EUROPEAN CENTRAL BANK

EUROSYSTEM

The ECB Survey of Professional Forecasters

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Summary

Headline and core inflation expectations have been revised upward, owing primarily to renewed energy price pressures.[1]

The **headline inflation expectations** of respondents to the Survey of Professional Forecasters (SPF) have been revised upwards by 0.3 percentage points to 3.0% for 2026 and by 0.4 percentage points to 2.6% for 2027, but remain unchanged at 2.0% for 2028. These upward revisions can mainly be attributed to higher and more persistent energy commodity prices, as well as resulting additional indirect effects.

SPF expectations for **core inflation** remain unchanged at 2.4% for 2026, and have been revised upwards by 0.2 percentage points to 2.5% for 2027 and by 0.1 percentage points to 2.2% for 2028.

Longer-term headline inflation expectations remain anchored at 2.0%, and slightly more tightly than before.

Forecasters expect the energy shock to be more prolonged than previously anticipated and to result in somewhat more indirect effects on inflation (primarily in 2027). They have incorporated indirect effects of around 0.3 percentage points in 2026 and 2027, but continue to expect limited second-round effects (**Box 1**).

The near-term **growth** outlook has been revised up, mainly reflecting the mechanical effect of better than anticipated recent data releases. Growth is now expected to stand at 1.0% in 2026 and to pick up to 1.3% in 2027, 2028 and in the longer term.

Risks to inflation are tilted to the upside between 2026 and 2028 and broadly balanced thereafter, while **risks to growth** are mainly on the downside. Risks stem primarily from the current geopolitical tensions and possible disruptions to energy supply. The qualitative risk balance to point inflation expectations has increased for 2026 to 2028 but remains balanced for the longer term.[2]

The **unemployment rate** is expected to ease moderately and gradually from its current level of around 6.4% in 2026 to 6.1% in the longer term. **Nominal wage growth** has been revised slightly upwards for 2026 and 2027, but is still expected to decline gradually to 2.8% in 2028 and 2.7% in the longer term.

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1 The survey was conducted between 2 and 7 October 2026, with 52 responses received. Respondents were asked about their expectations for the HICP inflation rate (overall and excluding energy and food), the real GDP growth rate and the unemployment rate in the euro area for 2026, 2027, 2028 and 2031 (all annual averages), as well as one and two years ahead of the latest available data point (year-on-year rates for inflation and GDP growth). Participants were provided with an identical set of the latest available data for annual HICP inflation, annual GDP growth and unemployment. Participants were also asked for other information underlying their forecasts; namely: "the ECB's deposit facility rate (DFR), the EUR/USD exchange rate, Brent crude oil prices in USD, wages and the output gap". The data used in the report were those available to respondents at the time the surveyed was conducted.

2 The qualitative risk question was introduced for inflation in the previous round and has been asked for real GDP growth for the first time in this round.

Table 1

Results of the SPF in comparison with ECB staff macroeconomic projections

(annual percentage changes, unless otherwise indicated)

	Survey horizon			
	2026	2027	2028	Longer term
HICP inflation				
SPF Q4 2026	**3.0**	**2.6**	**2.0**	**2.0**
Revisions	**0.3**	**0.4**	**0.0**	**0.0**
ECB staff macroeconomic projections (September 2026)	3.0	2.5	2.1	-
HICP inflation excluding energy and food				
SPF Q4 2026	**2.4**	**2.5**	**2.2**	**2.0**
Revisions	**0.0**	**0.2**	**0.1**	**0.0**
ECB staff macroeconomic projections (September 2026)	2.5	2.6	2.3	-
Real GDP growth				
SPF Q4 2026	**1.0**	**1.3**	**1.3**	**1.3**
Revisions	**0.4**	**0.1**	**0.0**	**0.1**
ECB staff macroeconomic projections (September 2026)	0.9	1.4	1.5	-
Unemployment rate				
SPF Q4 2026	**6.4**	**6.3**	**6.2**	**6.1**
Revisions	**0.1**	**0.0**	**0.0**	**0.0**
ECB staff macroeconomic projections (September 2026)	6.2	6.1	5.9	-
Wage growth				
SPF Q4 2026	**3.3**	**3.1**	**2.8**	**2.7**
Revisions	**0.1**	**0.1**	**0.0**	**-0.2**
ECB staff macroeconomic projections (September 2026)	3.3	3.3	3.3	-

Notes: Longer-term expectations refer to 2031. The unemployment rate is expressed as a percentage of the labour force.

Box 1

Updated assessment of indirect and second-round effects on inflation following the energy shock linked to the Middle East conflict

In this round, as in the previous round, SPF respondents were asked special questions related to the possible indirect and second-round inflationary effects of the energy shocks linked to the war in the Middle East. First, for each calendar year from 2026 to 2028 and for 2031, they were asked to indicate the indirect and second-round effects they had incorporated into their baseline expectations for headline inflation.[3] Second, with regard to their wage forecasts, they were asked to assess the relevance of a number of factors that might cause the Middle East shock to have a different impact on wages compared with the 2022 shock.[4] Third, they were asked to provide an estimate of how long the Middle East conflict will last, and of how long the associated disruptions to energy prices and supply chains will persist.[5] This last question was also asked in the SPF round for the second quarter of 2026, following the outbreak of the Middle East conflict.

