476.5	10.2	-5.2	-13.3	-8.3	468.2
2025 Q2	5.7	141.3	147.0	-75.7	26.1	-49.6	97.4	18.3	19.2	-13.1	24.5	121.9
Q3	11.0	80.4	91.4	-52.7	29.2	-23.5	68.0	1.4	1.4	-13.3	-10.5	57.4
Q4	12.6	149.3	161.9	56.6	21.1	77.7	239.6	0.9	-34.2	2.2	-31.1	208.5
2026 Q1 ^(a)	7.1	89.3	96.4	-17.3	8.7	-8.6	87.7	-3.6	42.6	28.1	67.1	154.8
2025 Oct.	4.3	56.1	60.4	-14.7	8.5	-6.2	54.2	-22.1	-12.7	12.2	-22.6	31.5
Nov.	6.3	58.1	64.4	52.1	7.2	59.3	123.7	14.6	-9.7	-1.4	3.4	127.1
Dec.	2.1	35.1	37.1	19.2	5.4	24.7	61.8	8.4	-11.8	-8.5	-11.9	49.9
2026 Jan.	2.0	47.1	49.0	-25.1	4.2	-20.9	28.1	0.7	14.2	20.2	35.2	63.3
Feb.	1.0	8.7	9.6	23.0	5.2	28.2	37.8	-17.0	15.5	-12.5	-14.0	23.8
Mar. ^(a)	4.2	33.5	37.7	-15.2	-0.7	-15.9	21.8	12.6	12.9	20.4	45.9	67.7
Growth rates												
2023	-0.3	-9.9	-8.6	67.2	-4.1	20.9	-1.0	32.6	14.6	42.3	19.1	0.0
2024	1.4	2.0	2.0	8.9	0.3	4.5	2.7	41.6	17.6	-54.4	17.2	3.6
2025	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	4.1	-0.6	-52.4	-0.7	2.8
2025 Q2	1.9	5.3	4.8	-5.4	3.4	-1.1	2.9	26.2	11.9	-53.2	11.0	3.4
Q3	2.1	5.5	5.0	-8.4	4.5	-2.1	2.7	11.2	7.0	-72.8	4.3	2.8
Q4	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	4.1	-0.6	-52.4	-0.7	2.8
2026 Q1 ^(a)	2.3	5.0	4.6	-3.6	3.4	-0.1	3.1	6.8	3.4	22.8	4.5	3.2
2025 Oct.	2.1	5.7	5.2	-8.0	4.6	-1.8	2.9	-1.4	5.6	-49.4	1.3	2.8
Nov.	2.3	5.5	5.0	-6.1	4.6	-0.9	3.1	5.7	3.2	-37.5	2.1	3.0
Dec.	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	4.1	-0.6	-52.4	-0.7	2.8
2026 Jan.	2.2	5.8	5.2	-5.1	4.0	-0.6	3.4	1.2	1.9	-5.2	1.3	3.2
Feb.	2.0	5.3	4.8	-3.4	3.8	0.2	3.3	-6.7	0.8	-23.2	-1.3	3.0
Mar. ^(a)	2.3	5.0	4.6	-3.6	3.4	-0.1	3.1	6.8	3.4	22.8	4.5	3.2

Sources: ECB.

