EUROPEAN CENTRAL BANK

EUROSYSTEM

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Economic, financial and monetary developments

Summary

At its meeting on 29 October 2026, the Governing Council decided to keep the three key ECB interest rates unchanged. Energy prices have continued to rise, posing upside risks to the inflation outlook and downside risks to the growth outlook. While the full effects of the energy shock are still unfolding, underlying inflation has remained broadly stable so far and wages do not show a material response at this stage. The increased magnitude and duration of the energy shock, as well as the implications for indirect and second-round effects, are likely to drive up inflation and lower growth. Financing conditions have tightened since the Governing Council's meeting on 10 September 2026, which is likely to weigh on inflation and growth. The Governing Council is committed to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term.

The Governing Council remains well positioned to navigate the current elevated uncertainty. 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

The incoming data suggest that the euro area economy continued to expand in the third quarter of 2026. Services have recovered, after weakening at the start of the Middle East conflict. Manufacturing, digital services and exports are benefiting from AI-related business investment. Government spending on infrastructure and defence is also supporting activity. These factors should continue to underpin growth in the near term. At the same time, renewed energy price increases have hit consumer confidence, and higher financing costs are likely to weigh on growth.

The unemployment rate remained at 6.4% in August. Growth in employment and the labour force remains subdued, while productivity has gradually picked up.

Over the medium term, a recovery in confidence and real incomes, driven by gradually declining energy prices and a robust labour market, should bolster domestic demand. Investment in AI-related activities and government spending on infrastructure and defence should also continue to support growth. Export growth should pick up on the back of strengthening foreign demand.

Higher potential growth requires structural reform and has to be underpinned by sound public finances. Fiscal sustainability is a crucial anchor for broader economic stability. Fiscal responses to the energy shock should be temporary, targeted and tailored. 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 to make the euro area economy more dynamic and resilient. As the process for agreeing on the legal framework for the digital euro moves into its final stage, the Governing Council reiterated the importance of reaching agreement on the Single Currency Package as quickly as possible.

Inflation

In September 2026 inflation rose to 3.8%, from 3.2% in August. Energy price inflation increased markedly, to 18.9%, from 14.3% in August. Diesel and petrol prices reached new peaks in September, in part reflecting elevated refining margins. Inflation excluding energy increased to 2.3% in September, from 2.1% in August. Food price inflation increased to 1.3%, from 1.1%. Services inflation increased to 3.2% in September, from 3.0% in August, while goods inflation declined to 1.1% from 1.2%.

Indicators of underlying inflation have remained broadly stable, although the early stages of the pricing chain point to upward pressures. Wage pressures remain moderate. Compensation per employee grew by 3.3% in the second quarter of 2026, down from 3.6% in the first quarter, while rising productivity has helped contain the growth of unit labour costs. The ECB wage tracker suggests that negotiated wage growth will fluctuate between 2.5% and 2.8% in the remaining months of 2026 and average 2.6% in the first three quarters of 2027. Inflation expectations over shorter horizons have risen, but most measures of longer-term inflation expectations stand at around 2%, supporting the stabilisation of inflation around target in the medium term.

Energy prices have increased beyond the baseline path foreseen in the September 2026 ECB staff macroeconomic projections for the euro area. This is likely to raise inflation further in the near term and keep headline inflation well above target over the coming quarters. Thereafter, declining energy inflation, together with the effects of higher interest rates, should support the return of inflation to target.

Risk assessment

The risks to the growth outlook are to the downside. This is due, in particular, to the Middle East conflict and recent developments in Russia's unjustified war against Ukraine. Continued disruption of energy supplies could cause energy prices to rise further and for longer than currently expected. This would weigh on real incomes, spending and investment. A worsening of global financial market sentiment or intensifying spillovers in global bond markets could tighten financing conditions and thereby dampen demand. Fiscal uncertainty may also further tighten financing

conditions and weaken confidence, thereby lowering consumption and investment. A resurgence of trade tensions between major economies could further disrupt supply chains, reduce exports and weaken consumption and investment. 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 ongoing conflicts or if these were resolved sustainably. Moreover, the adoption of new technologies by euro area firms and government spending on infrastructure and defence, as well as reforms to enhance productivity and complete the EU's Single Market, may drive up growth by more than expected.

The risks to the inflation outlook are to the upside. This is due, in particular, to the Middle East conflict and recent developments in Russia's unjustified war against Ukraine. The energy shock could intensify further and its effects on other prices and wages could be stronger than currently expected. Gas prices, in particular, could increase if supply is disrupted further or an unusually cold winter coincides with low storage levels. The longer energy prices stay high, the more likely they are to drive up broader inflation through indirect and second-round effects. Renewed 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, potentially reinforced by intensifying "El Niño" conditions, 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 ongoing geopolitical conflicts were resolved sustainably or if indirect or second-round effects from higher energy prices proved less pronounced than anticipated. More volatile and risk-averse financial markets, together with higher long-term interest rates, could weigh on demand and thereby lower inflation as well.

Financial and monetary conditions

Financial conditions have tightened since the Governing Council's meeting on 10 September 2026. Interest rates have broadly moved up, while stock prices have fallen.

In August 2026 the cost of market-based debt for firms rose to 4.1%, from 4.0% in July, while bank lending rates for firms remained at 3.8%. Growth in bank lending to firms slowed to an annual rate of 4.2% in August and September, from 4.4% in July, while corporate bond issuance grew at an annual rate of 4.2% in September, up from 3.8% in August and 3.5% in July. Credit standards for loans to firms tightened in the third quarter, as reported in the October 2026 ECB bank lending survey for the euro area, with banks citing concern about the economic risks faced by their customers. Despite higher financing needs for inventories and working capital, corporate loan demand declined, reflecting in particular higher interest rates.

Mortgage rates rose to 3.6% in August, from 3.5% in July, while mortgage lending growth edged down to 3.0% in September. Credit standards for mortgage lending were unchanged in the third quarter, whereas demand for mortgages declined substantially given higher interest rates.

Monetary policy decisions

At its meeting on 29 October 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 2.50%, 2.65% and 2.90% 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. The Governing Council 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.

1 External environment

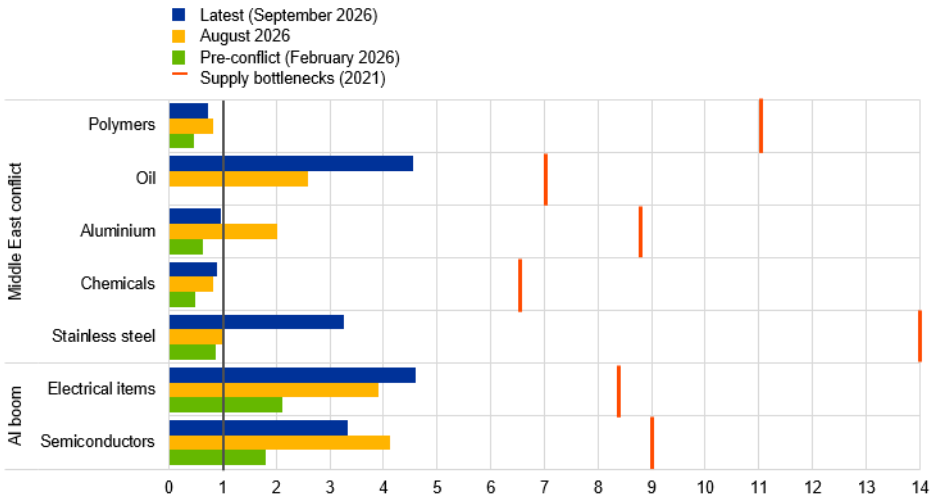
Global growth remained steady in the second quarter of 2026, with survey data signalling favourable near-term momentum. Trade expansion shifted towards services, while artificial intelligence (AI) equipment became the main driver of goods trade growth. Higher finished goods inventories may reflect precautionary stockbuilding amid supply uncertainty, and surveys suggest AI demand is contributing to shortages in some sectors. Renewed tensions in the Middle East pushed oil and gas prices higher despite recovering shipping flows, while food prices declined. Higher energy costs lifted headline inflation, although core inflation remained broadly stable and inflation expectations rose only moderately.

Global economic growth held steady in the second quarter, with a shift towards precautionary inventory accumulation amid resurfacing supply uncertainty. Global real GDP excluding the euro area expanded by 0.8%, quarter on quarter, in the second quarter of 2026, unchanged from the first quarter. Purchasing Managers' Index (PMI) data signal favourable near-term economic momentum, with the composite output PMI increasing to 55 in September, driven by both manufacturing and service sector activity. However, PMI data also suggest that stocks of finished goods have increased well above their long-term averages, as reporting firms may be actively ramping up production and hoarding finished goods to protect their operations from persistent uncertainties such as supply shortages. PMI data on sectoral supply shortages indicate that the AI demand boom is increasingly contributing to supply shortages in some sectors, such as electrical items (Chart 1). At the same time, supply constraints in those sectors most affected by tensions in energy markets related to the Middle East conflict appear to have partly stabilised.

Chart 1

PMI supply shortage indices

(diffusion index)



Sources: S&P Global and ECB staff calculations.
Notes: World including euro area. The grey line indicates a value of 1, above (below) which supply shortages can be assessed to be higher (lower) than normal. The latest observations are for September 2026.

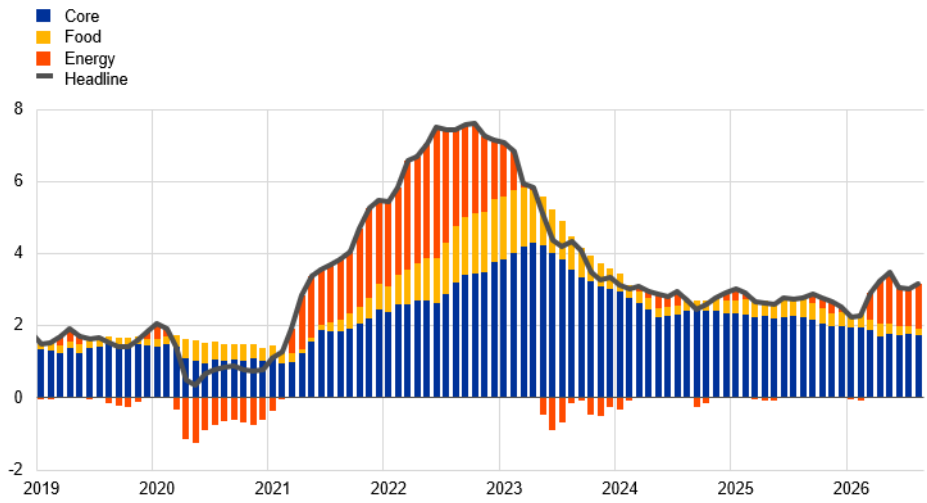
The sustained global trade expansion has shifted from goods to services, both bolstered by the AI boom. Global imports excluding the euro area expanded by 2.0%, quarter on quarter, in the second quarter of 2026, up from 1.4% in the first quarter and close to the early-2025 growth peak, which was driven by tariff frontloading ahead of the new US tariffs. Trade has since consistently surprised to the upside, largely underpinned by AI demand. In 2025 goods trade growth was strong throughout the year, supported by both traditional merchandise and AI hardware. That dynamic changed in the first half of 2026: non-AI goods imports contracted in early 2026, leaving AI equipment as the main growth driver for goods trade. On the other hand, services trade growth picked up, driven by steady contributions from digital AI services as well as a sharp rebound across broader commercial activities, notably transportation services and financial and insurance services.

Renewed tensions in the Middle East pushed both oil and gas prices higher. Oil prices increased by 13% over the review period from 10 September to 28 October, reflecting opposing forces related to the Middle East conflict. On the one hand, oil shipments through the Strait of Hormuz recovered meaningfully, supported by "dark" crossings and ship-to-ship transfers. Available estimates suggest that volumes doubled at the end of September compared with August, bringing Persian Gulf exports close to their 2025 average. On the other hand, attacks on the Saudi East-West pipeline (a key route bypassing the Strait), together with the recent intensification of strikes by Houthi rebels in the region, have led to renewed concerns about the normalisation of oil flows. As a result, oil prices ended up higher than at the beginning of the review period. Global refined product markets, particularly the diesel market, have also been tight, as disruptions to Middle Eastern supplies and Ukrainian strikes on Russian refineries have reduced global refining output. Gas prices rose by 27% owing to the renewed strikes in the Middle East, despite some improvement in liquefied natural gas (LNG) flows through the Strait. The recovery in gas flows is more limited than that observed for oil: they remain 25% below pre-war levels, reflecting the greater vulnerability of LNG carriers given the flammability of their cargoes. Food commodity prices declined by 4%, as wheat prices fell on the back of expectations of easing disruptions to Black Sea grain exports. Cocoa prices decreased amid expectations of ample near-term supply, despite concerns that the effects of El Niño could tighten supply further ahead. Metal prices also fell, by 5%, reflecting improved global supply prospects for aluminium.

Global inflation picked up, with energy inflation still the main driver. Global headline inflation across the member countries of the Organisation for Economic Co-operation and Development (OECD) excluding Türkiye rose to 3.2% in August 2026, from 3.0% in the previous month (Chart 2). The rise in headline inflation was almost entirely due to higher energy inflation (14.1% in August, compared with 11.9% in July). At the same time, core inflation (excluding food and energy prices) remained broadly stable, and food inflation declined by 0.2 percentage points. The risk of inflationary second-round effects appears contained so far, as one-year-ahead survey-based inflation expectations across major economies have risen only moderately, by between 0.1 and 0.5 percentage points, since the start of the conflict in the Middle East.

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 August 2026.

Economic activity in the United States is expected to remain resilient in the second half of the year. After a marginal slowdown of real GDP in the second quarter to 0.6%, quarter on quarter, on account of volatile inventories and net exports, available indicators signal a stabilisation of real GDP growth at similar levels over the second half of the year. While AI-related investment is still a key source of strength, there are signs that investment might be broadening beyond AI, as non-AI related investment growth turned positive in the second quarter. Private consumption, another key contributor to activity in the second quarter, is expected to remain strong, supported by high-income households on account of accumulated wealth gains. The rise in long-term government bond yields may exert a limited drag on household consumption in the short run, as a large share of household mortgage debt has a fixed rate. At the same time, tighter financial conditions are increasing affordability challenges for consumers taking out new loans. In September, US headline inflation and core consumer price index (CPI) inflation increased to 3.7%, year on year and 2.6%, year on year respectively, mainly on account of higher energy prices. Higher diesel prices are expected to affect inflation mostly indirectly, as the weight of diesel in the CPI basket is very small, but some industries such as transportation are heavily affected. At its September meeting, in a unanimous decision the Federal Open Market Committee (FOMC) raised the target range for the federal funds rate by 25 basis points to 3.75%-4.00%, its first increase since 2023. The FOMC also revised its projections for inflation upwards, delaying its return to target to 2029.

In China, exports continue to be a key growth driver as domestic imbalances persist. Quarterly GDP growth increased from 0.9% in the second quarter of 2026 to 1.2% in the third quarter, keeping China on track to meet its annual growth target. Activity data point to persistent domestic imbalances, with supply continuing to outpace demand and growth remaining reliant on foreign demand. Recent policy

measures aim to support domestic demand, but their near-term impact is likely to be limited. Chinese export growth remains robust, with broad-based strength across products and destinations. Short-term trade policy risks have eased somewhat following the extension of the US-China trade truce to January 2027 after the meeting between President Trump and President Xi Jinping on 23-25 September. Headline consumer price inflation rose to 0.9% in September, from 0.8% in August, mainly reflecting higher energy prices. Producer price inflation surged to 5.0%, up from 3.8% in August, but price increases were concentrated in energy-intensive and AI-related industries; elsewhere, they continued to decline amid weak domestic demand and overcapacity. As temporary factors fade, export price inflation is expected to ease but remain positive over the projection horizon.

Economic activity in the United Kingdom was sustained amid higher inflation. Real GDP growth for the second quarter of 2026 was revised up to 0.5%, quarter on quarter, mainly supported by stronger business investment and exports. While monthly GDP up to August suggests ongoing momentum, timelier high-frequency indicators signal some moderation towards the end of the third quarter. Looking ahead, activity growth is expected to slow down in the second half of this year, as persistently elevated energy costs and uncertainty are likely to weigh on consumption and investment. Headline inflation picked up further in September to 3.5% (from 3.1% in August), primarily driven by higher energy inflation. At its September meeting, the Bank of England announced a multi-year quantitative tightening plan that will reduce the stock of gilts held for monetary policy purposes to zero by end-2034, implying an annual balance sheet reduction of GBP 46 billion. The key policy rate was kept unchanged at 3.75%.

2 Economic activity

The incoming data suggest that the euro area economy continued to expand in the third quarter of the year. Services have recovered, after weakening at the start of the Middle East conflict. Manufacturing, digital services and exports are benefiting from business investment related to artificial intelligence (AI). Government spending on infrastructure and defence is also supporting activity. These factors should continue to underpin growth in the near term. At the same time, renewed energy price increases have hit consumer confidence, and higher financing costs are likely to weigh on growth. The unemployment rate remained at 6.4% in August. Growth in employment and the labour force remains subdued, while productivity has gradually picked up. Over the medium term, a recovery in confidence and real incomes, driven by gradually declining energy prices and a robust labour market, should bolster domestic demand. Investment in AI-related activities and government spending on infrastructure and defence should also continue to support growth. Export growth should pick up on the back of strengthening foreign demand. The outlook is highly uncertain and remains conditional on the geopolitical situation as well as the functioning of energy markets.