SPF respondents have revised their estimate for expected indirect and second-round effects upwards for 2027, as well as for 2028, albeit only slightly. There is little change in the expected effects for 2026. Forecasters see these effects as being mainly concentrated in 2026 and 2027, and expect them to largely disappear by 2028 (**Chart A, panel a**). The indirect effects on inflation of the war in the Middle East are expected to amount to around 0.25 percentage points in 2026 and 0.3 percentage points in 2027, with minor effects persisting into 2028. For 2027 this represents an upward revision of 0.2 percentage points. These indirect effects are expected mainly for non-energy industrial goods, food and transport services inflation. The upward revisions compared with the previous round primarily reflect the shift in the oil price assumptions embedded in the SPF expectations. The expected second-round effects have also been revised up for 2027, but remain fairly limited, amounting to around 0.1 percentage points. Based on their qualitative responses, respondents consider that the indirect effects observed so far have not been stronger than originally anticipated. The upward revision over the forecast horizon stems instead from an expectation that the conflict will be more prolonged than previously expected. Having previously expected the Middle East conflict to last between one and three months, a large majority of the panellists now expect it to last between ten and 12 months (from the outbreak in late February 2026). Similarly, while supply disruptions with potential inflationary effects were previously expected to persist for between one and 12 months, they are now expected to last for between ten and 24 months. This reflects both the

[3] Respondents were asked: “What indirect and second-round effects from the Middle East conflict do you have in your headline inflation forecasts?” and could choose separately for indirect and for second-round effects from nine responses: 0 denoting < |0.05|; + = 0.05 to 0.25 p.p.; ++ = 0.25 to 0.45 p.p.; +++ = 0.45 to 0.65 p.p.; ++++ ≥ 0.65 p.p.; - = -0.05 to -0.25 p.p.; - - = -0.25 to -0.45 p.p.; - - - = -0.45 to -0.65 p.p.; - - - - ≤ -0.65 p.p. Direct effects are the contribution to total inflation of the energy component of the HICP; indirect effects are the contribution to total inflation of non-energy HICP components reflecting higher energy costs passing through production supply chains; second-round effects are the contribution (going beyond direct and indirect effects) to total inflation stemming from the impact of an increase in wages, profits and longer-term inflation expectations as economic agents seek to compensate for the loss of real income/profits.

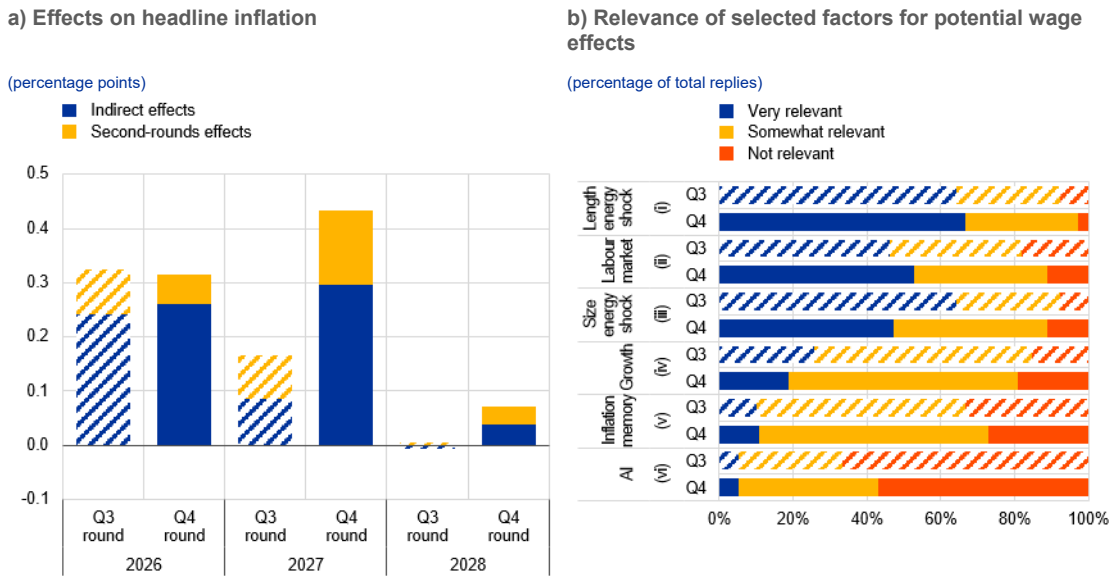
[4] Respondents were asked: “Thinking about your wage forecasts, please assess the following factors which might give rise to a different impact of the Middle East shock on wages compared to the 2022 shock” and could choose separately for each factor from the following responses: “very relevant”, “somewhat relevant” and “not relevant”. The factors were, in the order listed: magnitude of the energy shock, duration of the energy shock, memory of high inflation/scarring effects, growth outlook, labour market situation and AI.

[5] With respect to the Middle East shock, respondents were asked: “What is your estimate (in months from February 2026) of how long: (i) the actual conflict will last and (ii) the disruptions in terms of fuel prices, supply chains, etc. will last.

conflict's prolonged duration to date and a slight increase in how much longer panellists expect it (and its effects) to continue.

