



EUROPEAN CENTRAL BANK

EUROSYSTEM

Economic Bulletin

Issue 5 / 2026



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Economic, financial and monetary developments

Summary

At its meeting on 23 July 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. The outlook for energy prices, while highly volatile, stands close to the baseline of the June 2026 Eurosystem staff macroeconomic projections for the euro area and well above the levels recorded prior to the conflict in the Middle East. Uncertainty remains high and the full inflationary impact of the energy shock has yet to play out. The Governing Council is therefore closely monitoring the intensity and duration of the shock, as well as its indirect and second-round effects. It is committed to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term.

With its decision on 23 July, the Governing Council remains well positioned to navigate the uncertainty caused by the conflict. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, 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.

Economic activity

Recent information points to some improvement in economic activity in the second quarter of 2026, even though the conflict in the Middle East remained a headwind. Surveys suggest that activity in the services sector has partly recovered, after weakening markedly in the immediate aftermath of the energy shock. Digital services have been robust, in part owing to the increasing contribution from AI-related activity. Manufacturing has continued to hold up, supported by firms building up stocks to guard against supply chain risks, as well as by higher defence spending. Unemployment stood at 6.2% in May, close to historical lows. At the same time, job postings have continued to decline, and both firms and households expect the labour market to remain weaker than before the conflict.

Forward-looking indicators suggest that economic growth will remain modest in the near term, weighed down by the energy shock and related uncertainties. Yet the fundamental drivers of medium-term growth remain intact. Private consumption, investment in new digital technologies, government spending on defence and infrastructure, and some recovery in exports should all contribute to overall growth momentum.

The Governing Council reiterated its call for urgent action to strengthen the euro area economy while maintaining sound public finances. Simplifying and harmonising rules across the EU's Single Market, accelerating the energy transition and completing the savings and investments union are key building blocks. Fiscal responses to the energy shock should be temporary, targeted and tailored. The positive vote in the European Parliament in July 2026 was a significant milestone on the path to establishing the digital euro. The Governing Council welcomes the shared objective of the European Parliament, EU Council and European Commission of reaching agreement by the end of 2026 on the Single Currency Package. The digital euro will complement physical cash with its digital equivalent, providing a means of payment for any digital transaction throughout the euro area.

Inflation

Inflation declined to 2.8% in June 2026, from 3.2% in May. Energy price inflation declined to 8.5%, after 10.8% in May, while food price inflation fell from 1.9% to 1.5%. Inflation excluding energy and food eased to 2.4%, from 2.6% in May, with goods inflation decreasing from 0.9% to 0.7% and services inflation from 3.5% to 3.2%.

The energy shock continues to feed into higher prices. It is becoming more expensive for firms to source inputs and they therefore expect to put up their selling prices. While developments in underlying inflation have remained contained, the full effects of the energy shock have yet to play out. The ECB wage tracker and the results of surveys on wage expectations continue to indicate moderate wage growth over the coming quarters. Rising labour productivity has also helped contain growth in unit labour costs. Inflation expectations over shorter horizons remain at elevated levels. Most measures of longer-term inflation expectations stand at around 2%, supporting the stabilisation of inflation around target in the medium term.

While energy price inflation declined in June, its rise since the start of the conflict – and its impact on food, goods and services price inflation – is likely to keep inflation well above target into the first half of 2027. Inflation should then decline, as energy prices are expected to fall and other prices should rise more slowly. However, the conflict remains a major source of uncertainty. The Governing Council is therefore closely monitoring the size and persistence of the energy price increase, 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. While the Memorandum of Understanding agreed between the United States and Iran in June 2026 constituted a first attempt to resolve the conflict, the weeks in the run-up to the Governing Council's meeting on 23 July brought renewed setbacks, and the geopolitical situation remains fragile. Renewed disruption of energy supplies could increase

energy prices further and for longer than currently expected. This would weigh on real incomes, spending and investment. A worsening of global financial market sentiment or a tighter supply of credit could dampen demand. Additional frictions in international trade could also further disrupt supply chains, reduce exports and weaken consumption and investment. Other geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, growth could turn out to be higher if the economy and energy markets were to adapt more quickly than expected to the disruption caused by the conflict in the Middle East or if the conflict was resolved sustainably. Moreover, planned defence and infrastructure spending, and reforms to enhance productivity and complete the Single Market, as well as euro area firms adopting new technologies, may drive up growth by more than expected.

The risks to the inflation outlook are to the upside. The energy shock could intensify further and its effects on other prices and wages could be stronger than currently expected. The longer energy prices stay high, the more likely they are to drive up broader inflation through indirect and second-round effects. Ongoing trade tensions could give rise to more fragmented global supply chains, curtail the supply of critical raw materials and worsen capacity constraints in the euro area economy. Extreme weather events – as illustrated by the ongoing heatwaves – and the unfolding climate and nature crises more broadly, could drive up food prices by more than expected. By contrast, inflation could turn out to be lower if the conflict in the Middle East was resolved sustainably or if indirect or second-round effects proved less pronounced than anticipated. More volatile and risk-averse financial markets could weigh on demand and thereby lower inflation as well.

Financial and monetary conditions

Overall financial conditions have become slightly tighter since the Governing Council's meeting on 11 June 2026, consistent with the increase in the key ECB interest rates. Bank lending rates for firms and the cost of issuing market-based debt remained unchanged in May, at 3.6% and 4.0% respectively. The annual growth rate of bank lending to firms increased to 4.0%, from 3.4% in April, but this was partly offset by slower growth in corporate bond issuance, which fell from 4.5% to 3.4%. Credit standards for business loans tightened somewhat in the second quarter, as reported in the July 2026 euro area bank lending survey. Demand for loans to firms increased slightly, driven by higher working capital needs but also by borrowing for fixed investment by large firms.

Mortgage rates rose to 3.5% in May, after 3.4% in April, while mortgage lending growth edged up to 3.1%. Credit standards for mortgages tightened in the second quarter as banks became more concerned about the economic risks faced by their customers and less willing to take on risks themselves. Demand for mortgages decreased on the back of deteriorating consumer confidence and higher interest rates.

Monetary policy decisions

At its meeting on 23 July 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. Accordingly, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility remain at 2.25%, 2.40% and 2.65% 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

The Governing Council 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. 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.

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.

External environment

Global economic activity has proven resilient in the first half of 2026 as the ongoing artificial intelligence (AI) and technology boom, alongside precautionary purchases, support growth. The re-escalation of the conflict in the Middle East, however, is clouding the near-term outlook. Strong demand for high-tech products is continuing to support investment and trade, particularly in the United States, while the frontloading of purchases of energy products and goods potentially affected by supply shortages has temporarily boosted activity. Manufacturing producer price inflation has accelerated significantly as the energy price shock propagates through the global economy, with pipeline pressures strongest among AI hardware exporters.

Global economic activity remained robust in the first half of 2026, and soft indicators point to continued resilience in the near term. The global composite output Purchasing Managers' Index (PMI), excluding the euro area, held broadly stable in June at 52.2, remaining firmly in expansionary territory. Strong manufacturing output has been a key support to activity, reflecting buoyant demand for high-tech products and the frontloading of purchases of energy and energy-related products to cushion disruptions from the conflict in the Middle East. While the boost to trade and activity from the latter two factors is not expected to persist over the medium term, the impact of the technology boom is expected to be longer-lasting, reflecting planned strong investment in AI infrastructure and AI adoption.

Global trade continues to be supported by high demand for high-tech products, although supply pressures persist. Growth in global real imports, excluding the euro area, was 1.8% quarter on quarter in the first quarter of 2026, up from 1.1% in the fourth quarter of 2025. Nominal trade data (available up to April) confirm that global imports, excluding the euro area, have strengthened since the start of the year, possibly also reflecting price increases. Global imports of AI-related goods and semiconductors have risen significantly since the start of the year and remain the key driver of the robust growth in trade observed so far (Chart 1). The contribution of energy goods imports has turned positive since the outbreak of the conflict in the Middle East, largely reflecting the sharp increase in energy prices. Global manufacturing PMI new orders, excluding the euro area, also remained in expansionary territory in June, reflecting strong demand for AI-related goods and the frontloading of consumer goods that could be subject to additional US tariffs once the temporary tariffs introduced in February 2026 expire on 24 July. Supply chain pressures have eased somewhat since the June 2026 Governing Council meeting, but they remain above normal levels and the recent re-escalation of the conflict between the United States and Iran might reverse some of these gains. Traffic through the Strait of Hormuz improved towards the end of June but has since fallen back owing to the conflict re-escalation, which has increased uncertainty about the near-term outlook for global economic activity and trade.

Chart 1**World (excluding euro area) goods import values by category**

(annual percentage changes, percentage point contributions, de-meaned)



Sources: Trade Data Monitor and ECB staff calculations.

Notes: Import data in nominal values. Annual percentage changes and contributions for reported goods categories are calculated as deviations from their respective mean values over the period 2019-2023. "AI-related, semiconductors" comprises AI-related items, semiconductors (downstream and upstream) and other high-tech product sub-categories. The latest observations are for April 2026.

Oil prices fell after the US-Iran Memorandum of Understanding (MoU) was agreed, but renewed strikes are making the situation highly volatile.

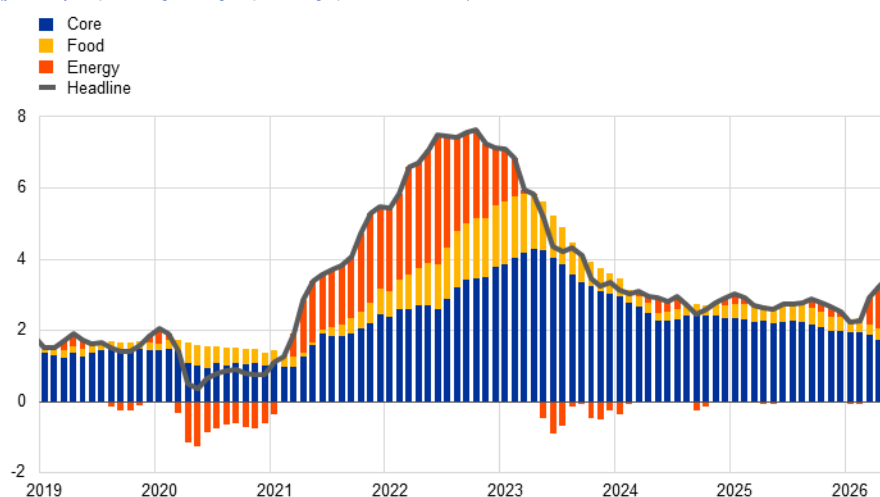
The price of Brent crude oil initially fell sharply following the signing of the MoU between the United States and Iran, under which both parties committed to restoring unimpeded traffic through the Strait of Hormuz. More recently, however, it rose again following renewed military strikes and the declaration by President Trump that the ceasefire was over, standing 1% lower overall than on 11 June (the beginning of the review period). European gas prices also fell following the signing of the MoU but more than retraced their decline after the resumption of strikes to stand 24% higher than at the start of the review period. The divergence between oil and gas prices reflects two main factors. First, European gas storage levels remain historically low for the time of year, putting upward pressure on gas prices. Second, although weaker Asian demand provided some relief, this was less pronounced in the gas market than in the oil market. As a result, price developments of the two commodities differ markedly in relative terms: while oil prices are currently 30% above their pre-conflict level, gas prices are 97% higher. Food commodity prices have risen by 19% over the review period, led by a 42% surge in cocoa prices amid concerns that the El Niño conditions that formed in June (and are forecast to strengthen) would disrupt supply over the coming months. By contrast, upside risks from fertiliser prices eased, with prices returning to pre-conflict levels amid the earlier fall in natural gas input costs. Metal prices have declined by 3%, as expectations of a normalisation of aluminium supplies from the Middle East following the restart of an alumina plant in Abu Dhabi that had been damaged in the initial stages of the conflict more than offset concerns over the recent resumption of strikes.

Inflationary pressures have risen further but, so far, largely remain limited to energy prices. Global headline inflation across the member countries of the

Organisation for Economic Co-operation and Development (OECD) excluding Türkiye rose to 3.5% in May, from 3.3% in the previous month (Chart 2). The rise in headline inflation was predominantly due to higher energy inflation. While core inflation (excluding food and energy prices) also rose marginally (by 0.1 percentage points) in May, it still appears to be on a declining trend. Nevertheless, upside risks remain. Producer price inflation accelerated significantly following the energy price shock, with the strongest acceleration observed among AI hardware exporters in Asia, including Malaysia, South Korea, Taiwan and Thailand. Production in these countries is energy intensive and dependent on energy imports from the Gulf region, while strong global demand for AI goods is facilitating the pass-through of the energy price shock to AI hardware prices. Additional price pressures may also arise from the surge in global shipping costs, especially for routes to Asia, amid higher demand for cargo, reflecting robust trade dynamics. Overall, risks to global inflation in the near term remain tilted to the upside.

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 members and excludes Türkiye. It is calculated using OECD consumer price index (CPI) annual weights. The latest observations are for May 2026.

In the United States, economic activity has remained resilient, while inflation has remained elevated. US macroeconomic data have recently surprised on the upside, supported by the AI boom and improved resilience to oil supply shocks owing to increased domestic supply of shale oil. Rising retail energy prices have depressed annual real disposable income growth to around zero, despite elevated tax refunds earlier in the year. Consumption growth remains robust but is increasingly supported by lower savings, which pushed the savings rate down to a very low 3% in May, and higher consumer borrowing. The growing reliance on dissaving and borrowing, coupled with low real income growth, limits the potential for further robust consumption growth going forward. Investment growth continues to be driven by AI-related spending, which remains highly concentrated among a few large firms, leaving the economy exposed to idiosyncratic risk should the investment cycle turn. Given its high import intensity, the AI boom is also continuing to support US

imports, which might record another stronger-than-expected rise in the second quarter. Inflation surprised on the upside in May but decelerated in June. Headline CPI inflation slowed to 3.5% year on year in June from 4.2% in May, mainly reflecting a decline in energy prices, while core CPI inflation retreated more modestly to 2.6%. This moderation may prove short-lived, however, as the re-escalation of the conflict in the Middle East has pushed energy prices up again. At its first meeting under its new Chair, Kevin Warsh, in June, the Federal Open Market Committee kept rates on hold but revised up its median projected policy path, with nine out of the 18 participants now expecting a rate hike this year, compared with none in March.

Economic activity in China weakened markedly in the second quarter of 2026, with softening domestic demand weighing on headline growth. Real GDP growth slowed sharply from 5.0% year on year in the first quarter to 4.3% in the second quarter, which was below market expectations. Monthly data point to a further deterioration in domestic demand, with year-on-year retail sales growth falling to near zero in the second quarter and investment contracting further – a weakness that is unprecedented in China outside the pandemic period. The decline in retail sales mainly reflects goods purchases, which were affected by a scaling-back of the Government's consumer goods subsidy schemes, while the weakness in investment reflects in part a renewed deterioration in the real estate sector. In addition, the Government stepped up its “anti-involution” campaign in the second quarter to address overcapacity and excessive price competition, which is likely to be weighing further on investment. In June nominal goods exports (in US dollars) surged by 27% year on year, driven by AI-related demand, while imports rose even more strongly, by 36%, owing to higher energy prices and AI-related demand. Export prices, meanwhile, followed producer prices out of deflationary territory in the second quarter, driven mainly by sectors affected by AI demand and energy prices, ending a multi-year period of export price deflation.

In the United Kingdom, economic activity appears to be slowing following some rebound at the start of the year. Monthly GDP declined by 0.1% month on month in April, and the composite PMI fell further below the neutral threshold, to 49.3 in June (from 49.7 in May and 52.6 in April), as weakness in services activity more than offset stronger manufacturing output. Real GDP growth is therefore expected to slow in the second quarter of 2026 relative to the first quarter. Headline inflation stood at 2.8% in May, unchanged from April but below the 3.3% recorded in March. Headline inflation is continuing to surprise on the downside, mostly reflecting easing food and core goods inflation, while services inflation picked up slightly. Energy inflation increased further, supported by higher fuel prices. A higher energy price cap announced for the period from July to September is expected to add upward pressure over the summer. Evidence of indirect and second-round effects from higher oil prices remains limited at this stage. Measures of inflation expectations rose significantly in the immediate wake of the energy price shock but have since softened somewhat. Private sector wage growth has continued to moderate amid signs of a further loosening of the labour market, which should help to contain second-round effects. The Bank of England kept its policy rate unchanged at 3.75% at the June meeting of its Monetary Policy Committee.

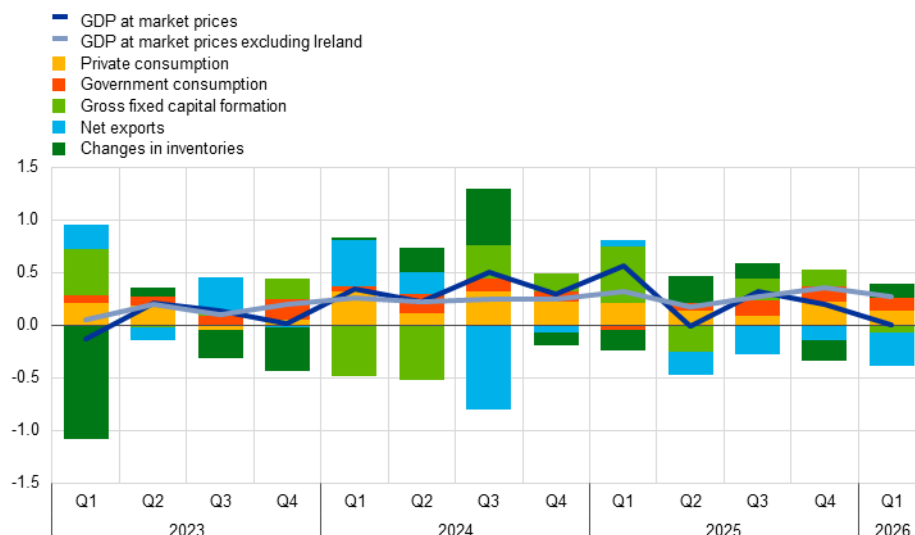
2 Economic activity

Euro area GDP was unchanged in the first quarter of 2026, but expanded by 0.3%, quarter on quarter, excluding volatile Irish data. Domestic demand weakened in the first quarter, as private consumption growth slowed slightly and investment fell – mainly in construction. Incoming data suggest that the war in the Middle East had contained but uneven effects on activity in the second quarter, with notable differences across sectors. Consumer-related services were the most affected, although survey evidence points to a partial recovery following the initial shock. By contrast, digital services and the manufacturing sectors remained resilient despite higher energy prices and elevated uncertainty. This resilience partly reflects an increase in investment related to artificial intelligence (AI) and firms building up inventories to mitigate supply chain risks as well as increased defence spending. The labour market remained resilient overall but has lost momentum, with short-term indicators suggesting weaker employment momentum in the second quarter of 2026. Forward-looking indicators suggest that growth is likely to remain modest in the near term. Uncertainty remains elevated amid a return to military operations in the Middle East following the temporary ceasefire. At the same time, a highly fragile global geopolitical environment continues to contribute to volatility in oil prices and to weigh on the outlook. Nevertheless, over the medium term domestic demand is expected to be bolstered by a recovery in real incomes – supported by the expected normalisation of energy prices, a resilient labour market and rising government spending on infrastructure and defence. These factors are expected to be complemented by increased investment related to AI and the energy transition.

Euro area real GDP was unchanged in the first quarter of 2026, but grew by 0.3% when excluding volatile Irish data, according to the third Eurostat national account release from 15 July. The decomposition of demand shows that private consumption growth weakened slightly in the first quarter, and investment contracted, while changes in inventories made a marginal positive contribution to GDP growth (Chart 3). Although net trade was negative in the headline figures, it turned positive when volatile Irish trade flows were excluded. The decomposition of value added shows that growth was supported by both services and manufacturing, net of volatile Irish data. By contrast, construction was a drag on growth.

Chart 3**Euro area real GDP and its components**

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



Sources: Eurostat and ECB calculations.

Notes: The chart also shows GDP excluding Ireland, as Irish data are particularly volatile. However, the subcomponents display the GDP breakdown including Ireland. The latest observations are for the first quarter of 2026.

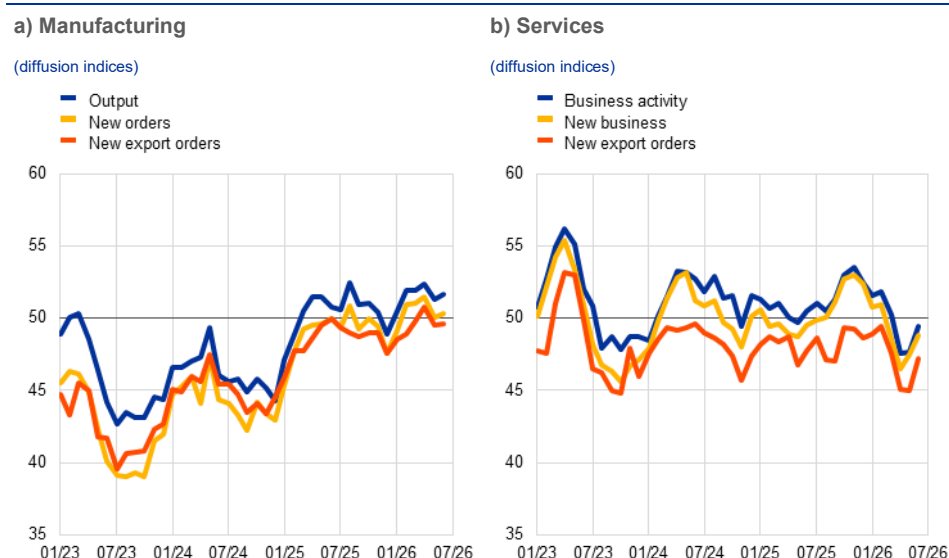
Available indicators point to a moderate expansion in economic activity in the second quarter, with uneven developments across sectors, notwithstanding headwinds from the conflict in the Middle East.¹

Total market production stood 0.3% above its first-quarter average in April, reflecting stronger activity in intermediate and capital goods production, particularly in high-technology and defence-related industries, as well as in construction and, to a lesser extent, digital services. These gains were partly offset by declines in consumer goods production, reflecting the continued weakness in pharmaceuticals, and by lower consumer services activity, which was adversely affected by higher energy prices and elevated uncertainty related to the conflict in the Middle East. Industrial production data for May broadly corroborated this picture. With regard to surveys, the composite output Purchasing Managers' Index (PMI) fell marginally into contractionary territory in the second quarter, driven primarily by weakness in the services sector, while recovering somewhat at the end the quarter (Chart 4). Similarly, the European Commission's Economic Sentiment Indicator rose further in June but remained well below its pre-war level observed in February.

¹ According to the flash estimate released by Eurostat on 30 July, euro area real GDP expanded by 0.4%, quarter on quarter, in the second quarter of the year and by 0.3% when excluding volatile Irish data. This estimate was not available at the time of the July Governing Council meeting.

Chart 4

PMI indicators across sectors of the economy



Source: S&P Global Market Intelligence.

Note: The latest observations are for June 2026.

Forward-looking indicators signal continued moderate growth over the near term.

PMI activity expectations and the European Commission's business expectations index, which both declined sharply after the onset of the war in the Middle East, had partially recovered by the end of the second quarter. This points to some resilience in the euro area economy, supported by a partial reversal of energy prices and further improvements in supplier delivery times. At the same time, these expectations remain below their pre-conflict levels, reflecting elevated uncertainty. Contacts from the ECB's Corporate Telephone Survey expect continued modest growth in the third quarter, with momentum remaining uneven across sectors (see [Box 5](#)). Manufacturing is expected to benefit from sustained demand in high-technology and defence-related industries, but also from reduced competition from Asia (driven by higher costs or temporary supply disruptions), as well as precautionary buying ahead of expected price rises. By contrast, services are expected to grow at a slower pace, weighed down by subdued consumer services as travel-related activity continues to be affected by geopolitical uncertainty.

The unemployment rate remains low, but job creation has slowed and labour demand continues to soften.

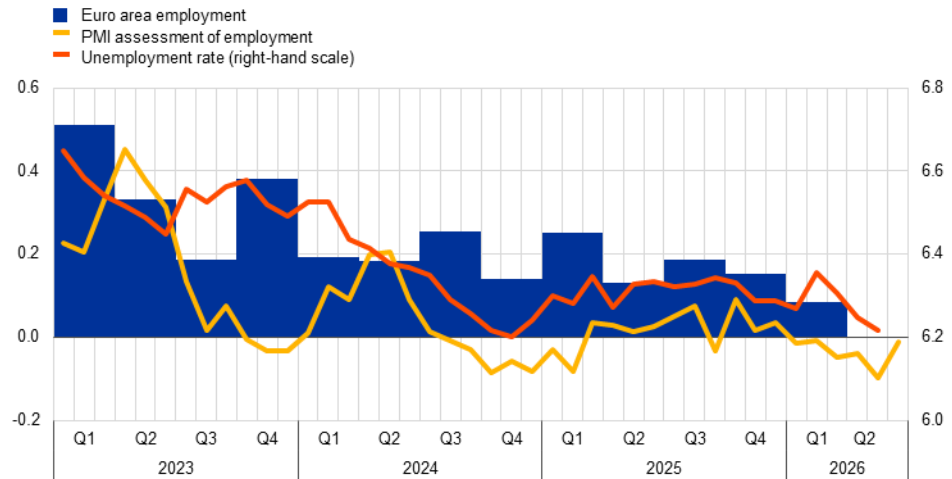
The unemployment rate stood at 6.2% in May, having remained broadly stable at this level since mid-2024 (Chart 5). In the first quarter of 2026 employment continued to grow, quarter on quarter, supported by an expanding labour force, while total hours worked decreased by 0.2%. The pace of job creation moderated further to 0.1%, quarter on quarter, and 0.4%, year on year, at the beginning of 2026, following increases of 0.8% in 2025, 1.0% in 2024 and 1.5% in 2023. The gradual moderation in employment growth partly reflects a continued softening in labour demand. The job vacancy rate has been on a downward trend since the second half of 2022. After edging up slightly to 2.3% at the end of 2025, driven by developments in the construction sector, it declined again to 2.2% in the first quarter of 2026. Sectoral trends have diverged over the past year, with

vacancies in construction rising, while vacancies in market services and industry have continued to decline.

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 latest observations are for the first quarter of 2026 for euro area employment, June 2026 for the PMI assessment of employment and May 2026 for the unemployment rate.

Short-term labour market indicators suggest weak employment momentum in the second quarter of 2026. The monthly composite PMI for employment fell below the neutral threshold of 50 at the beginning of the year. The index showed signs of recovery in June, edging up to 49.9 from 49.0 in May, suggesting that employment was broadly unchanged in the second quarter of the year. The PMI for employment in the services sector returned to expansionary territory in June 2026, reaching 50.4, while the PMI for employment in the manufacturing sector remained firmly in the contractionary territory at 48.2. After increasing strongly following the outbreak of the war in the Middle East, one-year-ahead unemployment expectations reported by respondents to the Consumer Expectations Survey and the European Commission (DG ECFIN) business and consumer surveys stabilised at elevated levels in June.

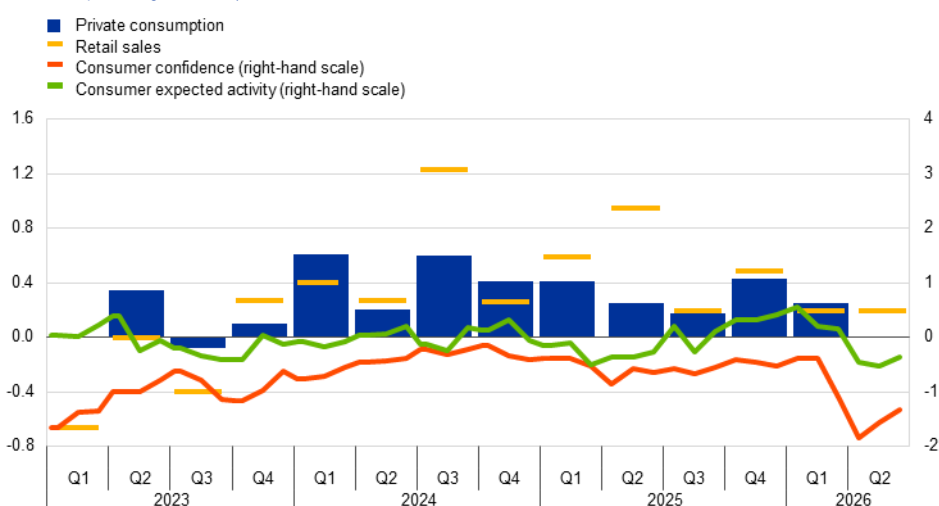
Private consumption likely slowed further in the second quarter, after growing by 0.3%, quarter on quarter, in the first quarter of the year. Retail trade volumes expanded by 0.2%, quarter on quarter (on average for April-May), with declining fuel sales broadly offset by improvements in other components, especially food (Chart 6). Developments across consumer services production were mixed. Accommodation and food services production declined in April compared with the first quarter, while production increased in air transport and travel. High-frequency indicators point to subdued consumption growth in the third quarter as the economic effects of the war in the Middle East continue to unfold. Consumer uncertainty declined further in June. The European Commission's consumer confidence indicator continued to improve in June, although it remained well below its February reading. The European Commission's consumer-weighted expected activity indicator also improved in June but remained below both its long-term average and the February reading. Elevated

energy prices and the uncertainty triggered by the war in the Middle East are likely to continue weighing on private consumption in the quarters ahead. While the Memorandum of Understanding (MoU) drawn up between the United States and Iran initially raised the prospect of a lasting reversal in oil prices, subsequent developments have made such an outcome less likely, pointing to higher energy prices being a more persistent drag on purchasing power and household spending. The impact is expected to be cushioned to some extent by robust household balance sheets. However, lower-income households remain particularly exposed, as they spend a larger share of their budgets on energy while having more limited ability to smooth consumption (see [Box 3](#)). At the same time, elevated uncertainty appears to be restraining consumption through its effects on consumer confidence. So far, the decline in sentiment has primarily led higher-income households to cut back on discretionary spending (see [Box 2](#)).

Chart 6

Private consumption and high-frequency indicators

(private consumption and retail sales: quarter-on-quarter percentage changes; consumer confidence and expected activity: standardised percentage balances)



Sources: Eurostat, European Commission and ECB calculations.

Notes: "Consumer expected activity" refers to a weighted average of business expectations for the next three months with regard to production for manufacturing, employment for construction, business for trade and demand for services from the European Commission business survey, weighted according to the sectoral shares in euro area private consumption from the FIGARO input-output tables for 2023. All series are standardised for the whole sample from January 1999. The latest observations are for the first quarter of 2026 for private consumption, the second quarter of 2026 (based on April-May 2026) for retail sales and June 2026 for all other items.

Business investment is expected to have softened in the second quarter of 2026, amid higher energy prices and elevated uncertainty.

Following a period of robust growth in the second half of 2025, euro area non-construction investment (excluding volatile Irish intellectual property products) increased by 0.6%, quarter on quarter, in the first quarter of the year, marking a moderation in investment momentum (Chart 7, panel a). Incoming information for the second quarter presents a mixed picture. On the one hand, industrial production of capital goods rose by 1.1%, quarter on quarter, in April and May, likely reflecting some frontloading of investment spending, as also suggested by respondents to the July round of the Corporate Telephone Survey. On the other hand, PMI indicators for capital goods output and new business remained in contractionary territory in June (at 49.8 for

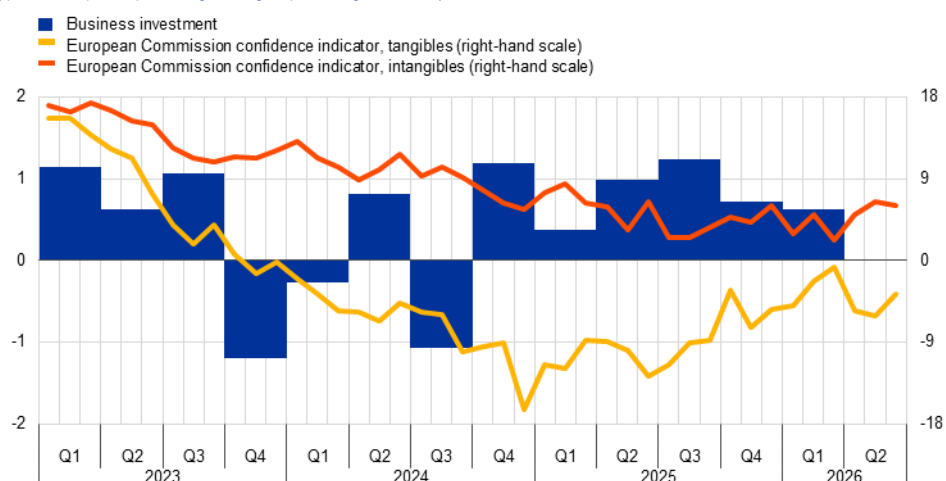
output and 49.7 for new business) pointing to continued weakness in investment in tangible assets, such as machinery and equipment. Looking ahead, rising financing costs and continued geopolitical uncertainty are also likely to weigh on investment in physical capital over the coming quarters. By contrast, available evidence suggests that investment in intangible assets may remain more resilient. Evidence from the Survey on the Access to Finance of Enterprises ([SAFE](#)) shows that, up until now, the conflict in Middle East has had a limited impact on firms' expectations for investment in the next 12 months. In addition, Corporate Telephone Survey respondents identified AI-related technologies as a key driver of current and planned investment, while also reporting renewed investment interest in renewable energy and electrification triggered by the war. Consistent with evidence that uncertainty tends to weigh more heavily on investment in physical capital than on intangible assets, owing to their different financing structures and adjustment costs, intangible investment appears to be less vulnerable to the current environment of heightened uncertainty.²

Chart 7

Real investment dynamics and survey data

a) Business investment

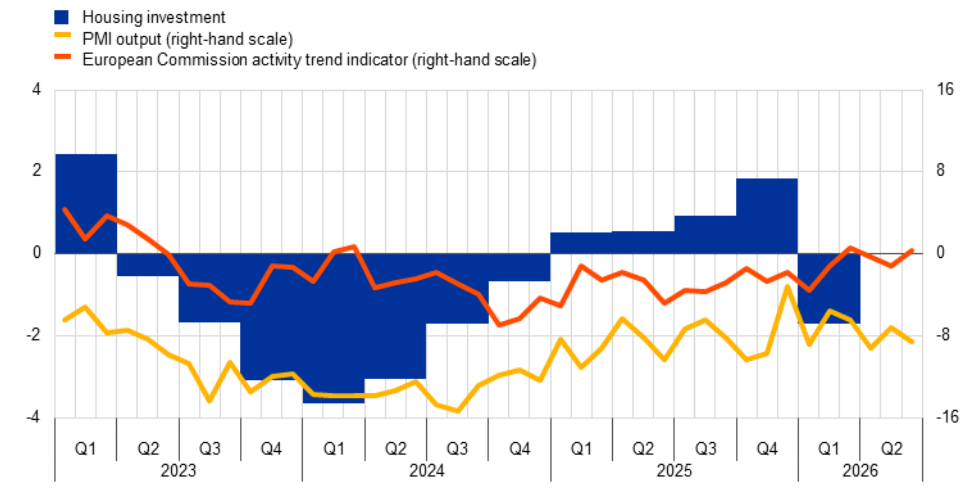
(quarter-on-quarter percentage changes; percentage balances)



² See the article entitled "[The cost of not knowing: how uncertainty weighs on the euro area economy](#)" in this issue of the Economic Bulletin.

b) Housing investment

(quarter-on-quarter percentage changes; percentage balances and diffusion index)



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

Notes: The lines indicate monthly developments, while the bars refer to quarterly data. The PMIs are expressed in terms of the deviation from 50. In panel a), business investment is measured by non-construction investment excluding Irish intangibles. For the confidence indicators, "tangibles" refers to the capital goods sector (the producers of tangible machinery and equipment) and "intangibles" is a weighted average of the subsectors supplying investment related to intellectual property products, i.e. publishing activities (NACE J58); computer programming and consultancy (NACE J62); and information activities (NACE J63). In panel b), the line for the European Commission activity trend indicator refers to the weighted average assessment of the building and specialised construction sectors 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 first quarter of 2026 for investment and June 2026 for PMI output and the European Commission indicators.

Housing investment is expected to have resumed a recovery path in the second quarter of 2026, following the sharp decline in the first quarter. Housing investment fell by 1.7%, quarter on quarter, in the first quarter (Chart 7, panel b), partly owing to adverse weather conditions. At the same time, persistently high construction costs continued to weigh on residential building activity. Following the outbreak of the conflict in the Middle East, input prices and selling price expectations for energy-intensive construction inputs, such as cement and concrete, increased further from already high levels. After the signing of the US-Iran MoU, sentiment started to normalise in June. Consistent with this, the European Commission's indicator of recent trends in building and specialised construction activity moved back to positive levels. In addition, the order books of construction firms improved in line with an increasing number of building permits in the first quarter of 2026, pointing to robust underlying demand. Taken together, these supportive demand conditions suggest that housing investment is continuing its gradual recovery following the dip in the first quarter, notwithstanding persistent cost pressures and still-muted activity indicators.

The recent improvement in extra-euro area exports appears to be fragile, with leading indicators signalling renewed weakness and rising import price pressures ahead. The volume of extra-euro area goods exports increased by 1.8% in the three months to April compared with the preceding three-month period, while import volumes rose by 0.3%. However, the rise in exports largely reflects a base effect following particularly weak exports at the end of 2025 and does not yet point to a broad-based strengthening in export momentum. Looking ahead, short-term indicators suggest renewed weakness. PMI indicators remained in contractionary territory in May and June, with a more pronounced weakness in services than in

manufacturing. Exports continue to be supported by precautionary stock-building, amid concerns over supply availability and price pressures. The decline in euro area import prices, which started in April 2025 and was broad-based across trading partners, appears to have come to an end, largely on account of higher energy prices. Import price pressures are expected to broaden in the period ahead, partly driven by rising Chinese import prices, although those prices still remain below their levels at the end of 2024.

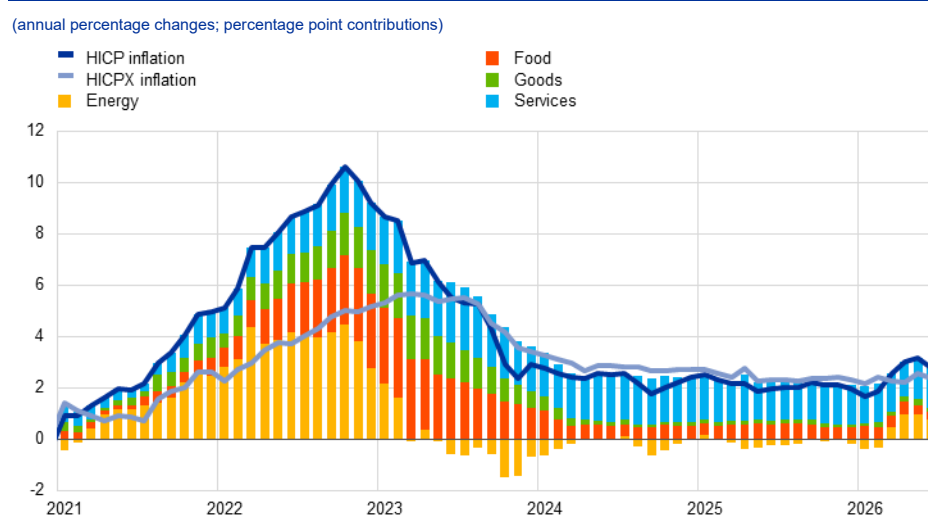
The euro area outlook remains highly uncertain owing to ongoing geopolitical tensions and heightened oil price volatility. A prolonged disruption to energy supplies could keep oil prices higher for longer, eroding real incomes further and raising production costs, weighing on consumption and investment. Intensified trade disruptions could further weaken growth. Russia's war against Ukraine remains another major source of uncertainty. Conversely, growth could turn out stronger than expected if energy markets adjust more quickly than currently expected. Planned increases in defence and infrastructure spending, reforms to enhance productivity and complete the Single Market, as well as euro area firms adopting new technologies, could also provide additional support to economic activity.

3 Prices and costs

Annual euro area headline inflation declined to 2.8% in June 2026, from 3.2% in May, owing to decreases in all components. While developments in underlying inflation have remained contained, the full effects of the energy shock have yet to play out. Annual growth in compensation per employee decreased to 3.5% in the first quarter of 2026, from 3.8% the quarter before. Negotiated wage growth and forward-looking indicators, such as the ECB's wage tracker and surveys on wage expectations, continue to indicate moderate wage growth over the coming quarters. Inflation expectations remain at elevated levels 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 by the Harmonised Index of Consumer Prices (HICP), decreased to 2.8% in June 2026, from 3.2% in May (Chart 8). This reflects a sharp decline in energy inflation as well as decreases in food inflation and HICP inflation excluding energy and food (HICPX). In the second quarter of 2026 euro area headline inflation stood at 3.0%, 0.2 percentage points below the June 2026 Eurosystem 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 June 2026.

Energy inflation fell noticeably in June, to 8.5% from 10.8% in May. The decline reflects mainly a month-on-month decrease in energy prices (1.8%). This was driven by falling transport fuel prices, amid lower oil prices linked to the improved prospects for a resolution of the war in the Middle East observed in June. The decrease in the annual growth rate of transport fuel prices was only partially offset by an increase in the annual growth rate of gas and electricity prices. HICP inflation excluding energy also edged down, from 2.4% in May to 2.2% in June.

Food inflation decreased to 1.5% in June from 1.9% in May. This encompasses a decline in both unprocessed food inflation and processed food inflation.

Unprocessed food inflation dropped to 3.1% in June from 4.0% in May, while processed food inflation decreased to 0.9% from 1.1% over the same period.