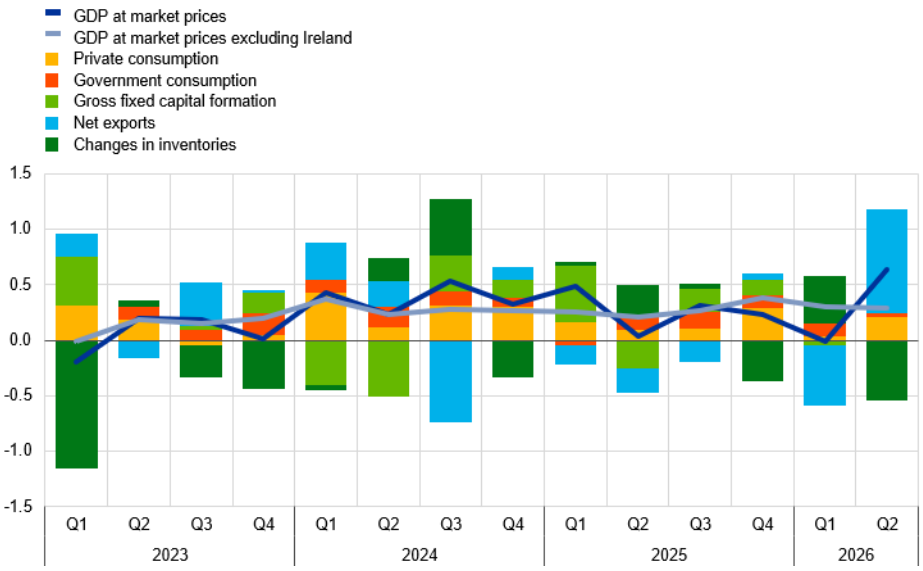
Euro area real GDP rose by 0.6% in the second quarter of 2026, and by 0.3% when excluding volatile Irish data, according to the latest Eurostat national accounts release. The decomposition of demand shows that private consumption and export growth strengthened in the second quarter, while investment moved sideways. At the same time, changes in inventories made a substantial negative contribution to GDP growth (Chart 3). Growth was broad-based across industrial sectors. The ECB's recent contacts with non-financial companies show that they have been negatively surprised by the duration of the conflict in the Middle East but positively surprised by how firms have adapted to it (see Box 4).[1]

[1] See also the box entitled "Narratives and risks: a quantitative toolkit to evaluate scenarios applied to the Middle East conflict" in this issue of the Economic Bulletin.

Chart 3

Euro area real GDP and its components

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



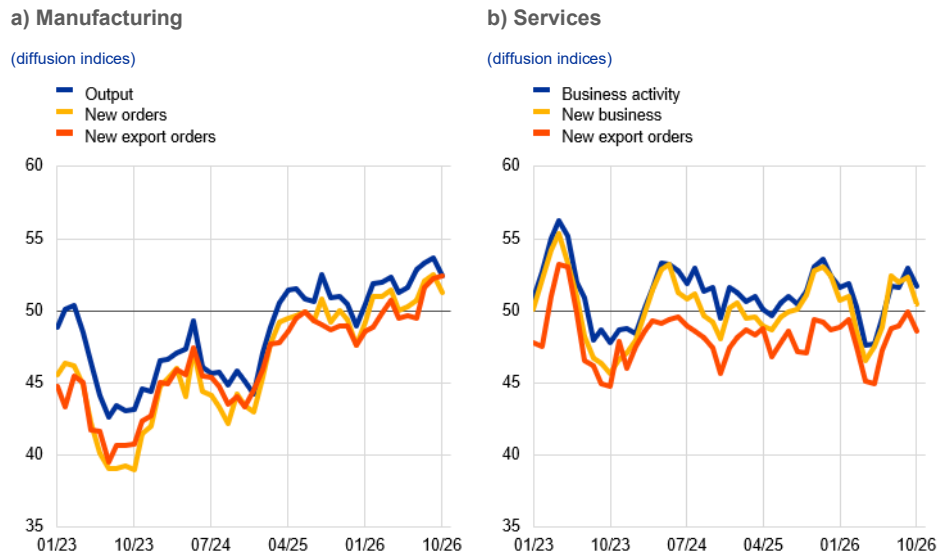
Sources: Eurostat and ECB calculations.
Notes: The chart also shows GDP excluding Ireland, as Irish data are particularly volatile. However, the subcomponents display the GDP breakdown including Ireland. The latest observations are for the second quarter of 2026.

Incoming information suggests that activity remained positive but slowed in the third quarter.[2] Industrial production excluding construction stood 0.6% below its second-quarter level on average over July and August. AI-related production supported industrial output, with production of computer, electronic and optical products around 3% higher in July and August than in the second quarter, partly offsetting declines elsewhere in manufacturing. At the same time, in July services production stood 0.4% above its average level in the second quarter – an improvement that largely reflects developments in information services activities and other professional, scientific and technical activities. The composite output Purchasing Managers' Index (PMI) recovered in the third quarter, after dropping sharply at the onset of the Middle East conflict. Manufacturing continues to improve and perform solidly (Chart 4, panel a), while the services sector has recovered strongly from its low after the initial energy price shock (Chart 4, panel b), supported by increased AI-related activity.

2 According to the preliminary flash estimate released by Eurostat on 30 October, euro area real GDP expanded by 0.4%, quarter on quarter, in the third quarter of the year and by 0.2% when excluding volatile Irish data. This estimate was not available at the time of the October Governing Council meeting.

Chart 4

PMI indicators across sectors of the economy



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

The few indicators with a bearing on the fourth quarter are signalling continued, albeit moderate, growth; but uncertainty is very high. The composite output PMI eased between September and October 2026, still indicating continued moderate growth at the beginning of the fourth quarter. The manufacturing PMI declined from the third quarter of 2026, standing at 52.4 in October, with the services PMI business activity index also falling back, from an average of 52.1 in the third quarter to 51.7 in October. The ECB's recent contacts with non-financial companies corroborate this outlook for moderate growth in the fourth quarter (see Box 4). On balance, contacts reported ongoing moderate momentum and confidence in recent months, although with notable variations across sectors. The manufacturing sector experienced a clear split in activity, with very strong growth in demand for high value added electronics, electrical equipment and related machinery, while many other industries continued to struggle with low, flat and/or declining volumes amid intensifying import competition. The protracted energy shock, tighter financing conditions and the increase in policy uncertainty are expected to dampen spending and investment decisions in the near term.

Employment continues to grow at a moderate pace amid lower labour demand. Employment and total hours worked increased by 0.1%, quarter on quarter, in the second quarter of 2026.[3] The pace of employment growth slowed to 0.5%, year on year, in the first half, compared with an average of 0.7% in 2025 (Chart 5). This moderation partly reflects weaker labour demand. The job vacancy rate fell to 2.1% in the second quarter of 2026, down by 0.1 percentage points from the first quarter and by 1.2 percentage points from its peak in the second quarter of 2022. Vacancy rates in construction and health services remain above the levels reached in the

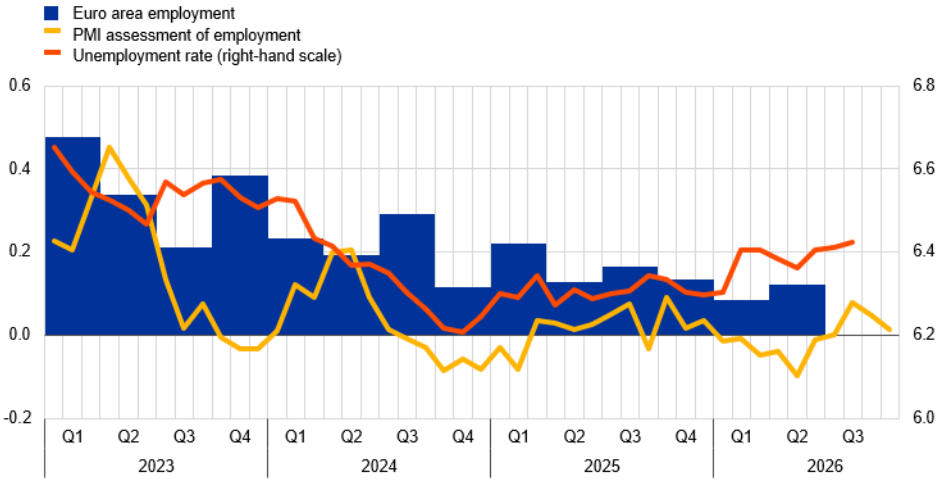
[3] See the box entitled "What share of public services employment is contributed by the private sector?" in this issue of the Economic Bulletin.

second quarter of 2025, whereas vacancy rates in information and communications technology and professional services have declined further. Labour market tightness, measured as vacancies per unemployed person, fell from 0.36 in the second quarter of 2022 to 0.25 in the second quarter of 2026. Labour force growth has also moderated. Year on year, it increased by 0.5% in the first and second quarter of 2026, compared with average growth of 0.9% in 2025.

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 second quarter of 2026 for euro area employment, October 2026 for the PMI assessment of employment and August 2026 for the unemployment rate.

The PMI employment index suggests that employment continued to grow at a moderate pace in the third quarter of 2026. The index averaged 50.4 in the quarter, 0.9 points above its second-quarter average and slightly above the threshold of 50, signalling positive, albeit moderate, employment growth. Preliminary October data show the PMI employment index falling to 50.1 from 50.5 in September, pointing to a continuation of this very moderate employment growth in October.

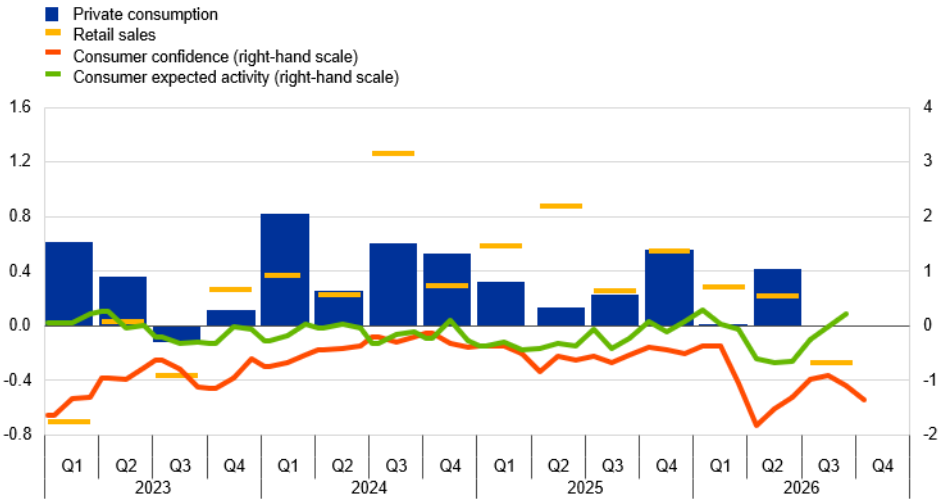
Private consumption growth is expected to have lost momentum in the third quarter of 2026. Private consumption expanded by 0.4%, quarter on quarter, in the second quarter, driven by spending on services and durable goods (Chart 6). Spending on durable goods was supported mainly by purchases of electric and hybrid vehicles, which now account for around 70% of new car registrations, likely reflecting a shift away from vehicles exposed to high fuel prices. By contrast, consumption of non-durable goods declined. As real disposable income rose only marginally in the second quarter, households drew on their savings to cushion the impact of higher inflation on consumption. This was reflected in a decline in the household saving rate to 14.2% in the second quarter, from 14.4% in the first quarter. Turning to the third quarter, retail trade volumes were down by 0.3%, quarter on quarter (on average for July and August), pointing to weaker goods spending, mainly on food, fuel and equipment. Nevertheless, tourism-related spending appears to have remained resilient despite the conflict in the Middle East. Survey indicators

also point to a moderation in household spending momentum. The European Commission's consumer confidence indicator declined in September and October amid renewed increases in energy prices. The decrease in September was driven mainly by weaker household expectations for their own financial situation and major purchases. Consumer uncertainty also increased in September. Nevertheless, the European Commission's consumer-weighted expected activity indicator rose, mainly driven by retail trade and food, while expectations for accommodation and travel declined. Looking ahead, elevated energy prices and the uncertainty triggered by the conflict in the Middle East are likely to continue weighing on private consumption, with higher energy prices eroding households' real incomes. At the same time, continued high uncertainty and tight credit supply conditions could prompt households to save more. Nonetheless, these negative effects could be cushioned by the resilience of households' balance sheets, which have supported private consumption since the end of 2022, amid historically low levels of household indebtedness and leverage.

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 second quarter of 2026 for private consumption, the third quarter of 2026 (based on July-August 2026) for retail sales, October 2026 for consumer confidence and September 2026 for consumer expected activity.

Business investment is expected to have picked up in the third quarter and is seen to expand moderately thereafter. Business investment (excluding volatile Irish intangibles) contracted by 0.1%, quarter on quarter, in the second quarter amid high energy prices and elevated uncertainty. A breakdown by assets shows that investment in tangibles – which also includes military equipment – fell in the second quarter partly owing to a sizeable base effect from high defence investment in the first quarter. Meanwhile, investment in intangible assets showed modest growth. Short-term indicators for the third quarter of 2026 remain somewhat mixed. Capital goods production fell in July and August while intangibles production rose in July

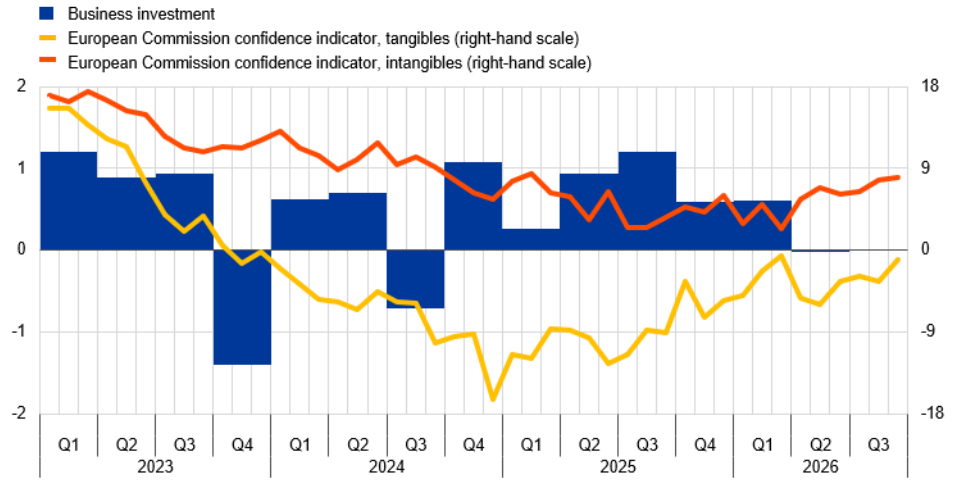
compared with their respective averages in the second quarter. However, confidence among capital goods producers (including producers of computer, electronic and optical products) and digital services providers was higher in the third quarter than in the second quarter (Chart 7, panel a). Investment at the end of 2026 and beyond should continue to grow, driven by AI technology, digitalisation and defence. Corporate contacts reported that geopolitical uncertainty related to tariffs and the Middle East conflict are increasingly seen as a “new normal” rather than a short-lived disturbance. This is prompting them to diversify suppliers and markets, invest in preparedness and shift towards longer-term adaptation strategies. They also see strong investment in the defence, electronics and semiconductor-producing sectors, while activity in traditional processing industries, such as chemicals, remains more subdued (see Box 4). Survey data from the European Commission show a near-term expansion in computer production, which serves as a proxy for AI-enabling equipment, particularly in Germany and the Netherlands. Confidence in digital services providers also rose in the third quarter relative to the previous quarter. Nonetheless, tighter financing conditions could weigh on investment, as also flagged in the ECB’s euro area bank lending survey.

Chart 7

Real investment dynamics and survey data

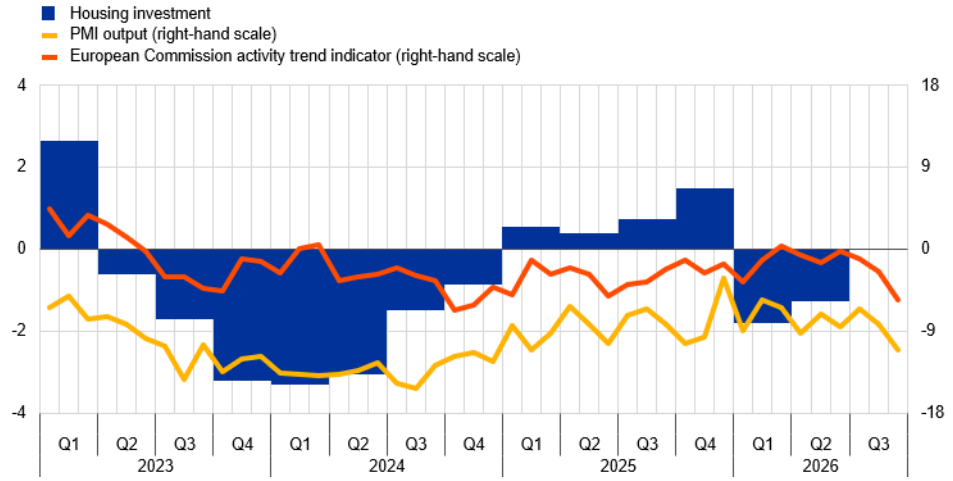
a) Business investment

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



b) Housing investment

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



Sources: Eurostat, European Commission, S&P Global Market Intelligence and ECB calculations.
Notes: The lines indicate monthly developments, while the bars refer to quarterly data. 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 second quarter of 2026 for investment and September 2026 for PMI output and the European Commission indicators.

Housing investment may only stabilise gradually in the near term, as temporary factors and tighter financing conditions slow its recovery. After housing investment declined by 1.3% in the second quarter of 2026, construction sentiment worsened further in the third quarter. Survey indicators such as the PMI for housing output and the European Commission's indicator of recent trends in building and specialised construction activity have decreased in recent months, pointing to a slowdown in housing market activity (Chart 7, panel b). These activity indicators were also affected by adverse weather conditions during the summer

months – notably heatwaves, which temporarily weighed on housing investment – and may therefore partially revert later in 2026.[4] The share of firms reporting insufficient demand in the European Commission survey increased in September; a situation that was corroborated by contacts from the corporate sector indicating that demand was increasingly being dragged down by rising interest rates. Despite the tightening financing conditions, housing loan growth shown by monetary financial institutions remained at 3.1% in August, up from 2.5% in August 2025. Similarly, the number of residential building permits continued to increase, pointing to robust underlying demand, although it was also driven by some front-loaded registrations in response to a legislative change in the Netherlands. In addition, the current output of building construction and specialised construction activities in July and August stood 0.1% above its level in the second quarter, indicating some recovery in housing investment. Overall, these indicators suggest that housing investment may gradually stabilise over the coming quarters as country and weather-specific factors subside, although tighter financing conditions continue to weigh on the outlook.