Chart A

Estimated indirect and second-round effects of the war in the Middle East on headline inflation and responses to the special question on wages



Notes: In panel a), while estimated effects were also requested for 2031, they were reported as zero and are not therefore depicted in the chart. Panel b) shows the reported relevance of six factors. The factors are, in descending order of the portion indicating "very relevant": (i) size/magnitude of the energy shock; (ii) length/duration of the energy shock; (iii) labour market situation; (iv) growth outlook; (v) memory of high inflation/scarring effect; and (vi) AI.

The indirect and second-round effects reported by SPF respondents are largely in line with the revisions to their HICPX forecasts since the start of the Middle East conflict. Table A shows the changes in HICPX and compensation per employee forecasts in the SPF between the rounds for the first and fourth quarters of 2026 (January and October 2026, respectively), as well as the revisions between the December 2025 and September 2026 Macroeconomic Projections Exercises (MPEs). Between 2026 and 2028, the revision in the SPF HICPX forecasts amounted to 1.0 percentage point, compared with the estimated combined indirect and second-round effects of the conflict of 0.8 percentage points. The revision in the HICPX forecasts up to the September 2026 MPE, amounting to 1.2 percentage points, was slightly higher than for the SPF. This was also the case for revisions to the compensation per employee forecasts, which increased by 0.5 percentage points in the SPF and by 0.7 percentage points in the MPE.

The duration of the energy shock appears to be the most relevant factor behind wage developments after the recent shock, compared with the shock following the Ukraine invasion. This is more pronounced in the current round than in the previous one. The size of the energy shock and the labour market situation also continue to be very relevant factors. The duration of the energy shock is considered very relevant by 70% of respondents, and at least somewhat relevant by almost 100% (**Chart A, panel b**). The size of the shock and the labour market situation are deemed very relevant by around 50%, and at least somewhat relevant by 90%. While a slightly smaller share of respondents cited the size of the shock as being very relevant, the same share consider it at least somewhat relevant. The memory of high inflation or scarring effects and the growth outlook are again not considered very relevant, although many respondents still consider

that these factors play some role. As in the previous quarter, AI is considered the least important of the listed factors.

Table A

Revisions to SPF and ECB/Eurosystem staff macroeconomic projections since the start of the Middle East conflict, and reported SPF indirect and second-round effects

(percentage points)

		2026	2027	2028
HICPX	**MPE**	0.3	0.7	0.3
	SPF	**0.4**	**0.5**	**0.1**
Compensation per employee	**MPE**	0.0	0.4	0.3
	SPF	**0.2**	**0.2**	**0.1**
Indirect effects	**SPF**	0.3	0.3	0.0
Second-round effects	**SPF**	0.1	0.1	0.0
Combined effects	**SPF**	**0.3**	**0.4**	**0.1**

Notes: The table shows the revisions to HICPX and compensation per employee in the ECB/Eurosystem Staff macroeconomic projection exercises conducted between December 2025 and September 2026 and the SPF rounds conducted between the first quarter of 2026 and the fourth quarter of 2026, as well as the reported indirect and second-round effects (and combined effects) from the SPF for the fourth quarter of 2026.

1 Inflation expectations

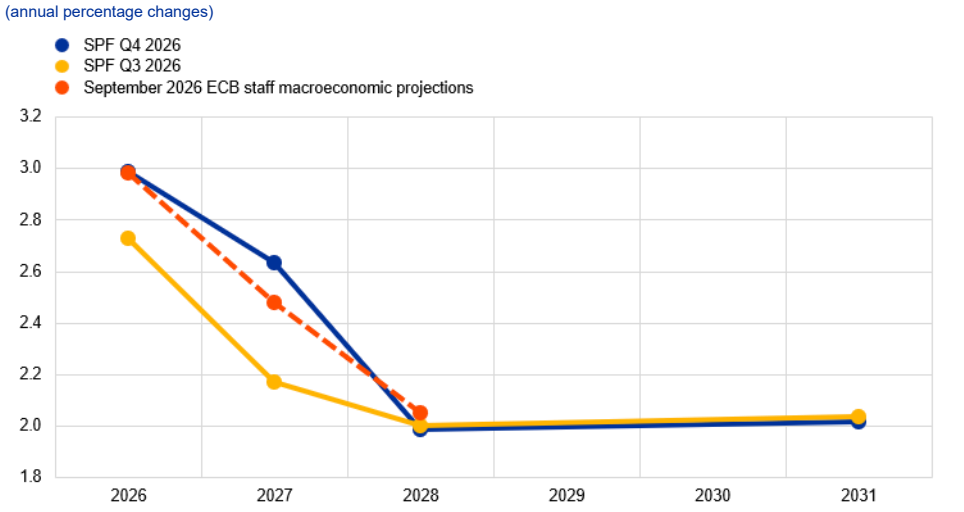
Headline and core inflation expectations have been revised upwards, owing primarily to renewed energy price pressures.

The **headline inflation** expectations of respondents to the Survey of Professional Forecasters (SPF) have been revised upwards by 0.3 percentage points to 3.0% for 2026 and by 0.4 percentage points to 2.6% for 2027, but remain unchanged at 2.0% for 2028 and in the longer term.