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

5 Financing conditions and credit developments

5.2 Deposits in M3 ¹⁾

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

	Non-financial corporations ²⁾					Households ³⁾					Financial corporations other than MFIs and ICPFs ³⁾	Insurance corporations and pension funds ⁴⁾	Other general government ⁴⁾
	Total	Overnight	With an agreed maturity of up to 2 years	Redeemable at notice of up to 3 months	Repos	Total	Overnight	With an agreed maturity of up to 2 years	Redeemable at notice of up to 3 months	Repos			
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2023	3,317.0	2,403.6	770.9	130.9	11.6	8,406.2	5,105.6	1,014.1	2,285.3	1.3	1,269.0	227.0	542.4
2024	3,415.8	2,479.2	792.2	133.3	11.1	8,733.8	5,188.4	1,255.1	2,289.0	1.3	1,373.2	231.9	548.3
2025	3,504.9	2,575.2	772.7	150.4	6.6	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,476.4	224.6	553.2
2025 Q2	3,439.3	2,506.4	779.8	143.8	9.3	8,844.8	5,334.0	1,174.5	2,335.2	1.1	1,355.0	233.3	544.3
Q3	3,469.1	2,538.4	778.9	145.7	6.0	8,903.2	5,400.7	1,138.3	2,363.0	1.1	1,333.8	229.2	537.2
Q4	3,504.9	2,575.2	772.7	150.4	6.6	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,476.4	224.6	553.2
2026 Q1 ⁴⁾	3,582.3	2,642.2	784.4	152.5	3.1	9,100.5	5,563.5	1,151.0	2,385.3	0.7	1,423.2	244.9	554.5
2025 Oct.	3,473.5	2,556.2	763.3	147.9	6.1	8,932.6	5,422.9	1,138.7	2,370.0	1.0	1,383.2	223.7	546.0
Nov.	3,492.4	2,565.0	773.0	148.8	5.7	8,963.9	5,452.1	1,136.0	2,375.0	0.9	1,442.8	221.6	570.1
Dec.	3,504.9	2,575.2	772.7	150.4	6.6	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,476.4	224.6	553.2
2026 Jan.	3,534.7	2,600.7	776.8	152.7	4.5	9,080.0	5,552.7	1,144.8	2,381.6	1.0	1,406.0	240.1	578.6
Feb.	3,558.9	2,610.5	791.2	152.5	4.6	9,105.2	5,571.6	1,147.7	2,384.9	0.9	1,388.0	244.2	566.6