Extra-euro area goods exports continued to grow in August, while import price pressures remained elevated. Export volumes increased by 1.0% in the three months to August compared with the preceding three-month period, while import volumes declined by 0.9%. However, momentum eased, overall export volumes are still below their 2021 levels and growth is uneven across product categories and countries. Exports of AI-related goods grew by 14% in the first six months of the year, although the increase was considerably smaller than in the rest of the world. At product level, gains were concentrated in machinery and transport equipment – which include AI-related goods – and chemicals. At country level, they were driven mainly by the Netherlands, with other positive contributions from Ireland and Germany. These gains reflect AI-related global demand, which benefits each country according to its different specialisations. Looking ahead, short-term indicators point to stronger momentum in manufacturing, but a weaker outlook for services. Manufacturing PMI new export orders increased further in September and October, while services export orders remained in contractionary territory. Sectoral PMIs show a strong increase in suppliers' delivery times in the technology sector, pointing to downside risks relating to the extent and durability of AI support for euro area exports.

The euro area growth outlook remains highly uncertain; in particular, owing to the geopolitical situation, the protracted energy shock and volatility in the global bond markets. Renewed disruptions of energy supplies could cause energy prices to rise further and for longer, weighing on real incomes, spending and investment. A resurgence of trade tensions between major economies could also further disrupt supply chains, reduce exports and weaken consumption and investment. By contrast, growth could turn out to be higher if the economy and the energy markets were to adapt more quickly than expected to the disruption caused by the ongoing conflicts or if these were resolved sustainably. Moreover, the adoption of new technologies by euro area firms and spending on defence and infrastructure, as well as reforms to enhance productivity and complete the EU's Single Market, may drive up growth by more than expected.

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4 See the box entitled "Extreme summer weather: what does it mean for euro area construction output?" in this issue of the Economic Bulletin.

3 Prices and costs

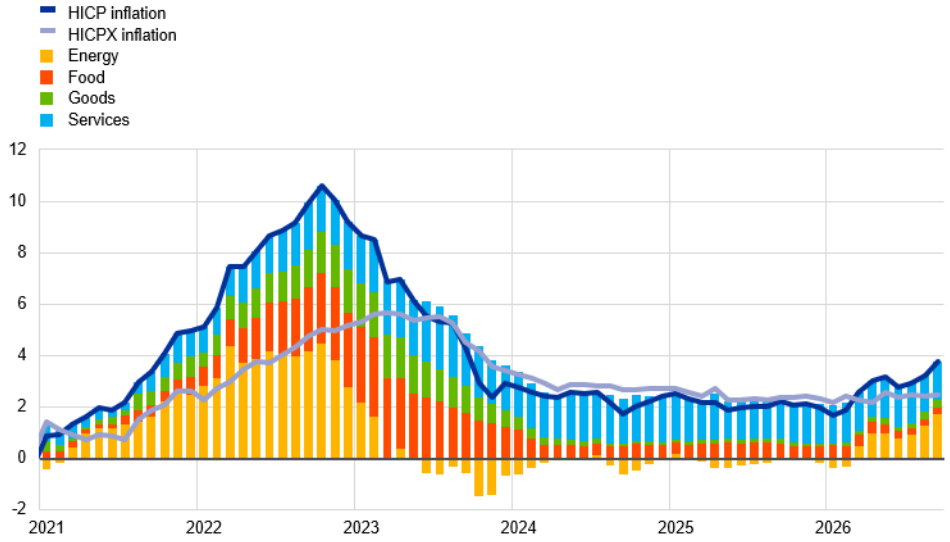
Annual euro area headline inflation increased to 3.8% in September 2026, from 3.2% in August, owing mainly to higher energy inflation. Energy prices have continued to rise, posing upside risks to the inflation outlook. The longer energy prices stay high, the more likely they are to drive up broader inflation through indirect and second-round effects. While the full effects of the energy shock are still unfolding, underlying inflation has remained broadly stable so far and wages do not show a material response at this stage. Annual growth in compensation per employee decreased to 3.3% in the second quarter of 2026, down from 3.6% in the previous quarter. Negotiated wage growth and forward-looking indicators, such as the ECB wage tracker and the results of surveys on wage expectations, point to a rise in wage growth over the coming quarters before a slowdown towards the end of 2027. Inflation expectations over shorter horizons remain at elevated levels, while 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), rose to 3.8% in September 2026, from 3.2% in August (Chart 8). This increase was driven mainly by a surge in energy inflation, alongside smaller increases in both food inflation and the HICP excluding energy and food (HICPX). In the third quarter of 2026 euro area headline inflation stood at 3.3%, in line with the September 2026 ECB staff macroeconomic projections for the euro area.

Chart 8

Headline inflation and its main components

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: "Goods" refers to non-energy industrial goods. HICPX stands for HICP excluding energy and food. The latest observations are for September 2026.

In September 2026 the annual growth rate of energy prices soared to 18.9%, up from 14.3% in August, amid a re-escalation of the conflict in the Middle East.

This surge in energy inflation was due mainly to a year-on-year increase of 33.8% in prices for transportation fuels, as prices for petrol and diesel rose on the back of higher crude oil prices and large refining margins. Prices for electricity and gas also ticked up, adding to the rise in energy inflation, as the pass-through of wholesale prices to consumer prices continues.

Food inflation picked up to 1.3% in September from 1.1% in August. This increase was due to a sharp rise in unprocessed food inflation, up to 4.0% in September from 2.7% in August. However, this was partly offset by a slight decline in processed food inflation, down to 0.4% from 0.5% over the same period. The slowdown in processed food inflation most likely reflects delayed effects from earlier declines in commodity prices and subdued pipeline pressures, as the current energy price shock may still pass through to prices at the later stages of the production chain. The surge in unprocessed food inflation was driven primarily by the prices of weather-sensitive vegetables that were affected by the heatwaves over the summer. Such weather events – heatwaves, droughts and the developing "El Niño" conditions – together with the indirect effects of the energy shock may pose upside risks to the food inflation outlook.[5]

HICPX inflation ticked up to 2.5% in September from 2.4% in August. This reflected higher services inflation, which rose to 3.2% in September from 3.0% in August and more than compensated for the slight easing in non-energy industrial goods (NEIG) inflation, down to 1.1% from 1.2% over the same period. The rise in services inflation stemmed mainly from stronger price growth in recreation services, in particular accommodation and package holidays, and was partly offset by slower growth in communication and housing services alongside stable transport services inflation. The slowdown in NEIG inflation in September reflects a decline in semi-durables inflation, and, to a lesser extent, in non-durables inflation, while durables inflation remained unchanged.

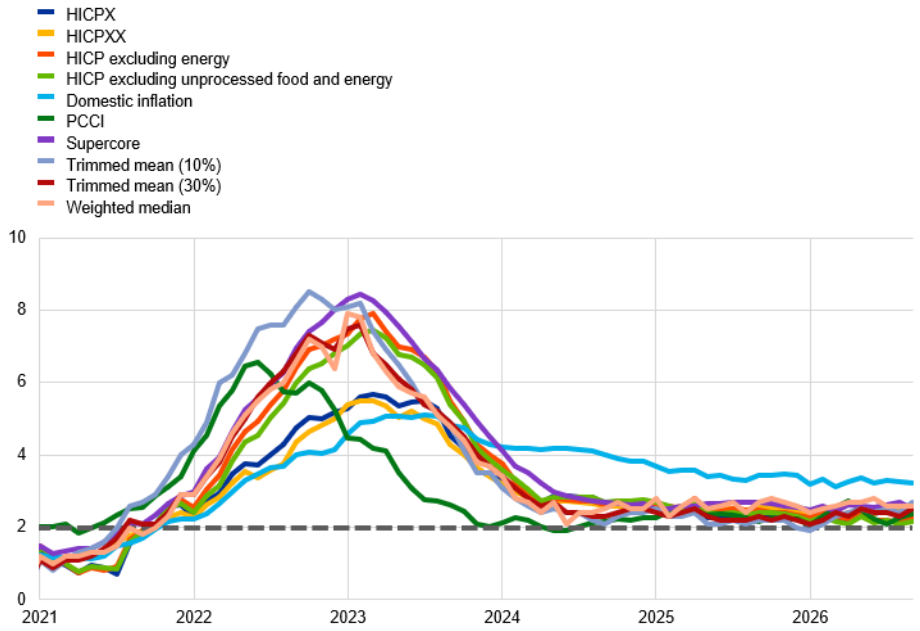
Developments in indicators of underlying inflation remained somewhat mixed in September (Chart 9). Most exclusion-based measures of inflation increased slightly by between 0.1 and 0.3 percentage points, except for the weighted median, which was unchanged, and HICPX excluding travel-related items, clothing and footwear (HICPXX), which ticked down to 2.5% from 2.6% in August. Regarding model-based indicators, the Persistent and Common Component of Inflation rose to 2.4% in September, from 2.3% in August, while the Supercore indicator, which comprises HICP items sensitive to the business cycle, edged down to 2.5% from 2.7% over the same period. Domestic inflation, which comprises items with a low import content, also eased in September, down to 3.2% from 3.3% in August. Overall, the range of values across the underlying inflation indicators narrowed slightly in September to 2.2%-2.7% from 2.1%-2.7% in August, and does not point to any broadening of underlying price pressures.

[5] For further details, see "Has food inflation lost its bite?", *The ECB Blog*, ECB, 20 October 2026.

Chart 9

Indicators of underlying inflation

(annual percentage changes)



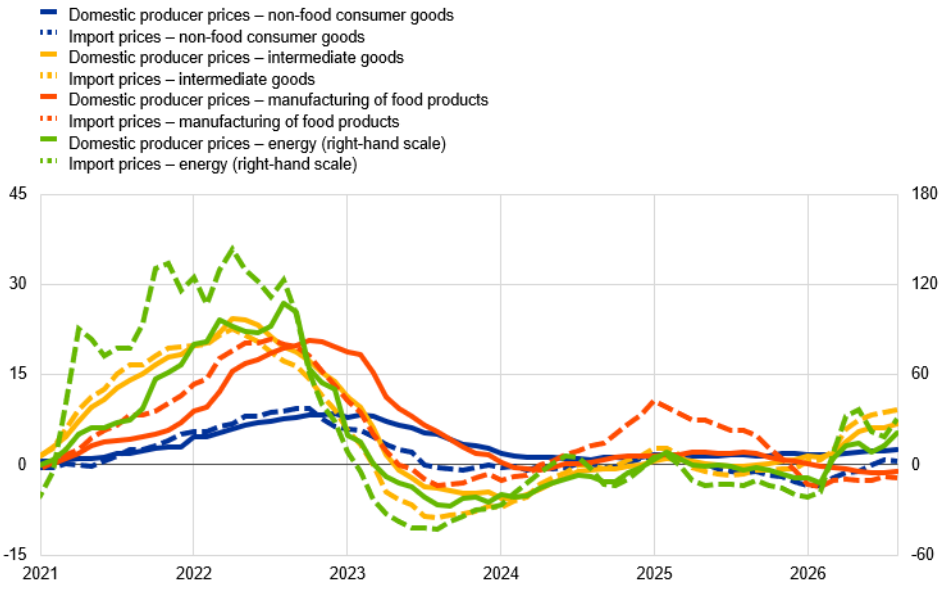
Sources: Eurostat and ECB calculations.
Notes: HICPX stands for HICP excluding energy and food; HICPXX stands for HICPX excluding travel-related items, clothing and footwear; PCCI stands for the Persistent and Common Component of Inflation. The grey dashed line represents the Governing Council's inflation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

Pipeline pressures increased further at the early stages of the pricing chain, while showing mixed signals at the later stages (Chart 10). At the early stages of the pricing chain, energy producer price inflation soared to 21.0% in August from 13.0% in July. Over the same period, energy import price inflation surged to 30.9% from 18.5%. Both measures had moderated earlier in the summer but stood at these elevated levels in August owing to a re-escalation of the Middle East conflict. Regarding intermediate goods, both domestic producer price inflation and import price inflation increased in August from July, to 6.8% from 6.3% and to 9.1% from 8.8% respectively. In the same month, at the later stages of the pricing chain, there was little change in pipeline pressures for non-food consumer goods, with domestic producer price inflation increasing by 0.2 percentage points, to 2.5%, and import price inflation remaining unchanged at 0.7%. For manufactured food, the annual growth rate of both domestic producer prices and import prices remained in negative territory in August: the former held steady at -1.2%, while the latter stood 0.1 percentage points below its July level, at -2.1%. Owing to the ongoing conflict in the Middle East, developments in producer and import prices remain subject to high uncertainty, not only because of the lagged pass-through to the prices of energy-sensitive goods, but also because a prolonged energy shock could drive up producer costs in foreign countries, and hence euro area import prices, further.

Chart 10

Indicators of pipeline pressures

(annual percentage changes)



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

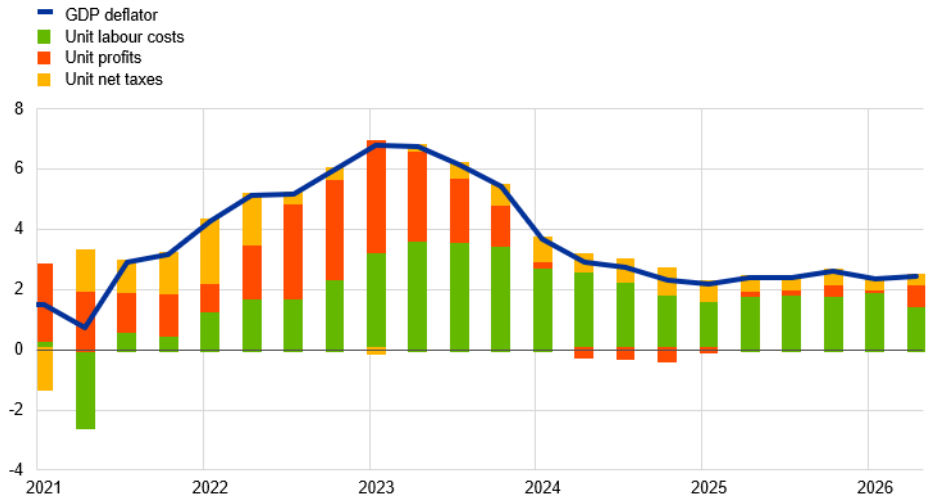
Domestic cost pressures, as measured by GDP deflator growth, remained unchanged at 2.4% in the second quarter of 2026 (Chart 11). This was due to a lower contribution from unit labour costs, partially offset by a higher contribution from unit profits, while the contribution from unit taxes decreased marginally. Between the first and second quarters of 2026, unit labour cost growth fell markedly, from 3.6% 2.6%. This decline reflected an increase in annual labour productivity growth, from 0.1% to 0.7%, alongside a decrease in the annual growth rate of compensation per employee, from 3.6% to 3.3%. The latter decrease reflected a decline in negotiated wage growth, to 2.4% from 2.6%, and a drop in the contribution from the wage drift component to 0.9 percentage points from 1.0 percentage points. Looking ahead, the ECB wage tracker, which has been updated with data on wage agreements negotiated up to mid-October 2026, suggests that pressure on negotiated wages will reach 2.8% in the first half of 2027 before declining to 2.4% in the third quarter of that year.[6] Furthermore, respondents to the ECB's Corporate Telephone Survey expect wage growth to slow slightly, from 3.0% in 2026 to 2.9% in 2027 (see Box 4).

[6] For further details, see "ECB wage tracker suggests slightly higher wage growth in first three quarters of 2027 compared with the full year of 2026", *press release*, ECB, 4 November 2026.

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 second quarter of 2026.

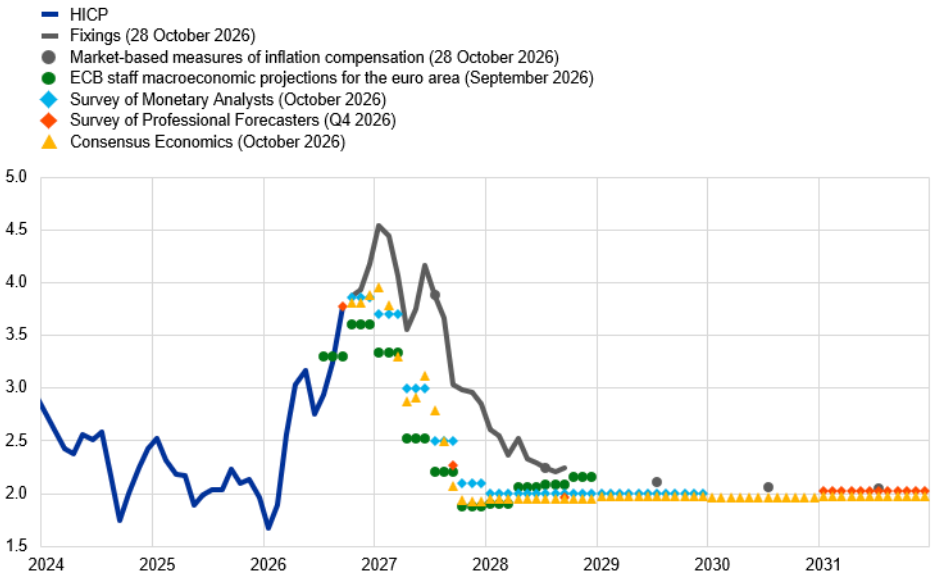
Surveys conducted among professional forecasters, monetary analysts and consumers show a temporary uptick in short-term inflation expectations and no change in longer-term inflation expectations. Short-term inflation expectations for 2026 increased in both the October 2026 ECB Survey of Monetary Analysts (SMA) and the ECB Survey of Professional Forecasters (SPF) for the fourth quarter of 2026, to stand at 3.1% and 3.0% respectively, up from 2.9% and 2.7%. Both the SMA and the SPF point to a decline in inflation in 2027, to 2.8% and 2.6% respectively (Chart 12, panel a). Regarding short-term consumer inflation perceptions and expectations, the median rate of perceived inflation over the previous 12 months edged up to 3.6% in the September 2026 ECB Consumer Expectations Survey (Chart 12, panel b) from 3.5% in August. Over the same period, median expectations for inflation over the next 12 months also increased slightly, to 3.1% from 3.0%, and for three and five years ahead they were unchanged at 2.9% and 2.5% respectively. The median rates for longer-term inflation expectations in the SMA and the SPF were likewise unchanged, at 2% (Chart 12, panel a).