These upward revisions can mainly be attributed to higher and more persistent energy commodity prices, as well as the resulting additional indirect effects.

Compared with the September 2026 ECB staff macroeconomic projections, the headline inflation expectations in this SPF round are the same for 2026, slightly higher for 2027 and marginally lower for 2028 (**Chart 1**).

Chart 1
Inflation expectations: HICP inflation



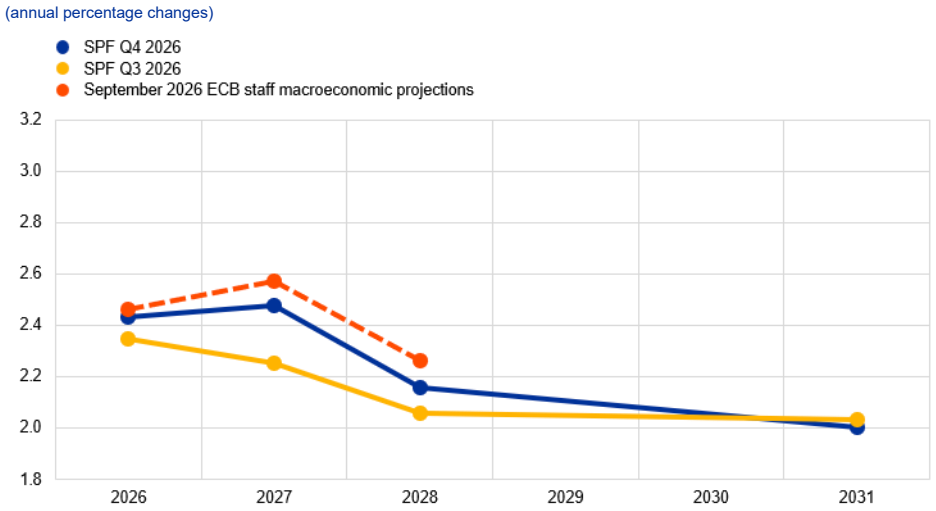
SPF expectations for **core inflation** are unchanged at 2.4% for 2026, and have been revised upwards by 0.2 percentage points to 2.5% for 2027 and by 0.1 percentage points to 2.2% for 2028. They remain unchanged at 2.0% over the longer term.

Based on respondents' comments, the upward revisions appear to stem primarily from indirect effects resulting from the pass-through of the higher than previously expected energy price increases, rather than from a stronger degree of pass-through, particularly to non-energy industrial goods. Pass-through to services is expected to be contained, affecting mainly transport services.

The upward revisions have brought the SPF expectations for 2027 and 2028 closer to the September 2026 ECB staff macroeconomic projections. However, the SPF expectations remain below the projections by 0.1 percentage points for each of the calendar years between 2026 and 2028 (**Chart 2**).

Chart 2

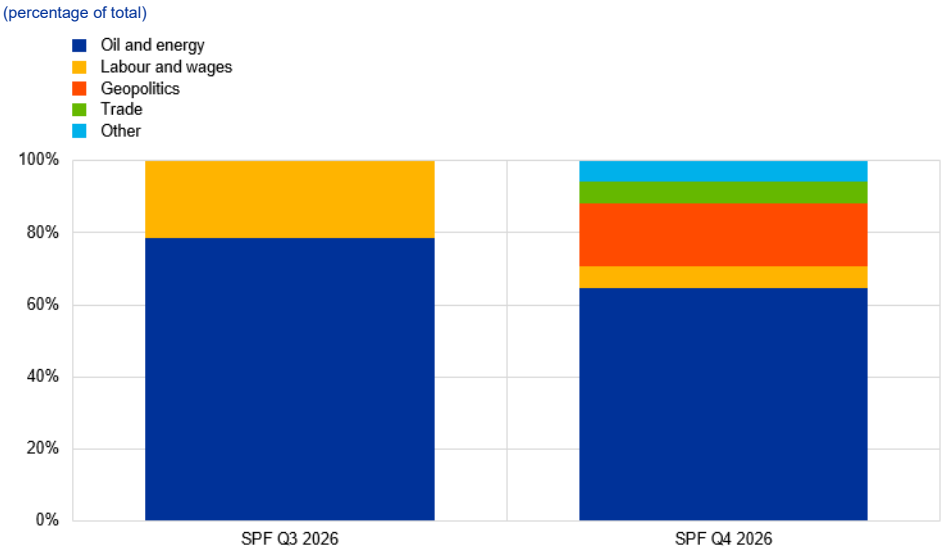
Inflation expectations: HICP excluding energy and food



Oil and energy were again by far the most frequently cited main factors in respondents' qualitative remarks on their baseline inflation outlook and the risks around it (**Chart 3**). In this round, some respondents also stressed geopolitical tensions, while fewer referred to labour markets and wages.