Mar. ⁴⁾	3,582.3	2,642.2	784.4	152.5	3.1	9,100.5	5,563.5	1,151.0	2,385.3	0.7	1,423.2	244.9	554.5
Transactions													
2023	-38.9	-313.8	270.9	-1.6	5.6	13.9	-459.3	571.7	-98.9	0.5	-47.3	-2.1	-29.6
2024	89.5	69.8	16.5	3.1	0.2	290.2	48.7	236.1	5.3	0.1	82.8	3.9	3.2
2025	116.3	111.9	-12.6	17.0	0.0	262.4	295.0	-116.4	83.9	-0.1	76.4	-4.8	3.4
2025 Q2	36.0	34.4	-2.4	4.8	-0.8	53.5	80.3	-47.6	20.8	0.0	9.8	5.9	4.9
Q3	34.4	32.6	-0.6	2.0	0.4	59.1	67.2	-35.9	27.8	0.0	-23.8	-4.0	-7.3
Q4	38.2	38.7	-5.7	4.6	0.6	86.4	71.7	-2.6	17.2	0.2	92.5	-4.3	15.1
2026 Q1 ⁴⁾	49.7	42.5	8.5	2.2	-3.5	53.2	49.1	-0.1	4.8	-0.6	-37.8	13.0	-1.0
2025 Oct.	3.6	17.6	-16.2	2.1	0.0	28.7	21.8	0.0	7.0	-0.1	-7.1	-5.6	8.1
Nov.	19.2	8.9	9.8	0.9	-0.4	31.4	29.2	-2.7	5.0	-0.1	59.5	-2.1	24.1
Dec.	15.5	12.2	0.7	1.6	0.9	26.3	20.7	0.0	5.2	0.4	40.2	3.3	-17.1
2026 Jan.	8.8	5.7	2.8	2.4	-2.1	33.4	38.1	-5.5	1.1	-0.3	-47.4	8.9	23.2
Feb.	23.0	9.1	14.0	-0.2	0.1	24.6	18.6	2.8	3.3	-0.1	-19.6	3.9	-12.0
Mar. ⁴⁾	17.8	27.7	-8.3	0.0	-1.5	-4.8	-7.6	2.7	0.3	-0.2	29.2	0.2	-12.2
Growth rates													
2023	-1.2	-11.5	54.2	-1.2	90.8	0.2	-8.3	129.4	-4.1	64.0	-3.5	-0.9	-5.2
2024	2.7	2.9	2.1	2.4	2.0	3.4	0.9	23.2	0.2	3.7	6.4	1.7	0.6
2025	3.4	4.5	-1.6	12.7	3.4	3.0	5.7	-9.3	3.7	-4.3	5.4	-2.1	0.6
2025 Q2	1.8	4.3	-6.8	13.2	-9.4	3.3	4.9	-2.6	2.8	-8.6	7.6	7.2	2.1
Q3	3.1	5.5	-5.5	15.4	-9.2	3.2	6.1	-9.4	3.9	-0.5	2.7	0.0	-2.6
Q4	3.4	4.5	-1.6	12.7	3.4	3.0	5.7	-9.3	3.7	-4.3	5.4	-2.1	0.6
2026 Q1 ⁴⁾	4.6	6.0	0.0	9.8	-50.6	2.9	5.1	-7.1	3.1	-37.9	2.9	4.7	2.2
2025 Oct.	3.4	5.7	-5.2	15.5	-19.9	3.1	5.9	-9.9	4.0	3.0	2.4	0.8	-1.0
Nov.	3.5	5.4	-3.6	14.4	-26.7	3.1	5.8	-9.7	4.0	8.1	4.8	-1.6	2.0
Dec.	3.4	4.5	-1.6	12.7	3.4	3.0	5.7	-9.3	3.7	-4.3	5.4	-2.1	0.6
2026 Jan.	3.6	5.2	-2.6	12.9	-38.4	3.2	6.1	-9.2	3.5	-15.6	4.3	3.3	4.8
Feb.	3.9	5.2	-1.1	11.9	-37.1	3.2	5.8	-8.0	3.3	-19.1	2.4	4.0	3.4
Mar. ⁴⁾	4.6	6.0	0.0	9.8	-50.6	2.9	5.1	-7.1	3.1	-37.9	2.9	4.7	2.2