Chart 12

Headline inflation, inflation projections and expectations

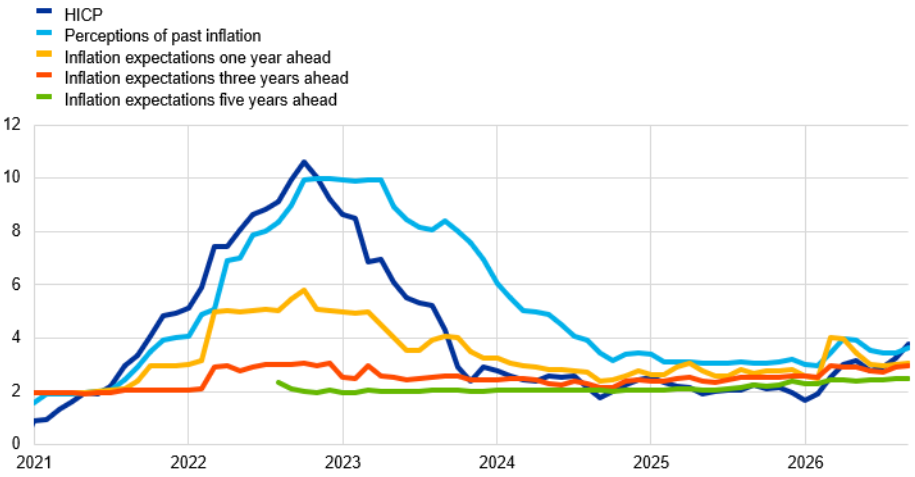
a) Headline inflation, market-based measures of inflation compensation, inflation projections and survey-based indicators of inflation expectations

(annual percentage changes)



b) Headline inflation and ECB Consumer Expectations Survey

(annual percentage changes)



Sources: Eurostat, LSEG, Consensus Economics, ECB (SMA, SPF, CES), ECB staff macroeconomic projections for the euro area, September 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 28 October 2026. Inflation fixings are swap contracts linked to specific monthly releases of euro area year-on-year HICP inflation excluding tobacco. The SMA for October 2026 was conducted between 12 and 14 October 2026. The SPF for the fourth quarter of 2026 was conducted between 2 and 7 October 2026. The cut-off date for the Consensus Economics forecasts was 12 October 2026. The September 2026 ECB staff macroeconomic projections for the euro area were finalised on 28 August 2026, and the cut-off date for the technical assumptions was 19 August 2026. In panel b), the lines for the Consumer Expectations Survey (CES) represent the median rates. The latest observations are for September 2026.

Over the review period from 10 September to 28 October 2026, near-term market-based measures of inflation compensation increased, while longer-term market-based expectations remained well anchored (Chart 12, panel a). Market pricing of the inflation outlook increased over the near term, reflecting higher

energy prices. Inflation fixings, which are swap contracts linked to the euro area HICP excluding tobacco, increased over short horizons, peaking at 4.5% in January 2027, which is around 31 basis points higher than at the start of the review period. Over longer horizons, they suggest that investors expect inflation to remain elevated in the first half of 2027 before falling sharply in the second half of the year to reach levels close to the Governing Council's 2% inflation target by 2028. Looking beyond the near term, the one-year forward inflation-linked swap rate one year ahead decreased by 10 basis points, to stand at around 2.2% at the end of the review period. When adjusted for inflation risk premia, however, the same measure declined by 1 basis point, to stand at 2.1% 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.

4 Financial market developments

Over the review period from 10 September to 28 October 2026, euro area financial markets were influenced mainly by developments in the Middle East conflict and a repricing in sovereign bond markets. The rate hike announced by the Governing Council on 10 September was well anticipated and fully transmitted to money markets. At the end of the review period, the euro short-term rate (€STR) forward curve implied around 43 basis points of cumulative policy rate hikes by the end of the first quarter of 2027, down from the level priced in at the start of the review period. Both short and long-term risk-free rates in the euro area decreased slightly during the review period. Euro area sovereign bond yields increased, reflecting wider sovereign spreads relative to risk-free rates. Broad stock market indices for the euro area moved down over the review period on account of a broad-based moderation in risk appetite. Corporate bond spreads widened in both the investment-grade and high-yield segments. In foreign exchange markets, the euro depreciated against the US dollar (-4.2%) and in trade-weighted terms (-2.5%).

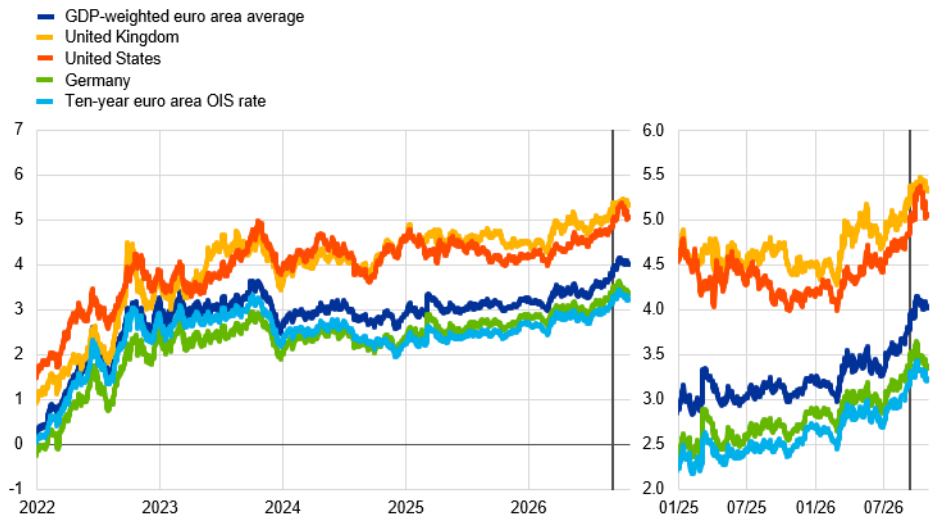
Short and long-term risk-free rates in the euro area decreased over the review period. The benchmark €STR stood at 2.44% at the end of the review period, reflecting the Governing Council's decision to raise the three key ECB interest rates by 25 basis points at its meeting on 10 September 2026. Excess liquidity decreased by around €22 billion to €2,095 billion, which mainly reflected the continuing decline in the Eurosystem's portfolios of securities held for monetary policy purposes. Short-term forward rates fell during the review period: the €STR forward curve on 28 October 2026 implied cumulative policy rate hikes of about 43 basis points by the end of the first quarter of 2027, down from 71 basis points priced in on 10 September. Beyond mid-2028, the curve remained broadly unchanged up to the five-year maturity but fell at longer horizons. The decline in the forward curve, which partly reversed earlier upward moves around the time of the September Governing Council meeting, reflected central bank communication in the period between monetary policy meetings as well as changes in the economic outlook and risk sentiment amid a widening of euro area sovereign and corporate spreads.

Euro area long-term sovereign bond yields rose over the review period and remained close to multi-year highs (Chart 13). While the ten-year nominal overnight index swap (OIS) rate had decreased from 3.4% to 3.2% by the end of the review period, the ten-year GDP-weighted euro area sovereign bond yield rose by 8 basis points, standing at around 4.0% at the end of the review period. This increase reflected a widening of sovereign spreads by 17 basis points, as the steady upward trend in global long-term yields since 2024 has compounded fiscal concerns, prompting investors to demand greater compensation for holding sovereign bonds. Cross-country dispersion of sovereign spreads over risk-free rates remained contained compared with historical levels, with the exception of the ten-year French sovereign spread relative to the OIS rate, which widened by 59 basis points. The ten-year US Treasury yield increased by around 4 basis points to 5.1%, while the ten-year UK gilt yield rose by around 5 basis points to 5.3%. The increase in long-term yields over the review period extended an upward trend that has been observed across major currency areas since late 2024.

Chart 13

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

(percentages per annum)



Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 10 September 2026. The latest observations are for 28 October 2026.

Broad stock market indices for the euro area fell slightly over the review period, on account of a broad-based moderation in risk appetite. Overall, euro area stock markets went down by 1.5% over the review period, led by a 7.4% decline in bank share prices. The sub-index for non-financial corporations increased by 0.7%. Differences between country-level indices were generally small, pointing to a broad-based moderation in risk appetite. In the United States, the broad equity market index rose by 2.0%. US non-financial corporations posted an increase of 2.5%, mostly reflecting the performance of stocks related to artificial intelligence, while US bank equity prices decreased by 1.2%.

Euro area corporate bond spreads widened in both the investment-grade and high-yield segments over the review period. The widening was most pronounced in the high-yield segment, where spreads increased by about 69 basis points. Investment-grade spreads widened by approximately 26 basis points for financial firms and by 20 basis points for non-financial corporations. However, spreads remained contained by historical standards.

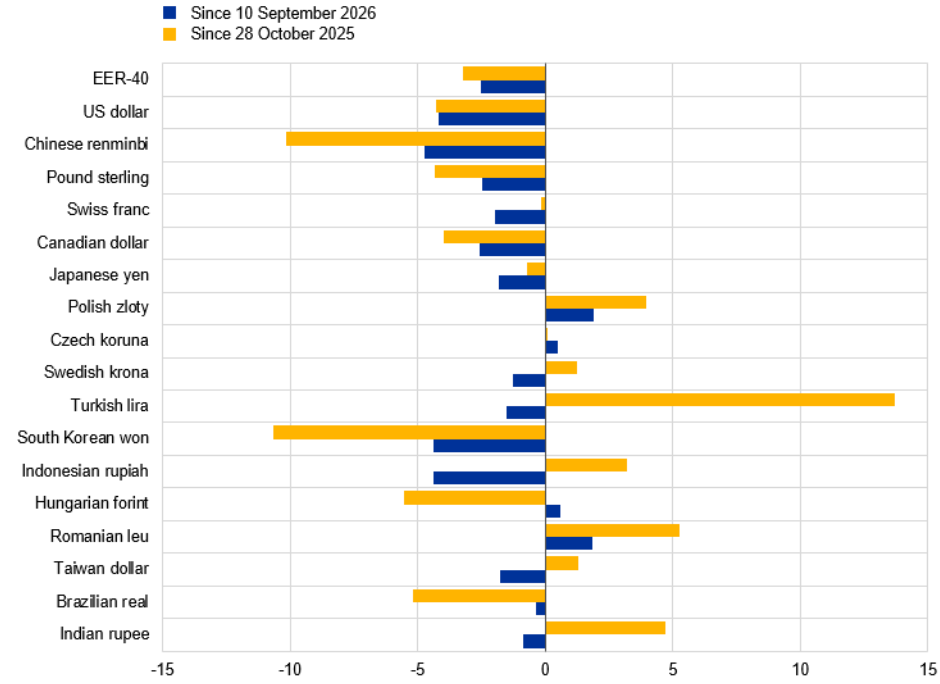
In foreign exchange markets, the euro depreciated against the US dollar and in trade-weighted terms (Chart 14). The depreciation mainly reflected shifts in market expectations for further monetary policy tightening in the United States, as well as growing concerns about government finances and political uncertainty surrounding fiscal consolidation in a number of euro area countries. These concerns were accompanied by higher government bond yields and a widening of spreads over risk-free rates. The nominal effective exchange rate of the euro – as measured against the currencies of 40 of the euro area's most important trading partners – declined by 2.5% over the review period. This weakening was broad-based, as the euro depreciated against the US dollar (-4.2%), emerging market currencies including the Chinese renminbi (-4.7%), and other major currencies such as the pound sterling

(-2.5%) and the Swiss franc (-2.0%). The energy shock stemming from the prolonged conflict in the Middle East continued to weigh on the euro.

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 28 October 2026.

5 Financing conditions and credit developments

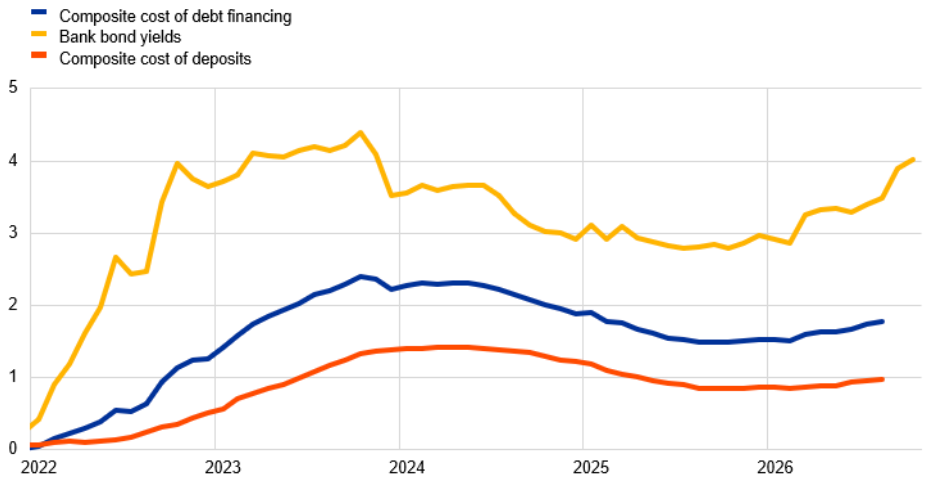
Financing conditions for firms and households have tightened since the Governing Council's meeting on 10 September 2026. In August bank lending rates increased to 3.6% for households, although they remained broadly unchanged for firms at 3.8%. Over the review period from 10 September to 28 October 2026, the cost of equity financing increased and the cost of market-based debt edged up slightly, reflecting a higher equity risk premium and a rise in corporate bond spreads respectively. In August and September annual growth in loans to firms slowed to 4.2% from 4.4% in July and annual growth in loans to households remained unchanged at 3.1%. Annual growth in broad money (M3) held steady, at 3.5%. According to the October 2026 euro area bank lending survey, banks reported a decrease in demand for new loans to firms and a further tightening of credit standards in the third quarter of 2026. Demand for housing loans decreased markedly and demand for consumer credit fell slightly, while credit standards for household loans remained broadly unchanged and those for consumer credit tightened. In the Survey on the Access to Finance of Enterprises for the third quarter of 2026, firms reported an increase in bank interest rates as well as a continued tightening of other lending conditions.

Bank funding costs increased in August, continuing their gradual upward trend since March (Chart 15). The composite cost of debt financing for euro area banks increased to 1.8% in August from 1.7% in July, compared with 1.5% in March. This development was driven primarily by the ongoing increase in bank bond yields, reflecting broad upward pressure on global bond yields, as well as an increase in spreads on credit default swaps for euro area banks amid fiscal concerns over several euro area countries. These concerns triggered a repricing of sovereign risk (see Section 4, "Financial market developments"). Interbank rates also increased following the Governing Council's decision to raise the three key ECB interest rates in June and September. The composite deposit rate, which measures the marginal cost of bank deposit funding, stood at 1.0% in August, broadly unchanged from the previous month. Interest rates on time deposits and savings accounts rose, as banks passed on the earlier increase in policy rates, while rates on overnight deposits for firms and households were broadly unchanged.

Chart 15

Composite bank funding costs in the euro area

(annual percentages)

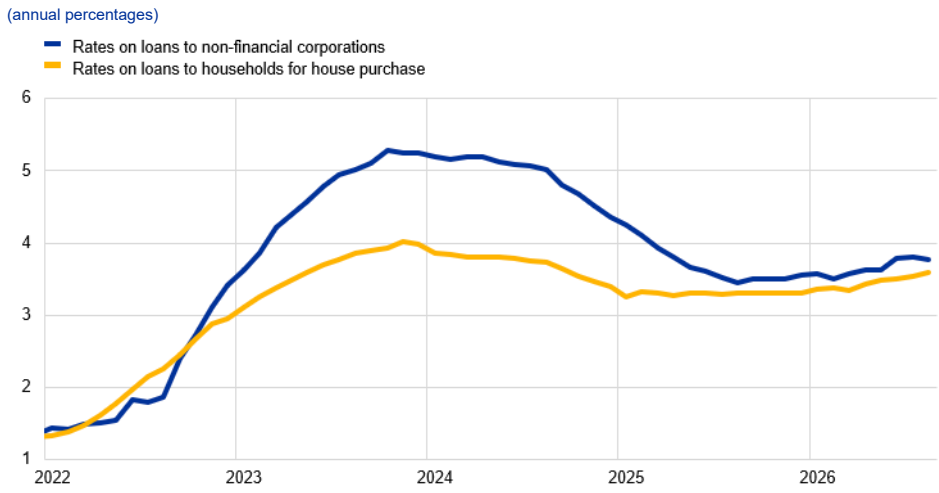


Sources: ECB, S&P Dow Jones Indices LLC and/or its affiliates, and ECB calculations.
Notes: The composite cost of debt financing is an average of new business costs for banks for overnight deposits, deposits redeemable at notice, time deposits, bonds and interbank borrowing, weighted by their respective 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 August 2026 for the composite cost of debt financing and the composite cost of deposits, and 28 October 2026 for bank bond yields.

Bank lending rates for households increased further, while those for firms were broadly unchanged (Chart 16). The cost of borrowing for households for house purchase increased slightly from 3.5% in July to 3.6% in August, reflecting ongoing transmission from higher market rates. Higher risk-free rates and sovereign bond yields put upward pressure on mortgage and longer-term corporate borrowing rates. The increase in mortgage rates was broad-based across rate fixation periods but most notable for mortgages with short fixation periods (up to one year). In August the cost of bank borrowing for non-financial corporations was broadly unchanged at 3.8%, which masked offsetting developments across loan segments. Rates on small loans continued to rise, while rates on large loans (above €1 million) fell. Consequently, the spread between interest rates on small and large loans to firms widened to 68 basis points.

Chart 16

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



Sources: ECB and ECB calculations.
Notes: Composite bank lending rates are calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes. The latest observations are for August 2026.