Chart 3

Main factors in the qualitative comments on the baseline inflation outlook, revisions and risks

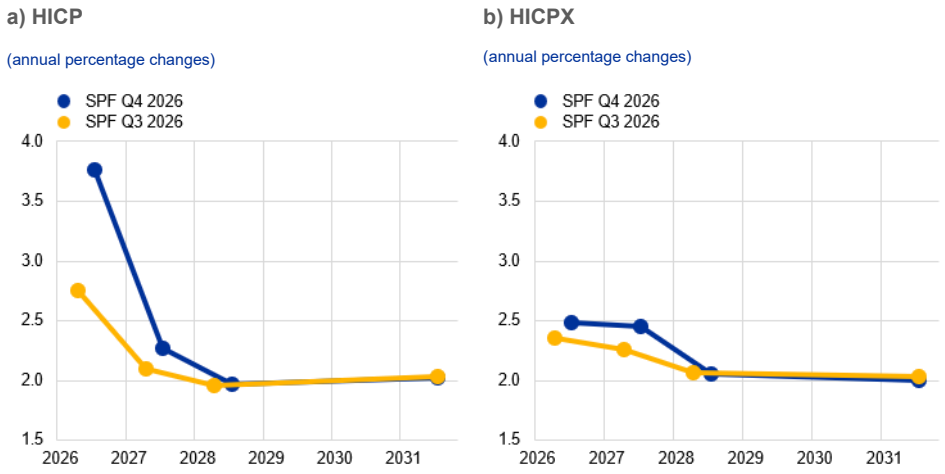


Notes: The qualitative responses of forecasters are first decomposed into noun phrases, which are then mapped on to a range of factors using a dictionary-based approach. Each response is then assigned to the factor occurring most frequently across its noun phrases. Where no factor can be identified, the response is classified as "Other". The chart shows the share of responses assigned to each factor.

With higher realisations and one-year ahead expectations, but unchanged expectations thereafter, the downward slope of the **term structures** for both headline and core inflation has become more pronounced (**Chart 4**).

Chart 4

Term structure of inflation expectations



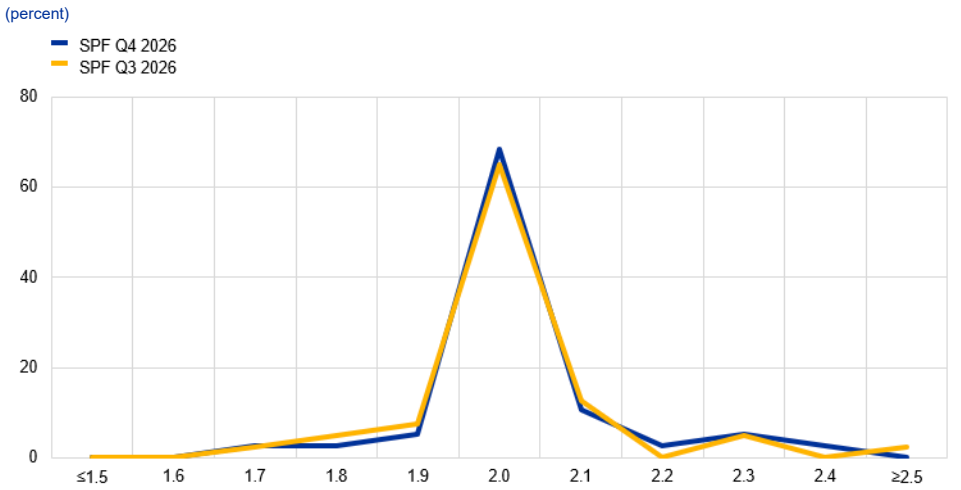
Note: The chart plots the term structure of inflation expectations: actual data, one year ahead, two years ahead and longer-term expectations.

Longer-term inflation expectations remain firmly anchored at 2.0%.

The distribution of individual point forecasts is marginally more tightly concentrated around the target than in the previous round. Around 68% of respondents expect an inflation rate of exactly 2.0% in the long run, up slightly from about 65% in the previous round (**Chart 5**). The share reporting longer-term inflation expectations outside the range 1.9-2.1% is fairly small at 16%.

Chart 5

Histogram of longer-term inflation point expectations



2 GDP growth, unemployment and output gap expectations

Near-term GDP growth expectations have been revised up, mainly reflecting the mechanical effect of recent data.

Growth expectations are 1.0% for 2026 and 1.3% for 2027, 2028 and the longer term. The expectations for 2026 and 2027 are stronger than previously anticipated. The upward revisions mainly stem from stronger than expected first-half growth data and are supported by resilient business sentiment and spending on AI.

SPF growth expectations are slightly higher than the ECB staff macroeconomic projections for 2026, but lower for 2027 and 2028 (**Chart 6, panel a)**.

The quarterly profile for the coming quarters remains broadly stable.