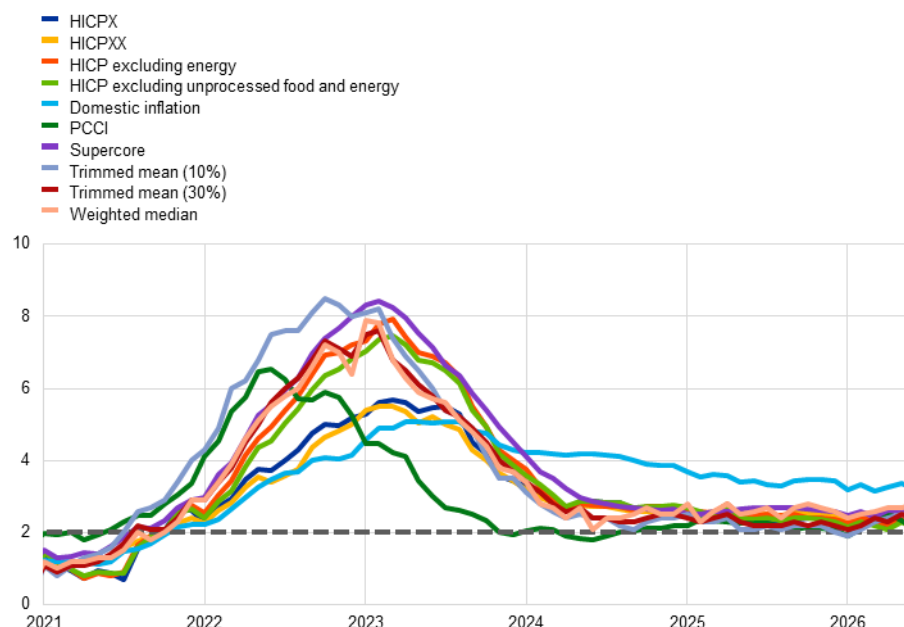
Overall, the indirect effects of the recent energy price shock on food inflation appear to be limited thus far. Instead, current adverse weather conditions – summer heatwaves and the developing El Niño (a recurring climate pattern that alters weather around the world, increasing the likelihood of floods, droughts and heatwaves) – may pose upside risks to the inflation outlook.

HICPX inflation moderated to 2.4% in June from 2.6% in May. This reflects lower rates of services inflation (3.2% in June, down from 3.5% in May) and non-energy industrial goods (NEIG) inflation (0.7% in June, down from 0.9% in May). The decline in services inflation was mainly driven by a decrease in transport services and recreation services, owing to the easing of price dynamics in June following the surge in jet fuel prices as well as the boost to tourism in May due to the higher number of public holidays. The subdued rate of NEIG inflation in June mainly reflects a strong decrease in the inflation of semi-durable and, to a lesser extent, durable goods.

Almost all underlying inflation indicators declined in June compared with the previous month (Chart 9). These indicators ranged between 2.1% and 2.5% in June. Most exclusion-based measures decreased by between 0.1 and 0.2 percentage points, except for HICP excluding energy and food, travel-related items, clothing and footwear (HICPXX), which was unchanged at 2.4%, and the weighted median, which ticked up. Regarding model-based indicators, the Persistent and Common Component of Inflation decreased to 2.1% in June, from 2.3% in May, while the Supercore indicator, which comprises HICP items sensitive to the business cycle, edged down to 2.5% from 2.6%. Domestic inflation, which comprises items with a low import content, also eased in June, to 3.2% from 3.4% in May. Overall, the latest readings of underlying inflation measures point to broadly stabilising underlying price pressures.

Chart 9**Indicators of underlying inflation**

(annual percentage changes)



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 June 2026.

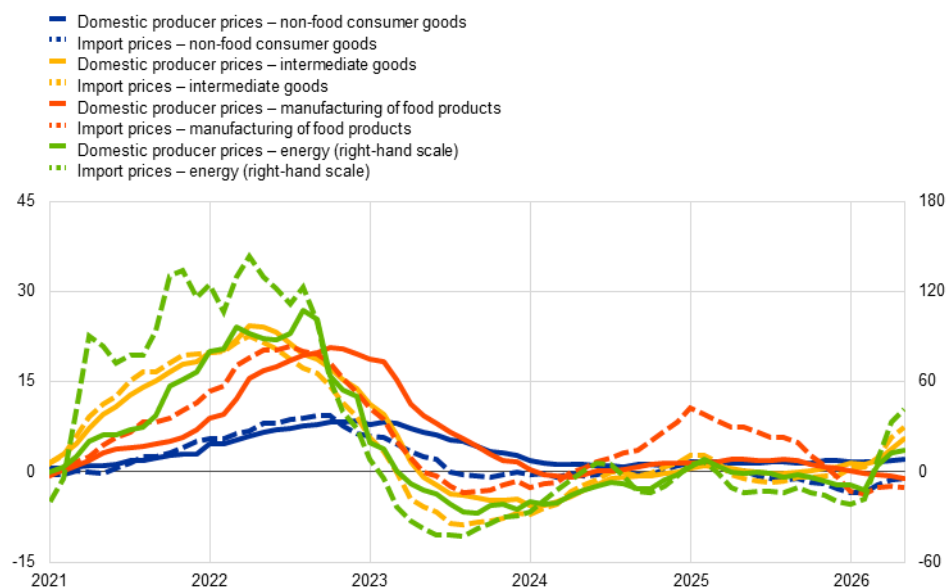
Pipeline pressures increased further at the early stages of the pricing chain but are still contained at the later stages (Chart 10).

At the early stages of the pricing chain, energy producer price inflation increased by 1.5 percentage points in May, reaching 14.0% year on year. Similarly, energy import price inflation rose by 8.5 percentage points to 41.6% year on year. Despite being substantial, these increases were smaller than those recorded in April, when energy producer and import price inflation rose by 8.5 and 25.8 percentage points respectively. Regarding intermediate goods, both domestic producer price inflation and import price inflation increased in May, to 5.5% and 7.4% respectively. At the later stages of the pricing chain, pipeline pressures for non-food consumer goods showed little change, with domestic producer price inflation edging up to 2.1% and import price inflation remaining negative at -1.2%. Manufactured food producer price inflation also remained in negative territory (-1.0%), as did import price inflation for manufactured food, which stood at -2.6% in May. As the latest available data predate the June 2026 US-Iran Memorandum of Understanding and the subsequent reescalation of the conflict, developments in producer and import prices remain subject to high uncertainty.

Chart 10

Indicators of pipeline pressures

(annual percentage changes)



Sources: Eurostat and ECB calculations.

Note: The latest observations are for May 2026.

Domestic cost pressures, as measured by growth in the GDP deflator, decreased to 2.4% (2.5% when excluding volatile Irish data) in the first quarter of 2026 (Chart 11). The decline in the GDP deflator reflects a lower contribution from unit profits, only partially offset by higher contributions from unit labour costs, while contributions from unit taxes were unchanged. Unit labour costs increased by 3.6% in the first quarter of 2026, up from 3.4% in the fourth quarter of 2025. This reflects a fall in the annual growth rate of labour productivity, which turned negative (from 0.3% to -0.1%), mitigated somewhat by a decline in the annual growth rate of compensation per employee (from 3.8% to 3.5%). The decline in the annual growth rate of compensation per employee stemmed from a drop in negotiated wage growth, to 2.5% in the first quarter of 2026 from 2.9% in the fourth quarter of 2025, while the wage drift component increased to 1.5 percentage points, from 1.3 percentage points over the same period. Excluding the volatile Irish data, however, the unit profits contribution remained unchanged while that of unit labour costs decreased (to 1.7% from 2.0%). Unit labour costs growth excluding Irish data declined (to 2.9% from 3.4%) on the back of a small increase in labour productivity growth (to 0.5% from 0.4%) and a decrease in compensation per employee (to 3.4% from 3.8%). Looking ahead, the ECB wage tracker, which has been updated with data on wage agreements negotiated up to first week of July 2026, indicates broadly stable negotiated wage pressures of 2.6% in 2026 and 2.7% in the first quarter of 2027.³ Other survey indicators point to a moderation of wage growth; in the ECB's

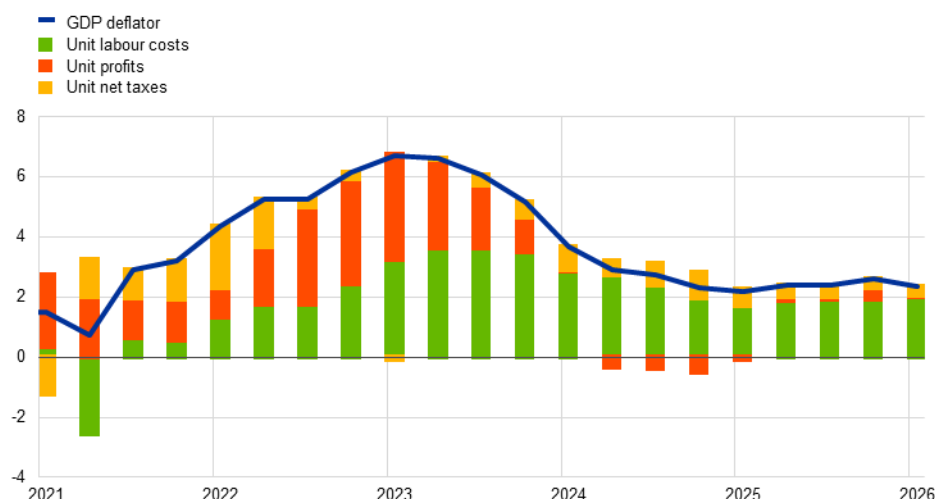
³ For further details, see ["ECB wage tracker at 2.7% in Q1 2027, indicating stable negotiated wage pressures"](#), *press release*, ECB, 29 July 2026.

Corporate Telephone Survey respondents expected wage growth to slow from 3.1% in 2025 to 2.5% in 2026 and 2.4% in 2027.⁴

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 first quarter of 2026.

Most shorter-term inflation expectations among professional forecasters, monetary analysts and consumers decreased in June 2026, while longer-term survey-based inflation expectations remained unchanged. Short-term inflation expectations for 2026 stood at 2.7% in both the July 2026 ECB Survey of Monetary Analysts (SMA), down from 2.9% in the June 2026 SMA, and the third quarter of 2026 ECB Survey of Professional Forecasters (SPF), unchanged from the second quarter of 2026. The SMA and the SPF point towards a further decline in 2027, to 2.2% (Chart 12, panel a). Regarding short-term consumer inflation perceptions and expectations, the median rate of perceived inflation over the previous 12 months eased to 3.6% in the June 2026 ECB Consumer Expectations Survey (Chart 12, panel b) from 4.0% in May. Median expectations for inflation one year ahead and three years ahead declined to 3.0% and 2.8% respectively, from 3.5% and 2.9% in May. Median expectations for inflation five years ahead remained unchanged at 2.4%. Moving to the longer-term inflation expectations, the median rates in the SMA and the SPF were unchanged at 2% (Chart 12, panel a).

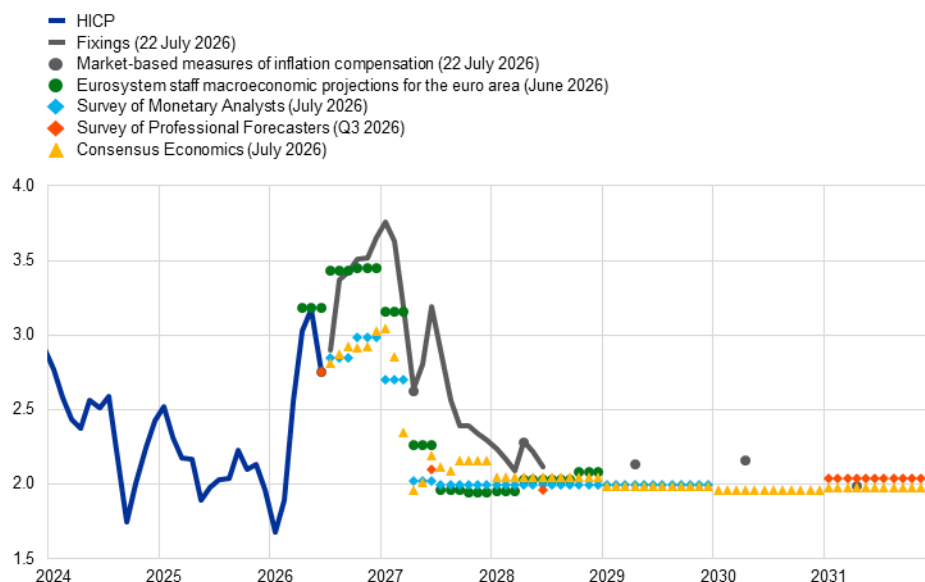
⁴ For more information, see “[Main findings from the ECB’s recent contacts with non-financial companies](#)” in this issue of the Economic Bulletin.

Chart 12

Headline inflation, inflation projections and expectations

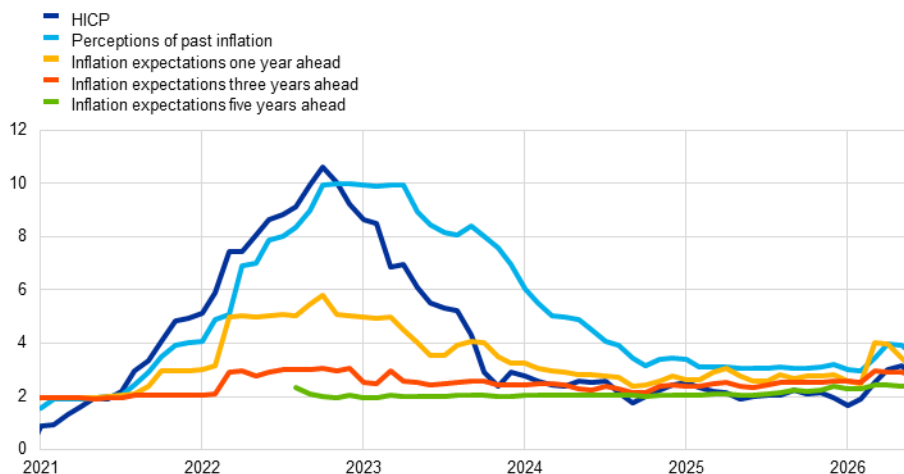
a) Headline inflation, market-based measures of inflation compensation, inflation projections and survey-based indicators of inflation expectations

(annual percentage changes)



b) Headline inflation and ECB Consumer Expectations Survey

(annual percentage changes)



Sources: Eurostat, LSEG, Consensus Economics, ECB (SMA, SPF, CES), Eurosystem staff macroeconomic projections for the euro area, June 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 22 July 2026. Inflation fixings are swap contracts linked to specific monthly releases of euro area year-on-year HICP inflation excluding tobacco. The SMA for July 2026 was conducted between 6 and 8 July 2026. The SPF for the third quarter of 2026 was conducted between 1 and 6 July 2026. The cut-off date for the Consensus Economics forecasts was 13 July 2026. The June 2026 Eurosystem staff macroeconomic projections for the euro area were finalised on 27 May 2026, and the cut-off date for the technical assumptions was 21 May 2026. In panel b), the lines for the Consumer Expectations Survey (CES) represent the median rates. The latest observations are for June 2026.

Over the review period from 11 June to 22 July, near-term market-based measures of inflation compensation decreased, while longer-term market-based expectations remained well anchored (Chart 12, panel a). Energy prices fluctuated amid developments of the conflict in the Middle East, leading to volatility in

the pricing of the inflation outlook. Inflation fixings, which are swap contracts linked to the euro area HICP excluding tobacco, decreased in the short horizon, although they still indicate that investors expect inflation to remain elevated over the coming year before easing to levels close to the ECB's 2% inflation target by mid-2027. Looking beyond the near term, the one-year forward inflation-linked swap rate one year ahead increased by 8 basis points to stand at around 2.28% at the end of the review period. When adjusted for inflation risk premia, however, the same measure declined by 3 basis points to stand at 1.99% 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.

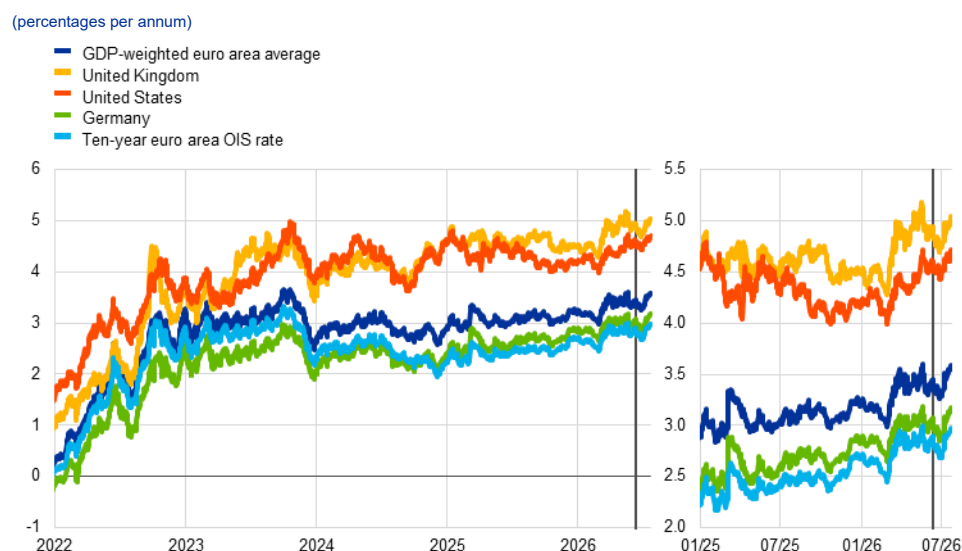
Over the review period from 11 June to 22 July 2026, euro area financial markets responded positively to the Memorandum of Understanding (MoU) agreed between the United States and Iran, before going into reverse as tensions between the two countries re-escalated. The rate hike announced by the Governing Council on 11 June was well anticipated and fully transmitted through money markets and broader capital markets. At the end of the review period, the euro short-term rate (€STR) forward curve was pricing in around 40 basis points of cumulative policy rate hikes by the end of 2026, which is similar to the level priced in at the start of the review period. Long-term interest rates and sovereign bond yields were unchanged overall, leaving real forward rates and sovereign bond spreads over risk-free rates broadly stable as well. Broad stock market indices in the euro area moved up over the review period on account of a positive long-term earnings outlook, although swings in sentiment towards artificial intelligence (AI) triggered some intra-period volatility. Corporate bond spreads narrowed slightly in both the investment-grade and high-yield segments. In foreign exchange markets, the euro depreciated slightly against the US dollar (-1.1%) and was largely stable in trade-weighted terms (-0.4%).

Euro area short-term risk-free rates increased over the review period, while longer-term risk-free rates remained broadly unchanged. Following the Governing Council's decision at its meeting on 11 June 2026 to raise the three key ECB interest rates by 25 basis points, the benchmark €STR stood at 2.2% at the end of the review period. Excess liquidity decreased by around €55 billion to €2,161 billion, which mainly reflected the continuing decline in the portfolios of securities held for monetary policy purposes. Having fallen between the April and June Governing Council meetings as tensions in the Middle East eased, near-term forward rates continued to fall following the signing of the MoU between the United States and Iran on 17 June. However, they subsequently started to increase again as hostilities resumed. The €STR forward curve at the end of the review period implied cumulative interest rate hikes of around 40 basis points by the end of 2026, similar to the level priced in at the start of the review period. Looking beyond the end of the year, €STR forward rates at the end of the review period had risen slightly relative to the start of the review period. The ten-year nominal overnight index swap (OIS) rate increased by 12 basis points over the review period, to stand at 3.0%.

Overall, euro area long-term sovereign bond yields rose slightly over the review period, with little change in spreads relative to risk-free rates (Chart 13). The ten-year GDP-weighted euro area sovereign bond yield increased by 18 basis points, closing the review period at around 3.6%. Ten-year sovereign yields across the euro area largely tracked the risk-free OIS rate, and cross-country dispersion in sovereign spreads over risk-free rates remained at historically low levels despite the uncertain environment. The ten-year US Treasury yield increased by around 20 basis points, to stand at 4.7%. Ten-year UK gilt yields fluctuated somewhat over the review period and ended around 5 basis points higher, at 5.0%.

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 11 June 2026. The latest observations are for 22 July 2026.

Broad stock market indices in the euro area gained over the review period on account of a positive earnings outlook, but there was some intra-period volatility due to swings in sentiment towards AI. Overall, euro area stock markets rose by 3.3% over the review period, with the sub-index for non-financial corporations (NFCs) increasing by 0.4% and bank stock prices moving up by 14.7%. Bank stocks received a boost from the Governing Council's policy rate increase on 11 June and were subsequently supported by tailwinds from the US-Iran MoU and strong second-quarter earnings reports from US banks on the back of buoyant trading activity. In the United States, the broad equity market index went up by 1.4%, with NFCs and banks posting increases of 0.7% and 8.1% respectively. Apart from the macroeconomic effects related to more favourable near-term inflation and monetary policy expectations, the main driver of stock market volatility on both sides of the Atlantic was sentiment towards AI. Since the potential payout of AI is far in the future, market commentaries increasingly point to the speculative risks associated with massive AI investments.

In corporate bond markets, euro area investment-grade and high-yield spreads narrowed over the review period, returning to their pre-war levels. This compression in euro area corporate spreads reflected an improvement in risk appetite following the deterioration triggered by the outbreak of the war in the Middle East. The narrowing was most pronounced in the high-yield segment, where spreads tightened by around 20 basis points. Investment-grade spreads declined by approximately 2 and 3 basis points for NFCs and financial firms respectively.

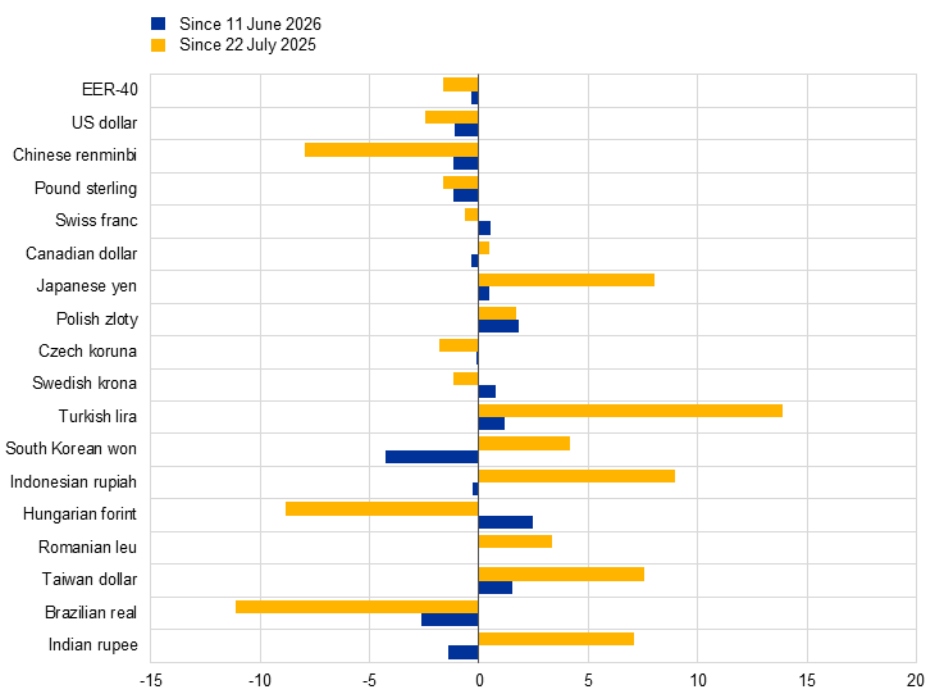
In foreign exchange markets, the euro depreciated against the US dollar but was more stable in trade-weighted terms (Chart 14). The nominal effective exchange rate of the euro – as measured against the currencies of 40 of the euro area's most important trading partners – was largely stable over the review period

(-0.4%) but remained below pre-war levels. This relative stability reflected broadly counterbalancing movements against several of these currencies. The euro weakened against both the US dollar (-1.1%) and Chinese renminbi (-1.2%). The strength of the US dollar was underpinned primarily by a shift in market expectations towards a tightening of monetary policy by the Federal Reserve System, combined with resilient macroeconomic data in the United States. The euro also lost ground against the pound sterling (-1.1%), the South Korean won (-4.3%) and the Brazilian real (-2.7%). By contrast, the euro appreciated against the Polish zloty (+1.8%) and the Hungarian forint (+2.5%).

Chart 14

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

(percentage changes)



Source: ECB calculations.

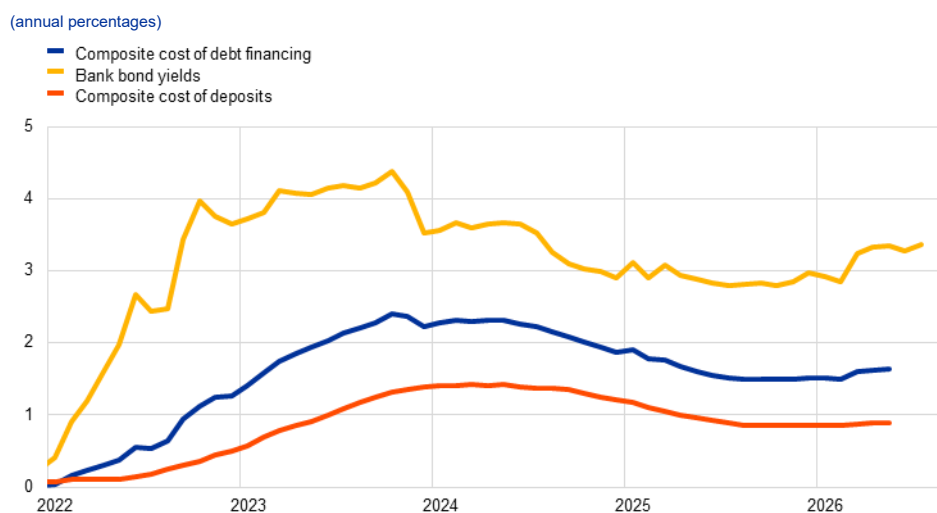
Notes: EER-40 is the nominal effective exchange rate of the euro against the currencies of 40 of the euro area's most important trading partners. A positive (negative) change corresponds to an appreciation (depreciation) of the euro. All changes have been calculated using the foreign exchange rates prevailing on 22 July 2026.

Bank lending rates for firms remained unchanged in May, at 3.6%, while mortgage rates rose to 3.5%. Over the review period from 11 June to 22 July 2026, both the cost to non-financial corporations of market-based debt and the cost of equity increased, driven by both a rising equity risk premium and higher risk-free long-term rates. Growth in loans to firms increased in May to 4.0%, while growth in loans to households edged up to 3.1%. The annual growth rate of broad money (M3) increased to 3.2%. According to the July 2026 euro area bank lending survey, banks reported a small increase in demand for new loans to firms on the back of a moderate tightening of credit standards in the second quarter of 2026. Demand for housing loans decreased markedly and consumer credit demand fell slightly, while credit standards for household loans tightened. In the Survey on the Access to Finance of Enterprises (SAFE) for the second quarter of 2026, which was conducted between 21 May and 26 June 2026, firms reported an increase in bank interest rates as well as a continued tightening of other lending conditions.

Bank funding costs remained stable in May. The composite cost of debt financing for euro area banks remained unchanged at 1.6% in May (Chart 15). Following the outbreak of the war in the Middle East on 28 February, bank bond yields increased by around 70 basis points, before levelling off by the end of April and continuing to fluctuate at just below 3.5%. The composite deposit rate, which measures the marginal cost of bank deposit funding, remained stable at 0.9% in May. Interest rates on time deposits increased slightly, while rates on overnight deposits, savings accounts and interbank rates were unchanged.

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 May 2026 for the composite cost of debt financing and the composite cost of deposits, and 22 July 2026 for bank bond yields.

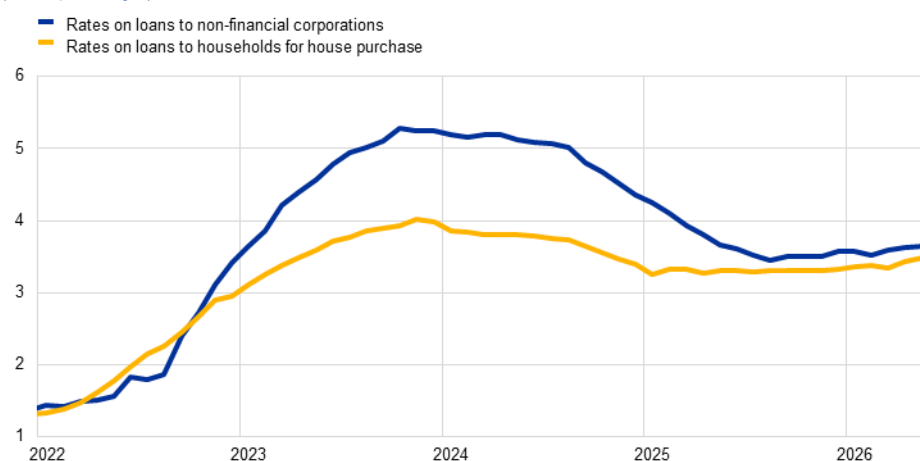
Bank lending rates for firms remained stable in May, while those for households increased slightly (Chart 16).

The cost of bank borrowing for non-financial corporations was broadly unchanged at 3.6% in May, around 160 basis points below its October 2023 peak. Rate increases were observed for loans with medium-term fixation periods (between one and five years), whereas rates for loans with other fixation periods remained unchanged. The spread between interest rates on small and large loans to firms widened somewhat further by 11 basis points, driven by higher rates on small loans, although the widening remained contained by historical standards. The cost of borrowing for households for house purchase edged up to 3.5% in May, from 3.4% in April, still around 60 basis points below its November 2023 peak. The increase reflects a modest increase in rates for short-term and medium-term loans, while those for loans with longer maturities were stable.

Chart 16

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

(annual percentages)



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 May 2026.

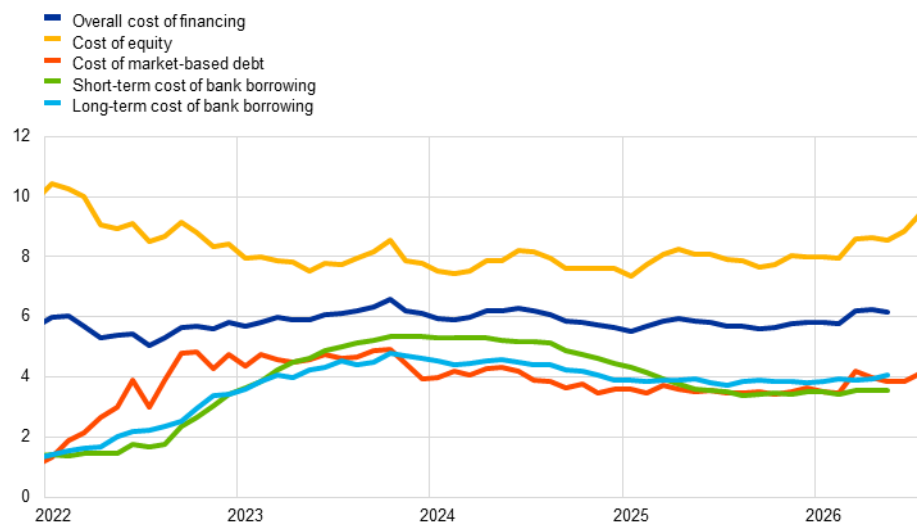
Over the review period from 11 June to 22 July 2026, both the cost of market-based debt issued by firms and the cost of equity financing increased.

The overall cost of financing for non-financial corporations – the composite cost of bank borrowing, market-based debt and equity – remained at 6.2% in May 2026 for the third consecutive month (Chart 17).⁵ The slight decline in the cost of both equity and market-based debt financing was compensated by an increase in the cost of long-term bank borrowing. Over the review period as a whole, the cost of market-based debt increased owing to higher risk-free rates, which were only partly compensated by a small decline in corporate bond spreads, especially in the high-yield segment (see Section 4, “Financial market developments”). The cost of equity financing also increased over the review period, which was primarily attributable to a higher equity risk premium, followed by rising long-term risk-free rates.

⁵ 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 May 2026.

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

(annual percentages)



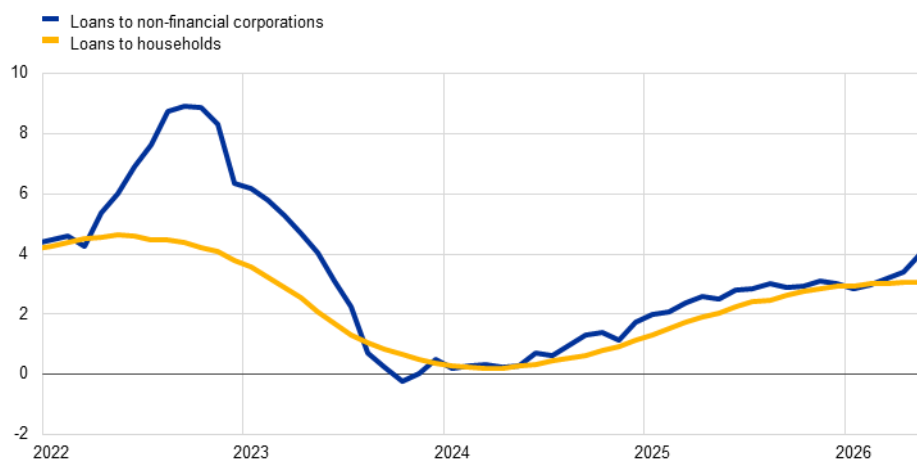
Sources: ECB, Eurostat, Dealogic, Merrill Lynch, Bloomberg Finance L.P., LSEG and ECB calculations.

Notes: The overall cost of financing for non-financial corporations is based on monthly data and is calculated as an average of the short and long-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 22 July 2026 for the cost of market-based debt and the cost of equity (daily data), and May 2026 for the overall cost of financing and the short and long-term cost of borrowing from banks (monthly data).

Growth in loans to firms increased in May, partly offset by slower growth in corporate bond issuance, while growth in loans to households edged up slightly (Chart 18). The annual growth rate of bank lending to non-financial firms increased to 4.0% in May, from 3.4% in April, still below its historical average of 4.3% since the start of 1999. The annual growth rate of external debt financing by firms rose to 3.9% in May, up from 3.7% in April, reflecting weaker growth in the net issuance of corporate bonds, which fell from 4.5% to 3.4%. Loan growth was particularly strong at longer maturities. The annual growth rate of loans to households increased slightly to 3.1% in May, up from 3.0% in April, also remaining below its historical average of 4.1% since the start of 1999. Although robust growth in consumer credit and mortgage lending continued, monthly flows for loans to households in May were weaker than in the previous months. Growth in other forms of lending to households, including loans to sole proprietors, remained subdued historically. According to the latest ECB [Consumer Expectations Survey](#) for May 2026, the war in the Middle East has adversely affected household expectations regarding credit access.

Chart 18**MFI loans in the euro area**

(annual percentage changes)



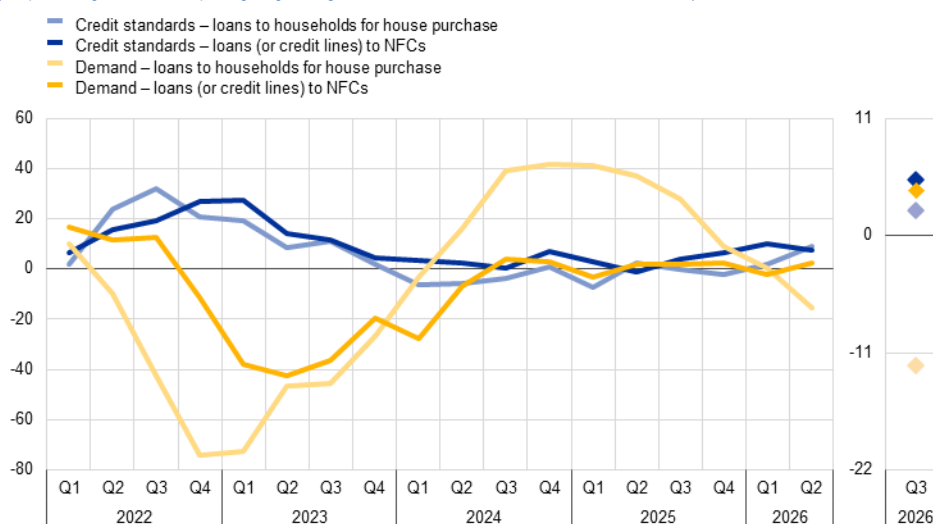
Sources: ECB and ECB calculations.

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 May 2026.

The July 2026 euro area bank lending survey, conducted between 15 and 30 June 2026, reports a further moderate tightening of credit standards for loans to firms and a further tightening of credit standards for housing loans in the second quarter of 2026 (Chart 19). The tightening of credit standards for loans or credit lines to euro area firms was less than in the first quarter and considerably smaller than previously expected by banks. Higher perceived risks to the economic outlook and lower risk tolerance on the part of banks remained the main contributing factors. The conflict between the United States and Iran remains a source of uncertainty, with banks revising their assessments as events unfold. Responses to a dedicated open-ended question show that banks remain highly attentive to risks and are continuing to closely monitor credit risks, especially in the most exposed sectors, with some reporting an additional tightening of credit standards related to geopolitical tensions and energy developments in the second quarter. Banks reported a net tightening of credit standards for both housing loans and consumer credit, with lower risk tolerance and higher risk perceptions having been the main drivers. For the third quarter of 2026, euro area banks expect credit standards to tighten at a more moderate pace for loans to firms, tighten mildly for housing loans and tighten more strongly for 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 second quarter of 2026.

Banks reported a small increase in the demand for loans to firms, while demand for housing loans decreased markedly and demand for consumer credit decreased slightly in the second quarter of 2026.

The rise in demand for loans to firms was unexpected, in that banks in the previous survey round had anticipated a more pronounced decrease. Higher loan demand was supported by higher demand for inventories and working capital, demand for fixed investment from large firms and other financing needs related to debt financing and restructuring. Demand for housing loans decreased markedly, whereas demand for consumer credit decreased slightly. Deteriorating consumer confidence and developments in interest rates were the main drag on housing loan demand, followed by worsening housing market prospects. Other factors related to the promotion of attractive lending conditions and better access to mortgage applications via digital channels had a small positive effect. Changes in housing loan demand were contained but more substantial than banks had expected. Demand for consumer credit continued to soften, reflecting lower consumer confidence and weaker spending on durable goods, as well as a small negative contribution from the general level of interest rates. For the third quarter of 2026, banks expect a moderate net increase in demand for loans to firms and further declines in demand for housing loans, while demand for consumer credit is expected to remain unchanged.

Banks' access to funding deteriorated slightly further, while risks to credit quality had a tightening impact on credit standards and those related to climate considerations had an easing impact. According to the responses of banks to the ad hoc questions in the survey, in the second quarter of 2026 the ease

with which banks were able to access debt securities, money markets and retail funding deteriorated further, although only slightly, while it remained broadly unchanged for securitisations. Over the next three months, banks expect access to debt securities, retail and money market funding to continue deteriorating, and to remain unchanged for securitisations. Banks reported a net tightening impact of non-performing loan ratios and other credit quality indicators on their credit standards for loans to firms and consumer credit, whereas this had little effect on credit standards for housing loans. Banks indicated that higher risk perceptions and lower risk tolerance and, to a much smaller extent, pressure stemming from supervisory or regulatory requirements and costs related to balance sheet clean-up operations had contributed to the net tightening. Credit standards tightened most in sectors like automotive and energy-intensive manufacturing. For the third quarter of 2026, euro area banks expect credit quality to have a further tightening impact on their credit standards for loans to firms and for consumer credit. Banks reported lower or broadly unchanged loan demand across most economic sectors. For loans to green firms and firms making progress in their green transition, euro area banks reported a net easing impact of climate change on credit standards and a positive impact on loan demand over the past twelve months, compared with a tightening impact on credit standards and a small net decrease in loan demand for high-emitting firms without credible climate transition plans. For buildings with current or targeted good or high energy performance, banks reported a climate-related net easing impact on credit standards and a positive impact on housing loan demand, while indicating tighter credit standards and a negative impact on loan demand for buildings with persistently low energy performance.

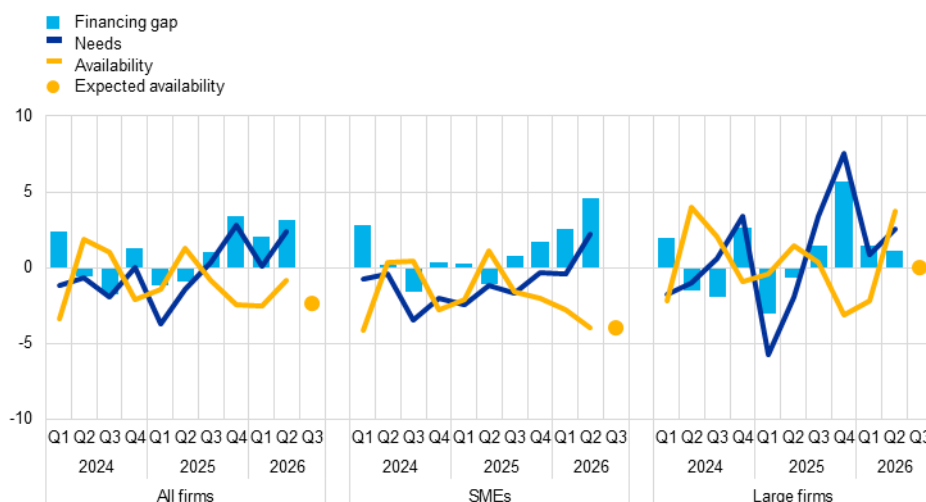
In the latest Survey on the Access to Finance of Enterprises (SAFE), conducted between 21 May and 26 June 2026, firms reported a tightening in bank lending conditions amid increases in bank interest rates. In the second quarter of 2026, a net 42% of firms reported an increase in bank interest rates, compared with a net 26% in the previous quarter. Large firms and small and medium-sized enterprises (SMEs) reported similar perceptions regarding the increase in interest rates. Beyond interest rates, firms also faced higher non-interest borrowing costs, although the pace of tightening was reported to have slowed.