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 ²⁾	To households ²⁾	To financial corporations 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	6,294.5	1,020.5	5,247.8	16,248.0	13,630.2	13,903.7	5,294.8	6,853.2	1,334.9	147.4	1,572.1	1,045.7
2025 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	16,020.7	13,447.1	13,719.9	5,243.5	6,808.9	1,258.7	136.1	1,566.9	1,006.6
Q4	6,294.5	1,020.5	5,247.8	16,248.0	13,630.2	13,903.7	5,294.8	6,853.2	1,334.9	147.4	1,572.1	1,045.7
2026 Q1	6,307.8	1,047.7	5,233.8	16,432.1	13,810.6	14,082.1	5,356.8	6,933.0	1,368.5	152.4	1,571.7	1,049.8
2025 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	5,257.9	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.	6,294.5	1,020.5	5,247.8	16,248.0	13,630.2	13,903.7	5,294.8	6,853.2	1,334.9	147.4	1,572.1	1,045.7
2026 Jan.	6,373.5	1,039.8	5,307.5	16,360.2	13,711.2	13,983.5	5,310.6	6,898.5	1,350.9	151.2	1,589.8	1,059.2
Feb.	6,328.5	1,045.0	5,257.3	16,407.2	13,758.3	14,021.9	5,335.3	6,918.7	1,351.7	152.5	1,585.3	1,063.6
Mar.	6,307.8	1,047.7	5,233.8	16,432.1	13,810.6	14,082.1	5,356.8	6,933.0	1,368.5	152.4	1,571.7	1,049.8
Transactions												
2023	-161.9	-17.3	-144.9	51.0	23.2	73.3	-6.5	8.5	29.5	-8.3	-17.1	44.9
2024	-63.7	-1.2	-62.9	286.9	228.9	274.2	76.2	45.2	106.5	1.0	10.9	47.1
2025	49.9	33.5	16.2	455.7	406.0	440.3	144.7	187.4	65.2	8.7	-4.7	54.4
2025 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	65.4	45.2	47.4	33.0	44.7	-24.1	-8.4	-6.7	26.9
Q4	10.2	4.7	5.4	182.2	167.1	176.8	57.5	48.4	49.9	11.2	5.8	9.4
2026 Q1	14.4	24.8	-10.5	152.0	148.4	146.5	47.7	56.9	43.4	0.5	-0.2	3.8
2025 Oct.	8.3	8.1	0.2	68.1	51.8	56.5	13.5	10.0	30.0	-1.6	3.8	12.4
Nov.	5.3	1.3	4.1	72.9	59.9	58.0	11.9	19.2	26.0	2.8	18.1	-5.1
Dec.	-3.4	-4.6	1.1	41.2	55.3	62.3	32.1	19.3	-6.1	10.0	-16.2	2.1
2026 Jan.	51.2	17.4	33.8	76.3	49.6	47.6	-0.6	17.4	33.4	-0.6	16.7	10.0
Feb.	-62.5	5.2	-67.7	38.2	47.2	37.6	29.3	20.7	-4.0	1.3	-6.8	-2.3
Mar.	25.7	2.3	23.4	37.5	51.6	61.3	18.9	18.8	14.1	-0.3	-10.2	-3.9
Growth rates												
2023	-2.5	-1.7	-2.7	0.3	0.2	0.6	-0.1	0.1	2.7	-5.7	-1.1	5.3
2024	-1.0	-0.1	-1.2	1.9	1.8	2.1	1.5	0.7	9.4	0.7	0.7	5.2
2025	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.2	6.3	-0.3	5.7
2025 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	2.7	2.5	3.7	2.0	0.1	7.3
Q4	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.2	6.3	-0.3	5.7
2026 Q1	0.4	4.9	-0.4	3.2	3.4	3.5	3.2	2.9	6.6	8.1	0.6	4.0
2025 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	5.2	6.3	-0.3	5.7
2026 Jan.	0.9	4.3	0.3	3.1	3.2	3.4	2.7	2.8	6.9	7.0	0.9	5.4
Feb.	0.1	4.4	-0.7	3.0	3.2	3.3	3.0	2.8	5.2	9.2	0.7	4.4
Mar.	0.4	4.9	-0.4	3.2	3.4	3.5	3.2	2.9	6.6	8.1	0.6	4.0