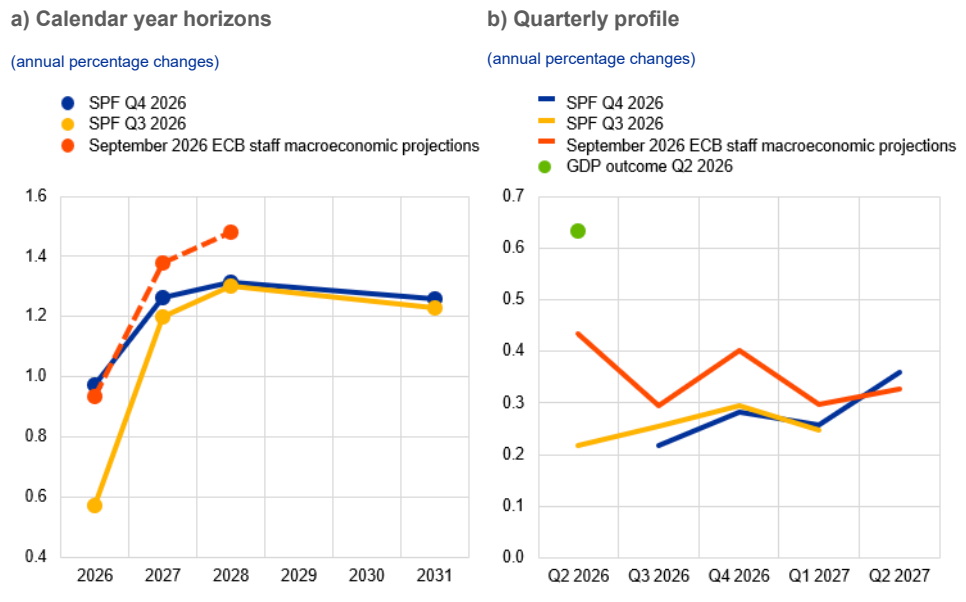
Following a stronger than previously expected growth outturn for the second quarter of 2026, expectations stand at 0.2% and 0.3% for the third and fourth quarters of 2026, and at 0.3% and 0.4% for the first and second quarters of 2027.

The quarterly SPF growth expectations are 0.1 percentage points lower than the latest ECB staff projections for the third and fourth quarters of 2026, and the same, on average, for the first two quarters of 2027 (**Chart 6, panel b)**.

Longer-term growth expectations (referring to 2031) have been revised up slightly by 0.1 percentage points to 1.3%.

Chart 6

Expectations for real GDP growth



Note: Quarterly growth rates are seasonally adjusted data.

Unemployment rate expectations have been revised up slightly for 2026, remaining broadly unrevised thereafter

The expected trajectory of the unemployment rate remains one of gradual decline, from 6.4% in 2026 to 6.1% in the longer term (**Chart 7, panel a**).

Compared with the previous round, the expected profile of the unemployment rate has been revised slightly up for 2026, reflecting a 0.1 percentage point upward revision of past data, and remains broadly unrevised thereafter.

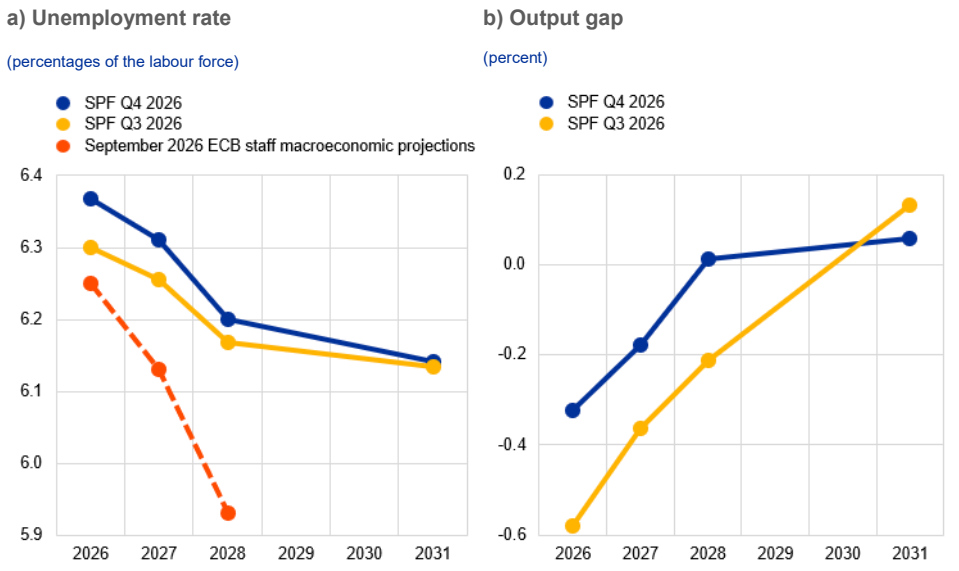
SPF unemployment rate expectations remain above the September 2026 ECB staff macroeconomic projections at all horizons, by 0.2 percentage points for 2026 and 2027 and by 0.3 percentage points for 2028.

Respondents expect a less negative output gap that narrows faster.

The estimated output gap has been revised up by around 0.2 percentage points for 2026 to 2028 and is now expected to close as early as 2028 (**Chart 7, panel b**).

Chart 7

Expectations for the unemployment rate and the output gap



Notes: In panel b) the output gap is defined as the percentage difference between actual GDP and potential output. Negative (positive) values show that actual GDP is below (above) potential.

3 Inflation and GDP growth: risks

Risks to the inflation outlook are tilted more to the upside, while risks to the growth outlook are largely to the downside.