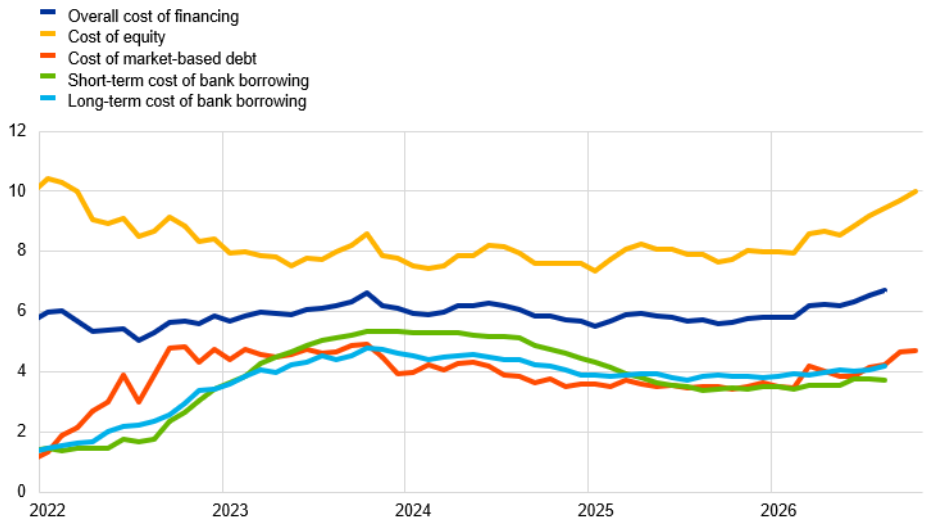
Over the review period from 10 September to 28 October 2026, the cost of equity financing increased further and the cost of market-based debt edged up only slightly. The overall cost of financing for non-financial corporations – the composite cost of bank borrowing, market-based debt and equity – rose for the third consecutive month, reaching 6.7% in August (Chart 17).[7] The main driver of this increase was the cost of equity, while market-based debt financing and bank borrowing costs remained broadly unchanged. Daily data covering the review period also show a further rise in the cost of equity financing owing to a higher equity risk premium. The cost of market-based debt reflects a small increase resulting from higher corporate bond spreads, especially in the high-yield segment (see Section 4, “Financial market developments”).

7 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 August 2026.

Chart 17

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

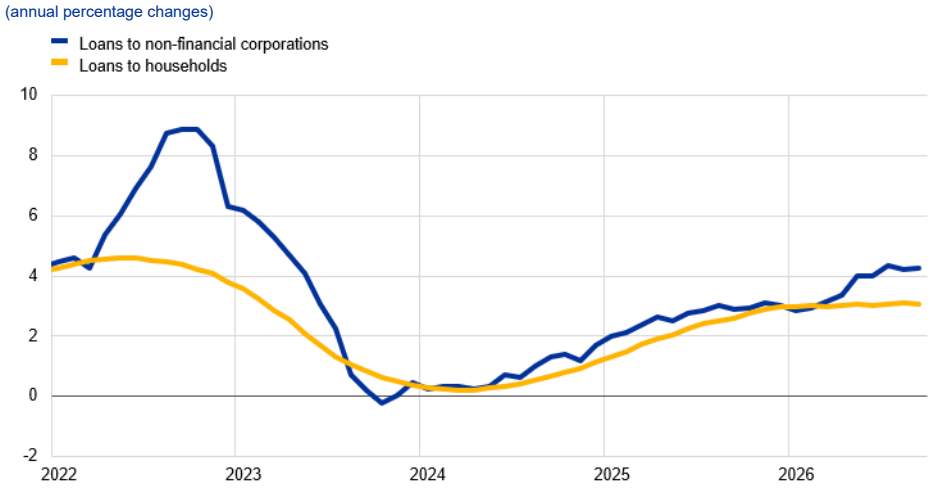
(annual percentages)



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 28 October 2026 for the cost of market-based debt and the cost of equity (daily data), and August 2026 for the overall cost of financing and the short and long-term costs of bank borrowing (monthly data).

Growth in loans to firms and to households remained unchanged from August to September (Chart 18). The annual growth rate of bank lending to non-financial firms stayed at 4.2% in August and September, below its annual rate of 4.4% in July, and close to its historical average of 4.3% since the start of 1999. The annual growth rate of external debt financing by firms increased to 4.2%, up from 4.1% in August and July, reflecting stronger net issuance of corporate bonds. Short-term loans increased markedly, continuing their upward trend that started in February 2026 and likely reflecting higher working capital needs amid the energy shock. The annual growth rate of loans to households was also unchanged, at 3.1%, below its historical average of 4.1% since the start of 1999. While growth rates in mortgage lending and consumer credit declined slightly, this was offset by a marked increase in growth in other forms of lending to households, including loans to sole proprietors.

Chart 18
MFI loans in the euro area



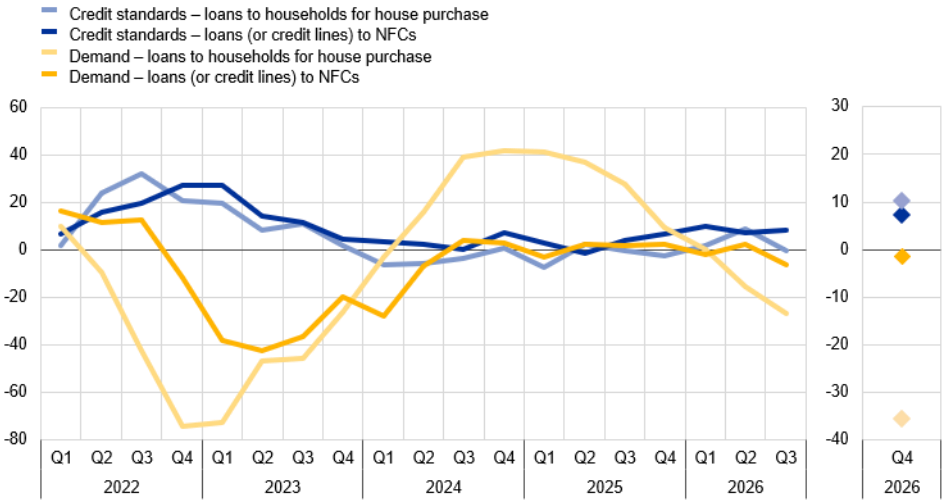
Sources: ECB and ECB calculations.
Notes: Loans from monetary financial institutions (MFIs) are adjusted for loan sales and securitisation; in the case of non-financial corporations, loans are also adjusted for notional cash pooling. The latest observations are for September 2026.

The October 2026 euro area bank lending survey**, conducted between 21 September and 6 October 2026, reports a further tightening of credit standards for loans to firms and broadly unchanged credit standards for housing loans in the third quarter of 2026 (Chart 19).** The tightening of credit standards for loans or credit lines to euro area firms was larger than expected by banks in the previous round. Higher perceived risks to the economic outlook and lower risk tolerance on the part of banks remained the main contributing factors. Some banks indicated tightening pressure stemming from geopolitical uncertainty and developments in energy markets. Banks reported broadly unchanged credit standards for housing loans and a further net tightening for consumer credit, with lower risk tolerance and higher risk perceptions as the main drivers. For the fourth quarter of 2026, euro area banks expect credit standards to tighten further for loans to firms and to tighten significantly for housing loans and consumer credit.

Chart 19

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

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



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

Banks reported a decrease in the demand for loans to firms, a strong decrease in the demand for housing loans and a slight decrease in the demand for consumer credit in the third quarter of 2026.[8] The decline in the demand for loans to firms was unexpected, as banks had anticipated an increase in the previous survey round. Loan demand was primarily dampened by higher interest rates. Among other factors contributing to the decrease were weaker demand for fixed investment among small and medium-sized enterprises (SMEs) and substitution towards alternative sources of finance. Demand for inventories and working capital, and to a lesser extent financing related to debt refinancing and restructuring, continued to exert upward pressure on loan demand. Demand for housing loans decreased markedly, whereas demand for consumer credit only fell slightly. In the case of housing loans, the reported net decrease was the most pronounced since the third quarter of 2023 and was larger than banks had anticipated. Developments in interest rates were the main driver of the decline, followed by deteriorating consumer confidence and worsening housing market prospects. The higher level of interest rates and lower consumer confidence, as well as weaker spending on durable goods, weakened the demand for consumer credit. For the fourth quarter of 2026, banks expect broadly unchanged loan demand for firms and a stronger decline in the demand for housing loans and consumer credit.

[8] In a dedicated question on the importance of new lending to finance firms' AI adoption or development, banks indicated that they are still adapting their lending practices to the growing use of AI technologies. Several banks indicated that they expect a gradual but sustained increase in loan demand to finance digital infrastructure, particularly data centres. Banks also reported that their current and prospective AI-related lending is more likely to target infrastructure providers than software developers or firms adopting AI, with this focus expected to become more pronounced over the coming months.

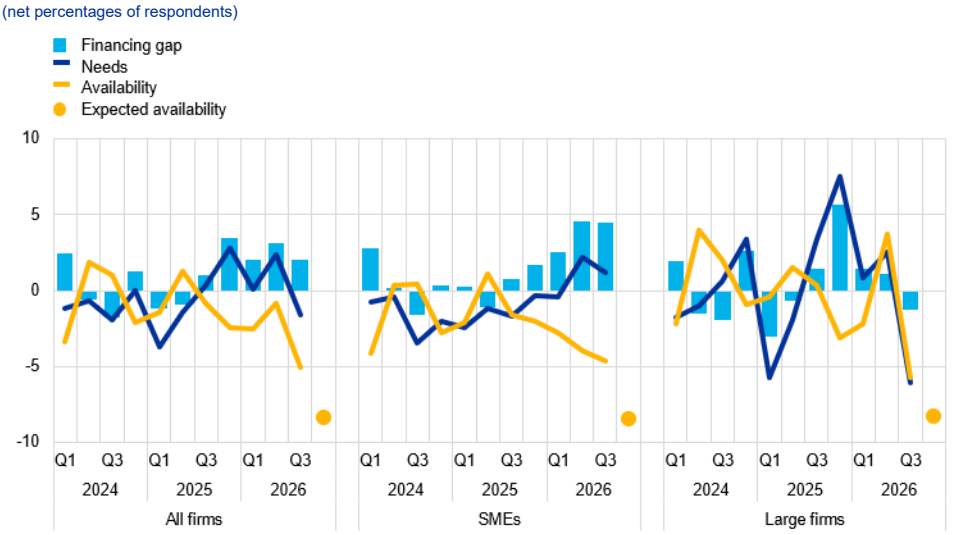
The funding situation of banks deteriorated further, while lower excess liquidity and greater risks to credit quality had a tightening impact on credit standards. According to the responses of banks to the ad hoc questions in the survey, the ease with which banks were able to access debt securities, money markets and retail funding deteriorated further in the third quarter of 2026 while remaining broadly unchanged for securitisations. Over the next three months, banks expect access to funding across all four categories to deteriorate further. The reduction in the ECB monetary policy asset portfolio has had a mildly negative impact on the liquidity positions and market financing conditions of euro area banks over the last year. However, its impact on bank profitability was seen as slightly positive, as their overall higher net interest income was partially offset by small capital losses. Banks expect these effects to persist over the coming year. They also reported a net tightening impact of non-performing loan ratios and other credit quality indicators on their credit standards across all loan categories. This mainly reflected higher risk perceptions. In response to a new question, euro area banks reported that the contribution to their business strategy was slightly positive over the past year and neutral in terms of their broader financial situation and with respect to credit standards. For the next year, banks expect digital assets to have an increasingly positive impact on their business strategy alongside a negative impact on their retail funding business.

In the latest Survey on the Access to Finance of Enterprises (SAFE)**, conducted between 26 August and 2 October 2026, firms reported a tightening in bank lending conditions amid increases in bank interest rates.** In the third quarter of 2026 a net 46% of firms reported an increase in bank interest rates, compared with a net 42% in the previous quarter. The increase in interest rates was more often reported by large firms than by SMEs. Beyond interest rates, firms also faced higher non-interest borrowing costs, although the pace of tightening eased slightly.

Bank loan availability declined more than needs for bank loans, resulting in a widening of the perceived financing gap (Chart 20). In the third quarter of 2026 a net 2% of firms indicated a decrease in needs for bank loans (compared with a net 2% indicating an increase in the previous quarter), while a net 5% of firms reported a decline in bank loan availability (from -1% in the previous quarter). Developments in bank loan availability were similar across size classes, with both SMEs and large firms reporting a decline. SMEs indicated broadly unchanged needs for bank loans (net 1%, down from a net 2%), while large firms indicated a decrease (net -6%, compared with 3% in the previous quarter). As a result, the euro area bank loan financing gap indicator – an index capturing the difference between changes in needs and availability – remained positive for a net 2% of firms compared with a net 3% in the previous quarter. Looking ahead, a net 8% of all firms anticipate a decline in bank loan availability over the next three months.

Chart 20

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



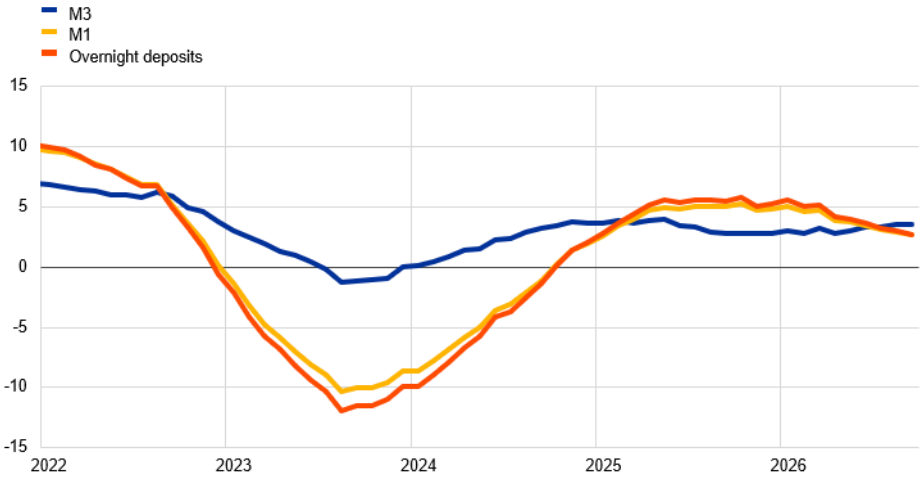
Sources: ECB (SAFE) and ECB calculations.
Notes: SMEs stands for small and medium-sized enterprises. Net percentages are the difference between the percentage of firms reporting an increase in the availability of bank loans (or needs and expected availability respectively) and the percentage reporting 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 40 of the SAFE (January-March 2024 to July-September 2026).

Annual growth of broad money (M3) remained stable in September, amid weaker short-term dynamics (Chart 21). The annual growth in M3 stayed unchanged at 3.5% in September, well below its historical average of 5.2% since the start of 1999. The annual growth of narrow money (M1), comprising currency in circulation and overnight deposits, decreased to 2.7% from 2.9% in August. This reflected a shift from overnight deposits to time deposits and a larger contribution from marketable instruments, both of which offer investors higher returns. From a counterpart perspective, annual M3 growth was supported by net external inflows into the euro area and domestic credit growth, while the ongoing 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 September 2026.

Boxes

1 Narratives and risks: a quantitative toolkit to evaluate scenarios applied to the Middle East conflict

Prepared by Niccolò Battistini, Mohammed Chahad and Luís Fonseca

This box introduces a quantitative framework to evaluate the alternative scenarios around the Eurosystem/ECB staff baseline projections, focusing on assessing the plausibility of their economic impact. As is typical in a policy context, the baseline projections are assumed to represent the most likely outcome within the set of possible future outcomes, conditional on the current state of the economy and a set of technical assumptions. To highlight the uncertainty around the baseline, these projections are often accompanied by alternative scenarios which explore the macroeconomic implications of policy-relevant economic narratives (European Central Bank, 2025). As stressed in Cordova-Pozo and Rouwette (2023), however, the literature assessing scenario relevance remains limited.[1] This box proposes a methodology aimed at partially closing this gap by evaluating scenarios, with a focus on the plausibility of their macroeconomic outcomes compared with empirical patterns.[2]

The first step in assessing scenario plausibility is to construct joint predictive distributions capturing temporal and cross-variable patterns. The objective is to obtain a joint density for a set of macroeconomic variables – in this application, real GDP growth and HICP inflation centred around the baseline and accounting for both temporal and cross-variable correlations. This is achieved by estimating dynamic relationships between variables, with two complementary approaches building on univariate distributions.[3] First, a model-based approach derives univariate conditional distributions via Bayesian quantile regressions and combines them into a joint density by applying the chain rule of probability. Second, a copula-based approach constructs joint densities by combining univariate marginal distributions with historical patterns. In this application, these marginals are derived from two sources − (i) historical data and (ii) a survey-based distribution (the ECB Survey of Professional Forecasters) − incorporating professional forecasters' forward-looking beliefs regarding future economic developments.[4] The resulting joint densities are centred so that their mode corresponds to the baseline projections. These centred joint distributions are computed over 20-year rolling windows starting from the early 1980s in order to judge scenarios against the historical period most favourable to

1 A recent contribution to this literature is the scenario synthesis framework put forward by Adrian et al. (2025), which assigns importance weights to scenarios to best approximate a target reference distribution.

2 The methodology proposed in this box can also be applied to two other commonly used criteria for the quantitative evaluation of scenarios − the consistency between the underlying shocks and the scenario coverage − as discussed in an upcoming ECB working paper related to this box.

3 Alternative approaches can directly provide joint distributions but often rely on simplifying assumptions (e.g. similar structure across variables, linear dependence), leading to less rich risk distributions.

4 For more details, see "The ECB Survey of Professional Forecasters - Third quarter of 2026".

them. By computing the density over rolling windows, the framework captures time-varying relationships between variables. This is crucial, since the simulated scenarios might reflect various temporal and cross-variable dynamics that might differ from any specific historical pattern.

The second step assesses the empirical plausibility of scenario outcomes by computing how likely each scenario is relative to the baseline. In line with Doan et al. (1984), plausibility can be gauged by assessing how unusual a scenario path is relative to the most likely trajectory.[5] The empirical plausibility index is obtained by first computing, for each historical subsample, the likelihood of the joint paths of growth and inflation under a given scenario relative to the likelihood of the baseline paths.[6] The final index corresponds to the highest value across subsamples for a given scenario. It ranges from 0 – when the economic outcomes of the scenario have virtually no historical precedent – to 100 – when the scenario paths are as plausible as the baseline. Importantly, the score evaluates whether the joint co-movements of the outcome variables of a specific scenario – rather than the events underlying its narrative (e.g. specific disruptions in energy markets or a change to a given tariff regime) – have materialised in the past. Consequently, it can be applied to a broad set of scenario narratives, including those that may have never actually occurred.