Firms reported a small increase in needs for bank loans, with availability perceived as broadly unchanged, though responses diverged between SMEs and large firms (Chart 20). In the second quarter of 2026, a net 2% of firms indicated an increase in needs for bank loans (compared with a net 0% in the previous quarter), while a net 1% of firms reported a decline in bank loan availability (from 3% in the previous quarter). The responses differed by firm size: SMEs reported a further decline in availability, whereas large firms reported an increase. The bank loan financing gap indicator – an index capturing the difference between changes in needs and availability – remained positive for a net 3% of firms (up from a net 2% in the previous quarter), continuing to signal that needs exceed availability. Looking ahead, a net 2% of all firms anticipate a decline in bank loan availability over the next three months, with weaker expectations among those firms significantly affected by the war in the Middle East (a net 9% expected a decline).

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 39 of the SAFE (January-March 2024 to April-June 2026).

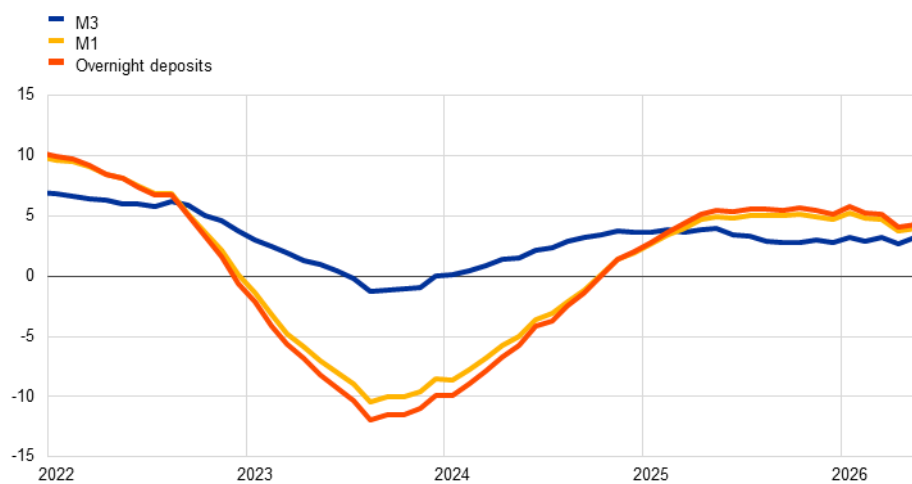
The annual growth rate of broad money (M3) rose in May, amid increased volatility of foreign inflows into the euro area (Chart 21).

Annual growth in M3 rebounded to 3.2% in May, from 2.7% in April, returning to the level recorded in March. This rebound was supported by the reversal in net foreign inflows after the large outflow in April. Broad money growth has stayed close to these levels since August 2025, well below its historical average of 5.2% observed since the start of 1999. However, it has exhibited increased volatility in recent months, primarily driven by monthly fluctuations in deposits from non-bank financial intermediaries. The annual growth rate of narrow money (M1) – comprising the most liquid instruments, namely currency in circulation and overnight deposits – increased modestly from 3.8% in April to 4.0% in May, reflecting sizeable deposit flows for all sectors, most notably firms. From a counterpart perspective, domestic credit has played a larger role in money creation since the start of the Middle East war. By contrast, the reduction of the Eurosystem balance sheet continued to weigh on M3 growth.

Chart 21

M3, M1 and overnight deposits

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



Source: ECB.

Note: The latest observations are for May 2026.

Boxes

1 Europe's venture capital gap and the financing of high-growth firms

Prepared by Adam Baumann, Zakaria Gati, Francesca Vinci and Gerome Wolf

A deeper and more integrated venture capital (VC) market could help the EU finance innovative firms, support productivity growth and retain more value from its innovation ecosystem. This box shows that Europe's VC challenges reflect gaps in later-stage financing, a relatively narrow institutional investor base and limited cross-border investment within the EU. It also highlights the productivity potential of VC-backed firms, underscoring the case for policy action, in line with the recommendations of the Kukies-Noyer report (2026).

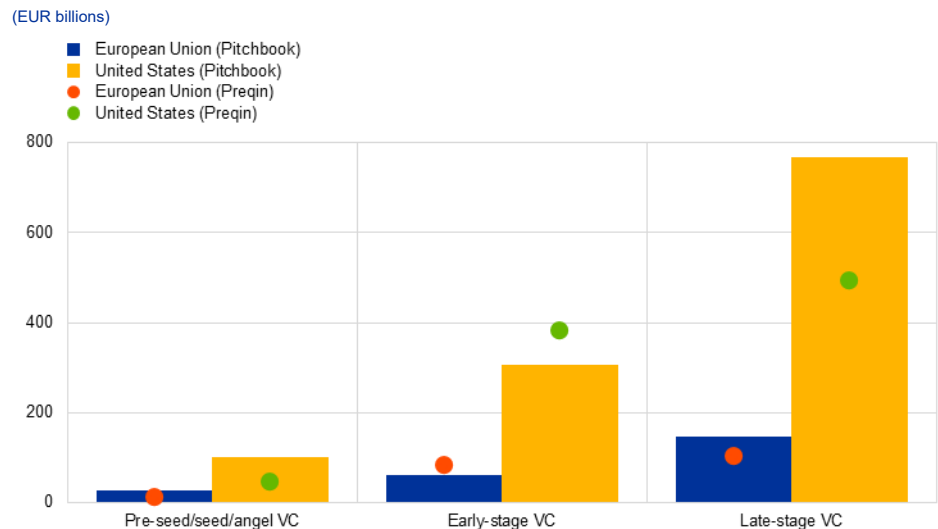
The VC gap between the EU and the United States is substantial. VC funds located in the United States are more numerous and larger – total fund size there amounts to approximately €930 billion, around six times as much as the roughly €150 billion of funds located in the EU (Banu et al., 2026).¹ Yet Europe's VC challenge goes beyond aggregate scale.

Relative to the United States, the EU VC market is less equipped to finance firms through their later growth stages, when funding requirements rise substantially. The gap with the United States widens in later-stage VC funding rounds (Chart A), which require larger amounts of capital. This creates a financing bottleneck for firms with high growth potential and substantial investment needs, as is already well documented in the literature (see, for instance, Böninghausen et al., 2025).

¹ According to Pitchbook reports, between 2020 and 2025 US funds also raised more on average – €103 million per fund per year (7,433 funds) – than funds domiciled in the EU and the United Kingdom, which raised about €73 million per fund per year (2,321 funds).

Chart A

Gap in aggregate venture capital deal value between target firms in the EU and the United States (on average over the period 2019-2024)



Sources: Pitchbook and Capital IQ Preqin data.

Notes: Sum of VC investments made for EU and US target companies, covering pre-seed/seed/angel VC (initial financing received), early-stage VC and late-stage VC. Data are for January 2019 to December 2024.

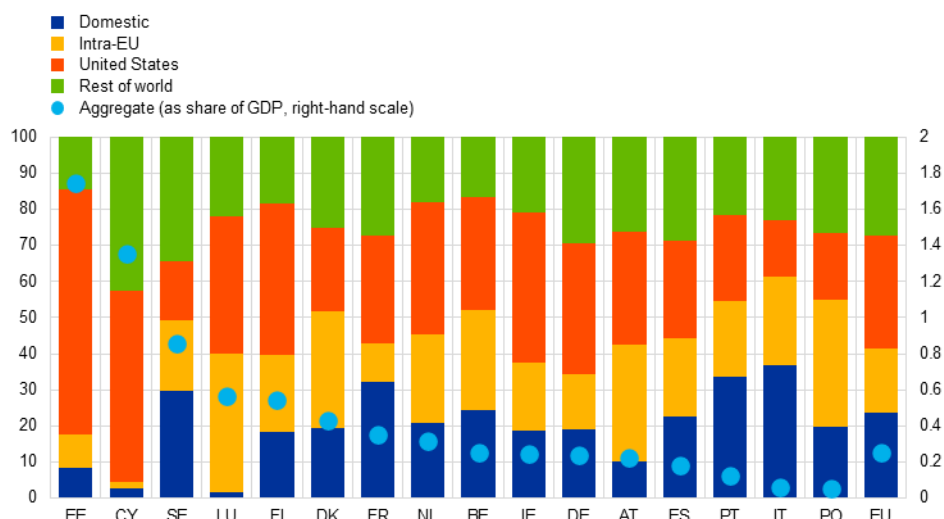
One important factor behind the smaller size of EU VC funds is the composition of their investor base. As discussed by Banu et al. (2026), US VC funds benefit from more participation by pension funds and foundations, partly because differences in pension systems and regulatory reforms have allowed them to play a more active role as investors in these markets. These investors can provide sizeable funding, flexibility and risk tolerance, meeting the needs of young, fast-growing and innovative firms with the greatest scale-up and productivity potential. In Europe, this is only partly offset by greater participation by government entities, including the European Investment Fund and public-backed investors.

The scarcity of EU investors capable of providing scale-up financing pushes firms to seek funding from abroad. Foreign investors often provide the additional funding needed by EU scale-ups, while foreign acquisitions and listings remain prevalent exit routes in Europe (Fratto et al., 2024 and Chart B). There is also stark heterogeneity within Europe: some small but highly developed VC markets, such as Estonia, remain heavily dominated by US investors. Successful start-ups in these markets often target global expansion early, which increases their demand for investors (such as US VC funds) with deeper pockets, sector expertise and access to international networks.

Chart B

EU venture capital deal value breakdown by lead investor geography (2019-2024)

(left-hand scale: percentage shares; right-hand scale: percentages)



Sources: Pitchbook data and ECB staff calculations.

Notes: Percentage share of aggregate venture capital value is based on the origin of the lead or sole investor and the aggregate deal value of the target country as a percentage of its GDP. Data are from January 2019 to December 2024.

While foreign VC can bring several benefits, it can also carry risks for

European productive capacity. An internationally diversified investor base can provide capital, expertise, networks and access to global markets. However, heavy reliance on non-EU investors, especially at later stages, may create strategic vulnerabilities, particularly where local scale-up financing is weak. US and other foreign VC investors may increase the likelihood of successful European start-ups relocating headquarters, management functions, talent, intellectual property or future listing activity outside the EU. The concern, also reflected in Weik et al. (2024) and Angeloni et al. (2026), is therefore not foreign investment per se, but Europe's capacity to retain the economic benefits generated by firms created, developed and initially financed within its own innovation ecosystem.

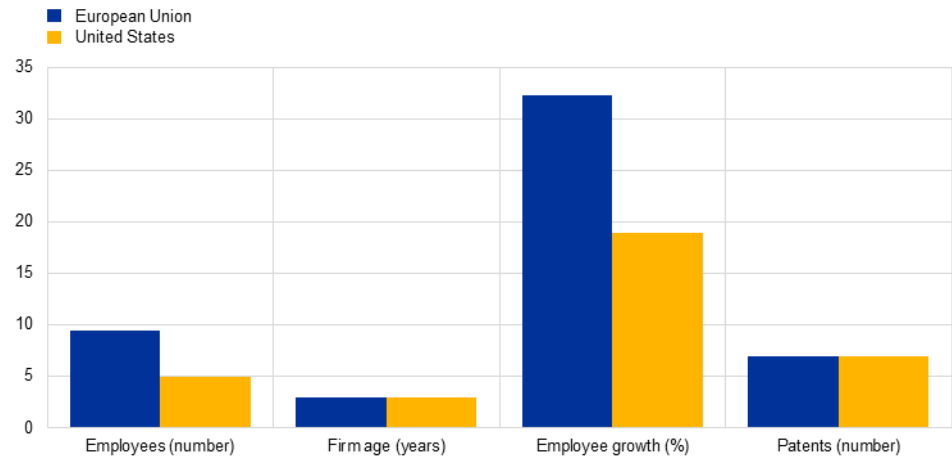
Data show that even when they have the same levels of innovative capacity and maturity as their US peers, larger and faster-growing EU firms fail to secure VC funding, suggesting higher barriers to financing.

Chart C shows that among firms that do not obtain VC financing, the median EU firm is nearly twice as large in terms of employment and grows about 15 percentage points faster, while being similar in terms of age and patenting activity. This suggests that the EU has a sizeable pool of mature, high-potential firms that could benefit from deeper and more accessible VC markets. Strengthening the EU's VC ecosystem could therefore unlock additional growth by helping more firms secure the financing they need to scale up.

Chart C

Characteristics of firms with failed venture capital deals

(medians)



Source: Pitchbook and ECB staff calculations.

Notes: Median characteristics of firms that have had at least one failed venture capital deal between the years 2010 and 2026 in the EU and the United States. Data are from January 2010 to May 2026.

Differences in industrial structure also shape how VC is allocated and, by extension, its potential to support high-growth sectors.

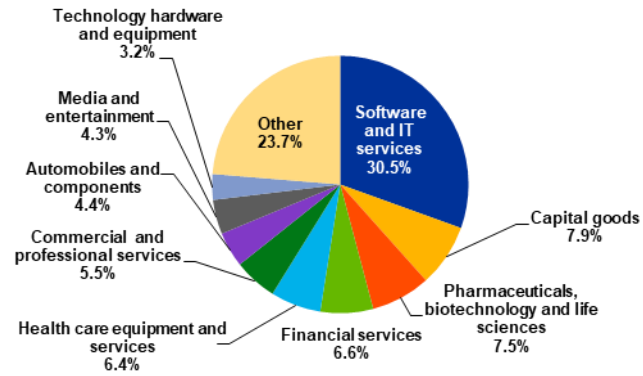
Europe's stronger traditional industrial base means that VC funding is less concentrated in high-tech, high-growth sectors than it is in the United States. While software and IT services attract the largest share of VC funding on both sides of the Atlantic, the EU allocates relatively more to sectors such as automotive and capital goods (Chart D). The share of VC going to software and IT services has stalled in the EU since 2020 but has risen in the United States, possibly contributing to the transatlantic productivity gap (Chart E and Schnabel, 2024).

Chart D

Share of aggregate venture capital deal value by target firm sector (2020-2025)

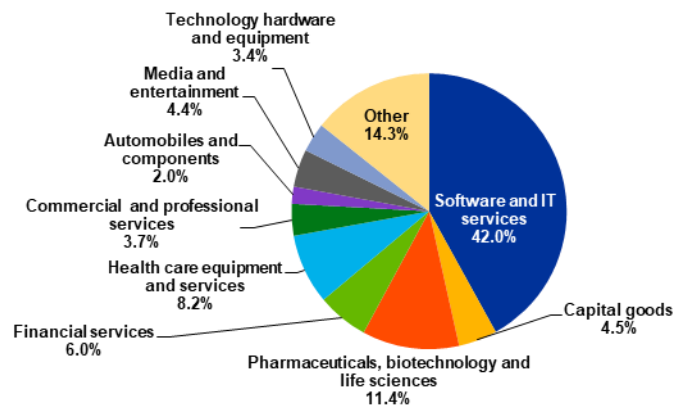
a) European Union

(percentage shares)



b) United States

(percentage shares)



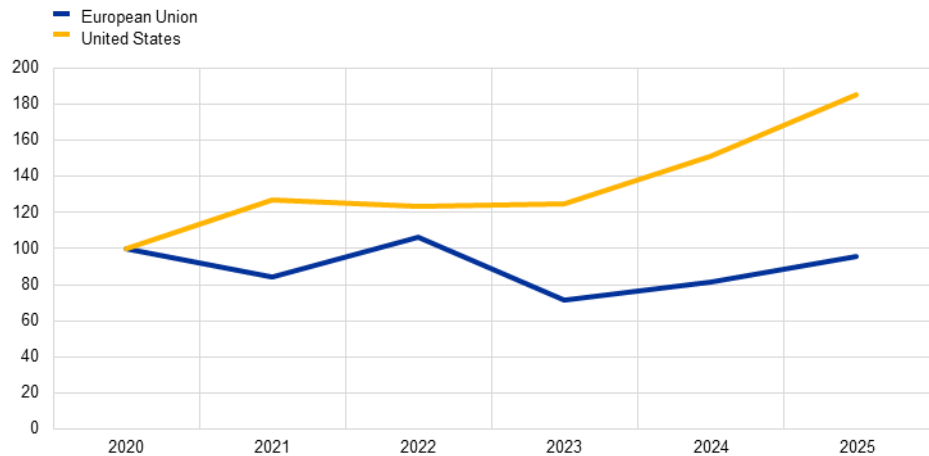
Sources: Pitchbook data and ECB staff calculations

Notes: Proportion of venture capital deal value for EU and US target firms, split by the nine most prominent EU (Global Industry Classification Standard level 2) sectors. The latest observations are for December 2025.

Chart E

Share of aggregate venture capital deal value going to software and IT services sector over time

(index, 2020 = 100)



Sources: Pitchbook data and ECB staff calculations.

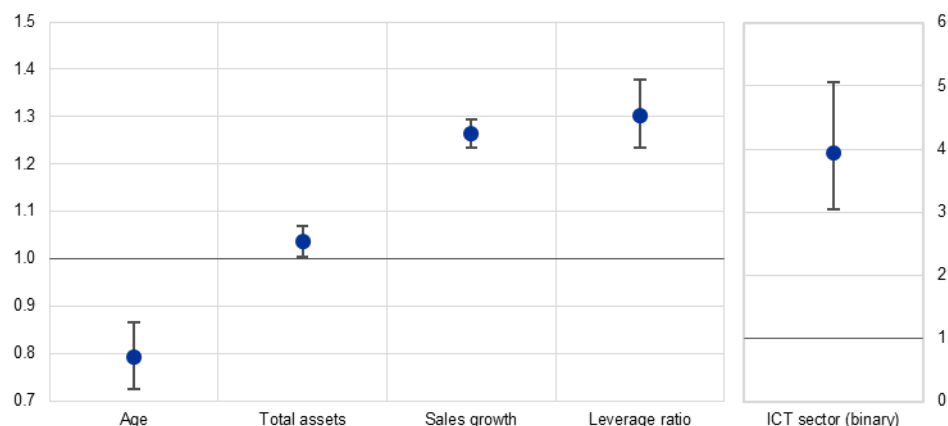
Notes: Percentage of venture capital deal value invested in software and IT services over time, for EU and US target firms. The latest observations are for December 2025.

VC allocation supports productivity when capital reaches firms in sectors and stages with the strongest scale-up potential. Firm-level evidence shows that EU VC financing is more likely to go to younger, faster-growing firms and to firms operating in ICT sectors (Chart F). This suggests that available VC generally supports firms with the greatest capacity to scale new technologies and raise productivity. The fact that more leveraged firms are also more likely to receive VC funding further highlights the importance of equity finance when growth opportunities begin to exceed what debt can sustain. Overall, the evidence suggests that a deeper VC market in Europe could boost productivity by enabling more high-potential firms to expand.

Chart F

Firm characteristics associated with receiving venture capital financing

(odds ratios)



Sources: Capital IQ Preqin data, Orbis data and ECB staff calculations.

Notes: Odds ratios are obtained from a logistic regression of firms receiving venture capital for the first time; observations after they receive venture capital for the first time are excluded. The reference group includes EU firms in Orbis data who have not received venture capital (yet), excluding firms with more than 250 employees. Explanatory variables are one-year-lagged, standardised (or binary) firm characteristics, with year, country and sector fixed effects. The grey lines represent 95% confidence intervals. Preqin deal-level data are name-matched to Orbis firm-year data, retaining 25% of Preqin firms. The sample is restricted to small and medium-sized enterprises with 250 employees or fewer. The ICT sector equals 1 for firms with ICT-related activities according to the standard statistical classification of economic activities in the EU (NACE). Odds ratios above/below 1 indicate higher/lower odds of firms receiving venture capital for the first time. The latest observations are for December 2024.

Europe should not merely increase the overall scale of VC – it should address the segments where gaps are most pronounced while improving the wider market environment in which VC operates. Europe needs larger VC funds and a broader institutional investor base, including pension funds especially, to provide the volumes of risk capital required by firms as they expand.² Targeted reforms could help channel a larger share of Europe's long-term pension savings into equity financing, including venture capital. These efforts should be complemented by measures to facilitate deeper cross-border investment within the EU and more targeted support for strategic high-growth sectors.³ More broadly, the savings and investments union could help mobilise long-term European savings and channel them more effectively towards innovative firms with scale-up potential.

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² In this context, the review of the IORP II Directive, the EU framework governing occupational pension funds, and greater clarity on the "prudent person principle" could help reduce regulatory uncertainty regarding pension fund investment in riskier asset classes.

³ Proposals such as a 28th regime for company law could reduce legal fragmentation and make it easier for firms and investors to scale up across borders, while the review of the European venture capital funds regulatory framework could help make the regime more attractive and usable for fund managers, including larger ones.

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Tracing the ripple effects of the Middle East war on euro area consumption

Prepared by Neus Dausà i Noguera, Maria Dimou and Omiros Kouvavas

Euro area consumer confidence deteriorated markedly in the months following the outbreak of the war in the Middle East. The consumer confidence index (CCI), which is based on responses to the ECB Consumer Expectations Survey (CES), fell by around 12 index points cumulatively between February and April. This decline was comparable in magnitude to the 15 index point decrease recorded in the first two months following Russia's invasion of Ukraine. Although the CCI partially rebounded in May and June, increasing by 3.5 index points, a key question that remains is whether the sharp initial fall reflected changes in consumer behaviour or was primarily a sentiment shock, with more limited implications for actual consumption if the shock were to prove temporary.¹ This box addresses this question by linking individual consumer confidence to self-reported nominal consumption across 16 expenditure categories. The analysis distinguishes between necessities and discretionary spending.²

In parallel with this deterioration in consumer confidence, consumption momentum also weakened, as reported by euro area consumers in the April wave of the CES. Chart A shows the average year-on-year growth rate of nominal consumption. The evidence suggests that consumption momentum softened materially. After hovering around 3-4% on average from mid-2024, nominal consumption growth declined to around 2.5% year on year in April 2026.

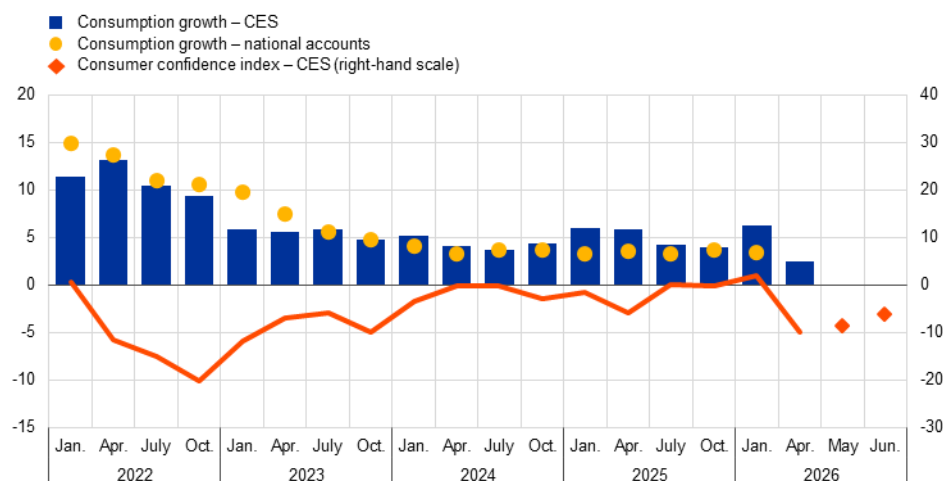
¹ According to the literature, the predictive power of consumer confidence for consumption largely reflects its correlation with economic fundamentals, such as current and expected income and labour market conditions. The autonomous "sentiment" component has a smaller, but still non-negligible, predictive power (Ludvigson, 2004; Carroll et al., 1994). For evidence based on the CES, see Baumann et al. (2025b).

² Once a quarter, households are asked to report their expenditure over the previous month in euro. Necessities include food, housing and energy (including utilities and transport), while discretionary items include restaurants and cafés, travel and recreation, durable goods (including purchases of cars or other vehicles, holidays and luxury items) and other expenditure (including health, education, clothing and footwear and miscellaneous items). Information on durable goods expenditure has been collected since January 2021. To minimise the impact of changes in sample composition, the analysis focuses on individual year-on-year growth rates of nominal consumption.

Chart A

Nominal consumption growth and consumer confidence

(left-hand scale: year-on-year growth rates; right-hand scale: index points)



Sources: CES, Eurostat and ECB staff calculations.

Notes: The blue bars show total consumption growth based on the CES, while the yellow dots show the corresponding year-on-year growth rate of nominal consumption from the national accounts. CES consumption growth is calculated as the weighted mean of individual consumption growth rates, using survey, income and consumption weights, and is based on observations within ± 1 standard deviation of the underlying distribution. Observations up to and including April 2026 are quarterly; those for May and June 2026 are monthly. The latest observations are for April 2026 for CES consumption growth, the first quarter of 2026 for national accounts consumption growth and June 2026 for the CES consumer confidence index.

This slowdown was driven mainly by weaker growth in discretionary spending categories. Chart B shows the change in year-on-year consumption growth across expenditure categories relative to the average over the 12 months preceding the start of the war. The adjustment was not uniform. Discretionary categories – expenditure on which is easier to postpone – declined the most, while nominal spending on energy increased, mainly reflecting higher transport costs, including fuel. Other necessities, notably housing and food, proved resilient.³ Furthermore, higher-income households seem to have adjusted more than lower-income households. This is consistent with higher-income households having greater scope to adjust their spending, particularly by postponing discretionary purchases such as luxury clothing and footwear or sports equipment, reducing travel or cutting back on non-essential services such as elective wellness treatments and similar services. By contrast, lower-income households mainly adjusted spending on durable goods and restaurants and cafés. This likely reflects lower-income households' more limited scope for adjustment, as a larger share of their budget is absorbed by necessities. Overall, the weakening in nominal consumption appears to have been driven largely by households that are not budget constrained but are choosing to delay spending in response to heightened uncertainty.⁴ Although higher prices associated with the war in the Middle East may also have played a role, the analysis below suggests the presence of a sentiment-driven channel that persists even after controlling for realised income.

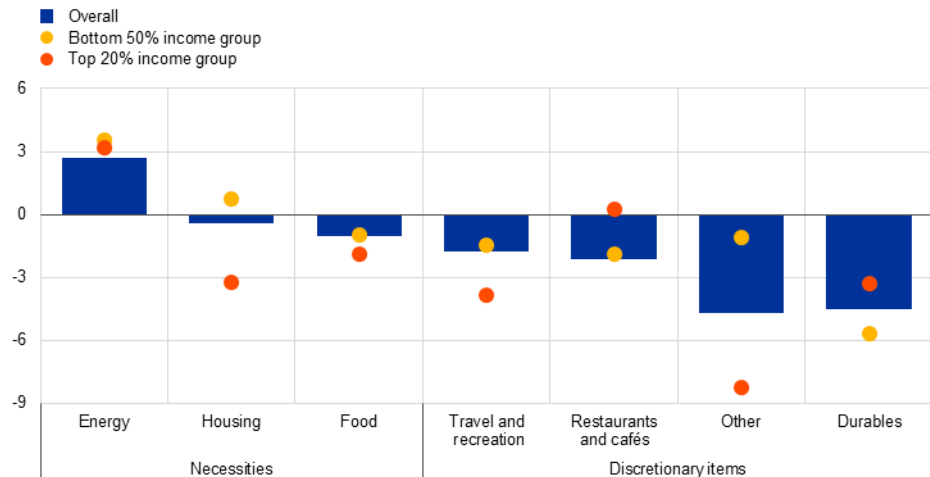
³ This is consistent with findings for the United States in Andreolli et al. (2024) and for the euro area in Andreolli et al. (2025) and Bobasu (2026).

⁴ Households are classified as budget constrained if expenditure on necessities (food, housing and utilities) accounts for more than 60% of monthly income.

Chart B

Deviations in year-on-year consumption growth across expenditure categories and income groups

(percentage point deviations from the previous 12-month average)



Sources: CES and ECB staff calculations.

Notes: The blue bars show the percentage point deviation in the year-on-year growth rate of nominal consumption in April 2026 from the average recorded over the 12 months preceding the start of the war. The dots show the corresponding percentage point deviations for the bottom 50% and top 20% income groups. Income groups are calculated at the (monthly) country-by-survey wave level. For definitions of expenditure categories, see footnote 2.

The association between the recent confidence shock and consumption was stronger than historical patterns would suggest.

Using microdata from the CES, it is possible to estimate the relationship between changes in individual consumer confidence and consumption growth.⁵ Chart C shows that households that suffered a larger drop in confidence also recorded a larger reduction in consumption. A 10 point fall in confidence on a year-on-year basis was associated, on average, with a reduction of around 0.4 percentage points in year-on-year individual nominal consumption growth in April 2026. This effect is substantially larger than the estimated relationship over the full sample period – which points to a reduction of around 0.2 percentage points – and is comparable in magnitude to that observed after the start of Russia's war in Ukraine in April 2022. This suggests that the confidence channel is particularly strong in the case of large shocks that are widely perceived as such by consumers. In normal times, changes in confidence may partly reflect noise or idiosyncratic household perceptions. In the context of the war in the Middle East, however, the shock is common, salient and directly linked to risks to energy prices, inflation and real incomes. Hence, the fall in confidence appears to have a stronger and more immediate impact on consumption. The effect is driven mainly by unconstrained households and by discretionary consumption. This reinforces the view that the slowdown is not the result of binding income constraints

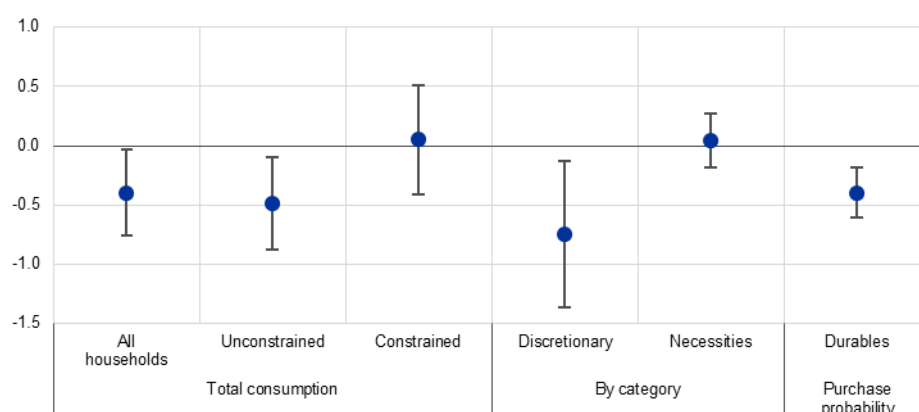
⁵ The CES CCI is constructed at the individual respondent level; see Baumann et al. (2025b).

but rather of households postponing purchases when they have the scope to adjust the timing of their spending.⁶

Chart C

Consumer confidence index and consumption growth following the start of the war in the Middle East

(regression coefficients)



Sources: CES and ECB staff calculations.

Notes: The chart shows coefficients from cross-sectional regressions where the individual year-on-year growth rates of each consumption variable in April 2026 are regressed on year-on-year changes in consumer confidence, with time, country, realised income, education, gender and age-group fixed effects. Coefficients are reported for a 10 point decrease in consumer confidence. The final column shows the marginal effect from a probit model in which a dummy variable indicating the probability of purchase of a durable good in the previous month is regressed using the same variables. Whiskers represent 90% confidence intervals.

Perceived real income losses could pose an additional downside risk. In April CES respondents were also asked about their expectations concerning real income developments under a scenario in which the war in the Middle East leads to persistent inflation.⁷ Around 40% of respondents reported that they did not expect any catch-up. This is relevant for consumption dynamics, as the permanent income hypothesis predicts that households should adjust consumption more strongly when they perceive income losses as persistent rather than temporary. Past evidence is consistent with this mechanism (Baumann et al., 2025a). Chart D shows that households expecting permanent real income losses already displayed stronger signs of spending adjustment. This points to an important risk: if households were to perceive the real income losses stemming from the conflict as persistent and associate them with lower real purchasing power, the initial sentiment-driven slowdown could become more entrenched.

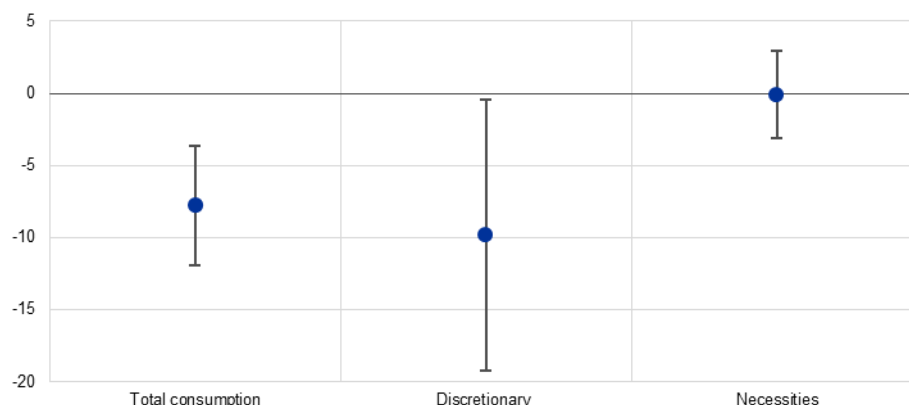
⁶ The relationship between individual consumer confidence and consumption documented in this box is based on post-shock changes in consumer sentiment and their association with realised consumption, controlling for individual characteristics. It therefore differs from the model-based general-equilibrium consumption responses derived under rational expectations in quantitative HANK models, where aggregate consumption responses are typically attributed to the real-income channel; see Bobasu and Dobrew (2026).

⁷ Respondents were asked: "Assume that the war in the Middle East leads to a sustained increase in prices in general over the next 12 months in the country you currently live in. In this scenario, what would you expect to happen to your personal net income from your main source?" The response options were: (i) to start catching up already in 2026, (ii) to start catching up in 2027, (iii) to start catching up only in 2028 or later, (iv) I don't expect my personal net income to catch up at all.

Chart D

Expected permanent real income losses and consumption growth

(percentage point changes in year-on-year growth rates)



Sources: CES and ECB staff calculations.

Notes: The chart shows coefficients from difference-in-difference regressions in which individual year-on-year consumption growth rates in April 2026 are regressed on a dummy variable equal to one if the respondent indicated that they did not expect a subsequent catch-up in real income. Regressions include time, country and individual-level controls. Whiskers represent 90% confidence intervals.

Overall, the close relationship between consumer confidence and consumption growth suggests that there could be renewed challenges to consumption if the recent recovery in confidence were to prove temporary.

The confidence shock in the context of the war in the Middle East appears to have exerted a dampening effect on demand, which could weigh on underlying consumption momentum. Additional downside risks could materialise if households were to perceive the real income losses stemming from the conflict as persistent. However, because much of the adjustment in consumption appears to have been sentiment-driven rather than income-driven, it could prove reversible if tensions were to ease and the recovery in confidence were sustained. In this case, some of the discretionary spending that has been postponed could return. At the time of writing, incoming data point to a partial improvement in confidence among euro area consumers.⁸ Nonetheless, confidence remains significantly below its pre-war level and the economic outlook is surrounded by considerable uncertainty.

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⁸ See, for instance, the European Commission’s [business and consumer survey results for June 2026](#).

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3 Feeling the heat unevenly: energy prices and household consumption

Prepared by Alina Bobasu and Michael Dobrew

The war in the Middle East has led to a sharp rise in real energy prices which is likely to weigh on euro area economic activity. This conflict has once again highlighted the vulnerability of the euro area to energy price shocks. Brent crude oil prices increased markedly following the outbreak of the war in late February, reflecting disruptions to crude oil supplies through the Strait of Hormuz and a decline in oil production in the Middle East. Being a large net importer of energy, the euro area experiences such a shock as an effective transfer of real income to the rest of the world – an economic burden which is distributed unevenly across households.¹ This box examines the mechanisms behind the aggregate and distributional effects of energy price shocks on euro area household consumption, drawing on a quantitative heterogeneous agent New Keynesian model.

Rising energy price affect the terms of trade of energy-importing economies and erode purchasing power. In a large net energy-importing open economy such as the euro area, an energy price shock acts as a transfer of real income to the rest of the world, worsening the terms of trade and compressing real incomes.² As shown in Chart A, the sharp rise in real energy prices from their 2020 trough was accompanied by a marked deterioration in the terms of trade, reflecting the rising cost of imported energy commodities compared with domestically produced goods.³ This deterioration weighed significantly on household real disposable income and, in turn, on private consumption.

¹ Although foreign energy shocks are absorbed differently by the various sectors of the economy, this box focuses on the household sector given the heterogeneity within the model used. See also Battistini et al. (2026).

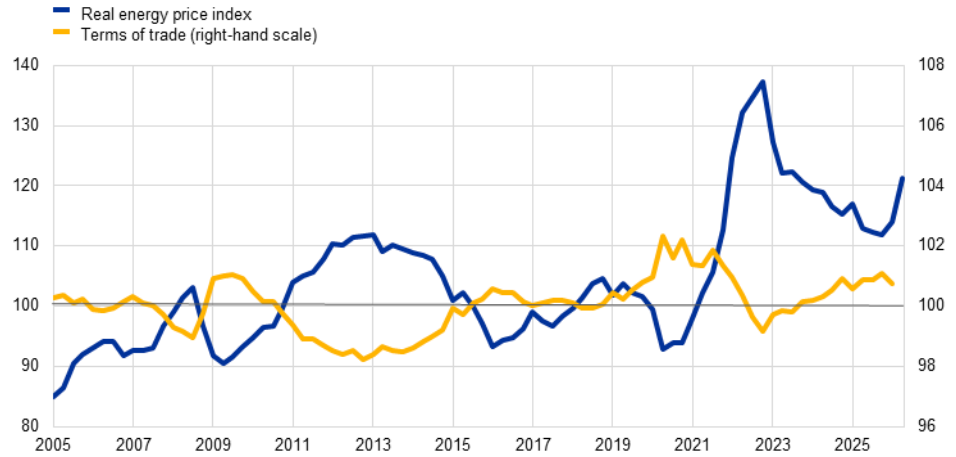
² See also Arce et al. (2026).

³ See also Bokan et al. (2018) and Battistini et al. (2023).

Chart A

The real energy price index and terms of trade

(2015 = 100)



Sources: Eurostat, ECB and ECB calculations.

Notes: The "real energy price index" is the ratio of the energy component of the Harmonised Index of Consumer Prices (HICP) measure of inflation to the overall HICP index. The terms of trade are proxied by the ratio of the GDP deflator to the private consumption deflator. The latest observations are for the first quarter of 2026 for the terms of trade and the second quarter of 2026 for the real energy price index.

This adverse impact on the terms of trade and real incomes is felt very differently across households, as lower income households spend a larger share of their household budget on energy and have fewer resources to absorb such price shocks.⁴ The lowest income quintile spends around 9% of its disposable income on energy, compared with an average of roughly 5.5% (Chart B, panel a). These households are also less able to absorb such price shocks since they dissave, with a median saving rate of around -5.8% of disposable income in the bottom income quintile. They therefore lack the necessary savings to smooth consumption and rely almost entirely on labour income, which thus exposes them to negative growth effects (Chart B, panel b).

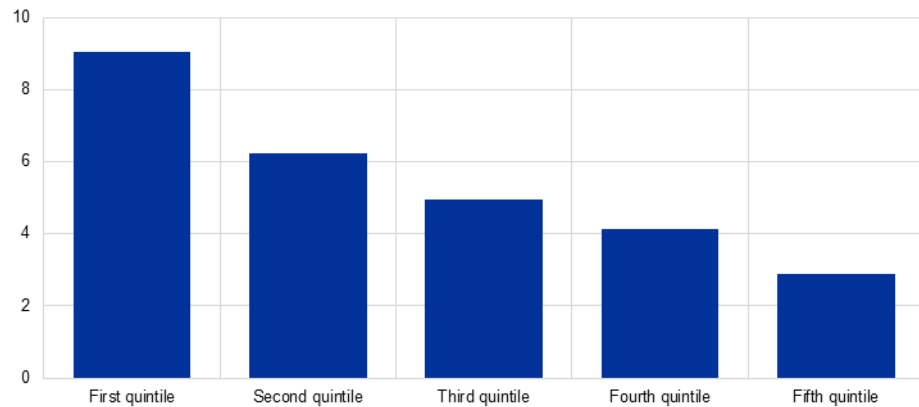
⁴ See, for instance, Battistini et al. (2022) and Bobasu et al. (2025).

Chart B

Energy spending and exposure of savings across households

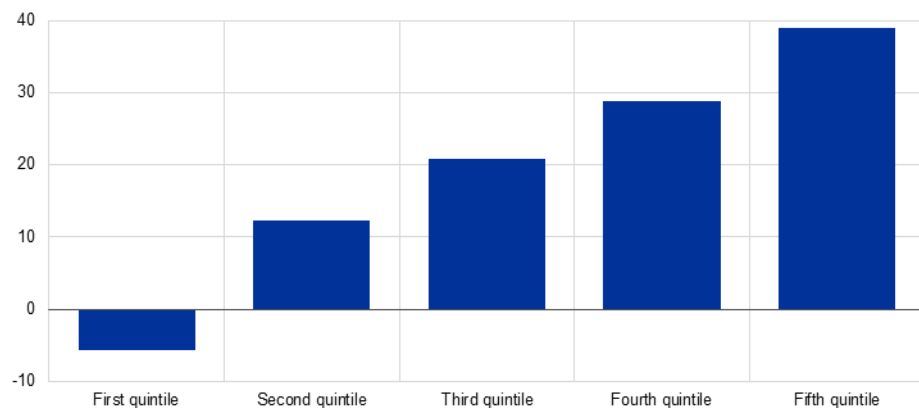
a) Energy spending across household income quintiles

(as a percentage of disposable income)



b) Exposure of savings across household income quintiles

(as a percentage of disposable income)



Sources: Eurostat, ECB and ECB calculations.