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	5,294.8	5,324.2	950.1	1,121.5	3,223.1	6,853.2	7,111.6	777.1	5,403.5	672.6
2025 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	5,243.5	5,281.7	926.6	1,126.6	3,190.3	6,808.9	7,061.1	767.3	5,369.2	672.4
Q4	5,294.8	5,324.2	950.1	1,121.5	3,223.1	6,853.2	7,111.6	777.1	5,403.5	672.6
2026 Q1	5,356.8	5,383.1	966.9	1,141.4	3,248.5	6,933.0	7,189.3	796.1	5,465.2	671.7
2025 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.	5,294.8	5,324.2	950.1	1,121.5	3,223.1	6,853.2	7,111.6	777.1	5,403.5	672.6
2026 Jan.	5,310.6	5,341.1	953.6	1,122.6	3,234.4	6,898.5	7,156.2	789.3	5,436.1	673.1
Feb.	5,335.3	5,356.3	953.0	1,129.5	3,252.9	6,918.7	7,174.9	791.5	5,453.9	673.4
Mar.	5,356.8	5,383.1	966.9	1,141.4	3,248.5	6,933.0	7,189.3	796.1	5,465.2	671.7
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	87.6	21.8	14.6	39.8	45.2	77.5	26.6	28.3	-9.7
2025	144.7	157.0	31.8	35.1	77.9	187.4	204.9	38.7	148.4	0.3
2025 Q2	26.6	37.6	9.2	8.2	9.2	45.8	47.5	6.9	37.7	1.2
Q3	33.0	34.4	-1.4	11.9	22.5	44.7	46.8	11.2	36.3	-2.8
Q4	57.5	49.4	26.3	-4.6	35.8	48.4	61.7	11.9	34.6	2.0
2026 Q1	47.7	45.6	11.1	20.2	16.4	56.9	53.8	9.2	45.5	2.1
2025 Oct.	13.5	8.7	8.3	-2.0	7.1	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.	32.1	28.3	13.5	-0.7	19.3	19.3	20.8	2.6	16.8	-0.1
2026 Jan.	-0.6	-0.2	-5.9	0.7	4.6	17.4	16.5	1.3	15.9	0.2
Feb.	29.3	19.0	3.5	7.8	18.1	20.7	18.8	2.6	17.7	0.3
Mar.	18.9	26.9	13.5	11.7	-6.3	18.8	18.5	5.3	11.8	1.6
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 Q2	2.4	2.8	4.0	4.1	1.3	2.1	2.3	4.5	2.1	-0.3
Q3	2.7	2.9	2.9	4.5	2.1	2.5	2.6	5.0	2.5	-0.1
Q4	2.8	3.0	3.4	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2026 Q1	3.2	3.2	4.9	3.2	2.7	2.9	3.0	5.2	2.9	0.4
2025 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.	2.7	2.8	3.1	2.9	2.4	2.8	3.0	5.0	2.8	0.0
Feb.	3.0	3.0	3.5	3.1	2.8	2.8	3.0	5.0	2.8	0.1
Mar.	3.2	3.2	4.9	3.2	2.7	2.9	3.0	5.2	2.9	0.4