Applying the framework to the Middle East conflict scenarios in the September 2026 ECB staff projections shows that the severe scenario has a lower empirical plausibility than the milder or adverse scenarios. Chart A, panel a) reports the paths of real GDP growth and HICP inflation as outlined in the Middle East conflict scenarios published in Box 4 of the September 2026 ECB staff macroeconomic projections for the euro area. These scenarios differ in their assumptions about energy commodity prices and financial uncertainty, as well as about the strength of indirect and second-round effects on inflation. They span a large set of economic outcomes, with cumulative absolute deviations from the baseline projections ranging from 0.2 to 1.2 percentage points for real GDP growth and from 1.0 to 4.3 percentage points for HICP inflation. Panel b) presents the plausibility index for each scenario, revealing that the milder scenario demonstrates high plausibility, with an index ranging between 82 and 96 across different approaches. For the adverse scenario, the range is between 56 and 85, while the severe scenario is assessed as considerably less plausible. Despite its lower plausibility, it remains important to analyse this scenario in order to cover a wide range of conflict outcomes relevant to policy decisions. The plausibility assessment is robust across the different frameworks used to derive the joint densities, although this need not be the case by design given the substantial methodological differences in those frameworks.

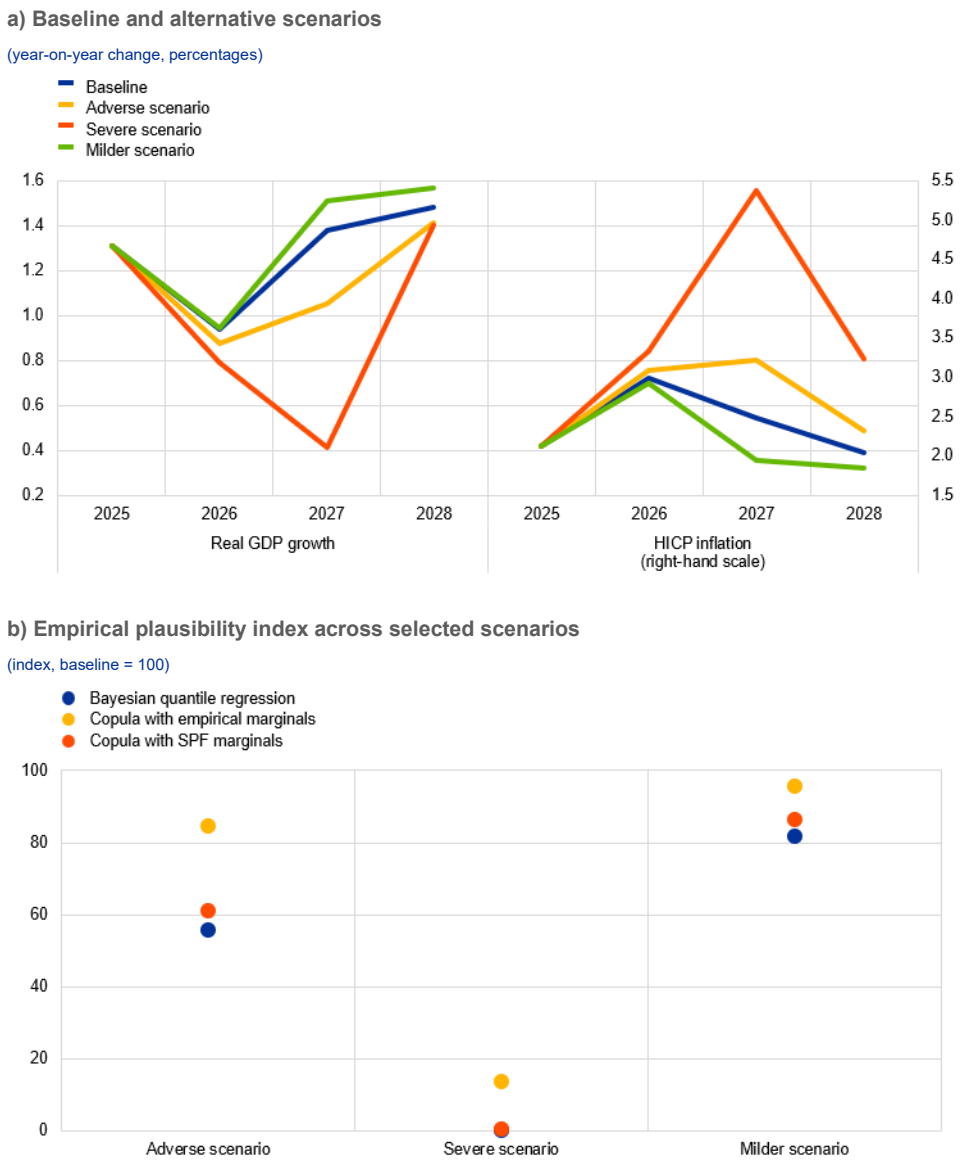
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5 By accounting for skewness and fat tails of the distributions, this metric might be better suited to our objectives compared with, for instance, the implausibility index of Doan et al. (1984).

6 By adopting a broader perspective that does not focus on a specific variable or horizon, this approach offers an alternative to the scenario synthesis framework proposed by Adrian et al. (2025).

Chart A

Empirical plausibility of baseline and alternative scenarios



Sources: ECB staff macroeconomic projections for the euro area, September 2026 and ECB staff calculations.
Notes: Panel a: HICP stands for the Harmonised Index of Consumer Prices. Panel b: the empirical plausibility is measured as the maximum likelihood relative to the baseline across different historical subsamples. For each subsample, the relative likelihood is obtained from the joint density of the profiles of real GDP growth and HICP inflation over the entire projection horizon, centred so that the baseline projections are at the mode of the distribution. SPF stands for the ECB Survey of Professional Forecasters.

The empirical plausibility of scenarios goes beyond a simple assessment of their severity, as it also reflects both temporal and cross-variable correlations. The nexus between plausibility and severity can be illustrated by comparing assessments of different scenarios with similar severity. For instance, the Middle East adverse scenario exhibits a level of severity – measured as the cumulative absolute deviation from baseline values – similar to an ad hoc hypothetical flat-path scenario in which GDP growth and HICP inflation remain constant at their baseline averages over a three-year horizon. As shown in Table A, however, accounting for both temporal and cross-variable correlations reveals that the adverse scenario outcomes are far more plausible than those in the flat-path scenario, with empirical

plausibility scores of 56 and almost 0 respectively. The comparison also shows that omitting either or both dependency dimensions results in a partial, often misleading, evaluation of the plausibility of the scenario outcomes. This is evident, for instance, for the hypothetical flat-path scenario: ignoring temporal or cross-variable dependencies yields high empirical plausibility estimates that can scarcely be corrected by any simple aggregation of these partial assessments, such as averaging.

Table A

Empirical plausibility accounting for no, partial or full correlation over time and across variables

a) Middle East adverse scenario

(index, baseline = 100)

Empirical plausibility	2026 only	2027 only	2028 only	All years (temporal dependence)
Real GDP only	96.0	97.2	99.8	93.9
HICP only	71.9	83.3	98.8	70.7
Both variables (cross-dependence)	69.0	80.6	98.6	55.7

b) Ad hoc flat-path scenario

(index, baseline = 100)

Empirical plausibility	2026 only	2027 only	2028 only	All years (temporal dependence)
Real GDP only	29.1	99.4	98.6	18.7
HICP only	8.4	100.0	96.5	0.2
Both variables (cross-dependence)	0.2	99.4	96.6	0.1

Sources: ECB and ECB staff calculations.
Note: The joint density is constructed using the Bayesian quantile regression.

In conclusion, the proposed quantitative framework to evaluate scenarios provides a measure of the empirical plausibility of scenario outcomes. It does not, however, assess the economic plausibility of narrative events or their probability of materialisation, as these assessments remain in the domain of policy judgement. Well-founded scenarios may receive low empirical plausibility scores if they generate combinations of growth and inflation outcomes with limited historical precedent (e.g. lockdown measures during the COVID-19 pandemic). Conversely, a novel scenario that exhibits standard macroeconomic co-movements may legitimately receive a high empirical plausibility score. In all cases, the metric should be interpreted with caution alongside the qualitative scenario narrative and relevant expert and policy judgement. Lastly, it should also be noted that the proposed methodology is not able to disentangle the contributions of key drivers to the empirical plausibility score, such as the shocks underlying the scenario, transmission channels and model misspecification.

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2 Extreme summer weather: what does it mean for euro area construction output?

Prepared by Johannes Gareis

The summer of 2026 brought repeated and prolonged episodes of extreme heat to large parts of the euro area, with potentially significant implications for construction activity. Construction is among the sectors most exposed to weather conditions, as much of its activity takes place outdoors and involves physically demanding work. High temperatures make it harder to work safely, and workers in climate-exposed industries such as construction have been found to reduce their working hours on very hot days, partly by shifting activity to cooler periods within the same day or to other days.[1] The impact on working hours may be exacerbated by regulations, as several euro area countries now require outdoor work to be adapted or suspended during periods of extreme heat.[2] Recent econometric evidence also finds that extreme weather events can have sizeable short-term effects on economic and sectoral activity in the largest euro area economies.[3] This box assesses the implications of this summer's weather for euro area construction output, drawing on the European Commission's business survey as a timely indicator of weather-related disruption and on historical evidence of the impact of this disruption on output.

The share of construction firms citing weather as a factor limiting their activity reached exceptionally high levels this summer. Weather-related constraints are predominantly a winter phenomenon: in the euro area, the share of firms reporting such constraints averages over 20% in January and February, compared with less than 3% in July and August (Chart A). This year, however, the pattern was different. While weather constraints remained within their usual range in the first months of the year, they rose significantly over the summer. In August, 7.8% of firms cited weather as a limiting factor, the highest August reading since the series began in 1991 and well above the previous peak of 5.8%. The July reading, at 7.0%, was the second highest on record for that month. Constraints eased to 5.5% in September, but remained above their usual level for the time of year, marking the third highest September reading since 1991. The increase was broad-based across countries – although uneven. It was particularly pronounced in France, where readings reached record highs in each of the three months, possibly also reflecting the new rules on working during heat alerts. Weather constraints also rose markedly in Germany in August and were elevated in Italy, as well as in several smaller countries such as Lithuania, Croatia and Slovenia, while remaining close to or below their usual levels

1 See International Labour Organization (2019) and Graff Zivin and Neidell (2014).

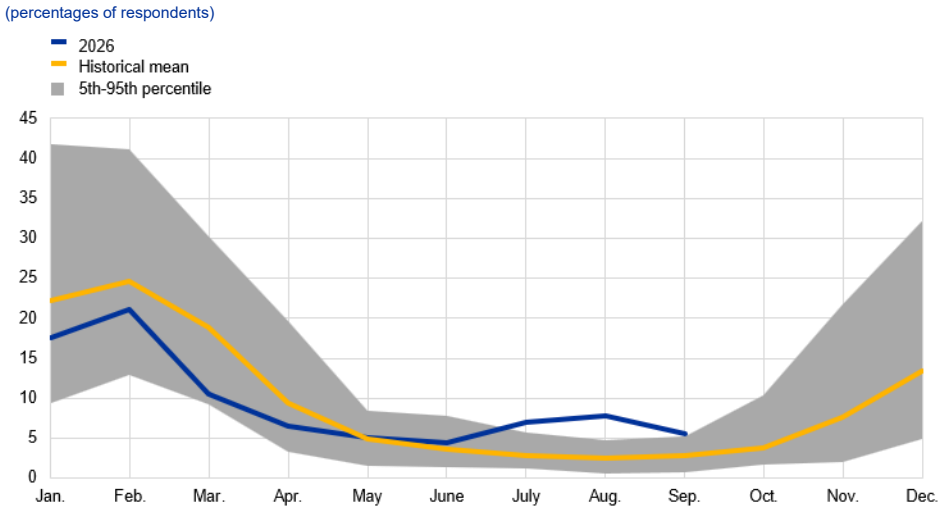
2 In France, rules applying since July 2025 require employers, including those on construction sites, to adapt working arrangements and working hours during periods of intense heat. In Italy, several regions have adopted seasonal ordinances prohibiting outdoor work in construction and agriculture, typically between 12:30 and 16:00 on days with a high heat-risk forecast. In Spain, legislation introduced in 2023 requires working conditions and hours to be adapted when extreme temperature warnings are issued and existing preventive measures are insufficient, while Greece has imposed the temporary suspension of outdoor work during periods of particularly high temperatures.

3 See Andersson et al. (2026).

in Austria, Belgium and Finland. In September, readings also reached a record high in Greece.

Chart A

Weather as a factor limiting construction activity in the euro area



Sources: European Commission and ECB calculations.
Notes: Share of construction firms citing weather as a factor limiting their activity; not seasonally adjusted. The historical mean and the 5th-95th percentile range are computed for each calendar month over the period 1991-2025. The latest observations are for September 2026.

Historical evidence suggests that the impact of this summer's unusually high weather-related constraints on construction output is likely to be small and temporary. To quantify this impact, the relationship between weather-related constraints and construction output is estimated using monthly data for three construction subsectors in the 11 euro area countries for which production data by subsector are available, over the period 1995-2026.[4] Weather disruption is measured as the deviation of the survey share from its average for the same calendar month, thereby removing normal seasonal patterns. The estimates suggest that a 1 percentage point increase in the share of firms reporting weather constraints relative to historical levels for that time of year is associated with construction output being around 0.05% lower in the same month. The estimated effect is short-lived, with output recovering in the following month, consistent with postponed work being made up rather than permanently lost. Applying these estimates to this summer's readings suggests that weather disruption lowered construction output by around 0.2% in July, 0.3% in August and 0.1% in September, with the estimated effect unwinding thereafter (Chart B).[5] These figures refer to the estimated impact of the

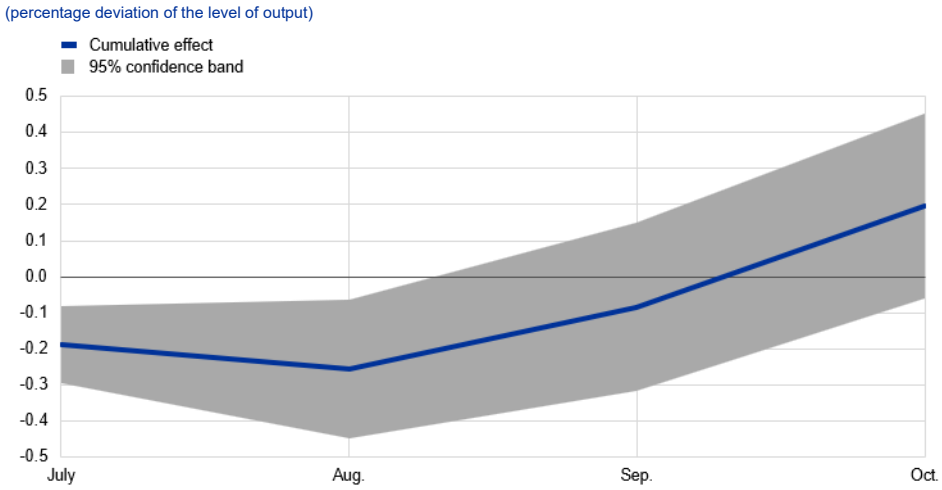
[4] The estimation uses local projections (Jordà, 2005) of the log of construction output for the weather-related constraint, measured as its deviation from the calendar-month mean, pooling buildings, civil engineering and specialised construction activities in Austria, Belgium, Croatia, Finland, France, Germany, the Netherlands, Portugal, Slovakia, Slovenia and Spain. Italy and Greece are not included, as monthly production data broken down by construction subsector are not available for these countries. The specification includes three lags of the weather variable, two lags of output growth, and country-sector and time (year-month) fixed effects, with standard errors clustered by month. The survey data for Spain are adjusted for a level break in early 2025. The subsector coefficients, which do not differ significantly from one another, are aggregated using Eurostat 2021 production weights.

[5] Euro area construction output rose by 1.8% in August, after remaining broadly unchanged in July and declining by 1.6% in June. Overall, the estimated weather-related effects in July and August are small relative to the usual month-to-month volatility in construction output.

weather alone, with actual monthly outturns also reflecting other factors. Overall, they imply only a limited drag on construction output in the third quarter as a whole, followed by a corresponding rebound in the fourth quarter, and hence a negligible effect on general economic activity.

Chart B

Estimated effect of the summer 2026 weather disruption on euro area construction output



Sources: European Commission, Eurostat and ECB calculations.
Notes: Combined cumulative response of construction output to the weather anomalies observed in July, August and September 2026, based on local projections estimated on a panel of 31 country-sector pairs in 11 euro area countries over the period 1995-2026, with country-sector and time (year-month) fixed effects. The shaded area denotes the 95% confidence band.

There is, however, considerable uncertainty around the estimated impact of extreme summer heat. The estimates are based mainly on episodes of weather disruption in the colder months of the year, which account for around 70% of large disruptions in the sample, and the response to extreme heat may differ from cold-weather disruption.[6] Moreover, the stricter heat-related health and safety rules introduced in several countries in recent years post-date most of the estimation sample and could make construction activity more sensitive to high temperatures than in the past. Conversely, firms may partly attribute weaker activity to the weather even when other factors are also at play, in which case the estimates could overstate its effects. Irrespective of this, the estimates only capture short-term disruptions. However, if extreme heat becomes more frequent or more prolonged, postponed work may become harder to make up, while recurring restrictions on working hours and the costs of adapting to them could weigh more persistently on construction activity. Extreme heat may also affect economic activity more broadly over longer horizons.[7]

6 Large disruptions are defined as months in which the share of firms reporting weather constraints exceeds the calendar-month average by more than 5 percentage points; around 70% occur between October and April and less than one-fifth between June and August. The estimated effect for the summer months is similar to that for the rest of the year, but it is less precisely estimated.

7 For evidence of persistent output effects from summer heatwaves more generally, see Usman et al. (2025). Their analysis uses annual regional data covering the whole economy and considers medium-term effects through broader macroeconomic channels, including potential effects through regional population and productivity, rather than the temporary production losses considered here.

Overall, the evidence suggests that this summer's extreme weather caused unusually widespread disruption to construction activity, but that its effect on output is likely to have been small and largely temporary. Weather-related weakness in construction data for the third quarter should therefore not necessarily be interpreted as signalling weaker underlying momentum. With extreme summer heat projected to become more frequent and longer-lasting, survey information on weather-related constraints can provide a timely indication of temporary weather effects and help distinguish them from underlying developments in construction activity.

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3 What share of public services employment is contributed by the private sector?