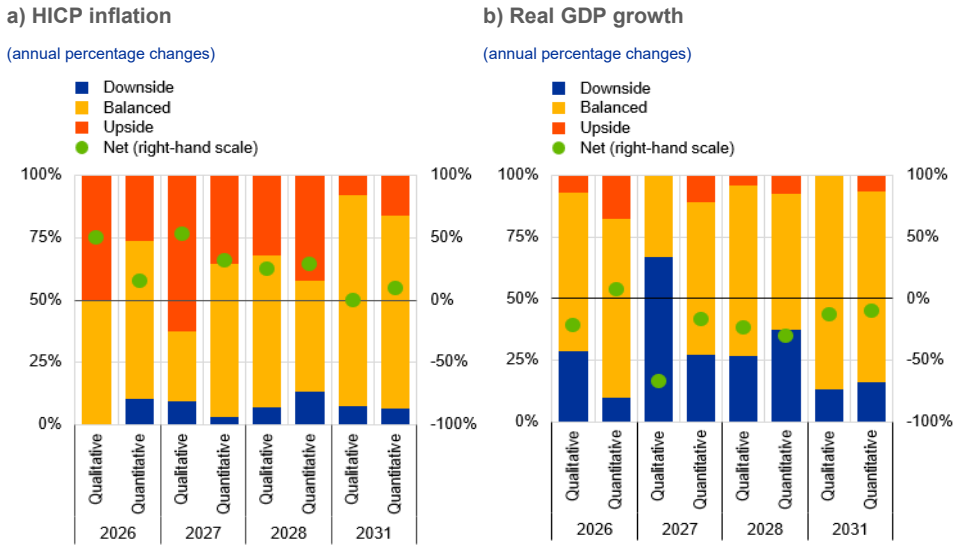
The balance of **inflation risks** is considered to be tilted to the upside for the calendar years 2026 to 2028, but balanced for the longer term (**Chart 8, panel a**). This result is consistent across the qualitative risk assessment reported by SPF panellists and the quantitative assessment based on reported distributions. The upward tilt stems primarily from the duration and severity of energy market disruptions. The risks include higher than expected indirect effects, owing to the materialisation of energy market risks and/or stronger than expected pass-through. The qualitative risk balance to point inflation expectations has increased for 2026 to 2028, but remains balanced for the longer term.[6]

GDP risks are largely considered to be tilted to the downside across all horizons (**Chart 8, panel b**). More prolonged geopolitical tensions and a longer-lasting energy shock were the main risks cited.

Uncertainty, as measured by the standard deviation of the aggregated probability distributions, has increased slightly for the one-year and two-years ahead horizons, but has decreased slightly for the longer-term horizon for each variable (inflation, GDP growth and the unemployment rate). It now stands somewhat above the pre-Middle East war levels for inflation and the unemployment rate.

Chart 8

Qualitative and quantitative risk assessments



Note: The charts show the qualitative risk assessment reported by SPF panellists and the quantitative risk assessment for headline inflation and real GDP growth expectations. Quantitative assessments are derived from the balance of risk indicator (calculated as the mean of the individually reported probability distributions minus reported point forecasts) with a threshold of ±0.05 percentage points for mapping as upside/downside risks.

6 The qualitative risk question was introduced for inflation in the previous round and was asked for real GDP growth for the first time this round.