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			
	Central government holdings ²⁾	Longer-term financial liabilities vis-à-vis other euro area residents					Net external assets	Other		
		Total	Deposits with an agreed maturity of over 2 years	Deposits redeemable at notice of over 3 months	Debt securities with a maturity of over 2 years	Capital and reserves		Total	Repos with central counterparties ³⁾	Reverse repos to central counterparties ³⁾
1	2	3	4	5	6	7	8	9	10	
Outstanding amounts										
2023	476.9	7,338.3	1,827.0	90.5	2,415.1	3,005.6	1,853.9	271.3	152.1	152.6
2024	395.9	7,851.0	1,842.3	117.2	2,590.7	3,300.8	2,664.2	320.1	140.4	136.0
2025	398.3	8,374.5	1,872.6	131.7	2,621.5	3,748.7	3,241.2	193.3	326.5	238.4
2025 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	144.0	168.3	168.2
Q4	398.3	8,374.5	1,872.6	131.7	2,621.5	3,748.7	3,241.2	193.3	326.5	238.4
2026 Q1 ^(*)	427.7	8,544.3	1,891.2	133.2	2,650.5	3,869.3	3,548.6	130.1	388.9	257.3
2025 Oct.	441.4	8,220.4	1,852.9	132.4	2,618.3	3,616.8	3,185.6	125.3	366.3	251.8
Nov.	423.1	8,325.1	1,874.9	131.8	2,617.1	3,701.3	3,257.6	171.7	405.3	266.9
Dec.	398.3	8,374.5	1,872.6	131.7	2,621.5	3,748.7	3,241.2	193.3	326.5	238.4
2026 Jan.	481.5	8,590.1	1,883.5	131.5	2,613.5	3,961.5	3,529.8	148.1	398.7	250.3
Feb.	426.4	8,696.9	1,885.0	132.2	2,625.5	4,054.3	3,618.2	136.7	395.5	250.2
Mar. ^(*)	427.7	8,544.3	1,891.2	133.2	2,650.5	3,869.3	3,548.6	130.1	388.9	257.3
Transactions										
2023	-199.0	325.0	24.9	40.2	227.5	32.5	437.1	-192.5	17.1	9.0
2024	-80.6	279.4	15.2	26.7	164.7	72.8	530.5	30.7	-11.7	-16.7
2025	1.9	195.0	33.2	16.3	104.8	40.6	297.9	-138.4	21.0	32.5
2025 Q2	22.7	39.8	4.3	7.9	33.7	-6.1	126.9	-30.5	-5.0	4.7
Q3	19.2	38.1	9.2	3.6	29.1	-3.8	63.7	-33.5	-9.6	2.3
Q4	-32.8	110.4	24.0	-0.8	32.8	54.5	84.0	9.8	-6.9	0.2
2026 Q1 ^(*)	19.0	39.8	14.6	1.3	19.9	4.0	154.6	-107.3	61.2	17.8
2025 Oct.	10.4	20.5	6.0	-0.2	20.6	-5.9	31.0	-44.9	63.1	21.3
Nov.	-18.4	47.2	22.0	-0.6	-0.1	25.8	36.4	41.2	8.8	7.5
Dec.	-24.8	42.8	-4.1	0.0	12.3	34.6	16.6	13.5	-78.8	-28.6
2026 Jan.	73.5	-17.1	9.4	-0.3	2.8	-28.9	59.4	-67.1	71.0	10.3
Feb.	-55.1	31.3	0.9	0.6	8.0	21.8	26.2	-1.8	-3.2	0.4
Mar. ^(*)	0.6	25.6	4.4	1.0	9.1	11.1	69.1	-38.4	-6.6	7.0
Growth rates										
2023	-29.6	4.7	1.4	80.3	10.7	1.1	-	-	12.4	6.0
2024	-16.9	3.8	0.8	29.5	6.9	2.2	-	-	-7.7	-10.9
2025	0.5	2.4	1.8	14.0	4.1	1.1	-	-	35.9	28.2
2025 Q2	-0.5	2.4	0.6	19.4	3.6	1.9	-	-	-2.6	-6.0
Q3	6.1	2.1	0.8	17.9	3.3	1.5	-	-	-9.0	-10.7
Q4	0.5	2.4	1.8	14.0	4.1	1.1	-	-	35.9	28.2
2026 Q1 ^(*)	7.6	2.8	2.8	9.9	4.6	1.2	-	-	23.9	16.1
2025 Oct.	2.1	2.2	1.2	16.4	3.9	1.1	-	-	36.4	10.1
Nov.	0.1	2.7	2.1	15.2	3.8	1.8	-	-	34.0	19.0
Dec.	0.5	2.4	1.8	14.0	4.1	1.1	-	-	35.9	28.2
2026 Jan.	15.1	2.2	2.5	11.9	4.1	0.3	-	-	42.3	24.1
Feb.	0.2	2.5	2.4	11.3	4.2	1.0	-	-	17.5	14.0
Mar. ^(*)	7.6	2.8	2.8	9.9	4.6	1.2	-	-	23.9	16.1