Notes: The chart is based on distributional statistics from the "Household budget survey" and the experimental statistics from the "Income, consumption, and wealth" datasets provided by Eurostat. The data refer to annual averages for 2020.

We use a quantitative heterogeneous agent New Keynesian model calibrated to the euro area to monitor how the exposure of household savings translates into a dynamic consumption response.⁵ This model treats energy as both a consumption good and a production input, with all energy being imported, such that any price increase feeds directly into a loss of domestic purchasing power. Households differ in terms of their income and wealth, and therefore also in the share of their budgets allocated to energy, with lower income households spending more in relative terms than higher income households. The model is calibrated to match these features, as well as to the significant share of euro area households that have little or no savings. As a result, some households are liquidity constrained and hence unable to smooth consumption over time, leading to a higher marginal

⁵ A representative agent model, by abstracting from the heterogeneities across households, would fail to detect the uneven impact of price shocks.

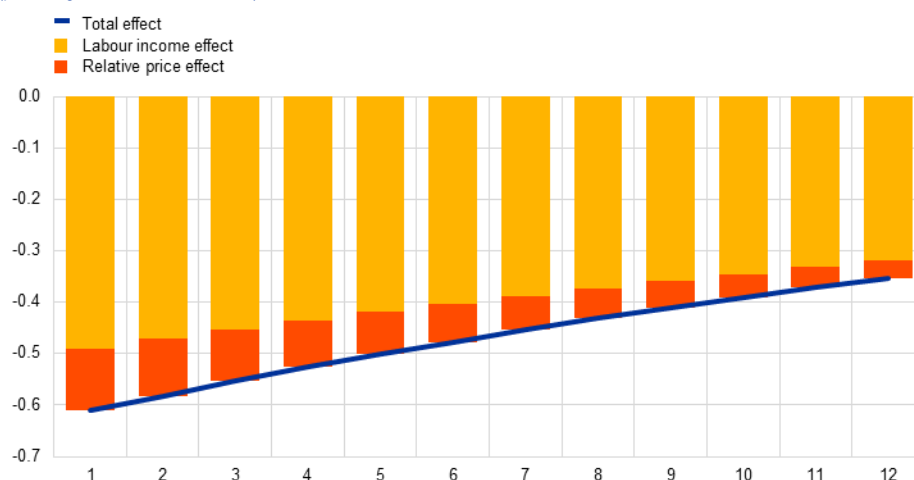
propensity to consume from their current labour income.⁶ We calibrate an energy price shock to match the increase in the real energy price index in the second quarter of 2026 compared with the 2025 average of this price index. Our analysis assumes that real interest rates remain unchanged. We therefore focus on how the energy price shock transmits to consumption through labour income and relative price channels.

The energy price shock is unambiguously recessionary, dampening aggregate consumption primarily through losses in real disposable income. As most energy commodities in the euro area are imported, higher energy prices act as an income transfer to the rest of the world, which, in turn, needs to be distributed across domestic households and firms. Because energy and labour are complementary input factors in the production process, firms cannot easily substitute away from costlier energy and therefore scale back production as well as labour demand. This leads to lower real wages and lower employment levels, thus amplifying the initial income loss (Chart C). Around 80% of the decline in aggregate consumption reflects these indirect real income losses, with only 20% due to the direct loss in purchasing power resulting from higher energy prices. Importantly, the model abstracts from other confidence and uncertainty channels which can amplify or alter the transmission of the energy price shock, depending on the broader economic and geopolitical context.⁷

Chart C

Aggregate consumption response to higher energy prices

(percentage deviation from baseline)



Source: ECB staff calculations.

Notes: The chart shows the decomposition of the aggregate consumption response to a real energy price shock. This shock is calibrated to match the increase in the real energy price index in the second quarter of 2026 compared with the 2025 average of this price index. The "labour income effect" reflects changes in consumption stemming from changes in the path of real wages and employment. The "relative price effect" reflects changes in consumption stemming from a change in relative energy prices. For further details, see also Appendix B in Bobasu et al. (2025). The x-axis shows quarters after the initial shock.

⁶ Throughout this box, liquidity-constrained households are considered those in the lowest wealth quintile, with few or no liquid assets and which rely predominantly on labour income. Unconstrained households, by contrast, are those with sufficient wealth to smooth consumption over time. The descriptive statistics presented in Chart B classify households by income quintile; the model, however, is calibrated to match the wealth distribution.

⁷ See Andersson et al. (2026) in this issue of the Economic Bulletin.

The decline in aggregate consumption masks substantial heterogeneities, with liquidity-constrained households bearing a disproportionately larger burden than others.

Liquidity-constrained households are more severely affected by higher energy prices as a result of two mutually reinforcing channels.⁸ First, for these households, energy constitutes a larger share of their spending and – often being close to subsistence level – they cannot easily substitute away from such purchases. Consequently, any rise in energy prices consumes a larger share of their disposable income compared with unconstrained households. Second, liquidity-constrained households rely more heavily on labour income and typically have fewer savings, leaving them with little capacity to smooth consumption over time as both employment and wages contract. Unconstrained households, by contrast, are able to draw on a wider range of income sources and typically have sufficient savings to cushion such a shock. As a result, consumption falls twice as much for liquidity-constrained households – roughly 1.4% as against 0.7% for unconstrained households upon initial shock – underlining the regressive impact of energy price shocks on private consumption (Chart D).⁹

⁸ See also Bobasu et al. (2024).

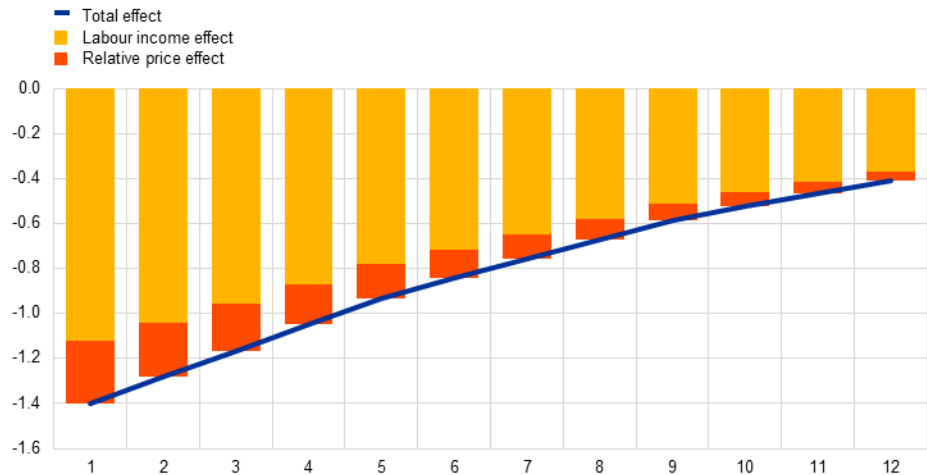
⁹ This analysis abstracts from other channels of impact, such as uncertainty or confidence channels. For an analysis of how the effects of low confidence would translate into aggregate and distributional spending, see Dausà i Noguera et al. (2026) in this issue of the Economic Bulletin.

Chart D

Consumption decomposition for liquidity-constrained and unconstrained households in response to higher energy prices

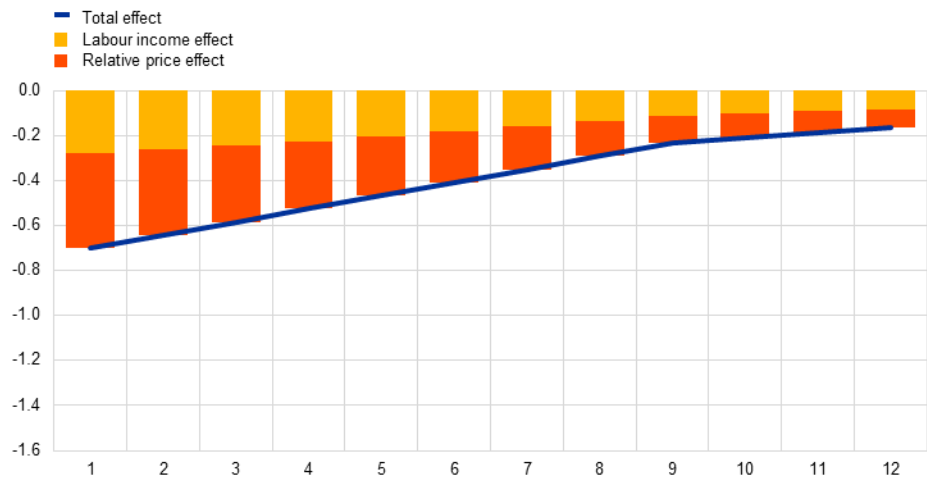
a) Liquidity-constrained households

(percentage deviation from steady state)



b) Unconstrained households

(percentage deviation from steady state)



Source: ECB staff calculations.

Notes: The chart shows the decomposition of the consumption response of liquidity-constrained and unconstrained households under a neutral monetary policy stance. Liquidity-constrained households are those in the lowest wealth quintile, whereas unconstrained households are those in the second highest wealth quintile. The energy price shock is calibrated to match the increase in the real energy price index in the second quarter of 2026 compared with the 2025 average of this price index. The "labour income effect" reflects changes in consumption stemming from changes in the path of real wages and employment. The "relative price effect" reflects changes in consumption stemming from a change in relative energy prices. The x-axis shows quarters after the initial shock.

Higher energy prices following the outbreak of the war in the Middle East have tended to have a regressive impact on household budgets, which, in turn, has affected the way the price shock has transmitted to aggregate consumption.

As most energy commodities in the euro area are imported, higher energy prices act as an income transfer to the rest of the world, which affects households unevenly.¹⁰

Should energy prices remain elevated, these distributional pressures are likely to

¹⁰ At the same time, targeted fiscal policy measures can provide some relief and mitigate the harm faced by liquidity-constrained households. See Bankowski et al. (2023).

play a role in the response of aggregate consumption. At the same time, other confidence and uncertainty channels seem to be important in the transmission of the latest energy price shock, as the war in the Middle East has led to a rise in geopolitical uncertainty.¹¹ Finally, while the US-Iran Memorandum of Understanding initially improved the prospect of a lasting reversal of oil prices, thereby easing the loss of purchasing power and its impact on private consumption, the latest developments have clouded the outlook. As a result, elevated energy prices are likely to prove more persistent, prolonging the drag on household real incomes and consumer spending.

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¹¹ See Dausà i Noguera et al. (2026) and Gareis (2026).

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Prepared by David Chaloupka and António Dias da Silva

This box analyses the latest trends in the euro area to shed light on the recent deterioration in employment prospects for young workers. Concerns about youth employment have become especially widespread since 2023, following the emergence of generative artificial intelligence (AI). A hypothesis often put forward is that advances in AI are replacing entry-level jobs, limiting job opportunities for young workers. This box explores the extent to which cyclical or more structural factors are at play in the euro area labour market.

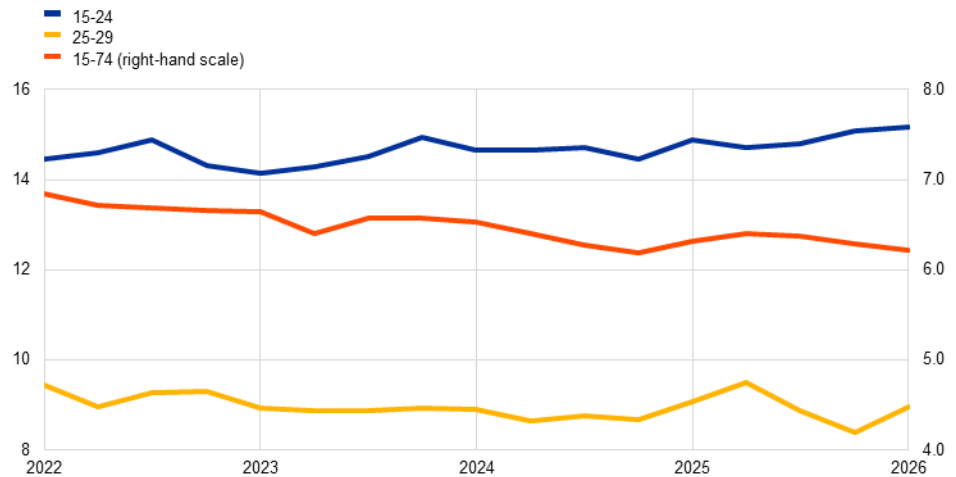
The softening of the labour market in the euro area since 2023 has had a more pronounced effect on young workers than on the overall workforce. The ratio of the youth unemployment rate to the total unemployment rate rose to 2.4 in the first quarter of 2026 from 2.1 in the first quarter of 2023, underlining that the labour market situation of young workers has weakened in relative terms. During this period, the unemployment rate in the euro area (workers aged 15 to 74) declined by 0.3 percentage points to 6.3% (Chart A, panel a). By contrast, the youth unemployment rate (15-24 age group) stood at 15.1% in the first quarter of 2026, 0.6 percentage points higher than its 2023 average, suggesting that young workers have not benefited proportionately from the broader labour market improvement seen over the period. This is corroborated by labour force developments. The youth labour force grew by only 0.5% between the first quarter of 2023 and the first quarter of 2026, compared with 2.6% for the labour force as a whole, with the youth participation rate falling by 0.8 percentage points even though the aggregate participation rate rose by a similar margin. Looking at the 25-29 age group, which has a much stronger attachment to the labour market, the respective unemployment rate increased from 8.9% in the first quarter of 2023 to 9.0% in the first quarter of 2026. Similarly, employment growth among young workers has also decelerated significantly – turning negative in recent quarters – following relatively strong growth up until mid-2023 (Chart A, panel b), while employment growth for the 25-29 age group has picked up in recent quarters.

Chart A

Unemployment rate and employment growth by age group

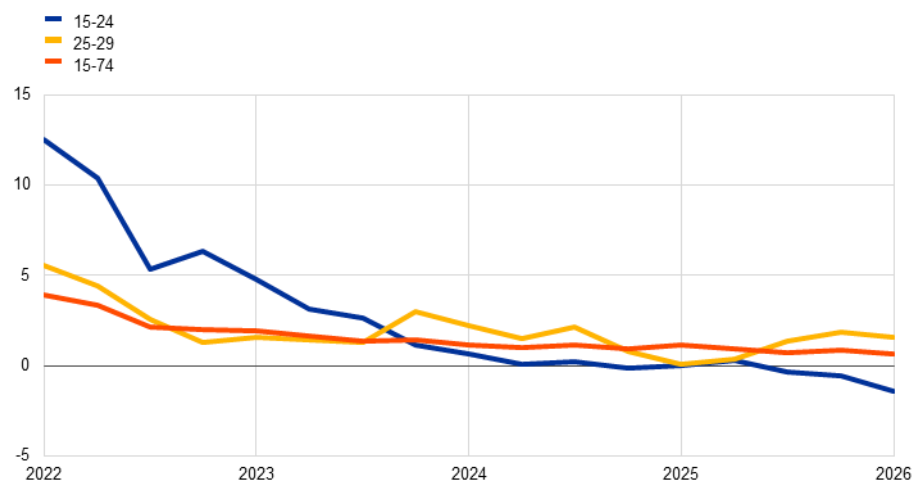
a) Unemployment

(percentages of the labour force)



b) Employment

(year-on-year percentage changes)



Sources: Eurostat and ECB staff calculations.

Note: The latest observations are for the first quarter of 2026. Quarterly seasonally adjusted data.

The less favourable labour market performance of young workers is reflected in their perceptions of their employment prospects.

The October 2025 ECB Consumer Expectations Survey (CES) asked respondents whether, compared with the same period one year earlier, it was a good time or a bad time to look for a job. A majority of respondents regarded current job search conditions as no worse than a year previously. However, the assessment of non-employed workers with tertiary education was notably more negative. Among young non-employed workers with tertiary education, the net balance between positive and negative responses stood at -23%, while workers with non-tertiary education tended to express less negative views (Chart B). Highly educated young workers attributed their more negative assessment primarily to a perceived scarcity of suitable job openings. By contrast,

young workers with and without tertiary education expressed broadly similar views about general economic conditions and wage offers.

Chart B

Labour market outlook

(net balance, percentage points)



Source: ECB Consumer Expectations Survey and ECB staff calculations.

Note: The chart is based on responses to the question "Compared with the same period last year, is it, in your opinion, a good time or a bad time to look for a job?", fielded in October 2025.

Young workers generally tend to be more exposed to a deterioration in economic conditions.

When economic activity softens, these workers are usually disproportionately affected by a contraction in hiring opportunities. Furthermore, young workers tend to be the first to be dismissed in economic downturns owing to their shorter job tenures and a greater incidence of fixed-term and other precarious employment contracts. The higher cyclical sensitivity of youth employment relative to other groups is well documented (see, for example, ECB, 2021).

To assess whether the employment prospects of young workers are unusually weak, the strength of the broader economy must be taken into account.

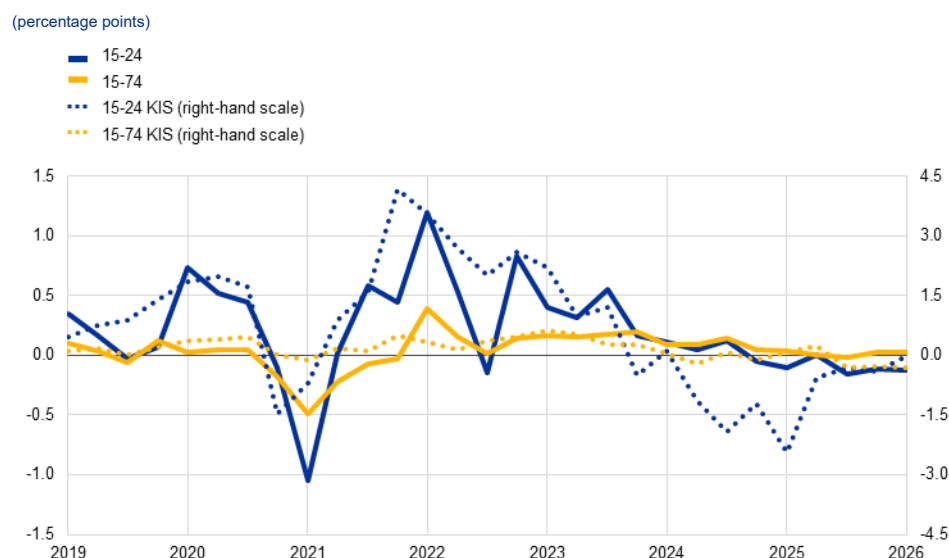
A dynamic version of Okun's law relates employment growth among both young workers and all workers to real GDP growth, accounting for lags in both variables. When these variables move in line with historical trends, the residual of the equation is zero. A positive residual indicates strong employment, while a negative residual indicates weakness.

When compared with GDP growth, recent developments in youth employment are broadly in line with normal cyclical dynamics.

Total employment was strong in 2022-23 but shows a progressive normalisation towards the end of 2024 (Chart C). For young workers, the residual has shown significantly more amplitude, with strong job creation in 2022-23, followed by slightly negative residuals since late 2024, consistent with a normalisation after a period of robust job creation.

Chart C

Residuals from dynamic Okun's law estimates



Sources: Eurostat and ECB staff calculations.

Notes: The latest observations are for the first quarter of 2026. Four-quarter moving average. Knowledge-intensive services (KIS) comprise information and communication technology (ICT), financial services and professional services. Estimates are based on data for the period between the first quarter of 2008 and the first quarter of 2026. The residuals are from a dynamic Okun's law relationship that relates the quarter-on-quarter growth rate in total employment to the contemporaneous quarter-on-quarter growth rate in real GDP and to one lag each of employment growth and GDP growth.

Employment in knowledge-intensive services (KIS) has moderated following several years of unusually strong growth.

The information and communication technology (ICT), financial services and professional services sectors are of particular interest as they are potentially more exposed to the automation of cognitive tasks and have recorded sharp declines in employment in recent quarters. Following two years of strong job creation relative to real GDP growth, the residual turned negative in mid-2024 and has only recovered recently. This is consistent with a correction from the strong post-pandemic employment growth and is reflected in the pessimism expressed by highly educated young workers in the October 2025 CES. Residuals for workers with tertiary education followed a similar pattern, turning negative over four quarters before returning to positive territory from mid-2025.

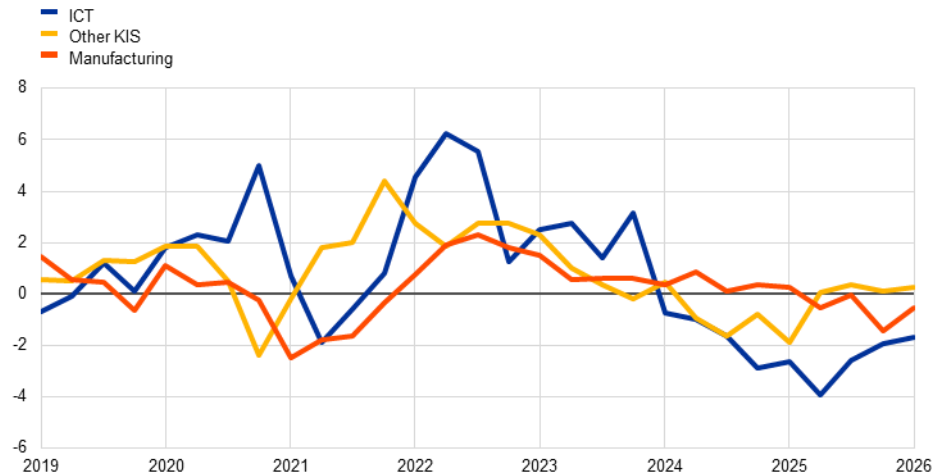
There is substantial dispersion in employment developments across KIS.

Between the first quarter of 2023 and the first quarter of 2026, employment among young workers declined by 18.6% in ICT, 5.3% in professional services and 3.1% in financial services. When analysing these developments against growth in their respective sectors, the residuals from the Okun's law regression are particularly negative in the ICT segment, suggesting a moderation that extends beyond current cyclical developments (Chart D). By contrast, employment developments in professional services and financial services are now more closely aligned with sectoral activity after the negative developments seen since 2024. The recent normalisation was supported mainly by the financial sector, while professional services are still showing weakness. Employment among young workers has also been declining in the industry sector, broadly in line with the weakness in the sector itself, but has recently deteriorated further, with Okun residuals suggesting more negative employment developments than cyclical developments alone would imply.

Chart D

Residuals from dynamic Okun's law estimates for young workers – sectoral dispersion

(percentage points)



Sources: Eurostat and ECB staff calculations.

Notes: The latest observations are for the first quarter of 2026. 15-24 age group. Four-quarter moving average. "Other KIS" comprise financial services and professional services. Estimates are based on data for the period between the first quarter of 2008 and the first quarter of 2026. Residuals are from a dynamic Okun's law relationship that relates the quarter-on-quarter growth rate in employment to the contemporaneous quarter-on-quarter growth rate in real Gross Value Added (GVA) by sector and to one lag each of employment growth and GVA growth.

Overall, the cooling of the euro area economy, and hence the labour market, has affected young workers. Accounting for real GDP developments, current job market prospects remain weak. At the same time, this weakness followed a period of unusually strong job creation and could in part be seen as a normal rebalancing (Arce and Sondermann, 2024; Berson et al., 2024). Existing evidence does not yet allow this pattern to be attributed to generative AI or remote work specifically. Several studies focused on the United States document evidence consistent with generative AI negatively affecting employment outcomes for young workers (Brynjolfsson et al., 2025; Dominski and Lee, 2025; Massenkoff and McCrory, 2026), while Lambert and Schindler (2026) instead attribute weaker early-career hiring to the rise of remote work rather than to generative AI. For the euro area, survey evidence shows that young and highly educated workers tend to hold mostly positive views about the impact of AI on their job prospects, and firms that invest in AI report higher employment growth (Dias da Silva and Weissler, 2025; Lebastard and Sondermann, 2026). Additionally, during the period 2011-19, characterised by advances in deep learning before the emergence of generative AI, employment shares increased in occupations that were more exposed to AI, particularly in those with a relatively higher proportion of younger workers and skilled workers (Albanesi et al., 2025). Continued monitoring of these developments is warranted as generative AI matures and its effects on the labour market become clearer.

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

Prepared by Catherine Elding, Richard Morris, Zsuzsanna Riedel and Moreno Roma

This box summarises the main findings from recent contacts between ECB staff and representatives of 76 leading non-financial companies operating in the euro area.¹ The exchanges mainly took place between 22 June and 1 July 2026, i.e. shortly after the signing of the US-Iran Memorandum of Understanding (MoU) in mid-June, which subsequently broke down in early July amid renewed hostilities around the Strait of Hormuz.

Reports from contacts pointed to moderate growth in activity in the second quarter and towards broadly unchanged momentum in the third quarter. While the war in the Middle East and consequent rise in fuel prices had reduced travel and was weighing on consumer spending somewhat, the overall impact on activity seemed quite limited. This was partly because some firms had benefited from reduced competition from Asian competitors (whose costs had increased by more or whose supply had been temporarily disrupted) and precautionary buying in anticipation of higher prices. This had resulted in a shift in the composition of growth towards manufacturing and away from services. However, the global economy had proved resilient and Asian economies remarkably flexible in overcoming disruption caused by the blockage of the Strait of Hormuz, and global trade was now growing robustly again.

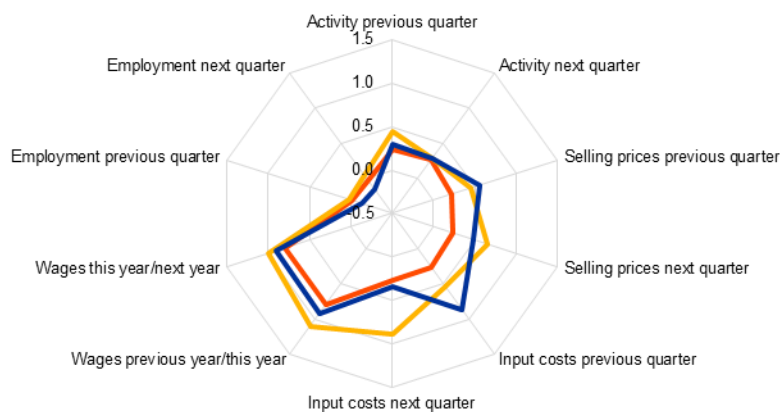
¹ For further information on the nature and purpose of these contacts, see Elding, Morris and Slavík (2021).

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 denotes no change. For the current round, previous quarter and next quarter refer to the second and third quarters of 2026 respectively, while for the previous round these refer to the first and second quarters 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.

Growth in consumer spending was reportedly modest. Food retailers said that higher fuel prices in the second quarter left less money for spending on other items and reinforced the tendency for consumers to shift away from branded products to private labels. In clothing retail, demand in the mid-price range was falling, while unbranded, luxury and outlet sales continued to grow. In consumer electronics, demand for mid-sized products was benefiting from a recovery cycle (as items purchased during the pandemic needed replacing). General market conditions were tough, however, with Chinese manufacturers increasingly offering innovative products at low prices. Around half of the retailers we spoke to thought that the conflict in the Middle East had reduced consumer demand; but others gave more upbeat assessments describing consumer spending as surprisingly resilient. The latter applied to car sales, which had been picking up thanks to electric vehicle subsidies re-introduced by some governments, the introduction of more affordable models amid intensifying competition from Chinese manufacturers and the rise in fuel prices improving sentiment towards electric vehicles.

The war in the Middle East reduced air travel, albeit with shifts in demand that could benefit summer tourism in the euro area. According to contacts in the aviation industry, travel to and from euro area airports was around 2-4% lower than it otherwise would have been in the second quarter. This was partly because airlines reduced capacity on less profitable routes and partly because passenger demand fell (by more than expected) in response to higher ticket prices. But with seat prices falling again and fuel shortages less of a concern, the summer was now looking

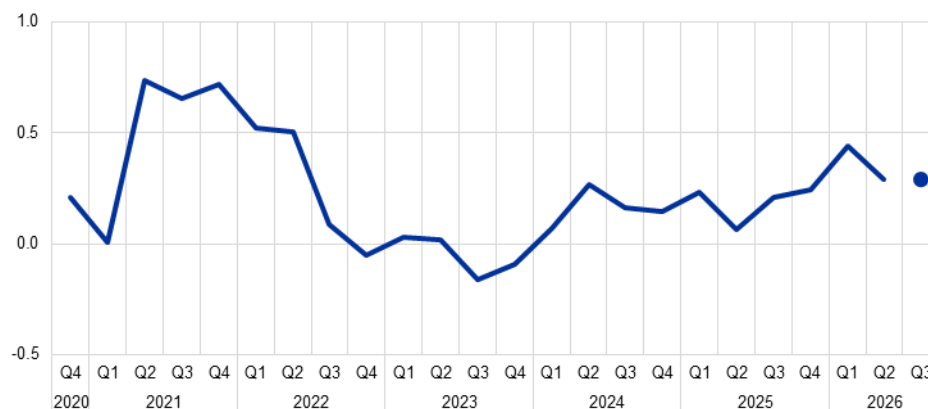
“okay”. Moreover, there had been a clear shift in travel away from destinations in the eastern Mediterranean in favour of summer holiday destinations in the euro area.

Contacts pointed to the boom in artificial intelligence (AI) driving business investment and spending, while competitiveness concerns weighed on traditional capital expenditure. Contacts reported strong growth in demand for sovereign cloud infrastructure and tech independence, encouraging European companies to team up with US providers to deliver localised solutions. Investment in data centres was fuelling demand for related construction materials as well as a boom throughout the semiconductor supply chain. AI adoption was transforming the business model in the consulting sector, and its uses were being widely explored across industry. Investment in renewable energy was another growth driver (given new impetus by the conflict in the Middle East) as was aerospace. Residential construction had rebounded in the second quarter after a first quarter affected by bad weather and was growing on the back of improvements in affordability (mortgage rates, prices of building materials) in 2025. However, affordability indicators were now deteriorating again. The outlook for machinery and equipment investment was reportedly mixed, with some contacts pointing to a sustained pick-up in orders since late 2025, while others perceived traditional capital spending as rather flat and weighed down by high energy, labour and regulatory costs and uncertainty. This was causing European manufacturing firms to increasingly focus their investments on Asia or eastern Europe rather than the euro area.

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 denotes no change. The dot refers to expectations for the next quarter.

Employment dynamics were rather subdued, with many firms in cost-cutting mode. This was particularly the case for firms in the manufacturing sector for which production in the euro area had become uncompetitive and which were therefore reducing their employment footprint in the region. Employment in the services sector was more stable. Across the economy, firms continued to report widespread testing of AI use cases to raise productivity and reduce labour costs, although the impact on aggregate employment was limited as yet. Consistent with their feedback in the

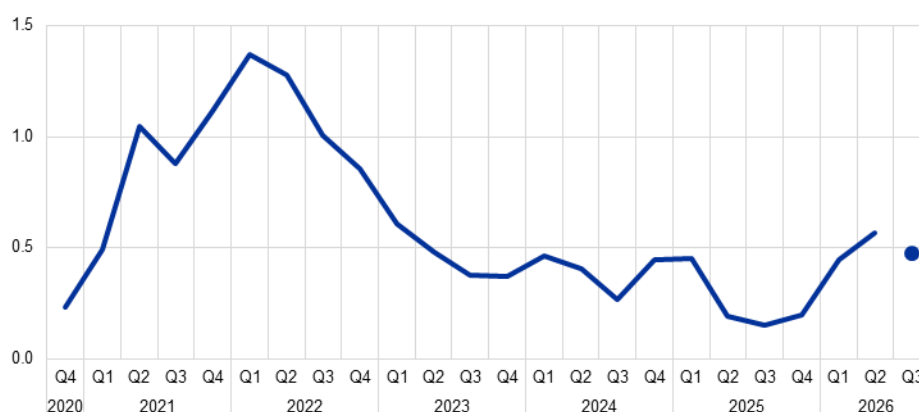
previous round, recruitment agencies pointed to their activity bottoming out (after several quarters of contraction) though driven by a pick-up in temporary placement activity rather than permanent hiring.

Contacts reported stronger increases in selling prices in the second quarter, albeit less than anticipated in the previous round, with a slight moderation expected for the third quarter. Developments in – and expectations for – prices and costs were heavily affected by developments in the Middle East and consequent movements in the price of oil. Around 40% of contacts said that prices in their sector had increased in response and a similar number said that margins had been squeezed. Prices had increased most in the intermediate goods and transport sectors, being those most directly affected by the price of oil and its derivatives. Prices for petrochemicals, for example, had increased by 20-30%. In upstream (intermediate and capital goods) manufacturing, the pass-through from costs to prices was relatively swift. This was because some firms reacted by adjusting prices more frequently than usual while others (having learned from the inflation surge induced by the pandemic and Russia’s invasion of Ukraine) had introduced clauses into contracts providing for automatic pass-through of material, energy and logistics costs. In businesses closer to the consumer, however, the pricing environment was more challenging, and there had been little adjustment of prices so far. In non-food retail (and especially in consumer electronics), import competition from Asia kept a lid on – or resulted in downward pressure on – prices. Moreover, consumers remained very price sensitive. If oil prices had remained at the levels seen during the ceasefire between the United States and Iran, this would likely have kept the pass-through to final consumer prices limited.

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 denotes no change. The dot refers to expectations for the next quarter.

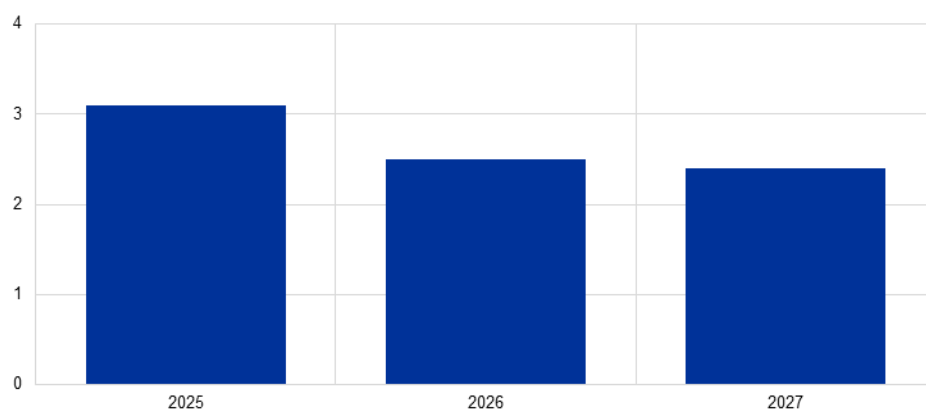
Contacts continued to anticipate slowing wage growth. On average, the quantitative indications provided imply that wage growth is expected to slow from 3.1% in 2025 to 2.5% in 2026 and 2.4% in 2027. These perceptions and expectations are slightly lower than in the previous survey round, which may in part

reflect a different composition of the panel rather than a change in the outlook. Around 20% of contacts thought that the uptick in inflation caused by the conflict in the Middle East would result in higher wage demands, and around 10% expected their firms to implement inflation compensation packages. Most contacts, however, did not anticipate any notable impact on wage growth, citing the subdued economic conditions and employment outlook.

Chart D

Quantitative assessment of wage growth

(percentages)



Source: ECB.

Notes: Averages of perceptions of wage growth of contacts 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 67, 70 and 52 respondents respectively.

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Capturing inflation expectations (de-)anchoring and what survey-based metrics are telling us

Prepared by Colm Bates, Aidan Meyler, Giovanni Trebbi and Zivile Zekaite

Following the sizeable recent energy price shock, this box re-assesses the anchoring of longer-term inflation expectations – those most relevant to maintaining price stability – focusing on surveys of consumers, firms and professional forecasters.^{1,2} The economic literature on inflation expectations suggests a wide range of indicators to assess whether a long-term anchor is in place (Reis, 2021 and 2026; Neri et al., 2022; Work stream on inflation expectations, 2021). Average or median longer-term inflation expectations consistent with price stability (“level anchoring”) is a key assessment metric. Other metrics may also be informative and possible harbingers of de-anchoring, particularly in the aftermath of a significant shock. For instance, disagreement among agents, uncertainty surrounding longer-term expectations and tail risks (the probability of very low or very high inflation) should be contained (“higher-moment anchoring”). In addition, well-anchored longer-term expectations should not co-move too much with short-term expectations or temporary shocks (“shock anchoring”). Any assessment of anchoring should be holistic rather than focused on a single indicator or class of economic agents and should consider agent characteristics, as the expectations of consumers and firms are typically more dispersed than those of professional forecasters and exhibit a systematic upward bias (which is a global phenomenon).³

At present, level anchoring of longer-term inflation expectations broadly holds.

Across agents, consumers reacted most to the recent energy price shock, but the term structure was strongly downward sloping, as longer-term expectations were revised up only slightly. Longer-term inflation expectations of firms and professional forecasters barely changed following the outbreak of the war in the Middle East (Chart A). While level anchoring is, at face value, weaker for consumers and firms, this can be attributed partly to the systematic upward bias of these two groups.⁴ Comparing recent developments to the situation after Russia’s full-scale invasion of Ukraine, the latter inflationary shock was also perceived to be short-lived but started from a higher level of inflation expectations and ultimately persisted longer than originally anticipated (with natural gas prices not peaking until around August–October 2022). In contrast, the current episode has so far generated smaller

¹ Inflation expectations from surveys complement inflation expectations based on financial market data. While both survey-based and market-based expectations have advantages and disadvantages, each provides valuable information to policymakers. For a more detailed discussion, see, for example, Work stream on inflation expectations (2021), in particular section 2.1, and Workstream 1: Changing economic and inflation environment (2025), in particular Box 4.

² This box refers to both medium and long-term inflation expectations (three and five years ahead) as “longer-term expectations”.

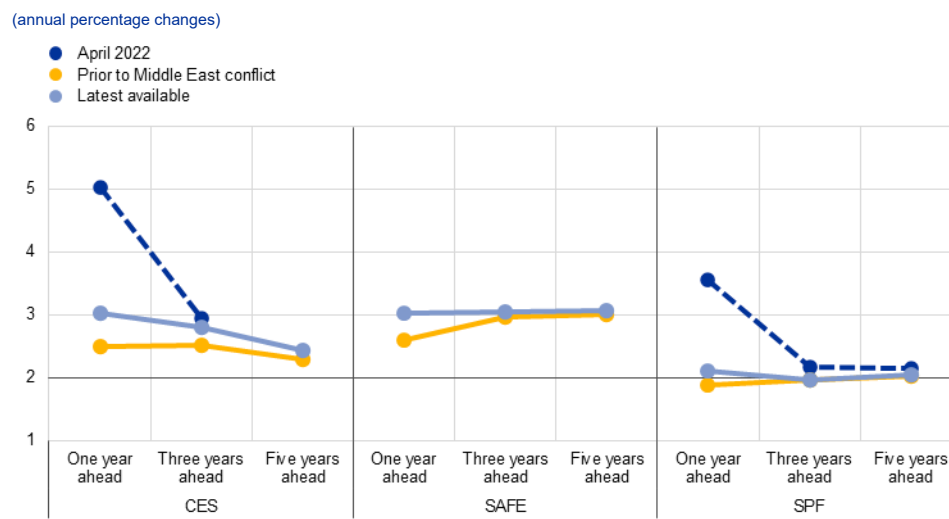
³ This box uses data from the ECB Consumer Expectations Survey (CES), the European Commission/ECB Survey on the Access to Finance of Enterprises (SAFE) and the ECB Survey of Professional Forecasters (SPF). The SPF covers professional macroeconomic forecasters working for financial and non-financial institutions in Europe.

⁴ See Chart 22 in Workstream 1: Changing economic and inflation environment (2025).

revisions of longer-term inflation expectations with a stabilisation or moderation of inflation expectations across all agents in the most recent surveys.

Chart A

Term structure of expectations



Sources: CES, SAFE, SPF and ECB staff calculations.

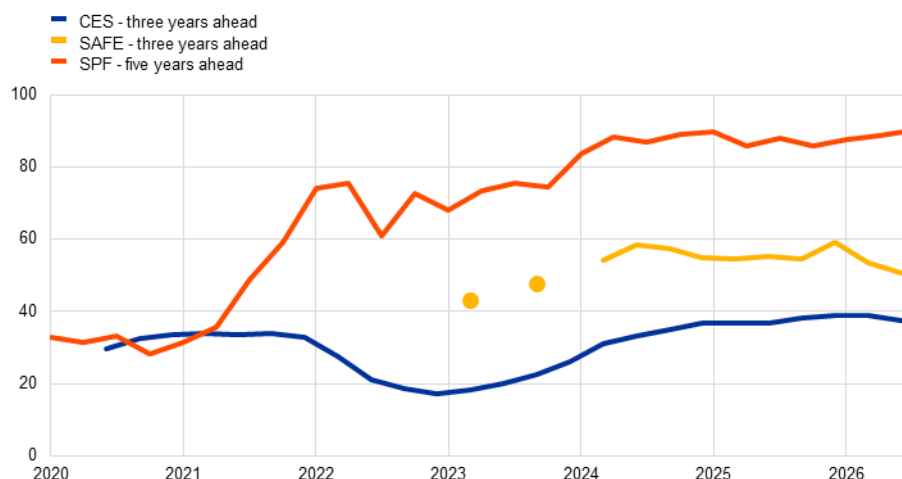
Notes: For the CES and SAFE, the term structure refers to the median inflation expectation; for the SPF, it refers to the mean inflation expectation. Inflation expectations data from the SAFE were not available in 2022. The latest available data capture expectations from June 2026 for the SAFE and the CES and from the third quarter of 2026 survey round for the SPF.

So far, the shares of expectations consistent with the inflation target remain above the levels observed in 2022-2023. Given the differences across agents, it is useful to track the shares of respondents with target-consistent inflation expectations over time (Chart B). In the current episode, these shares, which differ in terms of levels across types of agent, have so far not changed much. They remained relatively high for professionals and ticked down only slightly for consumers, while the share for firms declined more visibly. Nevertheless, for all three groups the shares are above what they were in 2022-2023.