Prepared by Afonso S. Moura

Public services have been a notable contributor to aggregate employment growth in the euro area in recent years. Since the COVID-19 pandemic employment has grown faster in the public services sector than most others, increasing this sector's share in overall euro area employment. By the end of 2025 its share was around 0.8 percentage points higher than in 2019 and almost as high as when it peaked in 2021.[1,2] Over the last three years public services have contributed disproportionally to employment growth in the euro area, accounting for more than one-third, despite representing less than one-quarter of total workers (Chart A, panel a). This box analyses that contribution from two perspectives. First, it identifies health as the dominant driver within public services and argues that this reflects a structural trend. Second, it shows that a significant share of employment in public services, particularly in health and social work activities, is in fact provided by the non-public sector, as ageing demographics are fuelling demand for residential care and social work. The importance of the private sector in providing public services puts the increasing contribution of public services to employment growth – and the associated perception of a growing public sector – into perspective. At the same time many of the public services jobs in the private sector may be partly funded by the state, for example through social transfers in kind or long-term care insurance. Therefore the findings concern who employs these workers, rather than the overall fiscal footprint of public services.

1 See Consolo and Dias da Silva (2022) for a detailed characterisation of public services employment during the pandemic and other previous recessions.

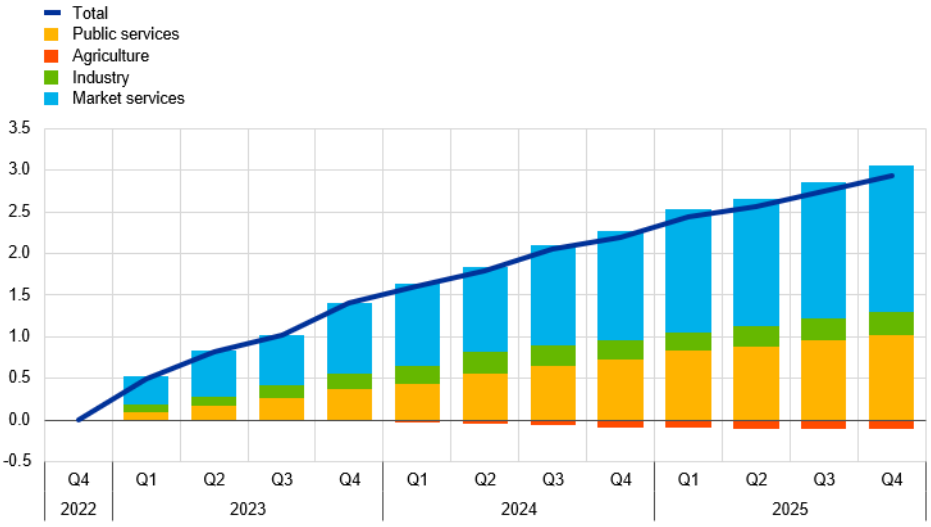
2 The 2021 peak was largely mechanical. While other sectors experienced significant declines in early 2020, public services employment held relatively steady, before returning to strong growth following the pandemic.

Chart A

Sectoral breakdown of employment growth

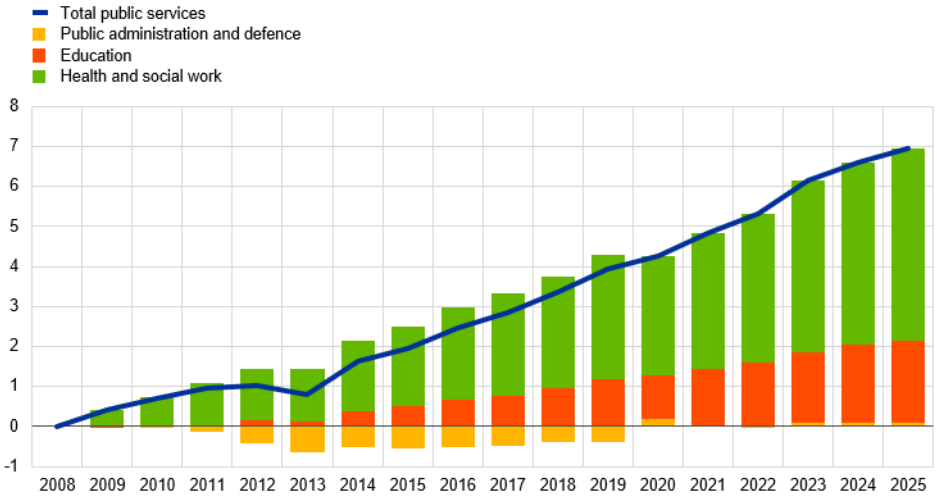
a) Total employment growth and sectoral contributions

(percentage changes in total, percentage point contributions by sector)



b) Total growth in public services workers and sectoral contributions

(millions of workers)



Sources: Eurostat, Eurostat's EU Labour Force Survey and ECB staff calculations.
Notes: Panel a) shows cumulative growth in total employment relative to the fourth quarter of 2022. Public services includes the NACE one-digit statistical classification for the sectors "human health and social work activities", "education" and "public administration and defence". "Market services" is defined as all other sectors not included in "public services", "agriculture" or "industry". Panel b) shows cumulative growth in total public services employment relative to 2008. Sectoral contributions follow the NACE one-digit classification.

Health has been the dominant driver of growth in public services employment, reflecting a structural trend rather than a cyclical factor. Within public services, the category "human health and social work activities" has been the largest contributor to employment growth in recent years. Its average annual growth of around 2% over the last three years is well above the 0.8% recorded for "public administration and defence" and 1.2% for "education". This is not a recent phenomenon. From 2008 to 2025, the number of workers employed in public services grew by around 6.9 million, of whom 4.8 million – nearly 70% – were

engaged in “human health and social work activities”.[3] “Education” contributed more modestly, while employment in “public administration and defence” remained virtually flat (Chart A, panel b). This trend was repeated across the OECD countries, in which employment in the health and social work sector grew at roughly twice the pace of the rest of the economy over a similar period and amounted to some 11% of total employment in 2023.[4]

It is far more common for health services to be privately provided than services in public administration or education. Public services are not necessarily publicly provided – a distinction that matters for how we interpret employment trends in the sector. Drawing on the ECB Consumer Expectations Survey, around 85% of respondents working in “education” or “public administration and defence” report having the public sector as their institutional employer (Chart B, panel a). This stands in sharp contrast with “human health and social work activities”, where fewer than 40% report working for a public employer (Chart B, panel b). Since these shares are relatively stable over time, they can be used to approximate the public sector contribution to overall growth in public services employment.[5] Applying the respective shares to each sub-sector, only around half of the 6.9 million public services jobs created since 2008 can be attributed to the public sector, with the remainder attributable to other types of providers (both private and non-profit making). Within health and social work alone, this suggests only around 1.9 million of the 4.8 million jobs created are likely to be on the public payroll. As many new jobs were on the payrolls of private and non-profit making entities, the number of public sector workers relative to total employment has broadly stabilised after falling from its 2021 peak. There is, however, significant variation across countries: the public sector share among those employed in human health and social work activities ranges from roughly 64% in Finland to around 30% in Germany and Belgium. This suggests that the share of the public sector in health-related employment growth varies considerably across the euro area.[6,7]

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3 Over the period 2008-19 the average annual growth rates for employment in health, education and public administration stood at around 1.8%, 1.0% and -0.3% respectively, confirming that the stronger employment growth in the health sector predates the pandemic.

4 See OECD (2025b) for the latest trends among OECD economies.

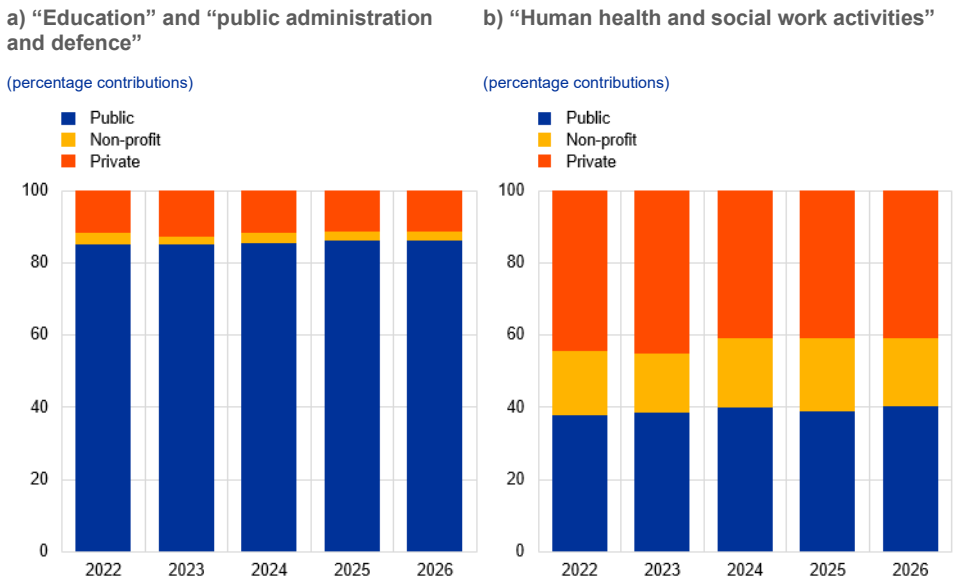
5 The questions on employer type were included in the ECB Consumer Expectations Survey from 2022 onwards. We compute the average public sector share within public services sub-sectors for the period 2022-26 and apply these shares to labour force survey employment data going back to 2008. It is worth noting that this exercise assumes that the public-private split for new jobs is similar to that of the existing stock of employment and that the mix of public and private provision has remained broadly unchanged since 2008.

6 The evidence for Finland is consistent with the high share of general government employment in Nordic countries, see OECD (2025a).

7 The country differences are also corroborated by expenditure data as broken down according to the Classification of the Functions of Government (COFOG). In Germany, for instance, health expenditure – comparable across countries as a share of GDP – relies predominantly on social transfers in kind rather than compensation of employees, which is consistent with hospitals being mainly market-based providers.

Chart B

Employer types – respondents to the ECB Consumer Expectations Survey



Sources: ECB Consumer Expectations Survey and ECB staff calculations.
Notes: Results are weighted to represent the full population rather than only the survey sample. The relevant survey question asks respondents: "In which sector do you currently work? If you have more than one job, please consider the job in which you work the most hours per week." This survey question is asked annually in the May topical module on the labour market.

Residential care and social work for the elderly and disabled have been growing considerably, reflecting an ageing society. Within the category "human health and social work activities", growth since 2008 has not been evenly spread. It has been more concentrated in residential care and social work, which gained over 2.6 million workers, than in human health, which covers more traditional areas of medical activity and gained around 2.1 million workers. Looking at the data in more detail – specifically at the three-digit NACE level – reveals that the bulk of the growth in residential care and social work is accounted for by activities directly connected with ageing – i.e. those activities related to care of the elderly and disabled (Chart C, panel a).[8] Cross-country evidence is broadly consistent with the finding that economies with larger increases in the share of the population aged 65 and above tend to record stronger employment growth in these activities (Chart C, panel b).[9] Ageing societies are therefore not only reshaping the demand for health services, but also seeing this increase, to a large extent, take place outside the public sector. Private providers are absorbing a large share of the demographically driven demand for these workers.

8 The elderly and disability-related care sectors are defined by the sum of the sub-sectors Q873 ("residential care for the elderly and disabled") and Q881 ("social work without accommodation for the elderly and disabled").

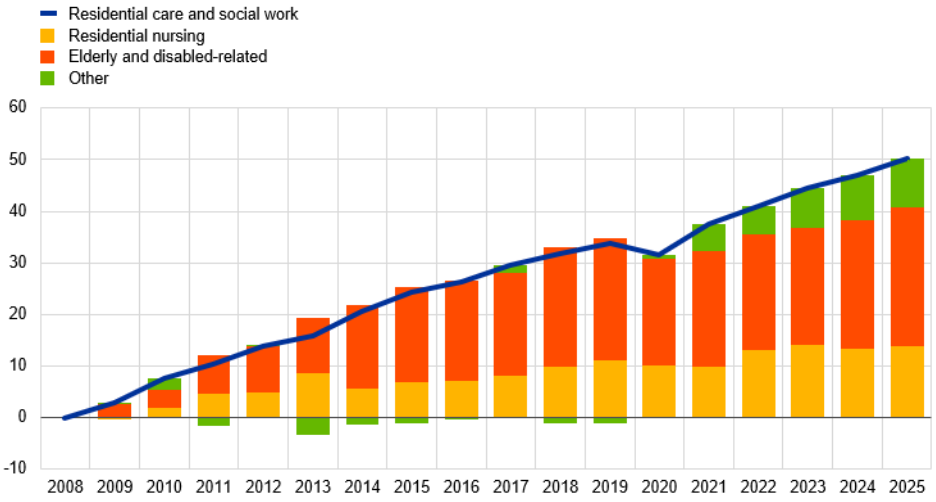
9 It is worth noting that this is a conservative characterisation, since societal ageing may also be partially driving employment growth in other health activities not included here.

Chart C

Employment related to elderly and disabled care

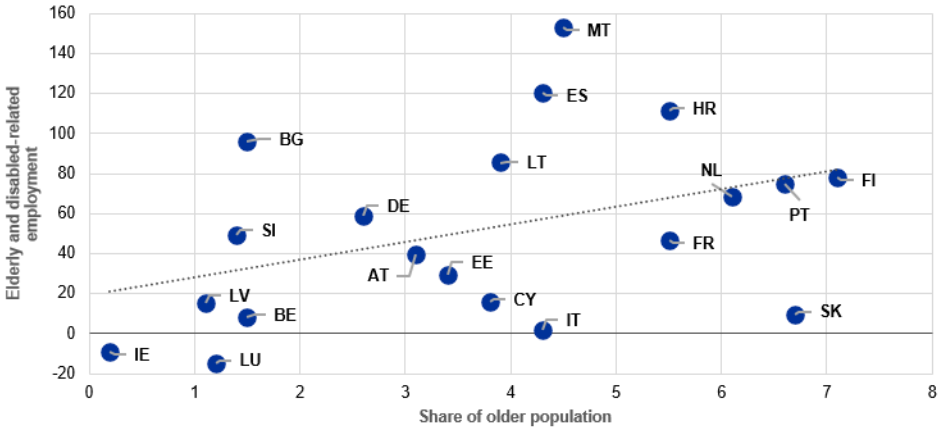
a) Residential care and social work employment growth and contributions

(percentage changes in total, percentage point contributions by sector)



b) Change in elderly and disabled care-related employment and share of older population

(x-axis: percentage points; y-axis: percentage change)



Sources: Eurostat, Eurostat's EU Labour Force Survey and ECB calculations.
Notes: Panel a) shows cumulative growth since 2008. As NACE three-digit statistical classification data are not available for some countries as of 2008, their contribution is allocated to "Other" when unavailable, effectively making the orange and yellow bars conservative estimates. In Panel b), changes are calculated from the first year for which elderly and disabled care-related employment information is available and up to 2025. The pattern holds when including only those countries with data available from 2008 onwards. "Share of older population" is defined as the percentage of the population that is aged 65 or older.

Societal ageing is driving lasting growth in public services employment, much of it outside the public sector. Not all employment in public services should be attributed to the public sector: a considerable share of the jobs created in health and social work – the main driver of the growth observed in public services employment – are, in fact, in the private sector. Taken together, only around half of the 6.9 million public services jobs created since 2008 can be directly attributed to the public sector. Moreover, the increase in this type of employment appears to be a long-run structural trend, closely linked to societal ageing, and one that is expected to continue.

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Consolo, A. and Dias da Silva, A. (2022), "The role of public employment during the COVID-19 crisis", *Economic Bulletin*, Issue 6, ECB.

OECD (2025a), "Government at a Glance 2025", OECD Publishing, Paris.

OECD (2025b), "Health at a Glance 2025", OECD Publishing, Paris.

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

Prepared by Davide Fantino, Alex Melemenidis, Richard Morris, Zsuzsanna Riedel and Moreno Roma

This box summarises the main findings from recent contacts between ECB staff and representatives of 64 leading non-financial companies operating in the euro area.[1] The exchanges mainly took place between 28 September and 7 October 2026.

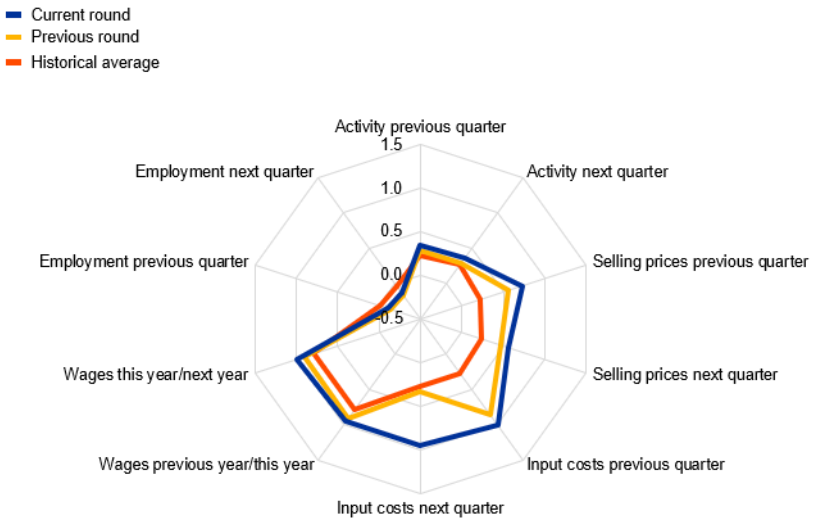
Reports from contacts pointed to ongoing moderate growth in activity in the third quarter and towards unchanged momentum in the fourth quarter (Chart A and Chart B). Activity in the manufacturing sector was uneven with a very strong rise in demand for high value-added electronics, electrical equipment and related machinery. Meanwhile, many other industries continued to struggle with low, flat or declining volumes amid intensifying import competition. Construction and real estate activity were also losing momentum. The hot and dry summer weighed on agricultural output and food production, but it increased the demand for air conditioning and thereby raised energy output. Retail trade and related transport services remained relatively subdued, but most other business and consumer services experienced good growth.