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
2022	-3.4	-3.7	0.0	0.0	0.3	-1.7
2023	-3.5	-3.5	-0.2	-0.2	0.4	-1.8
2024	-3.0	-2.6	-0.2	-0.3	0.1	-1.2
2025	-2.9	-2.6	-0.2	-0.3	0.2	-1.0
2025 Q1	-3.0	.	.	.	.	-1.1
Q2	-2.9	.	.	.	.	-1.0
Q3	-3.0	.	.	.	.	-1.1
Q4	-2.9	.	.	.	.	-1.0

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

6.2 Revenue and expenditure

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

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

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

6.3 Government debt-to-GDP ratio

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

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

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

6 Fiscal developments

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

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

	Change in debt-to-GDP ratio ²⁾	Primary deficit (+)/surplus (-)	Deficit-debt adjustment								Interest-growth differential	Memo item: Borrowing 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
2022	-4.5	1.7	-0.1	-0.2	-0.6	0.3	0.1	0.1	0.6	-0.5	-6.1	2.7
2023	-2.4	1.8	-0.3	-0.4	-0.5	-0.1	0.1	0.1	0.6	-0.5	-3.8	2.6
2024	0.0	1.2	0.3	0.0	-0.4	0.1	0.2	0.1	0.2	0.1	-1.4	3.1
2025	0.9	1.0	1.2	0.7	0.4	0.0	0.2	0.2	0.3	0.2	-1.4	3.8
2025 Q1	0.3	1.1	0.5	0.2	-0.2	0.2	0.1	0.1	0.2	0.1	-1.3	3.3
Q2	0.4	1.0	0.8	0.6	0.3	0.1	0.1	0.1	0.2	-0.1	-1.4	3.5
Q3	0.8	1.1	1.0	0.6	0.4	0.0	0.2	0.1	0.2	0.2	-1.4	3.8
Q4	0.9	1.0	1.2	0.7	0.4	0.0	0.2	0.2	0.3	0.2	-1.4	3.9

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

Note: Euro area data include Bulgaria.

1) Intergovernmental lending in the context of the financial crisis is consolidated except in quarterly data on the deficit-debt adjustment.

2) Calculated as the difference between the government debt-to-GDP ratios at the end of the reference period and a year earlier.

6.5 Government debt securities ¹⁾

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

	Debt service due within 1 year ²⁾					Average residual maturity in years ³⁾	Average nominal yields ⁴⁾						
	Total	Principal		Interest			Outstanding amounts					Transactions	
		Total	Maturities of up to 3 months	Total	Maturities of up to 3 months		Total	Floating rate	Zero coupon	Fixed rate		Issuance	Redemption
										Total	Maturities of up to 1 year		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2023	12.7	11.4	4.1	1.3	0.3	8.1	2.0	1.2	1.9	2.0	1.6	3.6	2.0
2024	12.3	10.9	4.0	1.4	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
2025	12.6	11.1	3.9	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.7	2.8	2.5
2025 Q2	12.3	10.9	3.1	1.5	0.4	8.3	2.2	1.3	1.6	2.2	2.1	3.1	2.8
Q3	12.7	11.2	3.5	1.5	0.4	8.2	2.2	1.3	1.6	2.2	2.0	2.9	2.6
Q4	12.6	11.1	3.9	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.7	2.8	2.5
2026 Q1	12.5	11.0	4.1	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.6	2.8	2.4
2025 Oct.	12.7	11.2	3.2	1.5	0.4	8.2	2.1	1.2	1.5	2.3	1.9	2.8	2.6
Nov.	12.8	11.3	3.6	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.9	2.8	2.5
Dec.	12.6	11.1	3.9	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.7	2.8	2.5
2026 Jan.	12.7	11.2	4.4	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.7	2.8	2.5
Feb.	12.7	11.2	4.2	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.6	2.8	2.4
Mar.	12.5	11.0	4.1	1.5	0.4	8.2	2.2	1.2	1.6	2.3	1.6	2.8	2.4