Chart B

Share of target-consistent inflation expectations

(percentages of respondents)



Sources: CES, SAFE, SPF and ECB staff calculations.

Notes: For the CES and SAFE, the target-consistent range for three-year-ahead expected inflation is defined as 1-3%. For the SPF, the target-consistent range for five-year-ahead expected inflation is defined as 1.8-2.2%. The wider range for consumers and firms reflects the greater dispersion and measurement noise typically observed in the expectations of non-professionals.

Following the most recent energy price shock, joint dynamics in short and longer-term expectations do not point to increased shock de-anchoring across agents. If a shock is perceived to be temporary, changes in longer-term expectations should not be overly sensitive to changes in short-term ones.⁵ For consumers, regression analysis suggests that changes in longer-term expectations are typically positively and significantly sensitive to changes in short-term expectations (Chart C).⁶ Recently, this sensitivity has weakened slightly (longer-term expectations have not been revised as strongly as short-term ones). For professional forecasters, changes in longer-term expectations are typically insensitive to changes in short-term ones. While there were exceptions in the last two quarters of 2021 (around the time of the strategy review), those changes were towards the ECB's price stability target.

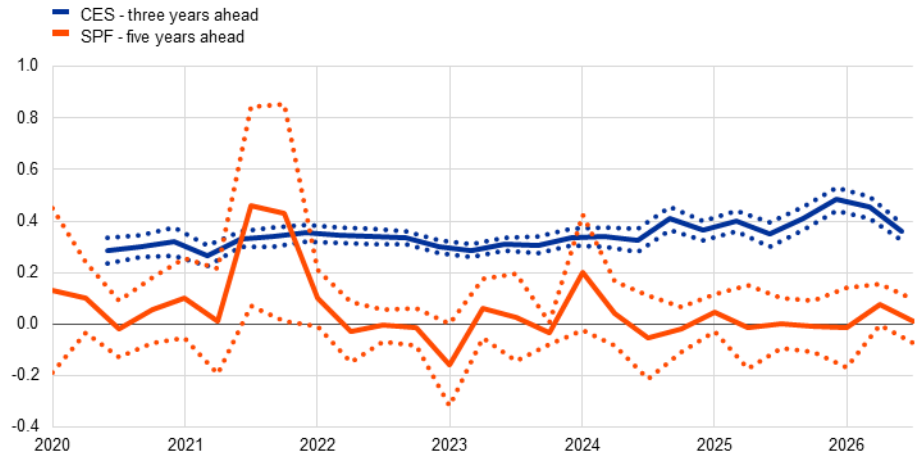
⁵ Level differences in estimated sensitivities may be present across agents, reflecting differences across groups (Weber et al., 2022).

⁶ Estimated sensitivities are not reported for firms owing to the relatively low share and low absolute number of firms replying in consecutive surveys. Nonetheless, in the first quarter of 2026, while aggregate one-year ahead inflation expectations were revised up in the SAFE (to 3.0% from 2.6%), those for three-years ahead remained unchanged at 3.0%. See Fantino et al. (2026) for a more detailed discussion.

Chart C

Relationship between changes in short-term and longer-term inflation expectations

(estimated regression coefficients)



Sources: CES, SPF and ECB staff calculations.

Notes: Ordinary least square estimates with 95% confidence intervals (dotted lines) obtained by regressing quarter-by-quarter (based on pooled three-monthly waves with fixed individual and time effects for the CES) individual-level revisions in three-year-ahead (five-year-ahead for the SPF) expectations between two consecutive surveys on revisions in one-year-ahead expectations.

Stable levels of disagreement and a contained share of agents expecting high inflation suggest higher-moment anchoring, although the signal is weaker for non-professionals.

Higher-moment anchoring relates to dispersion, skew and outliers. Regarding dispersion, disagreement among agents, as measured by the interquartile range of the cross-sectional distribution of longer-term expectations, has not changed substantially. It has remained below its long-term average among professional forecasters and has also been broadly stable for consumers and firms.⁷ Overall, disagreement has declined from the highs of 2022-2023 (Chart D, panel a). Disagreement is also substantially higher among consumers and firms than among professional forecasters. Beyond disagreement, uncertainty surrounding reported expectations (using a variety of metrics) appears to have increased initially after the war, but this has started to recede in the latest data for consumers and firms. Regarding skew and outliers, the share of respondents with high expectations (expected inflation above 5% for firms and consumers and above 2.5% for professional forecasters) increased very slightly for professional forecasters but more visibly among consumers and firms, although for firms it has decreased in the latest wave (Chart D, panel b). However, these shares stand below the elevated levels of 2022-2023.

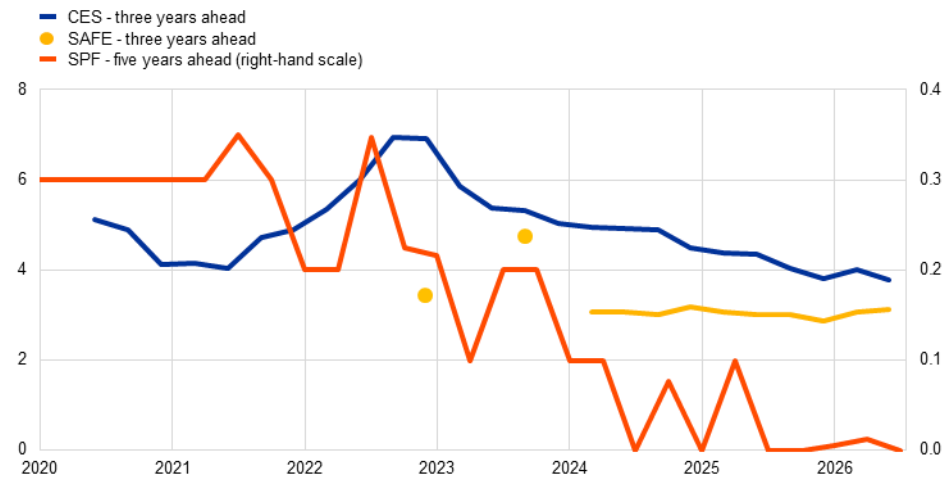
⁷ Standard deviations of point expectations in the cross-section provide a broadly similar picture.

Chart D

Disagreement among agents and share expecting high inflation

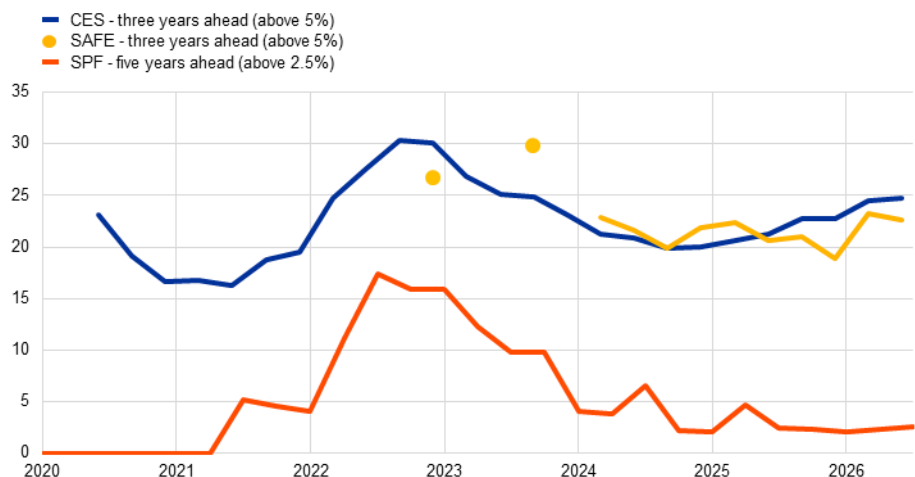
a) Interquartile range of agents' inflation expectations

(percentage points)



b) Share of agents expecting high inflation

(percentages of respondents)



Sources: CES, SAFE, SPF and ECB staff calculations.

Notes: Panel a): Interquartile ranges are constructed from the difference between the third and first quartiles of the point forecasts. Panel b): High inflation shares are calculated as the percentages of respondents with three-year-ahead expectations above 5% for the CES and SAFE, and as the percentage of respondents with five-year-ahead expectations above 2.5% for the SPF. In the third quarter of 2026, only one SPF respondent reported expectations above 2.5% (at 3.5%). The latest observations are for June 2026 for the CES, the second quarter of 2026 for the SAFE and the third quarter of 2026 for the SPF.

Although the degree of anchoring of longer-term expectations remains close to the levels prevailing before the Middle East energy shock, close monitoring of inflation expectations is warranted. Shorter-term inflation expectations moved upwards initially after the outbreak of the war in the Middle East, as have some longer-term measures, albeit to a much more limited extent. Since the initial shock, incoming information indicates that survey inflation expectations have stabilised or corrected downwards to some extent. Monitoring a wide range of metrics is warranted as some economic agents may be displaying heightened sensitivity to recent inflation developments owing to their recall of the 2022-2023 inflation surge.

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The ECB-BIG index: tracking credit conditions in the euro area

Prepared by Anastasia Allayioti, Paola Di Casola and Giacomo Magistretti

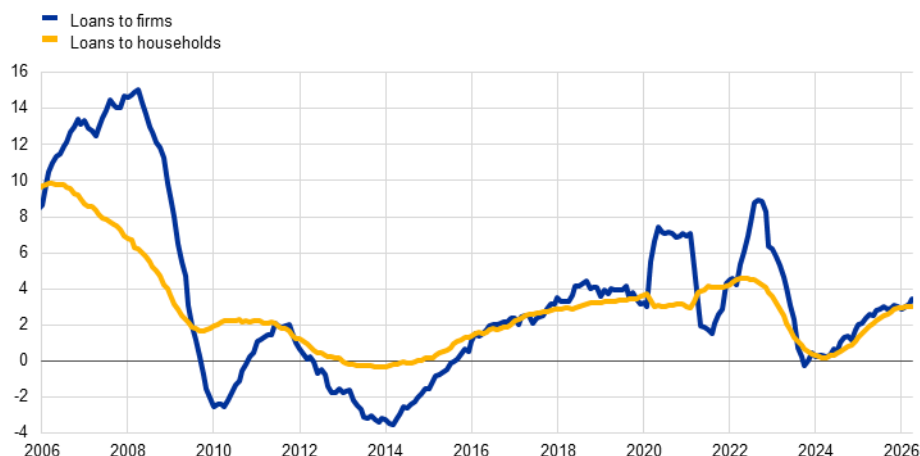
The European Central Bank Broad Intermediation Gauge (ECB-BIG) index is a new indicator that provides a timely assessment of developments in intermediation conditions across banks and non-banks. The ECB-BIG index tracks euro area credit conditions using a broad set of indicators that shed light on credit availability, needs and costs across the economy. It provides a useful summary of credit conditions, particularly when individual indicators appear to give contrasting signals. For example, at the beginning of the global financial crisis, growth in bank loans to households had already begun to slow, while that in bank loans to firms continued to grow at a steady rate in the first few months of 2008 before decelerating sharply (Chart A, panel a). In recent months bank loans have continued to grow at a stable rate, while lending rates have started to increase, suggesting that credit conditions might be tightening (Chart A, panel b). The ECB-BIG index provides the first comprehensive summary of these and other indicators of credit conditions in the euro area.

Chart A

Indicators of euro area credit conditions

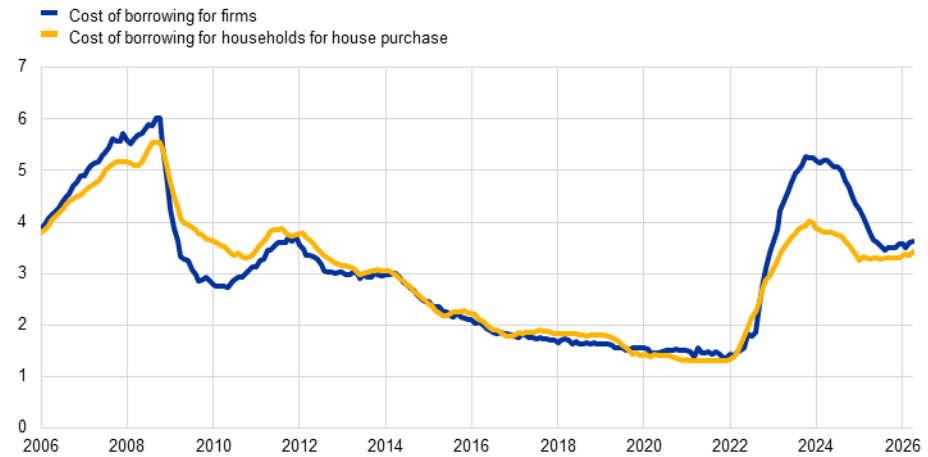
a) Annual growth in bank loans

(annual percentages)



b) Cost of borrowing

(annual percentages)



Sources: ECB and ECB staff calculations.

Notes: In panel a), bank loans are adjusted for sales, securitisation and cash pooling. The latest observations are for April 2026.

The new indicator combines the advantages of reduced-form and structural methodologies. It is constructed using conditional forecasting techniques applied within a Bayesian vector autoregressive (BVAR) model that can handle large mixed-frequency datasets of financial, credit and macroeconomic variables. The approach builds on Crump et al. (2025) who developed an index of US financial conditions based on a structural conditional forecasting exercise within a quarterly macro-financial BVAR model. Unlike approaches such as principal component analyses or dynamic factor models, this methodology allows for different transmission channels rather than imposing an identical lead-lag relationship on the variables. We have extended this framework to account for: (i) variables released at different frequencies, following recent advances in the literature on BVAR models (Cimadomo et al., 2022); and (ii) broader financing conditions. The ECB-BIG index measures the impact of financial and credit shocks on investment – an indicator of economic activity closely linked to credit conditions. More precisely, the index can be defined as the in-sample forecast of investment conditional on credit and financial shocks. It is normalised, with positive (negative) values indicating relatively tight (loose) credit conditions.

The index captures the interlinkages between financial and credit variables on the one hand, and macroeconomic variables on the other hand. This is particularly important because macroeconomic variables respond to financing conditions – typically with a delay – while financial and credit variables react to macroeconomic news.¹ The macroeconomic variables included in our macro-financial-credit BVAR model are GDP, investment, the Composite Purchasing Managers' Index, the price level, unemployment and an index of economic policy uncertainty.² We compile a diverse set of monthly and quarterly variables covering key aspects of credit conditions in the euro area: (i) bank lending rates and bank

¹ Altavilla et al. (2017) show that macroeconomic surprises explain a large part of asset price fluctuations.

² For more information on the importance of economic policy uncertainty for lending and investment, see Allayioti et al. (2025).

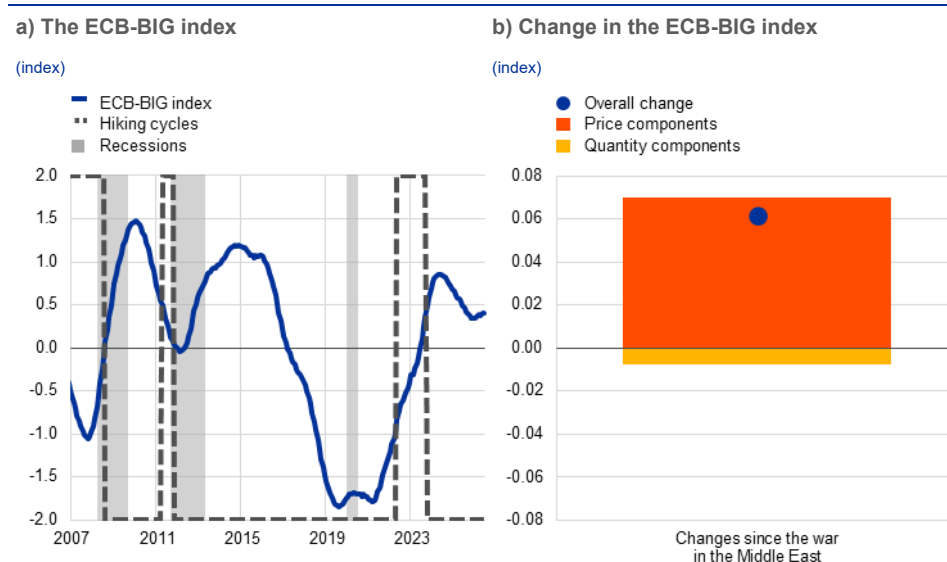
loans to households and firms, (ii) loans to firms from non-banks and the rest of the world, (iii) debt securities and equity issued by firms, (iv) credit standards for households and firms from the euro area bank lending survey, and (v) financial market conditions proxied by the Macro-Finance Financial Conditions Index (MF-FCI) developed in Bletzinger et al. (2026).

The ECB-BIG index currently points to intermediation conditions being tighter than those observed before the start of the war in the Middle East.

The index has peaked during three main periods (Chart B, panel a). First, the global financial crisis of 2007-09, a period characterised by a sharp contraction in credit supply, as evidenced by the euro area bank lending survey. During this time financial institutions faced liquidity shortages, heightened risk aversion and widespread deleveraging. Second, the aftermath of the European sovereign debt crisis around 2014, a period marked by heightened financial fragmentation across euro area countries and the emergence of deflationary risks. Many banks, particularly those in more indebted countries, reduced lending at that time amid constrained access to market funding and elevated non-performing loan ratios. Third, the 2022-23 hiking cycle, a period during which the ECB rapidly raised interest rates in response to surging inflation following the energy price shock driven by Russia's invasion of Ukraine. More recently, the index has pointed to some renewed, albeit more limited, tightening of credit conditions following the geopolitical and energy price shocks triggered by the war in the Middle East. The recent tightening reflects pressure stemming from price components, most notably lending rates (Chart B, panel b).

Chart B

The ECB-BIG index, economic recessions and rate hiking cycles



Sources: ECB and ECB staff calculations.

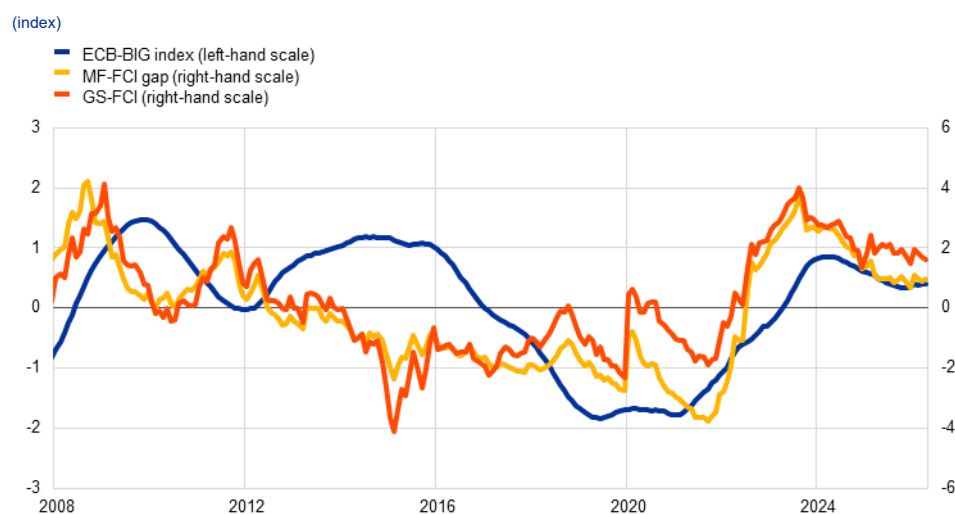
Notes: The more positive (negative) the index, the tighter (looser) the credit conditions. In panel a), the latest values are also based on the June 2026 Eurosystem staff macroeconomic projections for the euro area, where the realised data are still missing. In panel b), "Price components" includes lending rates and the MF-FCI, "Quantity components" includes credit volumes and changes in credit standards according to the euro area bank lending survey and "Changes since the war in the Middle East" refers to the change between the nowcast for June and the nowcast for February. The latest observations are for June 2026.

The ECB-BIG index complements indicators of more narrowly defined financial conditions, with diverging results in some periods (Chart C). For example, the

MF-FCI and the Goldman Sachs Financial Conditions Indicator (GS-FCI) show an easing of financial conditions for the period 2013-14, while the ECB-BIG index indicates a tightening of intermediation conditions. This primarily reflects developments in banks' credit standards and credit volumes at that time. Furthermore, the ECB-BIG index did not spike in 2020 despite the major disruption to economic activity triggered by the COVID-19 pandemic, likely reflecting the unprecedented policy interventions that mitigated the potential deterioration in credit conditions.³

Chart C

The ECB-BIG index and indices of financial conditions



Sources: ECB staff calculations and Bletzinger et al. (2026).

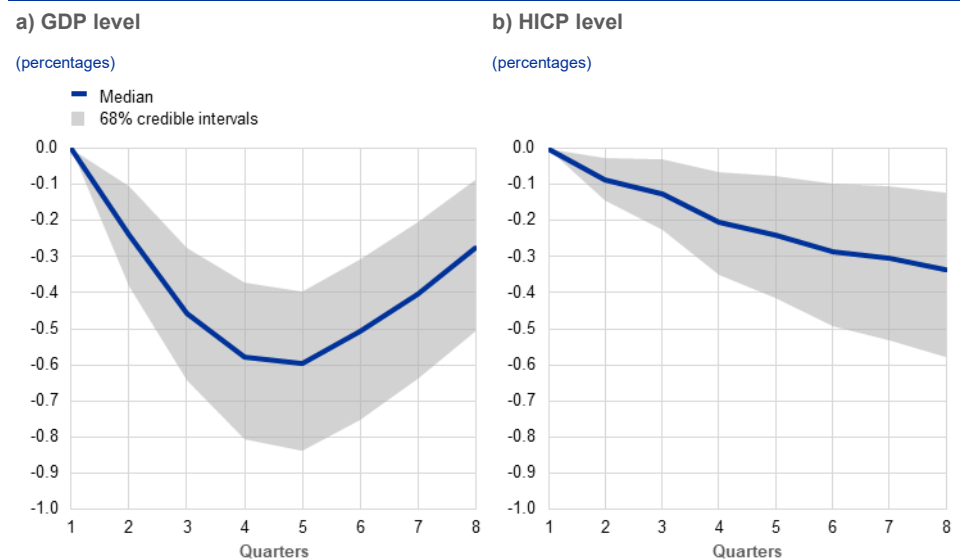
Notes: The more positive (negative) the index, the tighter (looser) the credit conditions. The MF-FCI is shown as the gap from its neutral long-run mean, which is the value to which the index converges once euro area inflation is at its medium-term target and the output gap is closed. The GS-FCI is rescaled to have the same mean and variance as the MF-FCI gap since 2005. Both the MF-FCI and the GS-FCI indices refer to the monthly average of daily values. The latest observations are for June 2026.

Overall, a tightening shock to the ECB-BIG index has a contractionary impact on the euro area economy. One advantage of an indicator that summarises intermediation conditions is that it allows us to gauge the effects of a shock without having to deal with multiple, often highly correlated variables that provide signals which are difficult to disentangle. Using a quarterly BVAR model, we can show the macroeconomic effects of a tightening shock to the ECB-BIG index: a one standard deviation increase in the index leads to a 0.6% decline in real GDP approximately four quarters after the shock, which reverses gradually thereafter, and reduces the price level (as measured by the Harmonised Index of Consumer Prices – HICP) by around 0.3% after eight quarters (Chart D).

³ For details on how monetary and prudential policies supported bank lending conditions during the COVID-19 pandemic, see Altavilla et al. (2023).

Chart D

Impact of a tightening shock on the ECB-BIG index



Source: ECB staff calculations.

Notes: The panels show the impulse responses to a one standard deviation (one unit) shock to the ECB-BIG index. The BVAR model includes GDP, investment, the HICP, the one-year overnight index swap rate and the ECB-BIG index, and identifies the shock via Cholesky ordering.

The ECB-BIG index introduced in this box can be a valuable instrument to inform monetary policy decisions. The assessment of the strength of monetary policy transmission is one of the central elements of the ECB’s monetary policy strategy (ECB, 2025). By providing timely assessments of euro area credit conditions, which are crucial for understanding the transmission of monetary policy, the ECB-BIG index can be a useful tool for determining the appropriate monetary policy calibration.

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Assessing the scope for compensatory fiscal measures in response to the recent energy shock

Prepared by Othman Bouabdallah, Cristina Checherita-Westphal and Philip Muggenthaler-Gerathewohl

The recent global energy shock has affected the economies and public finances of euro area countries, but there are significant differences compared with the 2022 energy crisis.¹ This box first discusses the differences between the fiscal policy conditions prevailing at the onset of the recent energy crisis and those observed following Russia's invasion of Ukraine in February 2022. It then presents an overview of the discretionary fiscal policy support that euro area governments have provided since the 2026 shock and assesses the scope for self-financing measures.

While euro area fiscal positions appeared broadly similar at the onset of the 2022 and 2026 energy shocks, a closer look reveals that fiscal room is more limited today (Chart A, panel a). Euro area governments were expected to run broadly similar aggregate deficits of 3.2% and 3.3% of euro area GDP prior to the crises in 2022 and 2026 respectively. However, in 2022, pent-up demand fuelled by COVID-19 pandemic-induced high precautionary savings and income support policies contributed to a strong recovery in growth, tax bases and government revenues, whereas these conditions are not present in 2026. If cyclical and other temporary factors are stripped out, the projected euro area structural fiscal deficit stands at 3.3% for 2026, compared with a pre-energy-shock projection of 2.6% for 2022. Pre-crisis government plans in 2022 also entailed a tightening fiscal stance given the withdrawal of some pandemic support, which created space to respond to a larger and more broad-based energy shock than the current one.² By contrast, the euro area fiscal stance was projected to loosen in 2026, even before the outbreak of the Middle East war, largely on account of major defence and infrastructure spending plans adopted by Germany and other smaller euro area members of the North Atlantic Treaty Organization.

¹ For an overview of these differences, see Arce et al. (2026).

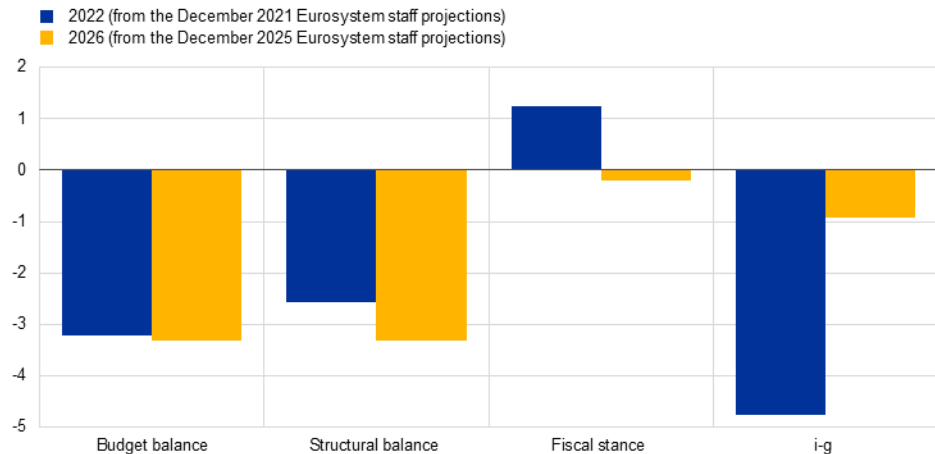
² See Checherita-Westphal (2023) for more details.

Chart A

Fiscal positions prior to the 2022 and 2026 energy shocks

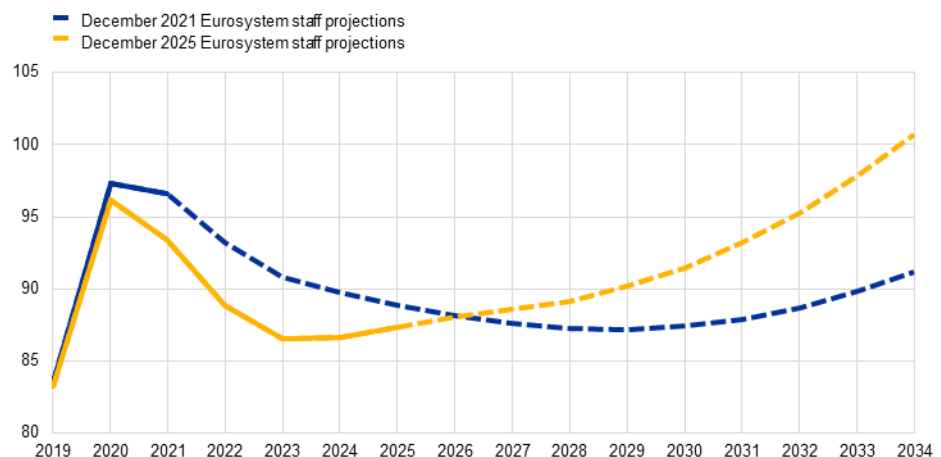
a) Euro area budgetary indicators

(budget balance: percentages of GDP; structural balance and fiscal stance: percentages of potential GDP; interest rate-growth differential (i-g): percentage points)



b) Euro area debt outlook

(percentages of GDP)



Sources: Eurosystem staff macroeconomic projections for the euro area, December 2021 and December 2025, and related debt sustainability analyses.

Notes: Panel a): i-g stands for interest rate-growth differentials on government debt. The fiscal stance is measured as the change in the cyclically adjusted primary balance (adjusted for Next Generation EU grants on the revenue side). A negative (positive) figure implies fiscal stance loosening (tightening). Panel b): the dashed segments represent projected debt ratios, which replicate the baselines until the end of the respective horizons (t+3) and are extended assuming constant structural balances net of ageing costs.

The debt outlook is also less favourable now, as higher financing costs leave governments with less room for manoeuvre than the stock of debt alone would suggest (Chart A, panel b). Although the aggregate euro area government debt ratio was broadly comparable at the start of the two episodes in 2022 and 2026 (close to 89% of GDP), the cost of debt refinancing has increased materially. In 2022, sovereign borrowing costs were near historic lows and the strong post-pandemic growth rebound contributed to strongly negative interest rate-growth differentials (Chart A, panel a). By contrast, with higher policy rates and term premia in 2026, that fiscal buffer has been largely depleted and long-term euro area debt

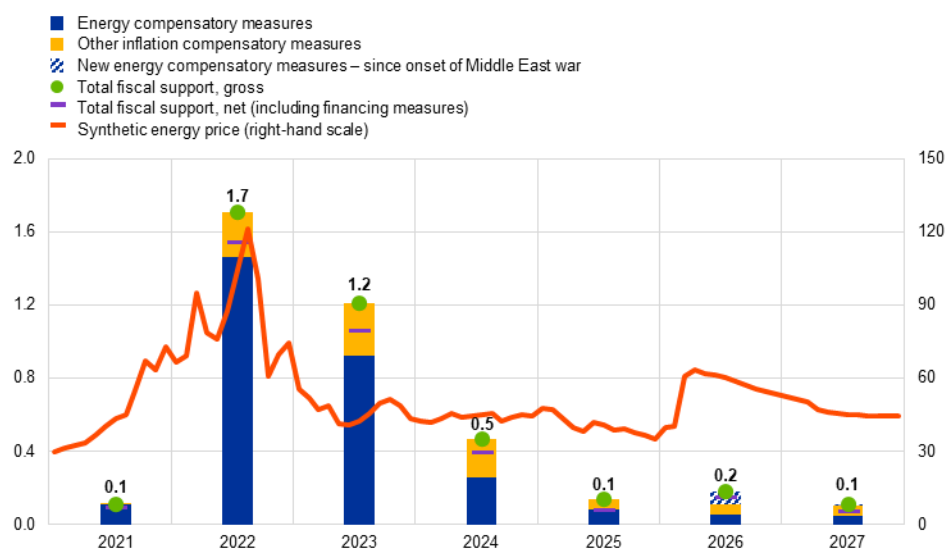
projections under a “no fiscal policy change” scenario after 2028 now point to significantly more adverse dynamics.

Partly reflecting the above considerations, euro area governments have adopted discretionary fiscal policy support to a far more limited extent in response to the Middle East war than in the past (Chart B). Discretionary support since the outbreak of the war amounts to around 0.1% of GDP at the euro area aggregate level and has primarily taken the form of temporary measures for 2026 (blue and white striped bars in Chart B; see also Chart C). The remaining measures for 2026 and 2027 are still in place from the 2022 episode. The limited nature of recent fiscal support may partly reflect lessons from the past, including the high costs of the compensatory measures taken in 2022 and 2023. While these measures helped smooth inflation, they also increased its persistence and strengthened the case for preserving the signal embedded in energy prices and thereby supporting the European green transition.³

Chart B

Euro area energy and inflation compensatory measures since 2021

(left-hand scale: percentages of GDP; right-hand scale: USD/MWh)



Sources: June 2026 Eurosystem staff macroeconomic projections for the euro area (cut-off date 27 May 2026) and LSEG.
Notes: Energy prices are shown as at the cut-off date for the technical assumptions (21 May 2026) underlying the June 2026 projections. For 2026 and 2027, energy support since the onset of the Middle East war (striped blue and white bars) includes new measures and a limited impact of higher energy prices on existing support schemes in a few countries. The remaining support over 2026 and 2027 refers to other lasting effects of the energy and inflation compensatory measures approved in the context of the 2022 energy crisis. The synthetic energy price is calculated as a weighted average of the oil price (converted to USD/MWh) and the gas price (in USD/MWh), with the weights based on the euro area's energy import shares of oil and gas.

The new fiscal measures mainly comprise temporary cuts in energy taxes and increased subsidies for fuels, transport and electricity (Chart C, panel a).

These have been complemented by reductions in valued added tax (VAT) rates on energy products in some countries and other spending and tax measures. So far, about 60% of the gross fiscal cost comprises (mainly untargeted) direct price measures, while the remainder operates through (somewhat targeted) income support or other compensation channels. Around two-thirds of the support is directed

³ See, for example, Bańkowski et al. (2023a) and European Central Bank (ECB, 2025).

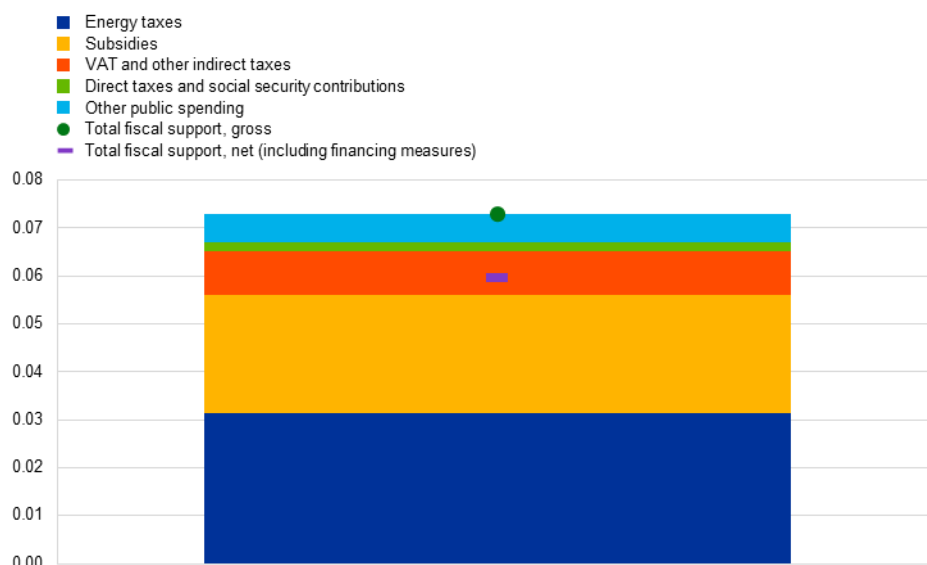
at households and one-third at firms. Only a few countries have adopted discretionary financing measures, such as cuts in fiscal transfers or increases in other indirect taxes, to cover part of the gross fiscal cost.

Chart C

Euro area energy compensatory measures in response to the Middle East war in 2026

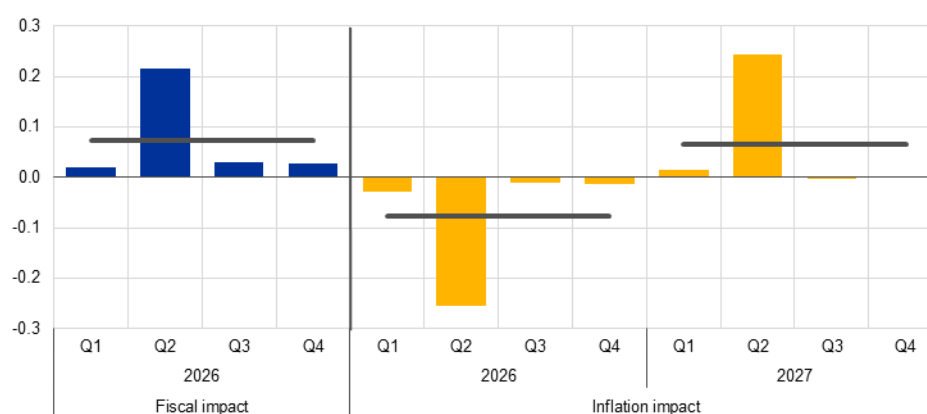
a) Size and composition

(percentages of GDP)



b) Fiscal and inflation impact

(fiscal impact: percentages of GDP; inflation impact: percentage points)



Source: June 2026 Eurosystem staff macroeconomic projections for the euro area.

Notes: Panel a): energy compensatory measures refer to measures since the onset of the Middle East war until the cut-off date for the June 2026 macroeconomic projections (27 May 2026). Panel b): gross total fiscal support and its impact on inflation. Inflation is measured by the Harmonised Index of Consumer Prices (HICP). The bars denote the year-on-year impact for each quarter and the lines denote the average annual impact.

So far, the new fiscal measures are concentrated in the second quarter of 2026, with a temporary downward impact on inflation (Chart C, panel b). In

many countries the new discretionary fiscal policy measures were initially approved for only a few months, although a few extensions have been announced. At the cut-off date for the June 2026 projections, Eurosystem staff estimated a reduction in

year-on-year HICP inflation of around 0.2 percentage points in the second quarter of 2026, with a comparable increase in the second quarter of 2027 owing to the temporary nature of the fiscal measures.

The scope for self-financing current or future discretionary energy measures through inflation-driven revenues is likely to remain limited. Earlier Eurosystem analysis concluded that energy supply shocks are unlikely to deliver short-term boosts to revenue-to-GDP ratios and that public expenditure pressures are expected to increase over the medium term.⁴ Following an adverse oil supply shock (and in the absence of energy compensatory measures), tax revenues might initially benefit from higher energy prices and nominal tax bases. However, these gains are likely to be gradually offset as inflation erodes disposable incomes and thus depresses private consumption. Following large adverse oil supply shocks in the past, indirect tax-to-GDP ratios developed very heterogeneously across euro area countries but there was no general upward trend at the euro area aggregate level over subsequent quarters (Chart D, panel a).⁵

⁴ See ECB (2025), Burriel Llombart et al. (2024) and Bańkowski et al. (2023b).

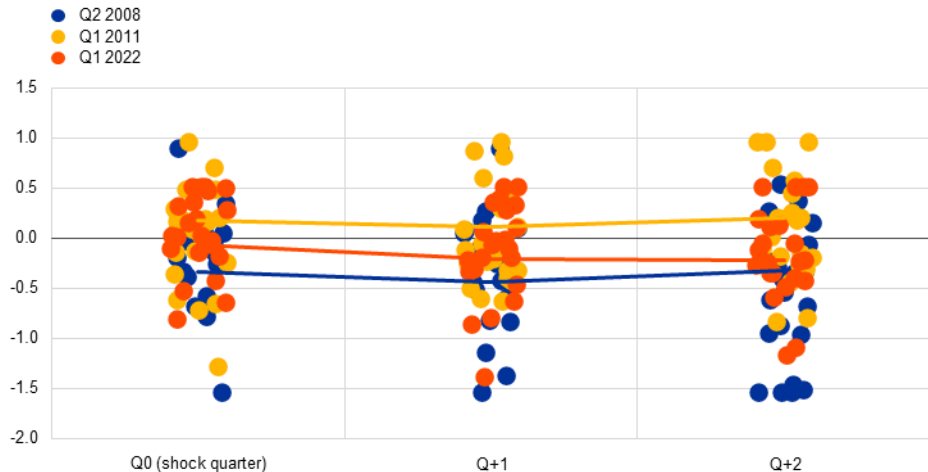
⁵ Shocks are taken from Gazzani et al. (2024) but are restricted to the largest monthly oil supply shocks, where average monthly prices rose above USD 100 per barrel, to ensure comparability with the price increase observed in March 2026.

Chart D

Tax developments in the euro area after large adverse oil supply shocks

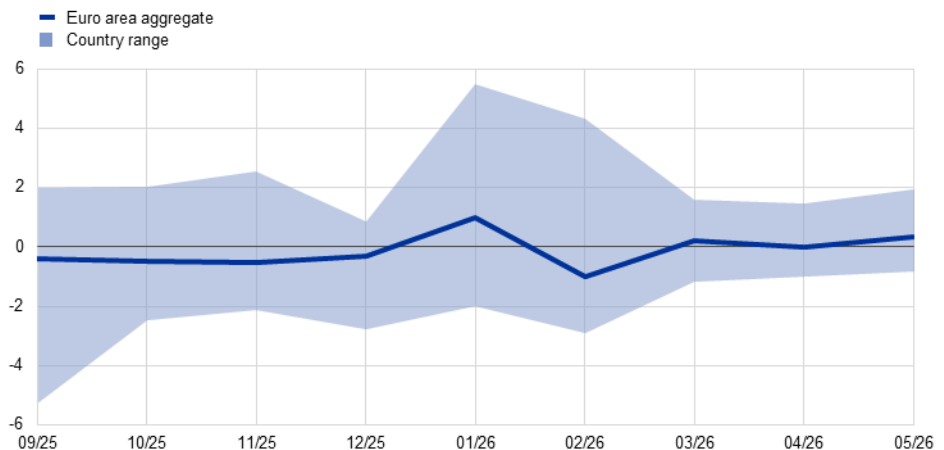
a) Changes in indirect tax-to-GDP ratio after past large oil supply shocks across euro area countries and at the euro area aggregate level

(percentage points of GDP)



b) Recent VAT collection

(percentage point deviations from previous ten-month average)



Sources: Eurostat, June 2026 Eurosystem staff macroeconomic projections for the euro area, Haver Analytics and ECB staff calculations.