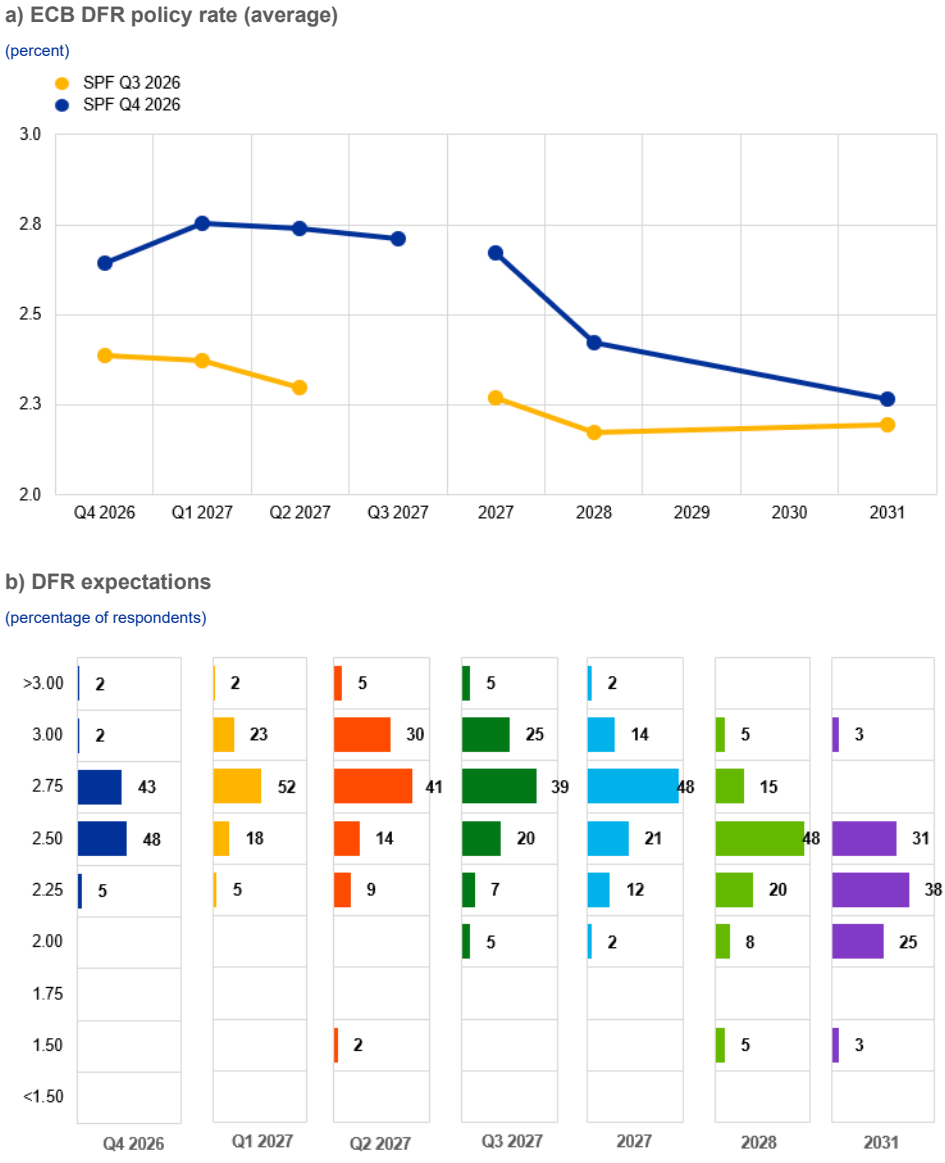
4 Expectations for other variables

Expectations for the ECB's deposit facility rate (DFR) have shifted upwards compared with the previous round (Chart 9).

For the fourth quarter of 2026 the modal expectation for the DFR remains at 2.50%, as reported by 48% of respondents. However, a sizeable share (43%) expect interest rates to increase to 2.75%. Thereafter, the modal expectation remains at 2.75% until 2028, when it returns to 2.50%. For the longer term, the modal expectation stands at 2.25% according to 38% of respondents, while a significant share of respondents expect either 2.50% (31%) or 2.00% (25%).

Chart 9

Expectations for the ECB's deposit facility rate (DFR)



Notes: In panel b), the bars show the percentage of respondents, while each box represents different forecast horizons for deposit facility rate expectations. 1.75 denotes the range 1.625-1.875%, 2.00 denotes the range 1.875-2.125%, etc.

Nominal **wage growth** expectations have been revised slightly upwards for 2026 and 2027, remain unchanged for 2028 and have been revised downwards for the longer term (**Chart 10, panel a**).

Growth in compensation per employee is expected to average 3.3% in 2026, 3.1% in 2027 and 2.8% in 2028. For 2026 and 2027, there have been small upward revisions of 0.1 percentage points. Longer-term expectations have been revised down by 0.2 percentage points to 2.7%.

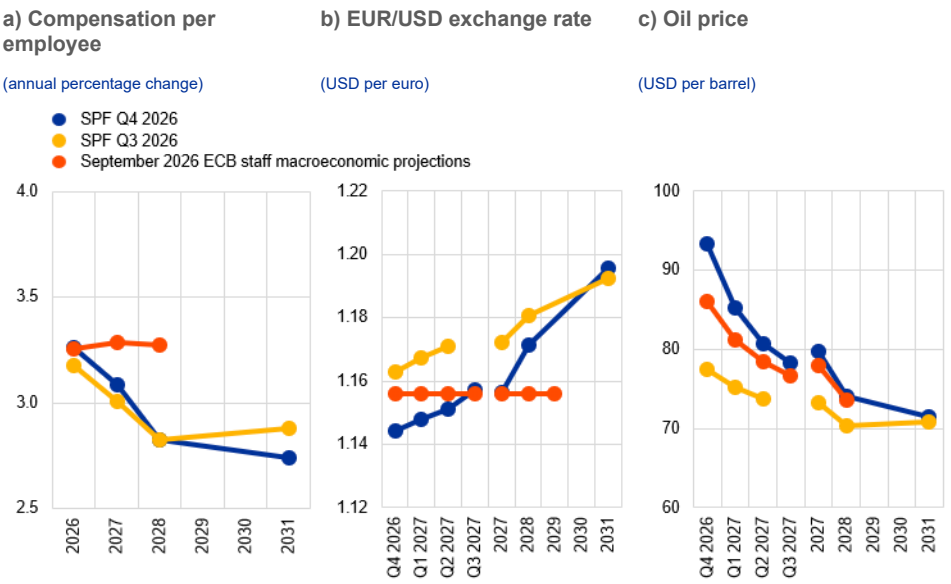
While these expectations are in line with the September 2026 ECB staff macroeconomic projections for 2026, they are lower for 2027 and 2028.

Respondents continue to expect the **euro** to gradually appreciate against the US dollar (USD), although the profile up to 2028 has been revised down from the previous round (**Chart 10, panel b**).

US dollar-denominated **oil prices** have been revised upwards, reflecting higher oil prices and expectations of a longer conflict and a more persistent impact (**Chart 10, panel c**). The expected level is somewhat above the September 2026 ECB staff macroeconomic projections until 2028.

Chart 10

Expectations for other variables



Click here for the SPF dashboard

Download the excel data for all charts

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

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