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 1	Bulgaria 2	Germany 3	Estonia 4	Ireland 5	Greece 6	Spain 7	France 8	Croatia 9	Italy 10	Cyprus 11
Government deficit (-)/surplus (+)											
2022	-3.5	-2.9	-1.9	-0.9	1.6	-2.6	-4.6	-4.7	0.0	-8.1	2.7
2023	-4.1	-2.0	-2.5	-2.7	1.4	-1.4	-3.3	-5.4	-1.1	-7.1	1.7
2024	-4.4	-3.0	-2.7	-1.1	4.1	1.3	-3.2	-5.8	-2.3	-3.4	4.1
2025	-5.2	-3.5	-2.7	-2.0	1.8	1.7	-2.4	-5.1	-3.0	-3.1	3.4
2025 Q1	-4.6	-3.0	-2.4	-1.2	4.1	2.4	-3.3	-5.7	-2.7	-3.4	4.3
Q2	-4.7	-3.4	-2.2	-1.5	3.8	2.1	-3.3	-5.6	-2.9	-3.2	3.9
Q3	-5.0	-2.7	-2.2	-1.5	1.2	2.5	-3.0	-5.5	-2.8	-3.3	3.4
Q4	-5.2	-3.5	-2.7	-2.0	1.8	1.7	-2.4	-5.1	-3.0	-3.1	3.4
Government debt											
2022	103.3	22.5	64.4	19.2	43.0	177.8	109.3	111.4	68.5	138.4	80.1
2023	102.5	22.9	62.3	20.2	41.8	164.3	105.2	109.5	60.9	133.9	71.1
2024	103.9	23.8	62.2	23.5	38.3	154.2	101.6	112.6	57.4	134.7	62.7
2025	107.9	29.9	63.5	24.1	32.9	146.1	100.7	115.6	56.3	137.1	55.0
2025 Q1	106.1	23.7	62.0	23.9	34.5	152.9	103.3	114.2	58.3	137.2	61.9
Q2	106.2	26.3	62.3	23.2	33.4	152.0	103.4	115.9	57.5	138.1	61.1
Q3	107.1	28.4	63.0	22.8	32.8	149.8	103.1	117.8	57.2	137.5	60.3
Q4	107.9	29.9	63.5	24.1	32.9	146.1	100.7	116.2	56.5	137.1	55.0
	Latvia 12	Lithuania 13	Luxembourg 14	Malta 15	Netherlands 16	Austria 17	Portugal 18	Slovenia 19	Slovakia 20	Finland 21	
Government deficit (-)/surplus (+)											
2022	-4.9	-0.7	0.2	-5.3	0.0	-3.4	-0.3	-3.0	-1.6	-0.2	
2023	-2.3	-0.7	-0.7	-4.4	-0.4	-2.6	1.1	-2.6	-5.3	-2.9	
2024	-1.8	-1.3	0.9	-3.4	-0.7	-4.6	0.6	-0.9	-5.3	-4.4	
2025	-2.5	-1.8	-2.0	-2.2	-1.6	-4.2	0.7	-2.5	-4.5	-3.4	
2025 Q1	-1.4	-1.3	0.6	-3.1	-1.1	-5.0	0.6	-1.4	-5.2	-4.2	
Q2	-2.0	-1.8	-0.1	-4.3	-1.4	-5.0	0.7	-1.7	-4.8	-3.9	
Q3	-2.6	-1.8	-0.6	-4.2	-1.5	-4.7	0.2	-1.5	-4.6	-3.6	
Q4	-2.5	-1.8	-2.0	-2.2	-1.6	-4.2	0.7	-2.5	-4.5	-3.4	
Government debt											
2022	44.4	38.3	24.9	50.3	48.4	78.1	111.2	72.8	57.8	74.0	
2023	44.4	37.1	24.7	46.9	45.8	77.8	96.9	68.3	55.8	77.0	
2024	46.2	38.0	26.3	45.9	43.8	80.0	93.5	66.4	59.7	82.4	
2025	46.9	39.5	26.5	46.4	44.4	81.5	89.7	65.7	61.4	88.5	
2025 Q1	45.0	40.4	26.1	46.5	43.2	83.0	94.8	69.6	63.2	84.2	
Q2	47.6	39.0	25.0	46.6	42.7	82.0	96.5	69.5	62.9	88.6	
Q3	44.8	40.6	27.5	46.4	42.3	83.5	97.4	67.7	62.3	86.9	
Q4	46.9	39.5	26.5	46.4	44.4	81.5	89.7	65.7	61.4	88.5	

Source: Eurostat.

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