Notes: Panel a): changes in indirect tax ratios after past large oil supply shocks, compared with average ratios in the four pre-shock quarters. The dots denote euro area countries and the lines denote the euro area aggregate. Data are winsorized at the 1st and 99th percentiles. Panel b): deviations of monthly year-on-year VAT growth from historical norms using ten-year rolling distributions scaled by the standard deviation. The period from March 2020 to June 2021 has been excluded from the ten-year average owing to significant volatility in VAT collection during this time. In both panels, the euro area aggregate is the GDP-weighted average across euro area countries.

So far in 2026, VAT data at the euro area level show no evidence of higher revenues following the increase in oil prices (Chart D, panel b). From March to May 2026, VAT revenues across countries remained within their historical ranges. Other indirect tax revenues, such as excises on fuels, are likely to be negatively affected following the reduction in tax rates in many countries and the fact that they are levied on quantities and not on values affected by higher prices.

Looking forward, the recent energy price shock poses challenges for fiscal policies. Fiscal space is currently more limited than in the past and there is little

scope for self-financing discretionary energy support. Recalling that fiscal sustainability is a crucial anchor for broader economic stability, fiscal support should therefore be temporary, targeted and tailored. This may be even more important now given the need to preserve fiscal space and the signal in energy prices, while protecting the most vulnerable households and firms.

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Article

1 The cost of not knowing: how uncertainty weighs on the euro area economy

Prepared by Malin Andersson, Alina Bobasu, Lorena Saiz and Stefania Scrofani

1 Introduction

Economic uncertainty has increasingly become a defining feature of the macroeconomic environment.

The euro area economy has been repeatedly exposed to large and multifaceted shocks in recent years, which have been accompanied by a marked rise in uncertainty along with a discernible softening or even contraction of economic activity. Understanding the role and economic impact of uncertainty is particularly important in the current geopolitical environment.

The relationship between uncertainty and economic activity has been well established in both theory and empirical work.

When the future becomes harder to predict, households tend to cut back on spending and build precautionary savings buffers, while firms delay or scale back investment and hiring decisions. Financial conditions often tighten, as investors demand higher compensation for the uncertainty of their investment, pushing up risk premia and making credit more expensive or less accessible. Uncertainty can increase suddenly and exogenously, as the direct result of a geopolitical event for example. Alternatively, it can rise in response to other shocks and amplify their direct effects on economic activity.

The article reviews recent developments in uncertainty indicators for the euro area and assesses implications of rising uncertainty for economic activity.

Section 2 defines the concept of economic uncertainty and illustrates recent developments in available metrics. Section 3 discusses the transmission channels through which uncertainty propagates to consumption and investment and to the broader real economy. Section 4 presents empirical evidence on the ways uncertainty affects real economic activity, and Section 5 concludes.

2 Economic uncertainty: from concept to measurement

Economic uncertainty is the extent to which households, firms, investors and policymakers find it difficult to assess future economic outcomes.

It arises when the range of possible future states of the economy is wide, when the likelihood of those states is hard to quantify, or when the underlying structure of the economy appears to be changing. In practical terms, uncertainty reflects a lack of clarity about variables such as future growth, inflation, interest rates, employment, profits, asset prices or policy decisions. Uncertainty can stem from a variety of sources. These

include macroeconomic shocks, such as unexpected recessions, inflation surges or exchange rate swings; political and policy developments, including trade disputes or regulatory changes; geopolitical events, such as wars or terrorist attacks; financial market stress, including banking crises or sharp asset price corrections; technological and structural change, such as rapid innovation, digitalisation and automation; and natural disasters or health crises, including pandemics.

Uncertainty is distinct from both risk and confidence. In economic terms, uncertainty, in the sense of Knight (1921), arises in situations where the set of possible outcomes and their probabilities are unclear and difficult to assess. Risk, by contrast, arises when the distribution of outcomes is known or can be reasonably estimated. Uncertainty is also distinct from confidence. Confidence relates to expectations about the most likely outcome – i.e. it reflects where households and firms believe the economy is heading. Uncertainty, on the other hand, captures the width of the distribution of possible outcomes, or how much households and firms disagree about the range of possible future outcomes, independently of what the central expectation is.

Uncertainty can act as an exogenous source of macroeconomic fluctuations.

When an event triggers an abrupt increase in uncertainty, the future suddenly becomes harder to assess. This can occur independently of any prior deterioration in economic conditions, such that the associated rise in uncertainty proxies cannot be fully attributed to other exogenous shocks. Heightened uncertainty surrounding trade policy in 2018 and 2025 provides clear examples of such uncertainty shocks, with trade policy uncertainty rising sharply as a result of changes in US tariffs that were announced unexpectedly, and subsequently escalated and renegotiated.

Uncertainty can also change in response to other shocks in the economy. In some cases, it may amplify the effects of other shocks, such as a collapse in demand or an oil supply disruption. The 2008-09 global financial crisis, for example, is an illustration of an endogenous rise in uncertainty. The financial shock was the initial trigger, with contractionary effects on the economy which were amplified by the heightened uncertainty surrounding the duration and depth of the crisis and its propagation.¹ However, uncertainty may also dampen the effects of other shocks, such as an accommodative monetary policy shock, by inducing caution among households and firms. This cautious behaviour might limit the economy's responsiveness, attenuating the policy's intended stimulative effects.

This article focuses primarily on uncertainty as an exogenous source of macroeconomic fluctuations, and hence as an exogenous shock. Such shocks are methodologically difficult to isolate and are therefore estimated using various different identification strategies and assumptions.

¹ See Bloom (2014).

Economic uncertainty, being unobservable, is measured using a variety of proxies which differ in both methodology and scope.² There is no single objective metric, but uncertainty proxies can generally be grouped into four main categories.

Text-based metrics include the index of economic policy uncertainty (EPU) developed by Baker et al. (2016), as well as the indices of trade policy uncertainty (TPU) and geopolitical risk devised by Caldara et al. (2020) and Caldara and Iacoviello (2022). Such measures aim to capture uncertainty around policy and geopolitical developments through news outlets, earnings calls and other textual sources. Their accuracy and reliability can, however, be affected by changes in language over time and the inherent biases present in the news sources they rely on, as well as by imprecise word counts as measures of intensity. For instance, the TPU index tends to be highly volatile and may capture not only uncertainty shocks but also actual policy changes and shifts in media attention.³

Survey-based indicators reflect the perceptions of firms and households separately. The European Commission's surveys, for example, ask business managers and consumers to indicate how difficult it is to make predictions about their business situation and household finances, in order to capture uncertainty. However, such monthly measures do not necessarily capture uncertainty around fast-evolving events in a timely manner.

Financial market-based indicators, such as implied stock market volatility measures, react quickly to new information, providing real-time, high-frequency signals of uncertainty among market participants. One common example is the VSTOXX index, which plots the implied volatility derived from EURO STOXX 50 option contracts with maturities from one month up to two years, enabling it to act a forward-looking, high-frequency measure of investor uncertainty across euro area blue-chip companies. Another example is the Composite Indicator of Systemic Stress (CISS), which aggregates 15 individual financial stress measures across five market segments, accounting for their time-varying cross-correlations.⁴ Spikes in these indicators can, however, reflect shifts in risk aversion or investor sentiment rather than genuine macroeconomic uncertainty, which makes them harder to interpret.

Finally, **model-based measures** capture the degree of unpredictability in macroeconomic outcomes. The measure developed by Jurado et al. (2015), for example, defines uncertainty as the volatility of three-month ahead forecast errors for a wide range of economic indicators. Forecast disagreement is also a model-based measure commonly used as a proxy for economic uncertainty. For example, an increase in the dispersion of forecasts by panellists surveyed by Consensus

² In practice, a spike in any of these measures may reflect the combined effect of a genuine exogenous uncertainty shock and other, concurrent disturbances – such as a deterioration in economic fundamentals or a shift in aggregate demand – making it difficult to disentangle the influence of uncertainty from that of the broader macroeconomic environment in which it arises.

³ In Bobasu and Pierluigi (2026), the analysis uses an adjusted measure of trade policy uncertainty that strips out the influence of media attention, effective tariff rates, financial conditions and supply chain pressures in order to address these limitations.

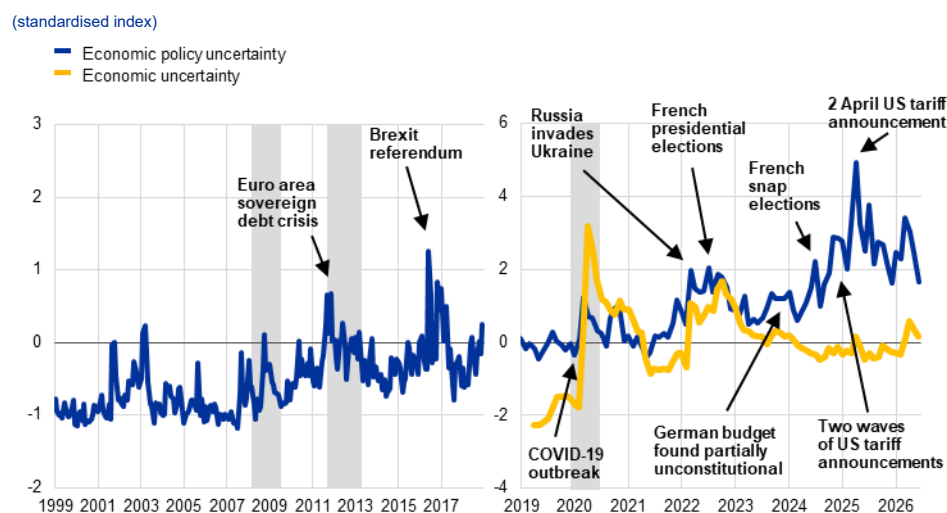
⁴ See Holló et al. (2012).

Economics typically signals that it has become more difficult to assess the economic outlook. This type of measure captures differences in views among forecasters, however, rather than uncertainty around each individual forecast and should therefore be interpreted with caution.

While measures capturing longer-term policy uncertainty and geopolitical uncertainty have remained persistently elevated, those more closely tied to the short-term financial and economic situation have fallen from their pandemic peaks to more usual, relatively low levels.⁵ Among the text-based measures, the EPU index has increased with numerous shocks (Chart 1). Since 2019 it has remained above historical norms and increased gradually. The European Commission's survey-based measure of economic uncertainty increased sharply during the pandemic and again at the time of Russia's invasion of Ukraine (Chart 1). The TPU index spiked around the tariff announcements in 2018 and again more recently in 2025 (Chart 2). Financial market-based indicators of uncertainty have tended to reach their peaks during episodes of elevated financial stress (Chart 3). Model-based measures of macroeconomic uncertainty, such as that of Jurado et al. (2015), and the measure capturing forecast disagreement point to the outbreak of the COVID-19 pandemic in Europe as the single largest uncertainty shock in recent times, surpassing even the global financial crisis (Chart 4). Outside of these two major events, both measures have remained more stable than text- and market-based proxies.

Chart 1

Economic policy uncertainty and survey-based uncertainty



Sources: Baker et al. (2016) and ECB staff calculations.

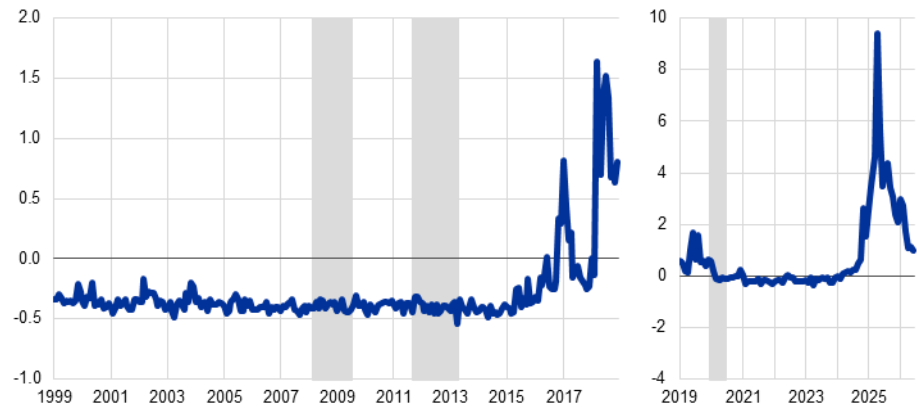
Notes: Areas in grey denote euro area recessions as identified by the Centre for Economic Policy Research (CEPR). Data are from 2001 onwards for the four largest euro area countries, weighted in accordance with their respective GDP in 2025. Before 2001 the series is based on the three largest euro area countries (Germany, France and Italy), as data for Spain are not available. Both series are standardised over their respective samples. The European Commission uncertainty series starts in April 2019. It is a weighted average of the sectoral series for industry (40%), services (30%), consumers (20%), construction (5%) and retail trade (5%), expressed as percentage point balances. The series has been standardised over its respective sample. Only uncertainty shocks featuring in the main estimations – see Chart 5 – have been labelled. The latest observations are for June 2026.

⁵ See Andersson et al. (2025).

Chart 2

Trade policy uncertainty

(standardised index)



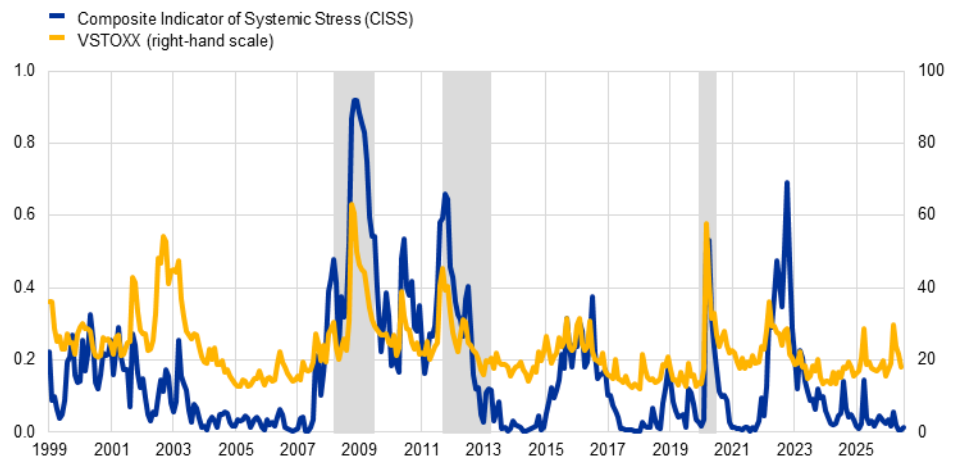
Sources: Caldara et al. (2020) and ECB staff calculations.

Notes: Areas in grey refer to euro area recessions as identified by CEPR. The chart shows the TPU index of Caldara et al. (2020) for the United States. It is split into two panels to capture the higher overall level of the indicator in the most recent period. The latest observations are for June 2026.

Chart 3

Financial market-based measures of economic uncertainty

(left-hand scale: normalised scale; right-hand scale: index)

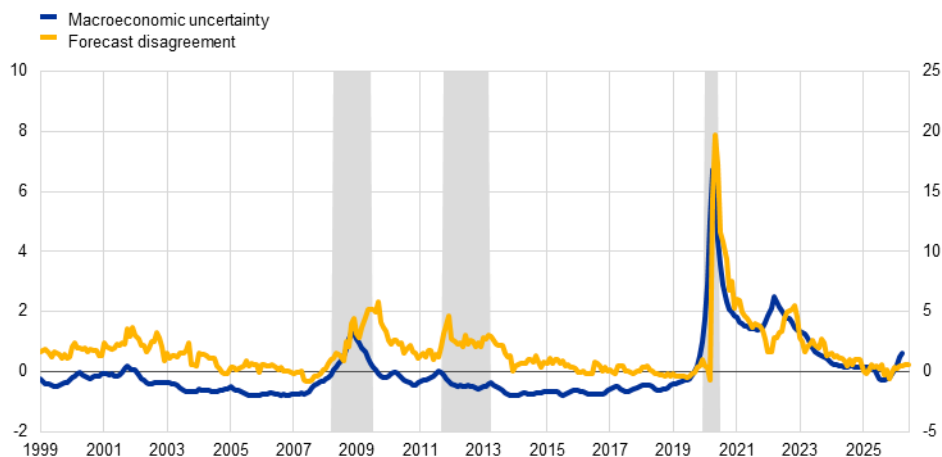


Sources: Haver Analytics and ECB.

Notes: Areas in grey denote euro area recessions as identified by CEPR. The CISS is measured as a normalised scale between 0 and 1. The VSTOXX index shows the implied volatility derived from eight VSTOXX subindices, reflecting respectively the actual next 1, 2, 3, 6, 9, 12, 18 and 24-month expiries of EURO STOXX 50 option contracts on the Eurex Exchange. The latest observations are for June 2026 for the CISS and July 2026 for the VSTOXX.

Chart 4**Model-based and statistical measures of economic uncertainty**

(standardised indices)



Sources: Jurado et al. (2015) and ECB staff calculations.

Notes: Areas in grey denote euro area recessions as identified by CEPR. The series are standardised over their respective samples. The measure of macroeconomic uncertainty is taken from Jurado et al. (2015), who define uncertainty as the volatility of three-month ahead forecast errors for a wide range of economic indicators. Forecast disagreement in the euro area is measured as the unweighted average of the standard deviations of next-year forecasts provided by Consensus Economics panel members for growth in real GDP, private consumption, fixed investment, consumer prices, industrial production and long-term interest rates. The latest observations are for April 2026 for the measure of macroeconomic uncertainty and June 2026 for forecast disagreement.

3 Channels of transmission from uncertainty to real activity

The academic literature has identified a set of transmission channels through which uncertainty shocks depress real economic activity, the first being the “real options” channel. The theoretical foundations of this channel rest on the irreversibility of most capital expenditure and the option value of waiting. Bernanke (1983) shows that when investment decisions are irreversible, firms facing heightened uncertainty are incentivised to delay action, i.e. to “wait and see” until greater clarity emerges, leading to a cyclical downturn in capital spending. Bloom (2009) demonstrates that higher uncertainty causes firms to temporarily pause their investment and hiring, producing the characteristic V-shaped pattern in output and employment. However, the real options channel does not operate exclusively as a drag on investment. For intangible-intensive firms, early-stage investments in research and development (R&D) or organisational capital unlock future competitive opportunities that would otherwise be permanently foreclosed. This is due to the compounding and path-dependent nature of intangible capital accumulation, thereby incentivising firms to maintain such expenditures and hoard labour during downturns (Dixit and Pindyck, 1994).

A second well-established channel involves precautionary saving. Heightened uncertainty leads households to reduce consumption and accumulate savings, resulting in postponed and persistently weak demand (Coibion et al., 2024). This effect is likely to be particularly pronounced for purchases of major durable goods such as housing and cars, where expenditure is large and difficult to reverse.

The third channel, which amplifies the initial real options effect, is the financial frictions channel. Caldara et al. (2016) show that, through the financial frictions channel, uncertainty shocks are strongly associated with a widening of credit spreads and a reduction in the risk-bearing capacity of lenders such as banks. This raises the premium on external finance, pushes up borrowing costs and compounds the direct “wait and see” effect on investment through a tighter credit supply. Alfaro et al. (2024) coined the term “finance uncertainty multiplier” to describe the role played by financial frictions in magnifying the real effects of uncertainty shocks.

Finally, households and firms may adapt their behaviour over time, particularly when uncertainty remains high for a long period. If uncertainty becomes a “new normal”, households and firms may adjust their expectations and decision-making frameworks accordingly. Firms, for instance, might adopt greater flexibility in their operations, implementing more agile production processes or diversifying supply chains to reduce exposure to a volatile environment (Namdar et al., 2025). Firms facing persistent uncertainty may also invest in technologies that improve efficiency and competitiveness (Bloom, 2009; Dixit and Pindyck, 1994).⁶ Households may optimise their savings and consumption patterns to better navigate uncertain environments by holding larger precautionary savings buffers to smooth consumption over time.

4 Empirical evidence on the effects of uncertainty on real economic activity for the euro area

This section uses a Bayesian structural vector auto-regressive (SVAR) model including narrative and sign restrictions to identify the impact of economic policy uncertainty on the economy. Identifying the independent contribution of uncertainty is a key methodological challenge and requires additional assumptions about what drives uncertainty indicators on specific dates. Narrative and sign restrictions help identify exogenous changes in uncertainty. Narrative restrictions, based on the approach proposed by Antolín-Díaz and Rubio-Ramírez (2018), require the identified uncertainty shock to explain most of the dynamics of economic policy uncertainty in the specified episodes. To address the concern that the narrative method may not fully resolve the endogeneity between uncertainty and other economic variables, this section also reviews the findings of a complementary proxy SVAR approach to identification.

Among the broad range of uncertainty measures available, the empirical analysis focuses mainly on the EPU index. Unlike with financial volatility measures such as the VSTOXX index, peaks in the EPU are predominantly driven by political and institutional developments, whose timing may be exogenous to the business cycle.⁷ The EPU index is also one of the most encompassing indicators, aggregating news signals across multiple policy domains such as fiscal and trade policies, thus making it particularly suited to measuring uncertainty in the recent

⁶ At the same time, the elasticity of investment to changes in its driving factors might be lower in periods of higher uncertainty than in periods with normal levels of uncertainty.

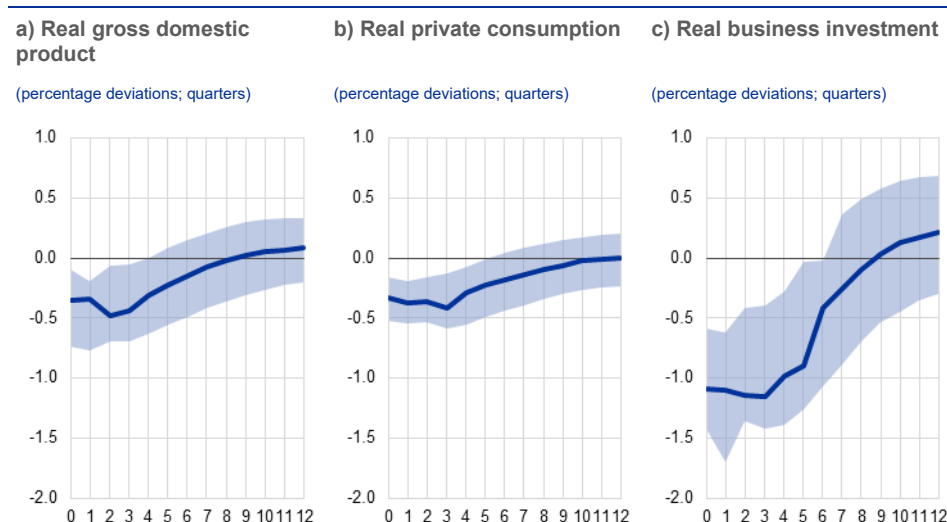
⁷ See Azqueta-Gavaldón et al. (2026).

period. At the same time, it remains very much relevant at the current juncture given it has remained elevated over recent years.

Results from the empirical model show that increases in uncertainty have a negative impact on euro area economic activity. The narrative restrictions define several episodes in which a sharp rise in economic policy uncertainty in the euro area was clearly due to exogenous sources (Chart 1).⁸ The EPU index increases at each of these dates, providing robust and internally consistent anchors for the identification. The findings of the narrative SVAR model reveal that the adverse impact on real GDP growth of these episodes is primarily driven by lower business investment and, to a lesser extent, by private consumption (Chart 5).⁹ The strongest effects are registered for both domestic demand components after about three quarters. Private consumption declines by 0.4% at the trough and starts to gradually recover thereafter. Business investment, by contrast, falls by 1.2% and remains subdued for somewhat longer following the shock.

Chart 5

Impact of a rise in economic policy uncertainty: model-based estimates in the narrative SVAR framework



Source: ECB staff calculations.

Notes: Impulse responses to a one standard deviation economic policy uncertainty shock identified via narrative sign restrictions in a Bayesian SVAR estimated on euro area quarterly data over the period from the first quarter of 2001 to the first quarter of 2026. The model includes seven variables – the EPU index, real GDP growth, private consumption growth, investment growth, HICP inflation, equity returns and the average of short and long-term interest rates – with four lags and a Minnesota prior. Identification is via narrative sign restrictions following Antolin-Díaz and Rubio-Ramírez (2018). These restrictions require that the uncertainty shock explain most of the dynamics of the EPU index in the specified episodes: the euro area sovereign debt crisis, the Brexit referendum, the outbreak of the COVID-19 pandemic, Russia's invasion of Ukraine, the French presidential elections in 2022, the German Constitutional Court's ruling in November 2023 that the budget was partially unconstitutional, the snap French elections in June and July 2024, and three successive waves of US trade policy escalation at end-2024 and in 2025. The model additionally identifies a demand and supply-side shock. Shaded areas denote 68% confidence bands.

The model estimation also suggests that economic policy uncertainty shocks weighed significantly on euro area activity in 2025. The narrative framework suggests that uncertainty shocks subtracted around 0.4 percentage points from real

⁸ The ten uncertainty episodes identified span both well-established historical shocks and more recent political and trade policy developments. See notes to Chart 5.

⁹ Moreover, the forecast error variance decomposition confirms that uncertainty shocks account for a non-trivial share of output fluctuations, explaining around 12% of the forecast error variance for euro area real GDP growth in the short run.

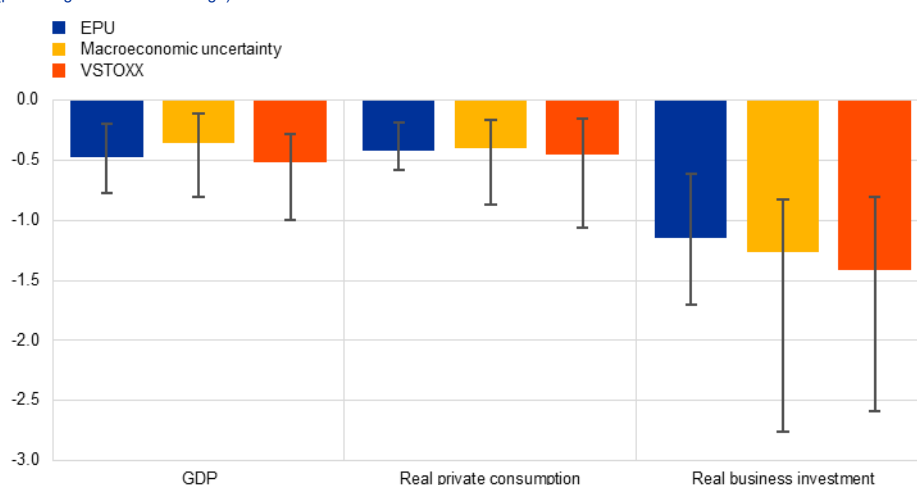
GDP growth in the period from the first quarter of 2025 to the first quarter of 2026, with the impact coming mainly through business investment and, to a lesser extent, via the private consumption channel. Given the persistent effects of uncertainty shocks and the currently elevated levels of economic policy uncertainty as a result of the war in the Middle East, uncertainty is likely to continue exerting a drag on real economic activity throughout 2026.

Using a similar framework with alternative measures of uncertainty, the estimated macroeconomic impact is confirmed. As a robustness analysis, a measure based on narrative restrictions for the VSTOXX index and the measure developed by Jurado et al. (2015) is calibrated on the largest quarter-on-quarter spikes recorded by each measure over the sample period. These spikes differ from those used in the EPU baseline and therefore reflect the distinct dimensions of uncertainty each measure captures.¹⁰ Notwithstanding these differences in identification, the impulse responses across the three measures consistently show that uncertainty shocks exert a significant drag on euro area real GDP growth, primarily through business investment and, to a lesser extent, through private consumption (Chart 6).

Chart 6

Impact of a rise in alternative uncertainty measures

(percentage deviations at trough)



Sources: Baker et al. (2016), Haver Analytics, Jurado et al. (2015) and ECB staff calculations.

Notes: Impulse responses normalised to a one standard deviation uncertainty shock identified via narrative sign restrictions in a Bayesian SVAR model estimated on euro area quarterly data over the period from the first quarter of 2001 to the first quarter of 2026. The model includes one uncertainty measure at a time (see notes to Chart 5 for more details) and follows the same approach as described in the text for the EPU index. The chart shows the 68% confidence bands. The measure of macroeconomic uncertainty is taken from Jurado et al. (2015).

A proxy SVAR identification provides a complementary and robust cross-validation of the narrative approach. Following Mertens and Ravn (2013) and Stock and Watson (2018), a proxy SVAR is estimated to address concerns of

¹⁰ For the VSTOXX index, the five largest spikes correspond to the collapse of Lehman Brothers and the global financial crisis, the dot-com bust, the outbreak of the COVID-19 pandemic, the peak of the euro area sovereign debt crisis and Russia's invasion of Ukraine – episodes predominantly driven by acute financial market stress. For the macroeconomic uncertainty measure of Jurado et al. (2015), the dominant episodes are the outbreak of the COVID-19 pandemic, which produces by far the largest spikes in this index, followed by the global financial crisis and Russia's invasion of Ukraine.

potential simultaneity between uncertainty and economic variables by exploiting exogenous gold price reactions as an instrument for uncertainty shocks.¹¹ An instrumental proxy is constructed, with the rationale that unexpected uncertainty drives investors into gold, independently of simultaneous demand, supply and monetary policy disturbances.¹² The constructed proxy covers 21 observations over 2000-25, spanning shocks stemming from the global financial crisis, the euro area sovereign debt crisis, the Brexit referendum and the 2 April 2025 US tariff announcement.¹³

The findings from the proxy SVAR framework confirm that economic policy uncertainty shocks weigh materially on euro area activity, with investment displaying the sharpest and most persistent contraction (Chart 7). A one standard deviation EPU index shock causes real GDP to fall by around 1% at the trough before recovering gradually over seven quarters. Private consumption declines by approximately 0.7% at its trough, reflecting household caution in the face of heightened uncertainty. Business investment contracts considerably more strongly, by roughly 2%, and while there is a rebound after six quarters, this recovery is not statistically significant. This pattern is consistent with the real options mechanism, whereby firms facing irreversible capital commitments prefer to delay expenditure until uncertainty resolves. This means that business investment shows a more pronounced and overall more protracted response to a shock than more reversible or flexible spending categories. These findings broadly corroborate the narrative sign restrictions model, confirming that the estimated effects are not an artefact of the identifying assumptions. While magnitudes are somewhat greater under the proxy approach, the direction and relative ordering of responses across expenditure components are consistent across the two identification strategies.

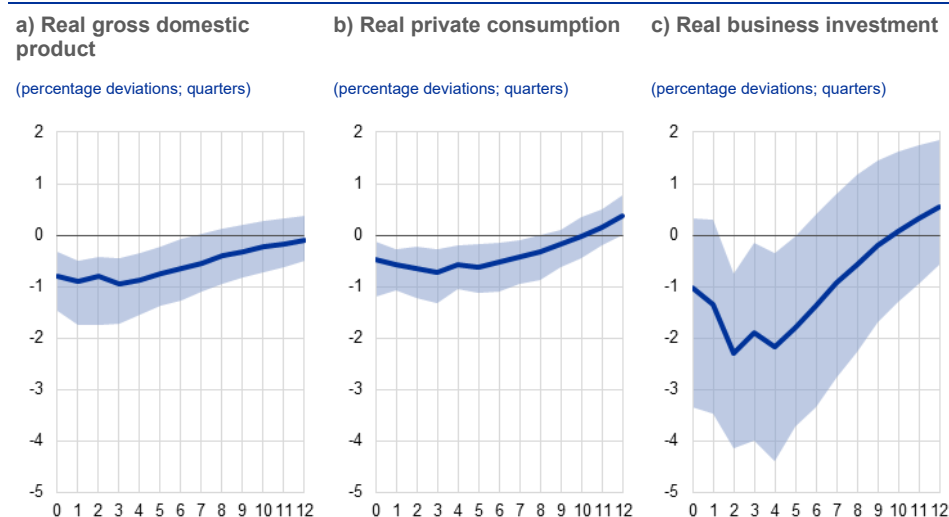
¹¹ See also Bobasu et al. (2024).

¹² See Piffer and Podstawski (2018).

¹³ The gold price proxy satisfies the two conditions required for a valid external instrument. First, it is strongly correlated with the uncertainty shock – as confirmed by a first-stage F-statistic of 17.9, well above the threshold of 10 below which instruments are considered too weak to deliver reliable estimates (Staiger and Stock, 1997). Second, it satisfies the exogeneity condition, ensuring that the estimated effects can be attributed to uncertainty rather than to other concurrent factors, as confirmed by correlation tests.

Chart 7

Model-based estimates of the effects of economic policy uncertainty in the proxy SVAR framework



Sources: Baker et al. (2016), Eurostat, ECB and Eurosystem Macroeconomic Projection Database and ECB staff calculations. Notes: Impulse responses to a one standard deviation economic policy uncertainty shock. The model includes seven variables: the EPU index, real GDP growth, private consumption growth, investment growth, HICP inflation, equity returns and the average of short and long-term interest rates. It is estimated for the period covering the first quarter of 1999 to the first quarter 2026 using four lags. Shaded areas show 68% confidence bands. Dummy variables for the first and second quarters of 2020 are included as exogenous regressors to absorb the pandemic-related outliers without attributing them to the economic policy uncertainty shock. The EPU index is instrumented with a proxy constructed from the variations in the price of gold around specific uncertainty events relevant for the euro area. The proxy is constructed using a database of 170 geopolitical and economic events over 2000-25, retaining only quarters in which the EPU index rose significantly (i.e. the quarterly change exceeded its mean plus half a standard deviation) and where the associated daily gold price reaction was positive, ensuring that only exogenous uncertainty increases are captured. Event-level gold price log returns are summed within qualifying quarters to yield the final quarterly proxy series. Only positive gold reactions are retained, as negative reactions on uncertainty event days are ambiguous, potentially reflecting dollar appreciation, profit-taking or policy relief rather than a genuine uncertainty impulse.

A more granular assessment of consumption and investment components points to differing reactions to uncertainty.

A decomposition of business investment into tangible and intangible assets reveals different reactions to uncertainty. Investment in intangibles, including AI-related technologies, has shown greater resilience than investment in tangible assets during recent episodes of high uncertainty (see Box 1). As for private consumption, uncertainty dampens household spending on both goods and services, but the initial effect is particularly large for durable goods, such as cars. At the same time, consumption of durable goods resumes swiftly after an uncertainty shock, while spending on services remains subdued for longer (see Box 2).

Box 1

Does uncertainty affect business investment in tangible and intangible assets differently?

Prepared by Lorena Saiz and Stefania Scrofani

As shown in Section 4 of the article, business investment is the most sensitive component of aggregate demand to uncertainty. With the increasing shift in the composition of business investment towards intangibles in recent years, this box investigates whether uncertainty has a different impact on tangible and intangible investments, using both aggregate macroeconomic data and firm-level micro data.

A well-established channel through which uncertainty affects business investment is irreversibility, the degree of which determines the sensitivity of investments to uncertainty.¹⁴ Tangible investments, in machinery, equipment, infrastructure and so on, often involve significant upfront costs and long payback periods, making them highly sensitive to uncertainty. Intangible investments, such in research and development (R&D), software, intellectual property, organisational capital and the like, are often more firm-specific and harder to collateralise, and involve quasi-fixed costs that are difficult to recover. These characteristics suggest that intangible investment may also be very sensitive to uncertainty.

However, empirical evidence suggests that intangible investments are generally less sensitive to short-term uncertainty than tangible investments. At the macro level, uncertainty shocks depress tangible investment – proxied by capital expenditure on machinery and equipment – while the response of intangible investment – proxied by spending on intellectual property products – is much smaller (Chart A, panel a). A similar pattern can be observed using firm-level data. Capital expenditure on tangible assets falls substantially more than intangible investment, even after controlling for the usual determinants of investment such as financial performance, leverage, liquidity and firm size (Chart A, panel b).

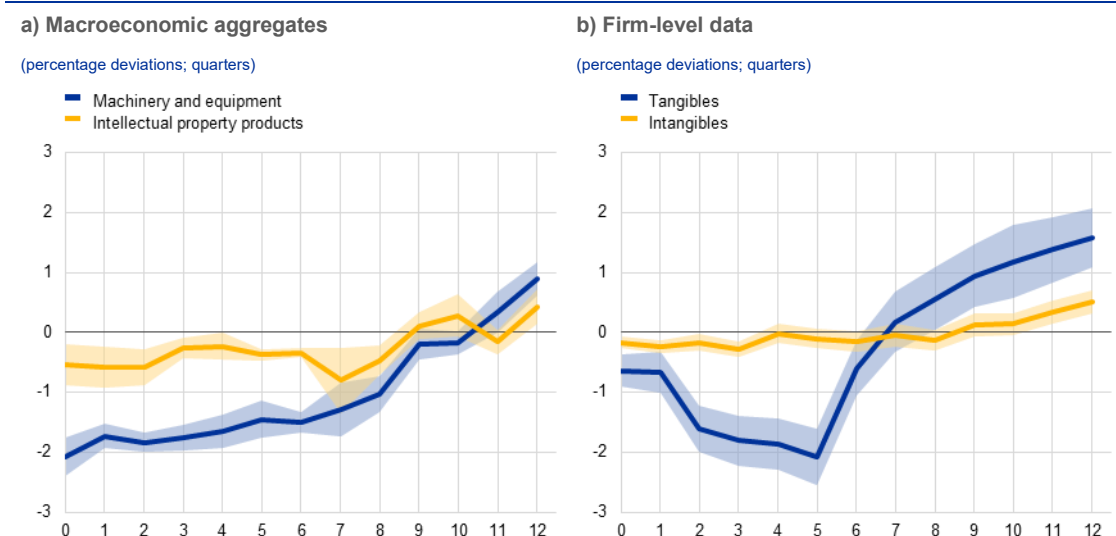
Two mechanisms help explain this apparent paradox. First, intangible investments are typically long-term, aimed at improving efficiency, reducing costs or building competitive advantages that generate returns across a range of possible future scenarios (Zhang, 2026). Moreover, firm-specific intangible assets entail stronger adjustment frictions: interrupting R&D can destroy accumulated knowledge, while labour-intensive organisational capital encourages labour hoarding during downturns (Crouzet and Eberly, 2026).¹⁵ The second mechanism, reinforcing this asymmetry, is the financing channel, as intangible investment relies more on internal funds and equity, insulating it from a tightening of credit conditions (Gareis and Mayer, 2023). Summing up, uncertainty seems to affect tangible and intangible investments differently as a result of their distinct characteristics and financing channels.

¹⁴ Dibiasi et al. (2025) conduct an experiment with Swiss manager respondents. They find that an exogenous increase in uncertainty significantly reduces managers' expected investment in the short and medium term. However, the estimated adjustment costs vary strongly across types of capital and sectors.

¹⁵ Zhang (2026) shows that heightened uncertainty directs resources towards the intangible sector in view of higher investment returns given the long-term nature of intangible production. On the other hand, Crouzet and Eberly (2026) highlight the high costs of reversing capital expenditure, meaning that, when uncertainty rises, there is value in waiting for conditions to improve. However, investing in R&D generates valuable information about the ultimate project cost, meaning that, even when uncertainty is high, firms have an incentive to invest sooner rather than later.

Chart A

Impact of uncertainty shocks on tangible and intangible investments, by type of data



Sources: Eurostat, LSEG and ECB staff calculations.

Notes: The charts show impulse responses to an uncertainty shock of one standard deviation. The uncertainty shock used is that identified using narrative sign restrictions in the main text. The results in panel a) are based on a local projections model for a panel of the five largest euro area countries (Germany, Spain, France, Italy and the Netherlands). The results in panel b) are based on a local projections model for a sample of euro area non-financial firms from the Worldscope database for which quarterly R&D expenses data are available. In panel b), intangible investment is proxied by R&D expenditure (knowledge capital) and 30% of selling, general and administrative expenses (SGA) (organisational capital). Both tangible and intangible investment are measured relative to the firms' total assets augmented with capitalised R&D and SGA as in Zhang (2026). The variables of both panel a) and panel b) are log-transformed. Shaded areas denote the 68% confidence bands.

Box 2

Does uncertainty affect household spending on goods and services differently?

Prepared by Alina Bobasu

Uncertainty weighs on household spending, but its effects are not uniform. This box analyses how rising uncertainty influences consumption decisions, focusing on differences across categories (based on the COICOP classification system) along the dimension of durability.

The sensitivity of a given consumption category to uncertainty shocks depends primarily on the degree to which purchases can be postponed and on the associated adjustment costs. Durable goods are by nature storable and long-lived, meaning that the timing of their acquisition is highly flexible. Individuals can delay decisions on buying durables such as housing, cars and furniture, and the option value of waiting rises substantially when income uncertainty is greater. Spending on non-durable goods and services such as food and health care is structurally harder to postpone, so the real options effect of uncertainty is weaker for these categories. Accordingly, the empirical literature consistently finds a gradient in the sensitivity of consumption to uncertainty shocks, running from durables, which are the most sensitive, to essential services, which are the least sensitive. This pattern reflects the interplay between “postponability” and adjustment costs across spending categories.

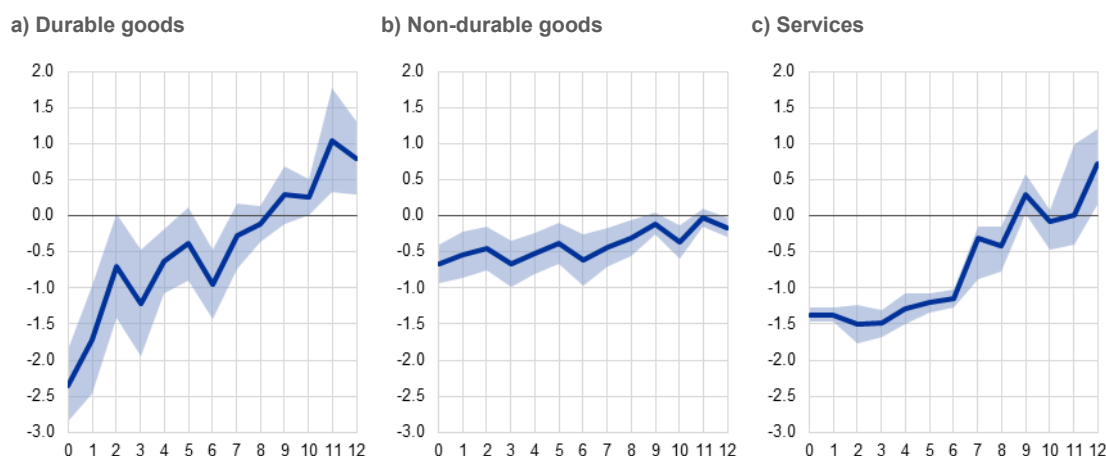
According to the findings of a panel local projections model, uncertainty shocks exert a negative and statistically significant effect on all three components of private consumption, with the magnitude and persistence of the response varying with the degree of durability and

“postponability” of the category (Chart A).¹⁶ Consumption of durable goods declines most following an uncertainty shock, which is consistent with the real options mechanism described above. The peak negative response of durables exceeds that of non-durables and services, but the effects are more short-lived.

Chart A

Impact of economic policy uncertainty shocks on private consumption components

(percentage deviations; quarters)



Sources: Eurostat and ECB staff calculations.

Notes: The chart shows the results of a panel local projections model for the five largest euro area countries (Germany, Spain, France, Italy and the Netherlands) with an (unbalanced) sample, running from the first quarter of 1999 to the first quarter of 2026 and accounting for country fixed effects. The model includes the components of real private consumption (durable goods, non-durable goods and services) as dependent variables. Real GDP, the average of short-term and long-term rates and inflation have been added to the model as control variables. The uncertainty shocks are those estimated via the narrative sign restrictions approach. The local projections are estimated using four lags for the control variables and for each successive dependent variable. Shaded areas denote 68% confidence bands, reflecting sampling uncertainty around the estimated regression coefficients. The impulse response functions are not directly comparable with the aggregate euro area consumption responses reported in the main text, which are estimated from a different model and using data for the whole euro area.

Consumption of non-durable goods also responds negatively to uncertainty shocks, albeit by less than durable goods. The response is nonetheless persistent, with the level of non-durable consumption remaining below the baseline for several quarters before gradually recovering from the initial shock. Consumption of services displays an interesting dynamic. The decline on impact is relatively pronounced and persistent, followed by a slow and relatively protracted recovery in line with the observed dynamics for total private consumption described in the main text.

Overall, the faster recovery of durable goods spending relative to non-durables and services likely reflects two reinforcing mechanisms. First, postponement of durable purchases generates pent-up demand that is released rapidly once uncertainty recedes – a stock-adjustment dynamic formalised by Caballero (1991) and consistent with the “wait and see” evidence in Bloom (2009). Second, durable expenditure is frequently financed through consumer credit, and the easing of financial conditions that often accompanies the unwinding of an uncertainty shock provides additional impetus for a swift resumption of spending (Ludvigson, 1999). By contrast, foregone expenditures on services – and especially on leisure activities – are usually not recouped once the opportunity has passed, so the recovery in services is slow and spread over many quarters (Carroll, 1997). A complementary dimension of heterogeneity runs along the necessity versus discretionary distinction, with households cutting spending across both durable goods and services (Andreolli et al., 2025a, 2025b). Under uncertainty, households prioritise essential spending – food, utilities,

¹⁶ See Jordà (2005).

health care – while sharply curtailing discretionary items such as hospitality, recreation and cultural services.¹⁷

5 Concluding remarks

Elevated uncertainty has significant and persistent adverse effects on euro area economic activity and amplifies business cycle fluctuations. Uncertainty shocks are found to weigh heavily on business investment, which contracts sharply on impact and remains depressed for several quarters. This is consistent with the real options mechanism, whereby firms postpone irreversible capital expenditure decisions when faced with heightened uncertainty about future demand and policy conditions. Private consumption responds more moderately, though the response is not negligible – particularly for spending on durable goods, which displays a sharper initial contraction but a faster recovery than non-durable spending. This reflects the greater willingness of consumers to delay and subsequently make large discretionary purchases once uncertainty recedes.

In the current environment, uncertainty remains an important factor shaping the economic outlook in the euro area. With text-based measures of geopolitical and trade policy uncertainty at high levels – reflecting geopolitical conflicts and trade tensions among other things – and given the lingering impact of uncertainty shocks, there are reasons to expect that uncertainty will continue to weigh on activity for the rest of the year. A key finding of this analysis is that uncertainty shocks do not affect all types of investment equally: investment in intangible assets seems less sensitive to such shocks. To the extent that the ongoing shift in the composition of investment towards intangibles continues, the aggregate response of investment to uncertainty shocks may become more muted over time. Such a compositional shift could therefore act as a gradual stabiliser of the investment cycle, even as uncertainty itself remains a significant driver of macroeconomic fluctuations. In any case, the expansion of the ECB's analytical toolkit – including model-based scenario analysis and nowcasting tools – has increased the capacity of the Eurosystem to monitor and assess the impact of uncertainty on real economic activity in real time.

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¹⁷ Andreolli et al. (2025a, 2025b) show that discretionary spending (including durable goods and 35% of services) effectively drives the bulk of the aggregate consumption cycle, with discretionary categories contracting far more sharply than necessities following macroeconomic shocks.

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Statistics

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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	3.3	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	1.0	-0.2	5.0	1.0	2.9	2.5	2.7	0.2	2.4
2025	3.4	2.2	1.4	1.1	5.0	1.2	.	3.4	3.2	0.1	2.1
2025 Q3	0.9	1.1	0.2	-0.6	1.1	0.3	2.9	3.8	2.9	-0.2	2.1
Q4	0.7	0.1	0.2	0.2	1.1	0.2	.	3.4	2.7	0.6	2.1
2026 Q1	0.7	0.4	0.6	0.5	1.3	0.0	2.7	3.1	1.4	0.8	2.0
Q2	.	.	.	.	0.9	.	3.9	2.7	.	.	3.0
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.	-	-	-	-	-	-	3.8	2.8	1.4	1.2	3.0
May	-	-	-	-	-	-	4.2	2.8	1.5	1.2	3.2
June	-	-	-	-	-	-	3.5	2.6	.	.	2.8

Sources: Eurostat (col. 6, 11); BIS (col. 7, 8, 9, 10); OECD (col. 1, 2, 3, 4, 5).

1) Quarterly data seasonally adjusted; annual data unadjusted.

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

2 Economic activity

2.1 GDP and expenditure components

(quarterly data seasonally adjusted; annual data unadjusted)

	GDP											
	Total	Domestic demand								External balance ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation				Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
					Total	Total construction	Total machinery	Intellectual property products				
	1	2	3	4	5	6	7	8	9	10	11	12
Current prices (EUR billions)												
2023	14,761.3	14,234.3	7,804.4	3,115.3	3,240.2	1,652.3	943.2	638.2	74.4	-527.0	7,438.9	6,911.9
2024	15,346.3	14,694.1	8,094.7	3,279.2	3,231.0	1,644.3	941.4	638.8	89.3	-652.2	7,569.6	6,917.4
2025	15,907.9	15,330.3	8,380.8	3,430.2	3,390.5	1,703.3	971.3	709.1	128.8	-577.6	7,746.8	7,169.2
2025 Q2	3,959.9	3,811.1	2,085.2	851.2	838.0	422.9	241.2	172.1	36.7	-148.8	1,929.8	1,781.0
Q3	3,990.0	3,848.6	2,101.0	861.6	850.7	428.2	245.0	175.8	35.3	-141.4	1,934.6	1,793.2
Q4	4,033.5	3,894.2	2,123.3	876.8	862.5	435.8	248.4	176.5	31.7	-139.3	1,940.2	1,800.9
2026 Q1	4,050.0	3,919.5	2,147.6	878.0	865.4	433.7	250.3	179.7	28.5	-130.4	1,954.1	1,823.7
as percentage of GDP												
2025	100.0	96.4	52.7	21.6	21.3	10.7	6.1	4.5	0.8	-3.6	-	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q2	0.0	0.2	0.3	0.4	-1.2	0.2	1.2	-7.5	-	-	-0.4	0.0
Q3	0.3	0.6	0.2	0.7	1.0	0.5	1.3	1.8	-	-	0.4	1.0
Q4	0.2	0.3	0.4	0.6	0.8	1.2	0.8	-0.2	-	-	0.0	0.3
2026 Q1	0.0	0.3	0.3	0.6	-0.3	-1.2	0.5	0.9	-	-	-0.4	0.3
annual percentage changes												
2023	0.4	0.1	0.5	1.4	2.6	1.2	3.0	5.8	-	-	-1.2	-2.0
2024	1.0	0.8	1.3	2.3	-2.2	-2.5	-1.7	-2.5	-	-	0.9	0.4
2025	1.2	2.0	1.4	1.4	2.9	1.2	2.0	8.7	-	-	1.9	3.5
2025 Q2	1.4	2.5	1.7	1.3	3.6	1.0	0.7	15.9	-	-	0.7	2.9
Q3	1.2	1.7	1.3	1.3	3.1	2.1	3.7	4.7	-	-	2.3	3.6
Q4	1.1	1.7	1.3	1.5	3.1	2.8	3.3	3.7	-	-	2.3	3.7
2026 Q1	0.5	1.5	1.1	2.3	0.3	0.6	3.8	-5.1	-	-	-0.3	1.7
contributions to quarter-on-quarter percentage changes in GDP; percentage points												
2025 Q2	0.0	0.2	0.1	0.1	-0.3	0.0	0.1	-0.4	0.3	-0.2	-	-
Q3	0.3	0.6	0.1	0.1	0.2	0.1	0.1	0.1	0.1	-0.3	-	-
Q4	0.2	0.3	0.2	0.1	0.2	0.1	0.0	0.0	-0.2	-0.1	-	-
2026 Q1	0.0	0.3	0.1	0.1	-0.1	-0.1	0.0	0.0	0.1	-0.3	-	-
contributions to annual percentage changes in GDP; percentage points												
2023	0.4	0.1	0.3	0.3	0.6	0.1	0.2	0.2	-1.1	0.4	-	-
2024	1.0	0.7	0.7	0.5	-0.5	-0.3	-0.1	-0.1	0.1	0.3	-	-
2025	1.2	1.9	0.7	0.3	0.6	0.1	0.1	0.4	0.2	-0.6	-	-
2025 Q2	1.4	2.4	0.9	0.3	0.8	0.1	0.0	0.6	0.4	-1.0	-	-
Q3	1.2	1.7	0.7	0.3	0.7	0.2	0.2	0.2	0.1	-0.5	-	-
Q4	1.1	1.6	0.7	0.3	0.7	0.3	0.2	0.2	0.0	-0.6	-	-
2026 Q1	0.5	1.4	0.6	0.5	0.1	0.1	0.2	-0.2	0.3	-0.9	-	-

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	13,352.5	225.2	2,637.4	713.9	2,490.0	703.1	604.5	1,482.6	1,614.0	2,468.3	413.4	1,408.9
2024	13,816.2	235.9	2,623.8	728.0	2,574.2	744.5	638.2	1,535.8	1,685.6	2,614.8	435.5	1,530.1
2025	14,288.5	247.2	2,677.4	759.6	2,651.5	782.0	657.8	1,567.4	1,748.5	2,745.3	451.8	1,619.4
2025 Q2	3,559.0	62.5	666.3	189.7	662.2	193.7	162.5	391.2	434.8	683.2	112.8	400.9
Q3	3,580.9	62.7	663.8	191.2	665.2	197.2	165.5	392.8	440.3	688.7	113.6	409.1
Q4	3,624.4	61.0	675.1	193.7	671.5	199.6	167.5	397.0	444.6	700.1	114.3	409.1
2026 Q1	3,633.2	59.7	669.6	193.8	677.3	200.0	171.5	398.7	446.2	701.3	115.0	416.8
as percentage of value added												
2025	100.0	1.7	18.7	5.3	18.6	5.5	4.6	11.0	12.2	19.2	3.2	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q2	0.0	-0.2	-1.9	0.4	0.8	0.8	-0.7	0.4	0.5	0.4	0.3	0.0
Q3	0.4	0.3	0.9	0.0	0.1	1.4	0.1	0.0	0.4	0.2	0.0	0.0
Q4	0.2	0.4	-0.9	0.6	0.2	0.7	0.9	0.6	0.1	0.5	0.3	0.5
2026 Q1	-0.1	0.0	-0.6	-0.8	0.0	0.3	-0.1	0.3	0.2	0.0	0.2	0.5
annual percentage changes												
2023	0.7	-2.9	-1.7	1.8	-0.2	7.1	-2.9	2.2	1.8	1.0	3.7	-1.7
2024	1.0	0.3	0.1	-1.5	1.0	3.2	1.5	1.0	1.4	1.8	2.0	0.9
2025	1.2	2.0	1.1	0.6	1.5	3.9	0.1	0.9	1.0	1.2	0.3	1.5
2025 Q2	1.2	2.3	1.1	0.5	1.7	4.1	-0.3	1.0	0.7	1.2	0.8	2.6
Q3	1.2	2.2	0.7	1.2	1.6	4.2	0.1	0.9	1.2	1.1	-0.7	1.0
Q4	1.2	1.8	0.4	1.9	1.5	3.8	0.7	0.9	1.2	1.0	0.6	0.0
2026 Q1	0.5	0.4	-2.5	0.2	1.1	3.2	0.1	1.3	1.2	1.1	0.8	1.0
contributions to quarter-on-quarter percentage changes in value added; percentage points												
2025 Q2	0.0	0.0	-0.4	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.0	-
Q3	0.4	0.0	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-
Q4	0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	-
2026 Q1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
contributions to annual percentage changes in value added; percentage points												
2023	0.7	-0.1	-0.3	0.1	0.0	0.4	-0.1	0.2	0.2	0.2	0.1	-
2024	1.0	0.0	0.0	-0.1	0.2	0.2	0.1	0.1	0.2	0.3	0.1	-
2025	1.2	0.0	0.2	0.0	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
2025 Q2	1.2	0.0	0.2	0.0	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
Q3	1.2	0.0	0.1	0.1	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
Q4	1.2	0.0	0.1	0.1	0.3	0.2	0.0	0.1	0.1	0.2	0.0	-
2026 Q1	0.5	0.0	-0.5	0.0	0.2	0.2	0.0	0.1	0.1	0.2	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									
		Employ- ees	Self- employed	Agricul- ture forestry and fishing	Manufac- turing, energy and utilities	Const- ruction	Trade, transport, accom- modation and food services	Inform- ation and commu- nica- tion	Finance and in- surance	Real estate	Professional business and support services	Public adminis- tration, education, health and social work	Arts, enter- tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	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	24.3	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	24.3	3.4	2.3	1.1	14.1	25.0	6.6
<i>annual percentage changes</i>													
2023	1.5	1.6	1.0	-1.1	0.8	1.6	2.0	3.8	0.8	1.9	1.8	1.3	1.8
2024	1.0	1.0	0.6	-1.6	0.3	1.1	1.0	2.2	1.6	-0.5	0.7	1.5	1.3
2025	0.8	0.7	1.0	-1.6	-0.4	1.2	0.7	0.0	1.3	2.4	1.0	1.4	1.4
2025 Q2	0.8	0.7	1.1	-1.9	-0.5	1.1	1.0	0.4	1.3	3.2	1.0	1.3	1.2
Q3	0.7	0.7	1.1	-1.5	-0.4	1.4	0.6	-0.3	1.4	2.5	0.9	1.3	1.4
Q4	0.7	0.6	1.3	-0.8	-0.5	1.5	0.5	-1.0	1.3	0.9	1.3	1.2	1.4
2026 Q1	0.6	0.4	1.5	-0.9	-0.2	1.9	0.4	-1.7	1.2	1.0	0.8	1.0	0.7
Hours worked													
<i>as a percentage of total hours worked</i>													
2023	100.0	81.9	18.1	3.9	14.7	7.3	25.1	3.6	2.4	1.1	14.1	21.9	5.9
2024	100.0	82.0	18.0	3.8	14.5	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	25.0	3.7	2.4	1.1	14.2	22.2	6.0
<i>annual percentage changes</i>													
2023	1.7	2.0	0.4	-1.8	1.0	1.5	2.1	4.0	0.9	1.6	2.2	1.8	2.5
2024	1.1	1.3	0.7	-1.0	0.2	1.0	1.1	2.4	1.7	0.1	1.4	1.8	1.7
2025	0.4	0.5	0.0	-2.3	-0.8	0.9	0.0	0.0	1.0	1.7	0.8	1.2	2.0
2025 Q2	0.3	0.4	0.0	-2.6	-1.1	1.1	0.2	0.2	0.8	2.3	0.6	0.9	2.0
Q3	0.7	0.7	0.8	-2.2	-0.2	1.4	0.5	-0.4	1.0	3.4	1.1	1.4	2.1
Q4	0.7	0.8	0.4	-1.5	-0.2	1.4	0.2	-0.3	1.6	-0.8	1.5	1.5	2.1
2026 Q1	0.5	0.5	0.8	-1.2	0.1	1.2	0.4	-1.8	0.7	0.7	0.8	1.2	0.7
Hours worked per person employed													
<i>annual percentage changes</i>													
2023	0.2	0.4	-0.6	-0.7	0.3	-0.1	0.1	0.2	0.1	-0.2	0.3	0.4	0.7
2024	0.2	0.2	0.0	0.6	-0.1	-0.1	0.1	0.2	0.1	0.6	0.6	0.3	0.4
2025	-0.4	-0.3	-1.0	-0.8	-0.4	-0.4	-0.6	-0.1	-0.4	-0.7	-0.2	-0.2	0.6
2025 Q2	-0.5	-0.3	-1.1	-0.6	-0.6	0.0	-0.8	-0.2	-0.4	-0.9	-0.3	-0.4	0.8
Q3	0.0	0.1	-0.3	-0.7	0.2	0.0	-0.1	0.0	-0.3	0.8	0.2	0.1	0.7
Q4	0.0	0.2	-0.8	-0.7	0.3	-0.1	-0.4	0.6	0.3	-1.7	0.1	0.3	0.7
2026 Q1	0.0	0.1	-0.7	-0.3	0.3	-0.7	0.0	-0.1	-0.6	-0.3	0.0	0.2	0.0

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				
						Adult		Youth		Male		Female		
			Millions	% of labour force		Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	% of total posts		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
% of total in 2025			100.0			78.7		21.3		51.5		48.5		
2023	172.769	2.9	11.295	6.6	2.4	8.990	5.7	2.305	14.5	5.711	6.2	5.584	6.9	3.0
2024	174.342	2.8	11.102	6.4	2.1	8.756	5.5	2.347	14.7	5.693	6.1	5.409	6.7	2.6
2025	175.916	2.8	11.182	6.4	2.1	8.798	5.5	2.384	14.9	5.764	6.2	5.418	6.6	2.2
2025 Q2	175.902	2.8	11.240	6.4	2.1	8.884	5.6	2.356	14.7	5.843	6.2	5.397	6.5	2.2
Q3	176.000	2.8	11.299	6.4	2.0	8.910	5.6	2.389	14.9	5.819	6.2	5.481	6.6	2.1
Q4	176.295	2.8	11.074	6.3	2.0	8.662	5.4	2.412	15.1	5.718	6.1	5.357	6.5	2.2
2026 Q1	176.393	2.8	11.044	6.3	2.0	8.641	5.4	2.403	15.1	5.641	6.0	5.403	6.5	2.3
2025 Dec.	-	-	11.087	6.3	-	8.696	5.4	2.391	15.1	5.740	6.1	5.347	6.5	-
2026 Jan.	-	-	11.058	6.3	-	8.674	5.4	2.384	15.0	5.716	6.1	5.341	6.5	-
Feb.	-	-	11.223	6.4	-	8.828	5.5	2.395	15.1	5.777	6.2	5.447	6.6	-
Mar.	-	-	11.136	6.3	-	8.759	5.4	2.377	15.1	5.722	6.1	5.414	6.5	-
Apr.	-	-	11.041	6.2	-	8.717	5.4	2.325	14.7	5.677	6.1	5.364	6.5	-
May	-	-	10.986	6.2	-	8.673	5.4	2.313	14.7	5.652	6.0	5.334	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).

2.5 Short-term business statistics

	Industrial production						Construc- tion production	Retail sales				Services produc- tion ¹⁾	New passenger car reg- istra- tions
	Total (excluding construction)		Main Industrial Groupings					Total	Food, beverages, tobacco	Non- food	Fuel		
	Total	Manu- facturing	Inter- mediate 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	-1.9	-2.4	-1.2	-1.6	2.3	14.6
2024	-3.0	-3.2	-4.0	-4.9	-0.1	-0.1	-1.4	1.3	0.8	1.8	0.6	1.5	-0.1
2025	1.6	1.7	-0.7	1.1	5.4	1.0	2.2	2.4	1.4	3.2	2.4	2.1	1.1
2025 Q2	1.5	1.4	-1.4	1.0	5.6	1.7	2.5	3.1	2.1	3.8	4.1	2.2	-2.1
Q3	1.5	1.7	-0.7	1.0	5.0	0.6	2.6	1.9	0.9	2.9	1.6	2.5	6.4
Q4	1.9	1.9	0.5	2.7	2.4	1.4	2.0	2.3	1.3	3.0	1.8	0.9	3.9
2026 Q1	-1.7	-2.1	-1.5	1.3	-7.9	2.5	-2.8	1.9	1.2	2.8	0.7	0.8	3.7
2025 Dec.	2.2	2.6	1.3	5.5	-0.1	-0.8	0.7	2.0	1.5	2.4	1.9	0.7	0.4
2026 Jan.	-1.1	-2.2	-1.8	0.0	-5.3	5.8	-5.5	2.1	1.8	2.8	0.7	1.0	1.3
Feb.	-1.0	-1.1	-1.7	1.9	-5.3	1.3	-3.8	1.2	1.0	1.7	0.3	1.0	2.2
Mar.	-2.8	-3.0	-1.1	1.9	-12.4	0.0	-0.1	2.3	0.9	3.8	1.1	0.4	7.6
Apr.	0.4	0.4	0.6	3.4	-4.9	1.9	0.2	0.9	1.2	1.7	-5.0	1.8	5.0
May	-1.2	-1.3	1.2	2.6	-9.9	1.3	1.2	1.6	2.4	2.3	-4.6	.	7.0
month-on-month percentage changes (s.a.)													
2025 Dec.	-0.3	-0.4	0.0	-0.2	0.4	0.2	0.2	0.0	0.3	-0.3	0.3	0.3	-5.7
2026 Jan.	-1.1	-1.7	-1.2	-2.0	-4.2	4.1	-1.1	0.2	0.6	0.1	-1.1	0.8	-0.3
Feb.	0.3	0.8	0.5	1.0	1.2	-2.3	-0.4	-0.4	-0.4	-0.4	0.2	-0.3	2.2
Mar.	0.3	0.4	0.9	1.4	-4.0	-1.7	1.9	0.8	-0.1	1.5	0.9	0.1	2.4
Apr.	0.3	0.5	0.8	-0.3	1.6	-0.2	0.1	-0.3	0.8	-0.6	-3.6	0.7	0.1
May	-0.2	-0.4	-0.3	0.3	0.6	2.2	0.4	0.2	0.6	0.1	-0.5	.	0.6

Sources: Eurostat, ECB calculations and European Automobile Manufacturers Association (col. 13).

1) Excluding trade and financial services.

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	95.9	-9.9	77.8	-13.6	-2.9	-6.7	3.8	89.9
Q4	97.1	-8.5	77.9	-12.9	-1.5	-6.5	4.9	89.9
2026 Q1	97.8	-7.1	78.0	-13.7	-1.9	-6.4	5.3	89.7
Q2	94.0	-7.8	78.2	-19.1	-3.8	-10.2	2.5	89.8
2026 Jan.	99.0	-6.9	78.0	-12.5	-1.3	-6.1	6.5	89.7
Feb.	98.0	-7.3	.	-12.4	-2.2	-5.4	4.6	.
Mar.	96.4	-7.0	.	-16.3	-2.2	-7.6	4.7	.
Apr.	93.3	-7.6	78.2	-20.5	-2.9	-10.0	1.6	89.8
May	93.7	-7.9	.	-19.0	-3.9	-10.9	2.6	.
June	95.0	-7.7	.	-17.7	-4.5	-9.7	3.2	.

Source: European Commission (Directorate-General for Economic and Financial Affairs).

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	14.1	84.4	1.3	1.9	2.5	4.0	1.6	37.6	6.3	68.5	1.9	3.4	0.9
2024	14.9	81.4	2.3	2.2	-7.5	5.6	4.7	36.0	4.6	67.0	1.9	1.0	1.0
2025	14.7	81.2	0.9	2.6	2.9	4.9	4.5	35.9	4.3	65.4	2.2	6.6	1.5
2025 Q2	14.9	81.4	1.3	2.7	2.0	5.5	5.2	35.8	4.1	66.3	2.7	10.8	1.7
Q3	14.8	81.3	0.4	2.6	4.3	4.9	4.8	35.8	4.3	65.9	2.4	5.9	1.6
Q4	14.7	81.2	1.0	2.6	6.7	4.9	4.5	35.9	4.3	65.4	2.2	1.8	1.5
2026 Q1	14.5	81.0	0.7	2.8	4.3	3.9	3.2	35.7	4.5	65.5	2.2	1.1	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 1	Debit 2	Balance 3	Credit 4	Debit 5	Credit 6	Debit 7	Credit 8	Debit 9	Credit 10	Debit 11	Credit 12	Debit 13
2025 Q2	1,505.4	1,427.8	77.6	719.4	633.6	390.7	355.2	346.2	344.0	49.1	94.9	20.0	19.9
Q3	1,483.9	1,427.0	56.9	723.7	633.1	387.6	358.1	323.8	339.7	48.8	96.1	24.5	22.3
Q4	1,495.4	1,432.4	63.0	712.7	636.7	391.2	345.6	343.2	346.7	48.3	103.5	42.2	20.5
2026 Q1	1,526.6	1,448.7	78.0	714.1	653.2	405.8	367.6	356.4	326.2	50.4	101.6	37.0	26.8
2025 Dec.	498.0	479.3	18.8	239.7	220.1	129.0	114.1	113.6	111.5	15.7	33.5	22.1	10.6
2026 Jan.	505.0	466.2	38.8	234.4	205.0	135.6	121.3	118.2	106.4	16.8	33.5	15.2	13.7
Feb.	512.5	487.3	25.2	240.3	219.2	135.2	124.3	119.8	110.4	17.2	33.4	10.4	8.2
Mar.	509.2	495.1	14.1	239.3	228.9	135.1	122.1	118.4	109.4	16.4	34.6	11.4	4.9
Apr.	523.1	505.6	17.5	252.1	233.9	136.0	120.9	118.3	118.6	16.6	32.2	6.7	3.8
May	525.0	499.9	25.1	251.5	235.6	137.9	123.6	120.4	108.0	15.2	32.7	7.3	5.5
12-month cumulated transactions													
2026 May	6,054.1	5,782.5	271.6	2,892.3	2,606.7	1,590.0	1,432.9	1,376.0	1,345.1	195.8	397.9	124.8	86.1
12-month cumulated transactions as a percentage of GDP													
2026 May	37.8	36.1	1.7	18.0	16.3	9.9	8.9	8.6	8.4	1.2	2.5	0.8	0.5

Source: ECB.

1) The capital account is not seasonally adjusted.

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

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	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
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2025 Q2	-0.1	1.9	721.9	337.3	138.7	228.9	600.4	693.9	382.1	118.3	177.1	506.8	59.9
Q3	1.4	2.4	724.6	339.8	146.0	222.6	601.0	695.6	379.7	121.3	177.4	511.8	64.6
Q4	0.3	0.4	719.7	332.1	145.0	223.8	592.9	692.9	375.0	124.1	173.9	516.5	57.6
2026 Q1	-6.3	-0.7	724.9	341.9	144.4	220.2	588.7	709.1	389.0	127.6	177.2	519.7	64.5
2025 Dec.	3.5	4.9	242.3	111.3	49.4	75.0	199.6	233.9	126.2	42.0	59.3	175.1	19.7
2026 Jan.	-7.4	-7.0	238.0	112.2	47.3	73.2	194.7	227.6	122.8	41.5	57.7	169.3	18.9
Feb.	-6.7	-2.1	240.2	113.0	47.8	73.3	196.1	234.3	129.6	41.9	58.4	172.7	19.3
Mar.	-4.9	6.5	246.7	116.8	49.3	73.8	198.0	247.2	136.6	44.2	61.1	177.7	26.3
Apr.	4.9	9.4	254.3	122.4	50.1	75.1	204.8	253.4	142.9	44.5	60.1	177.2	31.6
May	0.1	10.0	255.7	.	.	.	204.8	260.6	.	.	.	178.9	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2025 Q2	-2.8	1.3	93.6	86.7	89.6	108.6	93.5	100.8	95.3	101.5	110.7	101.3	135.7
Q3	0.1	3.4	94.6	87.4	95.1	105.7	94.9	102.0	96.5	104.4	111.1	102.6	140.7
Q4	-0.9	2.8	92.3	84.1	91.7	105.6	91.8	102.3	95.5	106.6	109.9	103.8	141.1
2026 Q1	-5.4	1.2	92.2	84.7	92.6	104.4	90.8	101.6	94.9	106.8	110.5	103.2	145.0
2025 Nov.	-4.7	2.3	93.6	85.6	91.9	106.7	93.0	104.5	97.2	108.5	112.6	105.0	143.6
Dec.	2.7	8.9	90.9	82.5	91.2	104.5	90.6	103.0	96.3	106.0	111.2	105.5	146.2
2026 Jan.	-7.1	-3.6	91.1	82.9	92.1	104.7	90.9	99.3	91.0	103.2	108.5	100.8	139.5
Feb.	-5.0	0.7	92.8	86.0	92.8	104.9	91.8	101.9	95.6	106.3	109.4	103.3	144.8
Mar.	-4.2	6.2	92.6	85.1	92.9	103.6	89.7	103.6	98.1	110.9	113.5	105.4	150.6
Apr.	2.2	2.6	95.1	89.1	94.2	105.1	93.7	102.3	96.0	109.8	111.1	103.8	146.1

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.

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	53.2	46.8	100.0	13.8	5.1	25.2	9.0	46.8	87.5	12.5
2023	95.7	5.4	4.9	5.7	4.9	-	-	-	-	-	-	5.5	4.9
2024	97.9	2.4	2.8	1.1	4.0	-	-	-	-	-	-	2.3	3.3
2025	100.0	2.1	2.4	1.0	3.4	-	-	-	-	-	-	2.0	2.9
2025 Q3	100.4	2.1	2.3	1.2	3.2	0.6	0.8	1.1	0.3	0.3	0.8	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	1.8	0.2	3.3	0.7	2.0	2.2
Q2	103.1	3.0	2.4	2.8	3.2	1.1	0.0	0.7	0.3	6.3	0.8	3.0	3.2
2026 Jan.	100.1	1.7	2.2	0.4	3.2	0.2	0.1	0.7	0.1	0.8	0.1	1.6	1.8
Feb.	100.7	1.9	2.4	0.7	3.3	0.3	-0.1	0.7	0.2	0.6	0.4	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	2.5
Apr.	103.0	3.0	2.2	3.1	3.0	0.5	0.0	0.7	0.2	3.0	0.3	3.0	3.0
May	103.1	3.2	2.6	2.9	3.5	0.0	0.0	-0.4	0.1	-1.2	0.2	3.2	3.2
June	103.0	2.8	2.4	2.3	3.2	-0.1	0.0	-0.5	-0.1	-1.8	0.2	2.7	3.3

	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	18.9	13.8	5.1	34.2	25.2	9.0	9.6	5.8	6.8	2.1	18.2	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 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
Q2	1.9	1.2	3.9	3.2	0.8	10.1	3.1	2.7	3.6	1.4	3.4	3.1
2026 Jan.	2.6	2.0	4.2	-0.9	0.4	-4.0	3.2	3.0	2.7	0.0	3.8	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	3.6	3.2
Apr.	2.4	1.6	4.6	3.5	0.8	10.8	3.1	2.7	2.7	0.9	3.2	3.1
May	1.9	1.1	4.0	3.5	0.9	10.8	3.1	2.7	4.5	1.7	3.6	3.1
June	1.5	0.9	3.1	2.8	0.7	8.5	3.1	2.7	3.7	1.6	3.3	3.1

Sources: Eurostat and ECB calculations.

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

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

3 Prices and costs

3.2 Industry, construction and property prices

(annual percentage changes, unless otherwise indicated)

	Industrial producer prices excluding construction ¹⁾										Construc- tion ²⁾	Residential property prices	Experimental indicator of commercial property prices ³⁾
Total (index: 2021 = 100)	Total		Industry excluding construction and energy						Energy				
	Total	Manu- facturing	Total	Inter- mediate 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	-1.0	-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	2.2	-4.7
2025	125.1	0.4	0.4	1.1	0.4	1.7	2.2	1.7	1.6	-0.8	1.0	5.3	2.3
2025 Q2	123.5	0.6	-0.1	1.1	0.2	1.7	2.3	2.1	1.4	-0.4	0.6	5.3	3.3
Q3	124.2	-0.1	0.5	1.0	-0.1	1.7	2.4	2.0	1.5	-2.3	1.1	5.2	1.7
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	1.9
2026 Q1	126.5	-1.1	1.4	1.2	1.6	1.6	1.3	-0.2	1.7	-5.7	2.0	4.7	.
2025 Dec.	124.7	-2.0	0.3	1.0	0.8	1.7	1.9	0.6	1.8	-8.4	-	-	-
2026 Jan.	125.6	-2.1	0.2	1.2	1.5	1.6	1.4	0.1	1.6	-8.9	-	-	-
Feb.	124.8	-3.0	0.3	1.1	1.3	1.6	1.2	-0.2	1.7	-11.7	-	-	-
Mar.	129.0	2.0	3.7	1.4	2.0	1.7	1.1	-0.5	1.7	4.0	-	-	-
Apr.	129.9	5.0	6.1	2.3	3.9	2.2	0.8	-0.8	1.9	12.5	-	-	-
May	130.1	5.9	6.2	2.8	5.5	2.2	0.7	-1.0	2.1	14.0	-	-	-

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 12 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	-2.1	83.7	-13.0	-13.7	-12.3	-13.7	-14.0	-13.4
2024	117.4	2.9	2.4	2.4	2.9	2.0	0.8	-0.3	82.0	2.9	2.8	3.0	3.9	4.3	3.5
2025	120.2	2.4	2.3	2.1	3.1	2.0	0.4	0.1	69.9	-0.6	0.2	-1.2	-1.1	-0.6	-1.6
2025 Q3	120.4	2.4	2.3	2.2	2.9	1.9	-0.1	-0.5	69.9	-1.9	-1.9	-1.9	-3.0	-3.2	-2.9
Q4	121.4	2.6	2.5	2.4	3.5	2.0	-0.4	-1.0	64.3	-4.8	-9.5	-0.8	-7.3	-11.7	-2.8
2026 Q1	121.9	2.4	1.9	2.3	2.1	2.1	0.5	-0.5	82.9	-6.7	-17.3	2.8	-8.0	-14.5	-0.9
Q2	.	.	.	.	.	.	.	.	109.4	6.2	-5.8	16.7	5.3	-3.3	14.4
2026 Jan.	-	-	-	-	-	-	-	-	68.2	-4.2	-18.5	8.8	-6.7	-16.9	4.5
Feb.	-	-	-	-	-	-	-	-	73.3	-12.4	-21.6	-4.1	-13.3	-18.4	-7.9
Mar.	-	-	-	-	-	-	-	-	105.7	-3.2	-11.5	4.0	-3.5	-7.7	0.8
Apr.	-	-	-	-	-	-	-	-	133.1	4.4	-8.4	15.9	3.9	-4.5	13.1
May	-	-	-	-	-	-	-	-	111.7	6.5	-7.0	18.6	5.9	-3.4	15.9
June	-	-	-	-	-	-	-	-	86.0	7.6	-1.8	15.5	6.0	-2.0	14.1

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.

3 Prices and costs

3.4 Price-related opinion surveys

(seasonally adjusted)

	European Commission Business and Consumer Surveys (percentage balance)				
	Selling price expectations (for next three months)				Consumer price trends over past 12 months
	Manufacturing	Retail trade	Services	Construction	
	1	2	3	4	5
1999-22	46.2	47.1	23.8	38.4	63.9
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 Q3	8.0	16.7	13.4	3.0	48.0
Q4	10.2	17.7	13.6	7.9	48.4
2026 Q1	14.4	18.5	14.3	8.8	46.7
Q2	26.2	27.5	15.8	16.7	56.5
2026 Jan.	11.1	17.1	14.2	8.7	46.9
Feb.	12.3	17.8	13.9	6.7	45.8
Mar.	19.7	20.6	14.7	11.1	47.5
Apr.	29.7	27.9	17.1	19.2	56.5
May	26.7	27.4	16.0	17.2	57.4
June	22.3	27.2	14.1	13.5	55.5

Source: European Commission (Directorate-General for Economic and Financial Affairs).

3.5 Labour cost indices

(annual percentage changes, unless otherwise indicated)

	Total (index: 2020=100)	Total	By component		For selected economic activities		Memo Indicator negotiated wages ¹⁾	item: of
			Wages and salaries	Employers' social contributions	Business economy	Mainly non-business economy		
	1	2	3	4	5	6	7	
% of total in 2020	100.0	100.0	75.3	24.7	69.0	31.0		
2023	110.7	4.8	4.6	5.4	5.1	4.1		4.3
2024	115.9	4.7	4.8	4.6	4.8	4.6		4.6
2025	120.2	3.6	3.5	4.0	3.8	3.3		2.8
2025 Q2	124.7	4.1	4.1	4.2	4.4	3.3		4.0
Q3	116.2	3.5	3.3	4.1	3.5	3.5		1.9
Q4	127.1	3.4	3.1	4.3	3.2	3.7		2.9
2026 Q1	116.2	3.2	3.4	2.9	3.2	3.3		2.5

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	7.8	1.3	10.5	3.1	6.0	5.1	3.5
2024	114.4	4.5	3.3	4.6	7.0	4.3	2.9	4.6	2.1	4.0	4.5	4.4
2025	118.3	3.4	0.6	2.1	4.6	3.0	0.4	4.6	4.7	3.9	4.4	4.8
2025 Q2	117.7	3.4	0.1	2.2	5.4	2.8	0.3	5.4	5.0	4.8	4.2	4.6
Q3	118.6	3.5	0.4	2.9	4.1	2.9	0.2	4.5	5.6	3.6	4.1	6.3
Q4	119.6	3.4	0.8	2.6	2.9	2.6	-0.6	4.3	4.1	3.2	4.8	4.0
2026 Q1	120.4	3.6	2.1	5.7	4.7	2.9	-0.8	4.5	4.0	3.2	3.4	3.9
Compensation per employee												
2023	115.0	5.3	4.7	5.8	4.9	5.5	4.4	6.5	3.5	6.0	4.8	5.4
2024	120.3	4.5	5.3	4.4	4.2	4.3	3.9	4.4	3.6	4.7	4.8	5.1
2025	124.9	3.9	4.3	3.7	4.0	3.8	4.2	3.3	3.1	3.9	4.2	3.6
2025 Q2	124.4	4.0	4.4	3.9	4.8	3.6	4.0	3.8	2.7	4.5	4.1	4.2
Q3	125.6	4.0	4.2	4.1	3.9	3.9	4.7	3.1	3.8	3.9	4.0	4.2
Q4	126.7	3.8	3.5	3.6	3.3	3.6	4.2	3.6	4.1	3.0	4.6	3.2
2026 Q1	127.5	3.5	3.4	3.2	3.0	3.7	4.2	3.4	4.3	3.6	3.4	4.1
Labour productivity per person employed												
2023	105.0	-1.1	-1.9	-2.4	0.2	-2.1	3.1	-3.6	0.4	0.0	-0.3	1.9
2024	105.1	0.1	1.9	-0.2	-2.6	0.0	1.0	-0.1	1.5	0.7	0.3	0.7
2025	105.6	0.5	3.6	1.6	-0.6	0.8	3.8	-1.2	-1.5	0.0	-0.2	-1.1
2025 Q2	105.7	0.6	4.3	1.6	-0.6	0.7	3.7	-1.6	-2.2	-0.2	-0.1	-0.4
Q3	105.8	0.5	3.8	1.1	-0.2	1.0	4.5	-1.3	-1.6	0.3	-0.1	-2.1
Q4	105.8	0.3	2.7	0.9	0.3	1.0	4.8	-0.6	0.0	-0.2	-0.2	-0.8
2026 Q1	105.8	-0.1	1.3	-2.3	-1.6	0.7	5.1	-1.1	0.2	0.4	0.1	0.1
Compensation per hour worked												
2023	108.8	4.9	4.4	5.5	4.5	5.1	4.3	6.2	3.6	5.4	4.3	4.6
2024	113.4	4.3	5.0	4.4	4.4	4.1	3.8	4.3	3.2	3.8	4.5	4.8
2025	118.1	4.1	4.5	4.1	4.2	4.2	4.4	3.8	4.4	4.2	4.3	3.0
2025 Q2	117.4	4.3	4.3	4.4	4.4	4.0	4.2	4.2	4.0	5.0	4.5	3.5
Q3	118.3	3.9	5.0	3.8	3.9	3.7	5.1	3.7	4.4	4.0	3.9	3.7
Q4	118.9	3.6	3.5	3.2	3.4	3.9	3.7	3.3	6.1	2.7	4.2	2.2
2026 Q1	120.0	3.4	3.8	3.0	3.9	3.7	4.4	3.9	4.8	3.4	3.1	3.9
Hourly labour productivity												
2023	99.1	-1.3	-1.2	-2.7	0.3	-2.2	2.9	-3.7	0.6	-0.3	-0.7	1.2
2024	99.0	-0.1	1.3	-0.1	-2.5	-0.1	0.8	-0.2	0.9	0.1	0.0	0.2
2025	99.8	0.8	4.4	2.0	-0.3	1.4	3.9	-0.9	-0.8	0.2	0.0	-1.6
2025 Q2	99.7	1.0	5.0	2.2	-0.6	1.5	3.9	-1.2	-1.3	0.1	0.3	-1.2
Q3	99.7	0.5	4.5	1.0	-0.2	1.1	4.5	-0.9	-2.5	0.1	-0.2	-2.7
Q4	99.4	0.3	3.4	0.6	0.5	1.4	4.1	-0.9	1.8	-0.3	-0.5	-1.4
2026 Q1	99.6	0.0	1.6	-2.6	-0.9	0.8	5.2	-0.5	0.5	0.4	-0.1	0.2

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
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
Apr.	1.93	1.97	2.18	2.45	2.75	3.64	0.73
May	1.93	1.96	2.23	2.54	2.80	3.59	0.73
June	2.04	2.15	2.34	2.60	2.80	3.63	0.84

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
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
Apr.	2.20	2.51	2.61	2.73	3.09	0.59	0.72	1.40	2.72	2.68	3.05	3.77
May	2.20	2.41	2.50	2.65	3.02	0.60	0.72	1.54	2.57	2.59	2.99	3.69
June	2.28	2.43	2.48	2.58	2.92	0.49	0.54	1.47	2.53	2.51	2.88	3.57

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
2026 Jan. Feb. Mar. Apr. May June	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
	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
	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
	629.5	5,880.4	1,051.6	239.5	154.3	214.2	382.8	1,235.8	1,252.9	584.3	400.3	829.5	6,957.0	57,245.8
	638.1	5,942.2	1,048.2	237.5	155.1	217.8	384.9	1,246.4	1,374.0	569.6	426.2	786.0	7,412.6	62,773.7
	659.8	6,179.0	1,056.2	246.0	158.3	204.8	402.7	1,262.5	1,548.9	576.0	419.6	805.5	7,450.0	68,340.5

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					
	Overnight	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⁾	Composite cost-of-borrowing indicator
			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 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	6.75	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	1.23	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	2.24	7.26	16.42	6.83	7.59	8.27	4.20	3.48	3.37	3.55	3.26	3.66	3.37
Mar.	0.26	1.17	1.84	2.27	7.30	16.47	7.02	7.50	8.16	4.12	3.50	3.35	3.52	3.24	3.64	3.35
Apr.	0.26	1.17	1.88	2.40	7.23	16.44	7.11	7.65	8.34	4.30	3.56	3.43	3.61	3.31	3.72	3.44
May ^(a)	0.27	1.17	1.93	2.36	7.19	16.42	7.15	7.66	8.42	4.38	3.60	3.47	3.65	3.32	3.76	3.48

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 tp 2 years	Over 2 years		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2025 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	3.61
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	3.14	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	3.33	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	3.31	3.54	3.60	3.57
2026 Jan.	0.52	1.90	2.42	3.68	3.59	4.07	4.71	3.58	3.40	3.71	3.30	3.45	3.57	3.57
Feb.	0.52	1.90	2.36	3.66	3.66	4.14	4.80	3.55	3.42	3.70	3.19	3.16	3.62	3.51
Mar.	0.54	1.95	2.52	3.67	3.64	4.30	4.83	3.55	3.52	3.71	3.29	3.62	3.59	3.60
Apr.	0.54	1.99	2.72	3.70	3.70	4.33	4.84	3.60	3.59	3.81	3.31	3.50	3.68	3.62
May ^(a)	0.53	2.03	2.61	3.72	3.78	4.47	5.05	3.64	3.74	3.88	3.28	3.57	3.74	3.64

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

(EUR billions; transactions during the month and end-of-period outstanding amounts; market values)

	Outstanding amounts							Gross issues ¹⁾						
	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
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Short-term														
2023	1,575.2	623.6	164.6	104.6	85.2	701.8	659.1	537.2	242.2	117.8	91.3	48.7	128.5	104.6
2024	1,599.7	581.0	206.1	121.2	70.8	741.8	674.7	517.2	206.4	133.5	104.2	40.1	137.2	110.1
2025	1,616.6	576.2	217.2	135.6	77.3	745.8	662.7	555.5	227.0	151.9	123.8	42.0	134.6	107.8
2026 Jan.	1,685.9	606.8	215.7	125.5	88.8	774.6	672.7	626.5	251.2	162.8	127.6	45.1	167.4	138.7
Feb.	1,689.4	623.6	220.4	127.6	92.2	753.2	659.4	558.1	231.4	153.4	124.9	41.3	132.1	99.8
Mar.	1,666.4	581.2	220.8	130.2	90.7	773.7	682.6	626.8	234.8	174.6	144.9	48.2	169.2	144.3
Apr.	1,665.9	578.6	200.9	109.9	100.5	786.0	700.2	629.9	222.4	171.2	134.8	62.4	173.8	144.8
May	1,679.1	583.0	203.5	108.3	97.1	795.5	710.1	593.6	218.3	171.7	130.2	53.2	150.4	123.9
June	1,722.0	620.9	203.4	101.4	90.3	807.4	726.3	637.4	252.1	183.6	138.3	52.2	149.5	132.1
Long-term														
2023	19,445.4	4,456.3	3,255.6	1,429.7	1,544.6	10,188.9	9,449.7	322.0	93.4	68.3	31.0	21.2	139.2	130.7
2024	20,554.6	4,773.9	3,528.6	1,524.1	1,644.8	10,607.3	9,835.4	351.0	89.2	86.1	35.2	27.0	148.7	138.0
2025	21,434.3	4,890.5	3,785.7	1,691.8	1,745.1	11,012.9	10,220.2	384.6	93.2	102.6	44.6	31.1	157.8	146.7
2026 Jan.	21,749.5	4,947.3	3,790.0	1,685.5	1,768.0	11,244.2	10,430.3	537.8	146.7	91.4	29.5	36.5	263.2	236.0
Feb.	22,006.5	4,992.8	3,817.1	1,690.0	1,779.8	11,416.7	10,590.0	387.9	88.5	88.0	32.8	23.1	188.3	174.5
Mar.	21,703.5	4,941.0	3,808.5	1,709.6	1,736.9	11,217.1	10,400.6	444.1	113.5	128.5	62.8	20.9	181.2	163.9
Apr.	21,791.0	5,006.1	3,826.5	1,714.8	1,753.4	11,205.0	10,388.2	440.0	130.7	93.8	36.2	34.1	181.3	170.8
May	22,038.0	5,047.8	3,876.9	1,733.8	1,779.6	11,333.7	10,505.2	439.7	113.6	103.6	37.2	45.2	177.4	164.9
June	22,345.1	5,127.8	3,917.6	1,750.3	1,802.2	11,497.6	10,652.5	479.9	136.1	103.8	37.6	42.4	197.7	181.1

Source: ECB.

1) 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

(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	21,020.5	5,079.9	3,420.2	1,534.3	1,629.9	10,890.6	10,108.8	9,642.3	625.3	1,386.1	7,630.4
2024	22,154.3	5,354.9	3,734.7	1,645.3	1,715.6	11,349.0	10,510.1	10,143.4	753.4	1,581.0	7,808.6
2025	23,050.9	5,466.7	4,002.9	1,827.4	1,822.5	11,758.8	10,882.9	11,700.9	1,315.7	1,847.8	8,536.9
2026 Jan.	23,435.4	5,554.2	4,005.7	1,811.0	1,856.8	12,018.7	11,103.0	11,940.9	1,363.8	1,826.7	8,749.8
Feb.	23,695.9	5,616.4	4,037.5	1,817.5	1,872.1	12,169.9	11,249.4	12,295.8	1,320.4	1,874.3	9,100.6
Mar.	23,369.9	5,522.2	4,029.3	1,839.8	1,827.6	11,990.8	11,083.2	11,328.2	1,177.3	1,769.4	8,381.0
Apr.	23,457.0	5,584.6	4,027.4	1,824.7	1,853.9	11,991.0	11,088.4	11,920.7	1,269.2	1,835.0	8,816.0
May	23,717.1	5,630.8	4,080.4	1,842.2	1,876.7	12,129.2	11,215.3	12,301.1	1,328.5	1,841.6	9,130.7
June	24,067.1	5,748.6	4,121.0	1,851.8	1,892.5	12,305.0	11,378.8	12,605.8	1,424.1	1,926.3	9,255.0
Growth rate ¹⁾											
2025 Nov.	5.5	4.0	9.9	11.7	4.1	5.0	4.8	0.0	0.4	-0.7	0.1
Dec.	5.3	3.3	10.3	12.4	4.0	4.9	4.8	0.1	2.9	-1.7	0.1
2026 Jan.	5.5	3.3	9.9	11.2	4.7	5.3	5.0	0.0	2.6	-1.9	0.0
Feb.	5.4	3.8	9.5	10.7	4.8	5.0	4.8	0.0	2.3	-1.9	0.1
Mar.	5.5	3.0	9.5	10.6	4.3	5.5	5.4	0.2	2.3	-1.6	0.3
Apr.	5.5	5.1	8.5	8.7	4.6	4.9	4.9	0.1	1.6	-2.4	0.4
May	5.3	4.0	8.4	9.4	3.5	5.2	5.2	0.0	1.6	-2.6	0.4
June	5.6	4.9	7.6	6.8	3.7	5.5	5.4	0.2	1.1	-2.2	0.6

Source: ECB.

1) 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	89.0	65.0	87.1	122.1	94.0
2024	98.2	94.0	98.3	89.5	64.4	88.1	124.4	94.2
2025	100.4	96.0	100.4	91.9	62.3	90.3	128.3	96.1
2025 Q3	102.1	97.7	102.1	93.5	63.4	92.1	130.8	97.9
Q4	101.9	97.4	101.9	93.4	62.5	91.9	130.7	97.5
2026 Q1	101.4	97.2	101.6	93.1	63.9	92.0	130.3	97.2
Q2	100.8	97.0	101.9	.	.	.	129.7	96.8
2026 Jan.	101.8	97.5	101.8	-	-	-	130.7	97.4
Feb.	101.8	97.4	101.5	-	-	-	130.7	97.3
Mar.	100.8	96.9	101.4	-	-	-	129.6	96.8
Apr.	101.3	97.6	102.1	-	-	-	130.2	97.4
May	100.8	96.9	101.9	-	-	-	129.7	96.7
June	100.3	96.4	101.6	-	-	-	129.0	96.1
<i>Percentage change versus previous month</i>								
2026 June	-0.5	-0.5	-0.3	-	-	-	-0.5	-0.6
<i>Percentage change versus previous year</i>								
2026 June	-0.8	-0.2	0.3	-	-	-	-0.1	-0.6

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 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
Q2	7.910	24.298	7.473	360.169	185.336	4.250	0.866	5.1919	10.886	0.919	1.163
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
Apr.	8.000	24.381	7.473	368.960	186.206	4.250	0.869	5.0991	10.835	0.921	1.171
May	7.935	24.313	7.473	358.231	184.710	4.241	0.866	5.2296	10.861	0.915	1.167
June	7.804	24.208	7.474	353.939	185.114	4.257	0.864	5.2421	10.955	0.921	1.152
<i>Percentage change versus previous month</i>											
2026 June	-1.6	-0.4	0.0	-1.2	0.2	0.4	-0.2	0.2	0.9	0.6	-1.3
<i>Percentage change versus previous year</i>											
2026 June	-5.6	-2.4	0.2	-12.0	11.2	-0.2	1.6	3.9	-0.5	-1.9	0.0

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
Outstanding amounts (international investment position)												
2025 Q2	35,885.5	34,552.7	1,332.8	12,598.6	9,747.0	14,352.2	16,775.2	2.9	7,469.8	8,030.5	1,462.1	16,902.4
Q3	36,820.9	35,270.8	1,550.1	12,645.5	9,803.7	15,080.5	17,416.7	-11.4	7,484.0	8,050.5	1,622.2	17,013.6
Q4	37,696.7	36,045.6	1,651.1	12,883.2	9,857.0	15,500.5	18,128.4	-3.2	7,541.3	8,060.2	1,774.9	16,959.7
2026 Q1	38,475.1	36,677.5	1,797.6	12,933.3	9,896.0	15,575.6	18,269.6	20.0	8,038.1	8,511.9	1,908.1	17,524.9
Outstanding amounts as percentage of GDP												
2026 Q1	240.2	228.9	11.2	80.7	61.8	97.2	114.0	0.1	50.2	53.1	11.9	109.4
Transactions												
2025 Q2	337.8	250.5	87.3	-18.6	-45.8	215.6	203.8	-20.1	152.1	92.4	8.7	-
Q3	316.1	263.1	53.0	45.1	35.3	281.9	203.8	-4.4	-12.5	24.0	5.9	-
Q4	406.9	312.2	94.7	209.4	-3.3	142.6	277.5	-24.3	70.5	38.0	8.6	-
2026 Q1	628.9	596.7	32.2	66.3	55.7	219.5	274.3	-11.4	348.8	266.7	5.7	-
2025 Dec.	-26.7	-56.4	29.6	119.9	-21.9	61.4	152.9	-18.4	-194.8	-187.4	5.2	-
2026 Jan.	370.7	356.0	14.7	10.7	-4.8	170.0	100.9	-23.6	212.6	259.9	1.1	-
Feb.	305.3	283.9	21.4	15.4	14.7	112.0	132.3	-8.5	184.1	136.9	2.3	-
Mar.	-47.1	-43.2	-3.9	40.2	45.8	-62.5	41.1	20.7	-47.9	-130.1	2.3	-
Apr.	183.4	146.5	36.8	21.1	16.4	46.8	35.8	14.7	103.7	94.3	-3.0	-
May	192.3	198.9	-6.6	4.4	-0.6	69.6	73.8	17.4	94.7	125.7	6.2	-
12-month cumulated transactions												
2026 May	1,937.5	1,651.7	285.7	334.7	64.2	888.5	1,005.0	-12.8	702.2	582.5	24.8	-
12-month cumulated transactions as percentage of GDP												
2026 May	12.1	10.3	1.8	2.1	0.4	5.5	6.3	-0.1	4.4	3.6	0.2	-

Source: ECB.

1) Net financial derivatives are included in total assets.

5 Financing conditions and credit developments

5.1 Monetary aggregates ¹⁾

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

	M3											Total
	M2						M3-M2					
	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						
	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	258.4	855.7	11.9	1,126.0	17,203.3
2025 Q2	1,563.9	9,242.9	10,806.8	2,401.6	2,514.5	4,916.2	15,723.0	257.5	918.6	28.1	1,204.2	16,927.2
Q3	1,574.9	9,321.2	10,896.2	2,348.8	2,543.7	4,892.6	15,788.7	258.6	922.6	12.3	1,193.5	16,982.2
Q4	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	258.4	855.7	11.9	1,126.0	17,203.3
2026 Q1 ^(p)	1,602.1	9,683.8	11,285.9	2,422.7	2,574.0	4,996.7	16,282.5	223.3	900.9	40.9	1,165.1	17,447.6
2025 Dec.	1,587.5	9,505.0	11,092.5	2,419.9	2,564.8	4,984.7	16,077.2	258.4	855.7	11.9	1,126.0	17,203.3
2026 Jan.	1,597.0	9,625.9	11,222.9	2,411.1	2,569.2	4,980.3	16,203.2	231.7	858.8	38.3	1,128.8	17,332.0
Feb.	1,598.0	9,636.8	11,234.8	2,435.6	2,574.5	5,010.2	16,245.0	207.6	884.1	18.6	1,110.2	17,355.2
Mar.	1,602.1	9,683.8	11,285.9	2,422.7	2,574.0	4,996.7	16,282.5	223.3	900.9	40.9	1,165.1	17,447.6
Apr.	1,602.9	9,660.6	11,263.5	2,445.8	2,579.5	5,025.3	16,288.7	200.8	900.7	44.7	1,146.1	17,434.8
May ^(p)	1,606.4	9,721.7	11,328.1	2,473.1	2,580.6	5,053.7	16,381.8	213.3	911.6	45.5	1,170.4	17,552.2
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	9.2	-5.2	-13.2	-9.2	467.3
2025 Q2	5.7	141.3	147.0	-75.8	26.1	-49.7	97.3	18.3	19.2	-13.1	24.5	121.8
Q3	11.0	80.4	91.4	-52.6	29.2	-23.4	68.1	1.4	1.4	-13.3	-10.5	57.5
Q4	12.6	149.3	161.9	56.6	21.1	77.7	239.6	-0.1	-34.2	2.3	-31.9	207.7
2026 Q1 ^(p)	7.0	95.5	102.5	-18.4	8.7	-9.7	92.8	-8.9	43.2	29.8	64.2	156.9
2025 Dec.	2.1	35.1	37.1	19.2	5.4	24.7	61.8	7.4	-11.8	-8.4	-12.8	49.0
2026 Jan.	2.0	47.2	49.1	-25.6	4.2	-21.4	27.7	0.5	2.3	25.4	28.2	55.9
Feb.	1.0	8.8	9.8	23.5	5.2	28.7	38.5	-24.5	24.8	-19.1	-18.8	19.7
Mar.	4.1	39.5	43.6	-16.4	-0.7	-17.1	26.5	15.1	16.1	23.5	54.7	81.2
Apr.	0.8	-29.3	-28.5	25.2	5.6	30.8	2.3	-21.8	-1.4	1.0	-22.3	-20.0
May ^(p)	3.5	59.3	62.8	26.8	1.1	27.9	90.8	12.4	10.1	1.6	24.1	114.9
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	3.7	-0.6	-51.9	-0.8	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	3.7	-0.6	-51.9	-0.8	2.8
2026 Q1 ^(p)	2.3	5.1	4.7	-3.6	3.4	-0.1	3.2	3.9	3.5	28.8	4.2	3.2
2025 Dec.	2.1	5.2	4.7	-4.9	4.1	-0.4	3.1	3.7	-0.6	-51.9	-0.8	2.8
2026 Jan.	2.2	5.8	5.3	-5.1	4.0	-0.6	3.4	0.7	0.5	10.4	0.6	3.2
Feb.	2.0	5.3	4.8	-3.4	3.8	0.2	3.3	-10.4	0.5	-27.7	-2.4	2.9
Mar.	2.3	5.1	4.7	-3.6	3.4	-0.1	3.2	3.9	3.5	28.8	4.2	3.2
Apr.	2.3	4.0	3.8	-1.7	3.3	0.9	2.9	-11.8	3.3	33.4	0.9	2.7
May ^(p)	2.4	4.3	4.0	-0.1	3.0	1.4	3.2	-3.2	3.4	47.6	3.2	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 ²⁾	Insurance corporations and pension funds	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	3,318.2	2,403.6	772.2	130.9	11.6	8,406.2	5,105.6	1,014.1	2,285.3	1.3	1,268.0	226.7	542.4
2024	3,417.1	2,479.2	793.5	133.3	11.1	8,733.8	5,188.4	1,255.1	2,289.0	1.3	1,372.2	231.6	548.3
2025	3,505.8	2,575.3	774.3	150.4	5.9	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,474.9	224.2	553.2
2025 Q2	3,438.0	2,506.4	778.5	143.8	9.3	8,844.8	5,334.0	1,174.5	2,335.2	1.1	1,356.2	233.3	544.1
Q3	3,468.6	2,538.4	778.4	145.7	6.0	8,903.2	5,400.7	1,138.3	2,363.0	1.1	1,334.0	229.4	537.2
Q4	3,505.8	2,575.3	774.3	150.4	5.9	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,474.9	224.2	553.2
2026 Q1 ^(p)	3,568.1	2,626.1	786.5	152.4	3.1	9,101.3	5,564.3	1,150.9	2,385.4	0.7	1,435.8	244.0	554.5
2025 Dec.	3,505.8	2,575.3	774.3	150.4	5.9	8,990.0	5,472.2	1,136.3	2,380.2	1.3	1,474.9	224.2	553.2
2026 Jan.	3,536.1	2,600.5	778.3	152.7	4.5	9,080.3	5,552.9	1,144.8	2,381.6	1.0	1,403.5	239.5	578.6
Feb.	3,557.7	2,610.2	790.3	152.5	4.6	9,105.6	5,572.1	1,147.8	2,384.9	0.9	1,380.4	244.2	566.6
Mar.	3,568.1	2,626.1	786.5	152.4	3.1	9,101.3	5,564.3	1,150.9	2,385.4	0.7	1,435.8	244.0	554.5
Apr.	3,572.1	2,612.4	800.8	153.6	5.3	9,136.6	5,585.3	1,159.6	2,390.9	0.8	1,387.5	237.1	553.3
May ^(p)	3,606.8	2,623.2	823.7	153.9	6.0	9,163.7	5,608.0	1,164.9	2,389.9	0.9	1,409.3	245.0	564.0
Transactions													
2023	-38.3	-313.8	271.4	-1.6	5.6	13.9	-459.3	571.7	-98.9	0.5	-47.9	-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	3.8	3.2
2025	115.8	111.9	-12.3	17.0	-0.8	262.4	295.0	-116.4	83.9	-0.1	75.9	-4.9	3.4
2025 Q2	33.3	34.4	-5.2	4.8	-0.8	53.5	80.3	-47.6	20.8	0.0	12.0	6.5	4.7
Q3	35.2	32.6	0.2	2.0	0.4	59.1	67.2	-35.9	27.8	0.0	-24.8	-3.8	-7.2
Q4	39.6	38.7	-3.6	4.6	-0.2	86.4	71.6	-2.6	17.2	0.2	90.8	-5.0	15.1
2026 Q1 ^(p)	34.7	26.5	9.0	2.0	-2.8	54.0	49.8	-0.2	5.0	-0.6	-23.5	12.7	-1.0
2025 Dec.	15.9	12.2	1.9	1.6	0.2	26.3	20.7	0.0	5.3	0.4	39.3	2.7	-17.1
2026 Jan.	9.3	5.5	2.7	2.4	-1.3	33.6	38.3	-5.6	1.1	-0.3	-48.6	8.8	23.2
Feb.	20.5	9.0	11.6	-0.2	0.1	24.7	18.8	2.7	3.3	-0.1	-24.6	4.5	-12.0
Mar.	5.0	12.0	-5.3	-0.1	-1.5	-4.3	-7.3	2.7	0.5	-0.2	49.7	-0.6	-12.1
Apr.	6.0	-12.4	15.0	1.2	2.2	26.1	11.4	9.1	5.4	0.2	-44.5	-6.6	-1.3
May ^(p)	34.0	10.3	22.7	0.3	0.7	26.2	21.9	5.2	-0.9	0.1	20.9	7.8	10.7
Growth rates													
2023	-1.1	-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	2.2	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	-8.4	3.0	5.7	-9.3	3.7	-4.3	5.3	-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	2.0
Q3	3.1	5.5	-5.6	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	-8.4	3.0	5.7	-9.3	3.7	-4.3	5.3	-2.1	0.6
2026 Q1 ^(p)	4.2	5.3	0.0	9.7	-50.6	2.9	5.1	-7.1	3.1	-37.9	3.9	4.6	2.2
2025 Dec.	3.4	4.5	-1.6	12.7	-8.4	3.0	5.7	-9.3	3.7	-4.3	5.3	-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	4.2	3.2	4.8
Feb.	3.9	5.2	-1.1	11.9	-37.1	3.2	5.8	-8.0	3.3	-19.1	1.8	4.0	3.4
Mar.	4.2	5.3	0.0	9.7	-50.6	2.9	5.1	-7.1	3.1	-37.9	3.9	4.6	2.2
Apr.	3.8	4.4	1.2	9.4	-24.6	2.9	4.7	-5.1	3.0	-8.4	-0.2	-3.5	2.0
May ^(p)	4.2	4.3	3.0	8.5	3.9	2.9	4.6	-3.6	2.6	-12.9	2.3	3.6	3.4

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 Claims on euro area residents ¹⁾

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

	Claims on general government			Claims on other euro area residents								
	Total	Loans	Debt securities	Total	Loans					Debt securities	Equity and non-money market fund investment fund shares	
					Total	To non-financial corporations ³⁾	To households ⁴⁾	To financial corporations other than MFIs and ICPFs ³⁾	To insurance corporations and pension funds			
												Total
	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	6,251.1	986.9	5,238.3	15,788.1	13,258.0	13,502.0	5,189.5	6,678.6	1,250.9	139.0	1,578.8	951.2
2025	6,294.5	1,020.5	5,247.8	16,247.7	13,630.3	13,903.7	5,294.8	6,853.2	1,334.8	147.4	1,572.1	1,045.3
2025 Q2	6,274.4	1,007.9	5,240.6	15,955.8	13,410.2	13,679.7	5,214.8	6,767.1	1,283.8	144.5	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	16,247.7	13,630.3	13,903.7	5,294.8	6,853.2	1,334.8	147.4	1,572.1	1,045.3
2026 Q1 ^(a)	6,307.6	1,047.7	5,233.6	16,437.9	13,815.9	14,086.8	5,356.8	6,933.3	1,373.4	152.4	1,571.8	1,050.2
2025 Dec.	6,294.5	1,020.5	5,247.8	16,247.7	13,630.3	13,903.7	5,294.8	6,853.2	1,334.8	147.4	1,572.1	1,045.3
2026 Jan.	6,371.8	1,039.7	5,305.8	16,359.0	13,711.5	13,983.7	5,310.7	6,898.5	1,351.0	151.2	1,588.3	1,059.2
Feb.	6,327.9	1,045.0	5,256.6	16,402.3	13,753.1	14,016.8	5,335.7	6,918.8	1,346.1	152.5	1,585.5	1,063.6
Mar.	6,307.6	1,047.7	5,233.6	16,437.9	13,815.9	14,086.8	5,356.8	6,933.3	1,373.4	152.4	1,571.8	1,050.2
Apr.	6,270.9	1,048.8	5,195.8	16,404.2	13,820.5	14,092.4	5,380.7	6,940.0	1,351.7	148.1	1,529.2	1,054.5
May ^(a)	6,306.0	1,049.2	5,230.5	16,478.3	13,886.3	14,159.9	5,404.8	6,958.3	1,373.8	149.4	1,530.1	1,061.8
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	274.3	76.6	45.2	106.2	0.9	10.9	47.1
2025	49.9	33.4	16.2	455.4	406.1	440.4	144.4	187.4	65.5	8.7	-4.7	54.0
2025 Q2	-17.0	11.1	-28.1	105.0	95.5	106.9	26.7	45.8	15.2	7.8	9.9	-0.4
Q3	19.1	8.3	10.7	65.5	45.2	47.5	32.3	44.7	-23.4	-8.4	-6.7	26.9
Q4	10.2	4.7	5.4	181.9	167.1	176.9	57.6	48.4	49.8	11.2	5.8	9.1
2026 Q1 ^(a)	14.4	24.8	-10.4	158.3	153.2	149.5	48.1	57.2	47.3	0.5	0.5	4.6
2025 Dec.	-3.5	-4.6	1.1	40.9	55.4	62.4	32.2	19.3	-6.2	10.0	-16.2	1.7
2026 Jan.	49.5	17.3	32.1	75.1	49.6	47.6	-0.7	17.4	33.4	-0.6	15.2	10.3
Feb.	-61.3	5.2	-66.5	34.2	41.7	32.0	29.4	20.7	-9.7	1.3	-5.2	-2.3
Mar.	26.3	2.3	24.0	49.0	61.9	69.9	19.5	19.0	23.6	-0.2	-9.5	-3.4
Apr.	-40.6	1.2	-41.8	-11.6	33.4	34.7	22.6	20.0	-5.0	-4.2	-42.8	-2.2
May ^(a)	18.8	-0.4	19.2	69.7	67.5	69.5	25.7	19.0	21.5	1.3	-0.8	3.0
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	5.6
2025 Q2	0.1	2.7	-0.4	2.7	2.8	3.0	2.4	2.1	7.5	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	5.6
2026 Q1 ^(a)	0.4	4.9	-0.4	3.2	3.5	3.5	3.2	2.9	6.9	8.1	0.6	4.1
2025 Dec.	0.8	3.4	0.3	2.9	3.1	3.3	2.8	2.8	5.2	6.3	-0.3	5.6
2026 Jan.	0.9	4.3	0.3	3.1	3.2	3.4	2.7	2.8	6.9	7.0	0.8	5.4
Feb.	0.1	4.4	-0.8	3.0	3.1	3.3	3.0	2.8	4.8	9.2	0.7	4.4
Mar.	0.4	4.9	-0.4	3.2	3.5	3.5	3.2	2.9	6.9	8.1	0.6	4.1
Apr.	-0.4	4.8	-1.4	2.9	3.4	3.5	3.4	2.9	5.6	5.2	-2.3	5.3
May ^(a)	0.1	3.9	-0.7	3.3	3.8	3.9	3.8	3.0	7.5	5.0	-2.3	5.0

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	5,189.5	5,200.3	930.7	1,097.9	3,160.9	6,678.6	6,929.4	744.8	5,255.6	678.2
2025	5,294.8	5,324.3	950.2	1,121.7	3,222.9	6,853.2	7,111.6	777.2	5,403.4	672.7
2025 Q2	5,214.8	5,250.8	929.9	1,115.0	3,169.9	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	5,324.3	950.2	1,121.7	3,222.9	6,853.2	7,111.6	777.2	5,403.4	672.7
2026 Q1 ^(p)	5,356.8	5,383.3	966.6	1,141.4	3,248.7	6,933.3	7,188.7	796.3	5,465.3	671.7
2025 Dec.	5,294.8	5,324.3	950.2	1,121.7	3,222.9	6,853.2	7,111.6	777.2	5,403.4	672.7
2026 Jan.	5,310.7	5,341.2	953.7	1,122.6	3,234.4	6,898.5	7,156.3	789.3	5,436.1	673.1
Feb.	5,335.7	5,356.7	953.3	1,129.5	3,253.0	6,918.8	7,175.0	791.5	5,453.9	673.4
Mar.	5,356.8	5,383.3	966.6	1,141.4	3,248.7	6,933.3	7,188.7	796.3	5,465.3	671.7
Apr.	5,380.7	5,409.2	970.1	1,148.0	3,262.6	6,940.0	7,193.4	798.3	5,480.7	661.0
May ^(p)	5,404.8	5,442.2	980.7	1,157.0	3,267.1	6,958.3	7,209.8	801.8	5,496.8	659.7
Transactions										
2023	-6.5	23.7	-44.8	10.5	27.8	8.5	26.8	19.1	10.3	-20.9
2024	76.6	88.0	21.8	14.7	40.1	45.2	77.6	26.6	28.3	-9.7
2025	144.4	156.7	31.9	35.2	77.4	187.4	205.0	38.8	148.3	0.3
2025 Q2	26.7	37.7	9.3	8.3	9.2	45.8	47.5	6.9	37.7	1.1
Q3	32.3	33.6	-1.5	11.6	22.2	44.7	46.8	11.2	36.3	-2.8
Q4	57.6	49.4	26.5	-4.4	35.6	48.4	61.7	12.0	34.5	2.0
2026 Q1 ^(p)	48.1	45.3	10.7	20.3	17.2	57.2	53.3	9.3	45.8	2.1
2025 Dec.	32.2	28.4	13.6	-0.4	19.1	19.3	20.8	2.7	16.7	-0.1
2026 Jan.	-0.7	-0.4	-6.0	0.4	4.9	17.4	16.5	1.2	16.0	0.2
Feb.	29.4	19.0	3.7	7.7	18.0	20.7	18.9	2.6	17.8	0.3
Mar.	19.5	26.6	13.0	12.1	-5.7	19.0	17.9	5.4	12.0	1.6
Apr.	22.6	23.6	4.5	7.5	10.5	20.0	18.6	3.3	15.7	1.0
May ^(p)	25.7	33.8	11.3	8.4	5.9	19.0	17.3	4.0	16.3	-1.3
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	1.4	1.3	0.7	1.1	3.7	0.5	-1.4
2025	2.8	3.0	3.5	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	3.5	3.2	2.5	2.8	3.0	5.2	2.8	0.0
2026 Q1 ^(p)	3.2	3.2	4.9	3.2	2.7	2.9	3.0	5.2	2.9	0.4
2025 Dec.	2.8	3.0	3.5	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
Apr.	3.4	3.4	4.8	4.0	2.8	2.9	3.0	5.3	2.9	0.5
May ^(p)	3.8	4.0	6.3	4.7	2.9	3.0	3.1	5.6	3.0	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			
	Liabilities to central government ²⁾	Longer-term liabilities to 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 counter-parties ³⁾	Reverse repos to central counter-parties ³⁾
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2023	476.9	7,338.3	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	8,372.3	1,872.6	131.7	2,621.5	3,746.5	3,241.2	190.5	323.3	235.1
2025 Q2	410.9	7,908.1	1,833.7	129.6	2,562.0	3,382.8	2,829.8	186.1	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	8,372.3	1,872.6	131.7	2,621.5	3,746.5	3,241.2	190.5	323.3	235.1
2026 Q1 ^(p)	427.7	8,547.7	1,890.8	133.2	2,650.7	3,873.0	3,532.7	144.8	396.2	257.3
2025 Dec.	398.3	8,372.3	1,872.6	131.7	2,621.5	3,746.5	3,241.2	190.5	323.3	235.1
2026 Jan.	481.5	8,589.8	1,883.4	131.5	2,613.7	3,961.2	3,529.9	142.7	400.5	250.3
Feb.	426.4	8,697.5	1,884.9	132.1	2,626.2	4,054.4	3,616.4	132.6	404.5	255.9
Mar.	427.7	8,547.7	1,890.8	133.2	2,650.7	3,873.0	3,532.7	144.8	396.2	257.3
Apr.	426.1	8,514.6	1,849.9	132.9	2,667.3	3,864.6	3,519.2	181.2	386.6	277.0
May ^(p)	429.3	8,556.9	1,853.4	134.8	2,700.9	3,867.7	3,556.4	197.8	416.8	272.8
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	192.9	33.2	16.3	104.8	38.5	298.0	-141.2	17.7	29.2
2025 Q2	22.7	39.8	4.3	7.9	33.7	-6.1	126.9	-30.6	-5.0	4.7
Q3	19.2	38.1	9.2	3.6	29.1	-3.8	63.7	-33.4	-9.6	2.3
Q4	-32.8	108.4	24.0	-0.8	32.8	52.4	84.1	7.0	-10.2	-3.0
2026 Q1 ^(p)	19.0	44.2	14.3	1.3	20.5	8.1	139.1	-91.7	71.2	21.0
2025 Dec.	-24.8	40.7	-4.1	0.0	12.3	32.5	16.8	10.7	-84.3	-31.8
2026 Jan.	73.5	-15.0	9.4	-0.3	3.0	-27.1	59.2	-69.4	76.0	13.5
Feb.	-55.1	31.9	0.9	0.6	8.4	22.1	24.2	-0.5	4.0	6.1
Mar.	0.6	27.3	4.0	1.0	9.0	13.2	55.7	-21.9	-8.8	1.4
Apr.	-1.7	-14.7	-39.2	-0.3	24.6	0.1	-15.1	30.9	-9.6	22.5
May ^(p)	3.2	50.5	3.2	2.0	32.1	13.4	49.2	30.9	30.2	-4.2
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	1.0	-	-	36.6	26.4
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	1.0	-	-	36.6	26.4
2026 Q1 ^(p)	7.6	2.8	2.8	9.9	4.6	1.3	-	-	27.9	16.1
2025 Dec.	0.5	2.4	1.8	14.0	4.1	1.0	-	-	36.6	26.4
2026 Jan.	15.1	2.2	2.5	11.8	4.1	0.3	-	-	45.1	24.1
Feb.	0.2	2.5	2.4	11.3	4.2	1.0	-	-	21.9	16.6
Mar.	7.6	2.8	2.8	9.9	4.6	1.3	-	-	27.9	16.1
Apr.	-3.7	2.8	0.7	7.7	5.7	1.5	-	-	17.3	17.4
May ^(p)	-7.2	2.9	0.9	7.2	5.8	1.8	-	-	35.7	12.9

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 Q2	-2.9	.	.	.	.	-1.0
Q3	-3.0	.	.	.	.	-1.1
Q4	-3.0	.	.	.	.	-1.1
2026 Q1	-3.1	.	.	.	.	-1.2

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

6.2 Revenue and expenditure

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

	Revenue						Expenditure						
	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 Q2	46.7	45.8	13.3	12.4	14.9	0.8	49.6	44.6	10.0	5.9	1.9	22.9	5.0
Q3	46.7	46.0	13.3	12.5	15.0	0.8	49.7	44.7	10.0	6.0	1.9	22.9	5.1
Q4	47.0	46.1	13.4	12.5	15.1	0.8	49.9	44.8	10.1	6.0	1.9	23.0	5.1
2026 Q1	47.0	46.2	13.4	12.5	15.2	0.8	50.1	44.9	10.1	6.0	1.9	23.1	5.2

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

6.3 Government debt-to-GDP ratio

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

	Total	Financial instrument			Holder			Original maturity		Residual maturity			Currency	
		Currency and 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 Q2	87.8	2.2	11.6	73.9	.	.	.	.	.	.	.	.	.	.
Q3	88.2	2.2	11.7	74.2	.	.	.	.	.	.	.	.	.	.
Q4	87.7	2.1	11.8	73.7	.	.	.	.	.	.	.	.	.	.
2026 Q1	88.9	2.3	11.7	74.9	.	.	.	.	.	.	.	.	.	.

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

6 Fiscal developments

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

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

	Change in debt-to-GDP ratio ²⁾	Primary deficit (+)/surplus (-)	Deficit-debt adjustment								Interest-growth differential	Memo item: Borrowing requirement
			Total	Transactions in main financial assets					Revaluation effects and other changes in volume	Other		
				Total	Currency and deposits	Loans	Debt securities	Equity and investment fund shares				
	1	2	3	4	5	6	7	8	9	10	11	12
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 Q2	0.5	1.0	0.8	0.6	0.3	0.0	0.1	0.1	0.2	-0.1	-1.3	3.5
Q3	1.0	1.1	1.0	0.6	0.4	0.0	0.2	0.1	0.2	0.2	-1.2	3.8
Q4	1.1	1.1	1.2	0.7	0.4	0.0	0.2	0.2	0.3	0.2	-1.2	3.9
2026 Q1	1.7	1.2	1.5	0.9	0.4	0.1	0.2	0.2	0.3	0.3	-1.1	4.3

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

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

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

6.5 Government debt securities ¹⁾

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

	Debt service due within 1 year ²⁾					Average residual maturity in years ³⁾	Average nominal yields ⁴⁾						
	Total	Principal		Interest			Outstanding amounts					Transactions	
		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	12.5	11.0	3.9	1.5	0.4	8.2	2.2	1.2	1.5	2.3	1.7	2.8	2.5
2025 Q3	12.7	11.2	3.5	1.4	0.4	8.2	2.2	1.3	1.5	2.2	1.9	2.9	2.6
Q4	12.5	11.0	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
Q2	12.6	11.0	3.8	1.6	0.4	8.2	2.2	1.3	1.7	2.3	1.6	2.9	2.2
2026 Jan.	12.6	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
Apr.	12.3	10.8	3.7	1.5	0.4	8.3	2.2	1.2	1.5	2.3	1.6	2.8	2.3
May	12.4	10.8	3.5	1.6	0.4	8.3	2.2	1.3	1.6	2.3	1.6	2.8	2.3
June	12.6	11.0	3.8	1.6	0.4	8.2	2.2	1.3	1.7	2.3	1.6	2.9	2.2

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	Bulgaria	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus
	1	2	3	4	5	6	7	8	9	10	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 Q2	-4.7	-3.4	-2.2	-1.5	3.9	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	-2.8	-2.0	1.9	1.7	-2.4	-5.1	-3.1	-3.1	3.4
2026 Q1	-5.2	-4.6	-3.1	-1.8	2.0	1.5	-2.4	-5.1	-3.2	-3.0	3.3
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 Q2	106.2	26.3	62.3	23.2	34.4	152.0	103.4	115.4	57.4	138.1	61.1
Q3	107.1	28.4	63.0	22.8	34.5	149.8	103.1	117.3	57.1	137.5	60.3
Q4	107.9	29.9	63.5	24.1	34.8	146.1	100.7	115.7	56.3	137.1	55.0
2026 Q1	109.1	28.5	64.4	25.2	37.0	143.5	101.6	117.6	58.4	138.9	54.6

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Austria	Portugal	Slovenia	Slovakia	Finland
	12	13	14	15	16	17	18	19	20	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 Q2	-2.0	-1.8	-0.2	-4.3	-1.4	-5.0	0.7	-1.7	-4.8	-4.0
Q3	-2.6	-1.8	-0.8	-4.2	-1.5	-4.7	0.2	-1.5	-4.6	-3.8
Q4	-2.5	-1.8	-1.8	-2.2	-1.6	-4.2	0.7	-2.5	-4.5	-3.8
2026 Q1	-2.3	-1.7	-2.4	-3.2	-1.7	-3.9	0.5	-2.7	-4.4	-4.1
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 Q2	47.6	39.0	25.0	46.6	43.0	82.0	96.5	69.5	62.9	88.4
Q3	44.8	40.6	27.5	46.4	42.7	83.4	97.4	67.7	62.3	86.7
Q4	46.9	39.5	26.5	46.4	44.7	81.3	89.7	65.7	61.4	88.5
2026 Q1	46.9	42.3	29.2	45.9	43.8	83.3	91.0	64.8	62.5	89.7

Source: Eurostat.

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This Bulletin was produced under the responsibility of the Executive Board of the ECB. Translations are prepared and published by the national central banks.

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The cut-off date for the statistics included in this issue was 22 July 2026.

PDF ISSN 2363-3417, QB-01-26-055-EN-N
HTML ISSN 2363-3417, QB-01-26-055-EN-Q