[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)

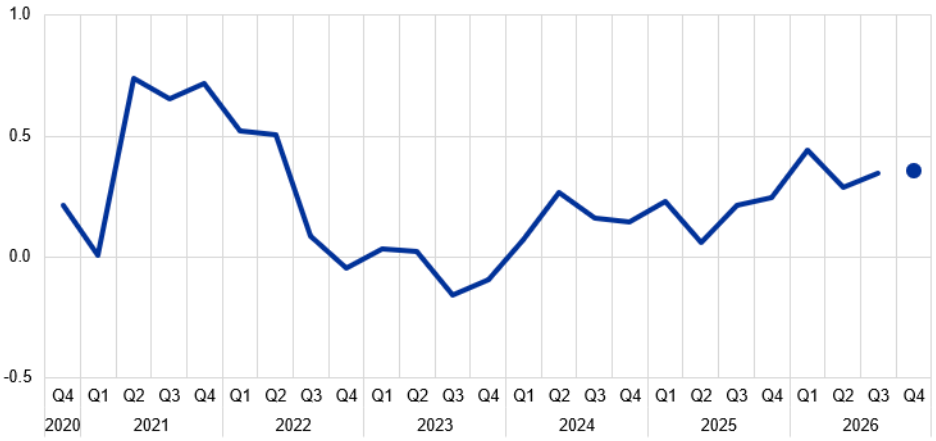


Source: ECB.
Notes: The scores reflect the average of scores given by ECB staff in their assessment of what contacts said about quarter-on-quarter developments in activity (sales, production and orders), input costs (material, energy, transport, etc.) and selling prices, and about year-on-year wage developments. 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 third and fourth quarters of 2026 respectively, while for the previous round these refer to the second and third 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.

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.

Contacts painted a mixed but still mostly subdued picture of consumer spending. Retailers continued to perceive consumers' price sensitivity and resulting downtrading as a major determinant of consumption dynamics, especially in Germany and France where consumer sentiment was particularly low. Contacts in –

or supplying – the consumer durable goods sector reported weak or falling demand for furniture and household appliances, attributed in part to subdued housing investment. However, they noted rising demand for consumer electronics (in anticipation of rising prices) and passenger cars. In the case of passenger cars, this was reflected in surging demand for battery electric vehicles owing to high fuel prices and rapidly growing purchases of hybrid vehicles imported from China. Growth in spending on consumer services was said to be relatively robust, especially for digital services (mobile data etc.). Despite being negatively affected by the conflict in the Middle East, tourism-related spending was proving resilient as destinations in the euro area benefited from the diversion of tourism away from destinations closer to conflict areas.

Growth in business investment and spending was increasingly driven by AI, electrification, defence and aerospace, although activity and investment in many sectors remained subdued. Contacts in the software and IT consulting industries reported ongoing, exceptional growth as customers accelerated their digital transformation, modernised legacy infrastructure, adopted cloud solutions and increasingly integrated AI into their processes. Such demand was particularly strong in the public, defence, health, life sciences, technology and utility sectors. Geopolitical independence was an important consideration with firms increasingly seeking to keep data within sovereign frameworks. Euro area engineering exports were already benefiting from the global data centre construction boom and data centre construction was also gathering pace in the euro area. Geopolitical concerns underpinned surging demand for defence and aerospace equipment, while high oil and gas prices, as well as data centre construction, were generating increasing demand for renewable energy infrastructure. Activity and investment in the steel industry was starting to benefit from recent policy changes – most notably, the application of stricter import quotas and tariffs since 1 July 2026. However, other process industries, such as food, chemicals, textiles, pulp and paper, continued to face weak demand amid high energy, labour and regulatory costs and intense international competition, causing them to scale back investment. Concerns about rising government bond yields and upcoming elections in some countries also weighed on the business outlook.

Employment dynamics remained subdued. On balance, contacts reported declining headcounts in both the manufacturing sector and, albeit to a lesser extent, the services sector. Reductions in employment remained strong in manufacturing industries undergoing structural cost-cutting to regain international competitiveness. However, this was partly offset by growth in sectors such as IT, aerospace, defence and energy, as well as in firms supplying those sectors. In services, many contacts reported a stable employment outlook as a rise in demand could be met through productivity gains, with AI increasingly cited as a facilitator. Meanwhile, recruitment agencies pointed to moderating declines or modest increases in staffing, although this was mainly driven by temporary placements rather than permanent hiring.

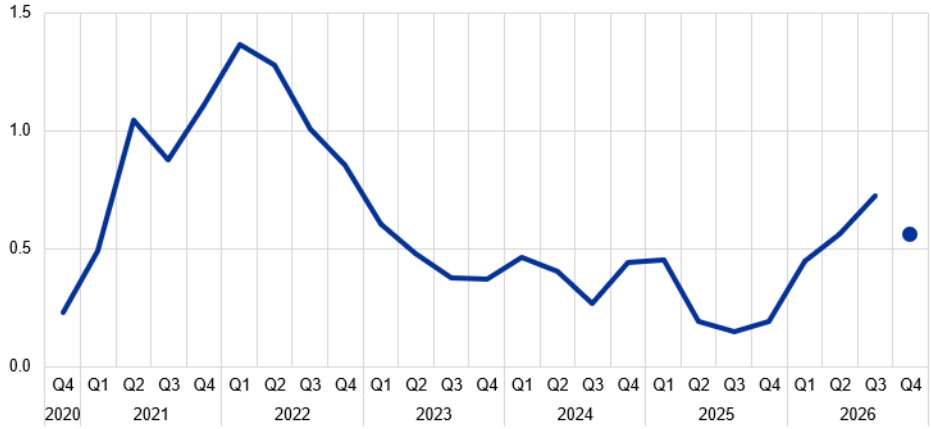
Contacts reported stronger increases in selling prices in the third quarter, amid higher than anticipated cost pressures, with some moderation expected in the fourth quarter (Chart C). Strong price increases were observed in energy

and transport and logistics owing to the elevated price of oil and gas products resulting from the ongoing conflict in the Middle East. Strong price increases were also seen in much of the capital goods sector, partly reflecting strong demand and partly reflecting the surging prices of memory chips caused by the AI boom and related data centre construction. Despite stronger aggregate price dynamics than anticipated a few months ago, the pass-through of cost increases resulting from the conflict in the Middle East was becoming increasingly challenging, with costs rising further or remaining elevated as hedges expired and contracts were renewed. This pass-through was particularly difficult – and more limited – in consumer-facing sectors. Around 90% of contacts from consumer-facing firms said that the pass-through to selling prices was only partial or limited, compared with less than half of those from business-facing firms (Chart D). The main reasons were cited as weak demand and competitiveness pressures. Consistent with this, selling price growth was expected to moderate somewhat in the coming months. However, contacts expected that cost pressure would continue to be felt by many into 2027 as hedges would continue to expire, agricultural commodity prices would rise and supplier price increases would continue to feed through.

Chart C

Views on developments in and the outlook for prices

(averages of ECB staff scores)

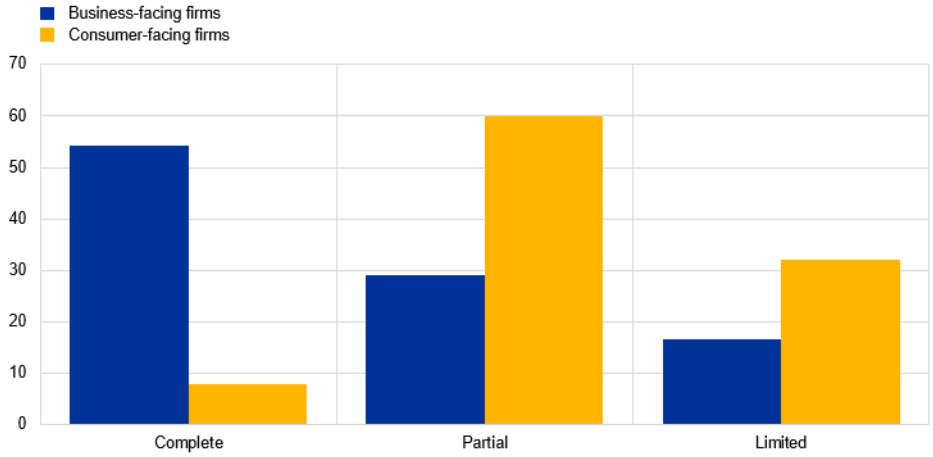


Source: ECB.
Notes: The scores reflect the average of scores given by ECB staff in their assessment of what contacts said about quarter-on-quarter developments in selling prices. Scores range from -2 (significant decrease) to +2 (significant increase). A score of 0 denotes no change. The dot refers to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

Chart D

Assessment of the pass-through of higher costs resulting from the Middle East conflict to selling prices

(percentage of responses)



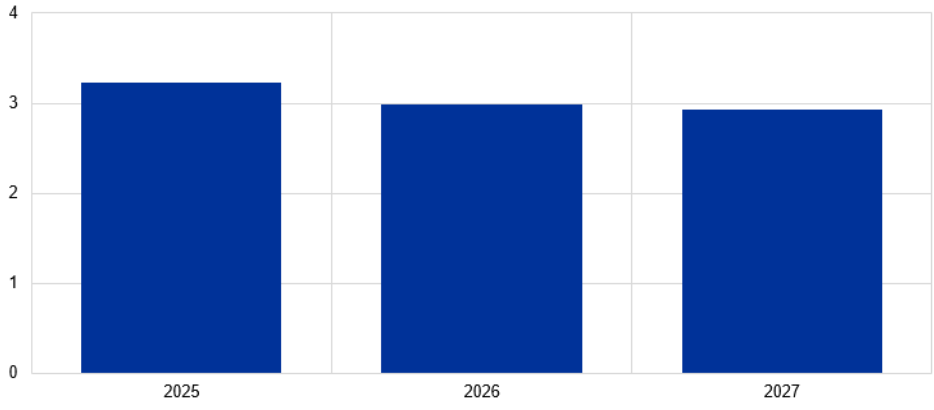
Source: ECB.

Expectations for decelerating wage growth have moderated somewhat (Chart E). On average, the quantitative indications provided by contacts imply that wage growth is expected to slow from 3.2% in 2025 to 3.0% in 2026 and 2.9% in 2027. This is a milder deceleration than in previous survey rounds. Consistent with this, around 40% of contacts thought that the uptick in inflation caused by the conflict in the Middle East would result – or risked resulting in – higher wage demands (up from 20% during the previous survey round). Most, however, still did not anticipate any notable impact on wage growth, citing the subdued economic conditions and employment outlook.

Chart E

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 50, 55 and 51 respondents respectively.

Contacts had been negatively surprised by the duration of the conflict in the Middle East but positively surprised by how firms had adapted to it. This round, we asked our contacts how they assessed the impact of the conflict in the Middle East on business conditions in their sector and how this compared with their expectations at the onset of the conflict. Around 40% said that activity in their sector had decreased as a consequence, while 20% said it had increased. Most, however, emphasised the impact on costs with almost 80% saying that costs had risen. Views were rather equally split between those saying that the impact on their business had been "worse than" or "better than" expected. Those that thought the impact had been worse than expected tended to point to the duration of the conflict, which contrasted with prior expectations for a more rapid resolution. Those that thought the impact had been better than expected instead pointed to the surprising resilience and adaptability of businesses and their supply chains. Some attributed this to what firms had learned and how they had adapted, as well as the information systems they had put in place, following a series of shocks (tariffs, pandemic and war) over the past decade.

References

Elding, C., Morris, R. and Slavík, M. (2021), "The ECB's dialogue with non-financial companies", *Economic Bulletin*, Issue 1, ECB.

5 The role of refining costs and margins in HICP energy inflation

Prepared by Filippo Durero, Umberto Maglione, Ana-Simona Manu, Aidan Meyler, Mario Porqueddu, Tito Quadri and Ieva Rubene

The conflict in the Middle East is continuing to shape energy prices amid significant uncertainty. Brent front-month crude oil prices increased to above USD 110 per barrel at the end of October, close to 60% above pre-conflict levels. As pressures on crude oil prices and their volatility remain elevated, shortages originating from the Middle East, coupled with outages in Russia, have also strained global refinery operations and the supply of refined products, pushing up consumer prices.

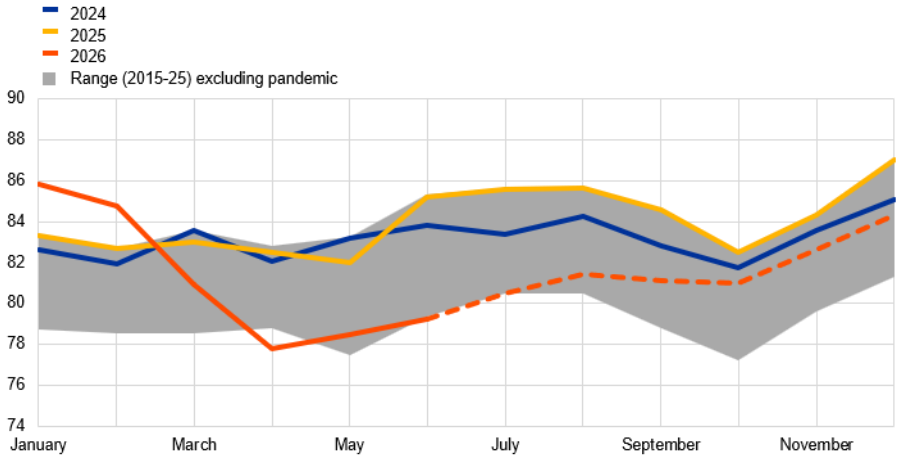
Global refinery runs have fallen sharply compared with previous years, driven by reduced refinery activity in the Middle East, Russia and Asia (Chart A, panels a and b). Middle Eastern refineries were affected by reduced export capacity on account of the closure of the Strait of Hormuz, while Asian refineries reliant on Gulf crude oil have struggled with costly substitutions. China also curbed fuel exports as of March to safeguard domestic fuel supply, with significant cuts continuing until the end of June. However, the restrictions were eased temporarily in July and August. Russian refining capacity has also declined recently following a wave of Ukrainian attacks on energy infrastructure. In response, Russia extended its diesel and petrol export bans until the end of January 2027. For fuel producers, the diesel export ban remained in effect until 31 October 2026, although it was partially eased from 10 October following a supply agreement with the United States. As a result, seaborne diesel imports into the EU were down 56% and petrol imports down 52% at the end of September compared to pre-conflict levels amid limited substitution availability from other countries (Chart A, panel c).

Chart A

Developments in global refinery runs and EU seaborne imports of diesel products

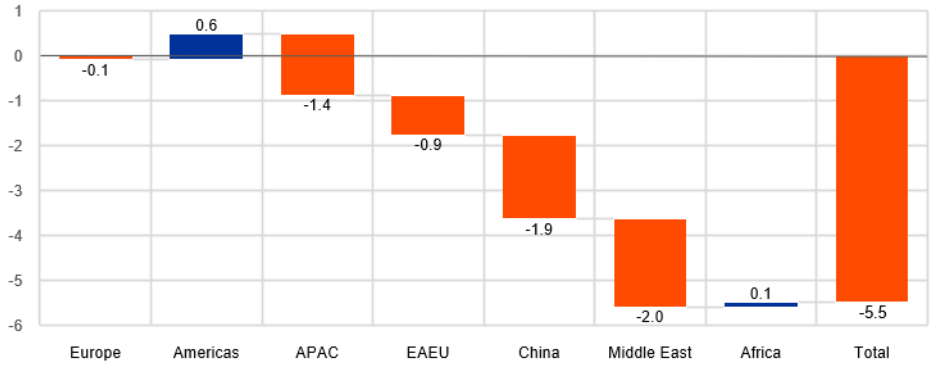
a) Global refinery runs

(million barrels per day)



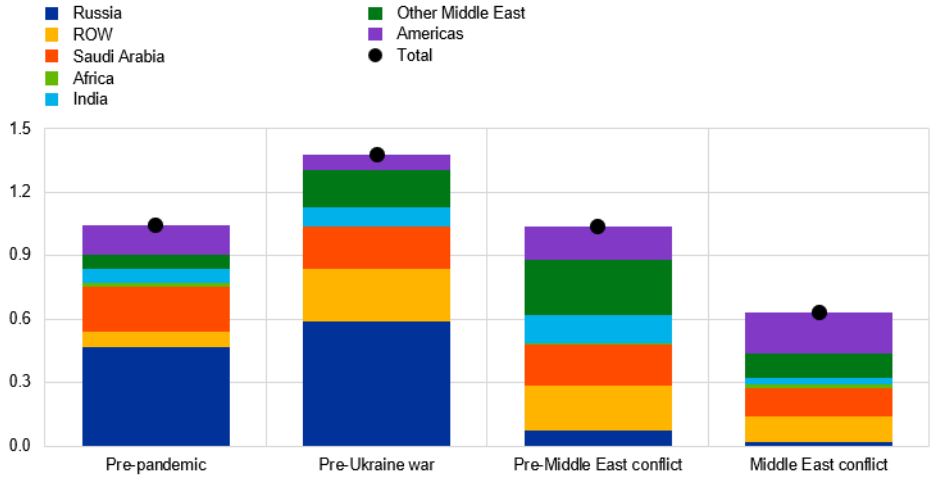
b) Total decline in refinery runs since the end of 2025

(change between 2025 and May 2026, million barrels per day)



c) EU seaborne diesel imports by country of origin

(million barrels per day)



Sources: Bloomberg, International Energy Agency (IEA), LSEG, ECB and ECB staff calculations.
Notes: In panel a), the dashed line represents IEA forecasts; "Range (2015-2025) excluding pandemic" excludes the period from March 2020 to December 2021. In panel b), "APAC" is the Asia-Pacific region excluding China, the Middle East and the EAEU; "EAEU" is the Eurasian Economic Union (Russia and other central Asian countries, according to IEA classifications). In panel c), "ROW" is the rest of the world; "Other Middle East" is the Middle East excluding Saudi Arabia; "Pre-pandemic" refers to the period from 1 January 2018 to 21 February 2020; "Pre-Ukraine war" refers to the period from 21 February 2020 to 24 February 2022; "Pre-Middle East conflict" refers to the period from 5 February 2023 (start of EU embargo) to 28 February 2026; "Middle East conflict" refers to the period since 28 February 2026. The latest observations are for July 2026 (monthly data) for panels a) and b), and 30 September 2026 (daily data) for panel c).

The constrained supply of crude oil and refined products has led to a persistent increase in refining margins and costs globally, particularly for diesel (Chart B, panel a). This phenomenon underscores the interconnected nature of liquid fuel markets, where disruptions in one region, such as the Middle East or Russia, have ripple effects across the globe. Elevated diesel refining margins (crack spreads), which surged to around three times pre-Middle East conflict levels in Europe, reflect the tightness of global supply and the inability of regional markets to fully insulate themselves from external shocks (Chart B, panel b).[1] Petrol refining margins, also increased until September, but weakened sharply in October (Chart B, panel c).

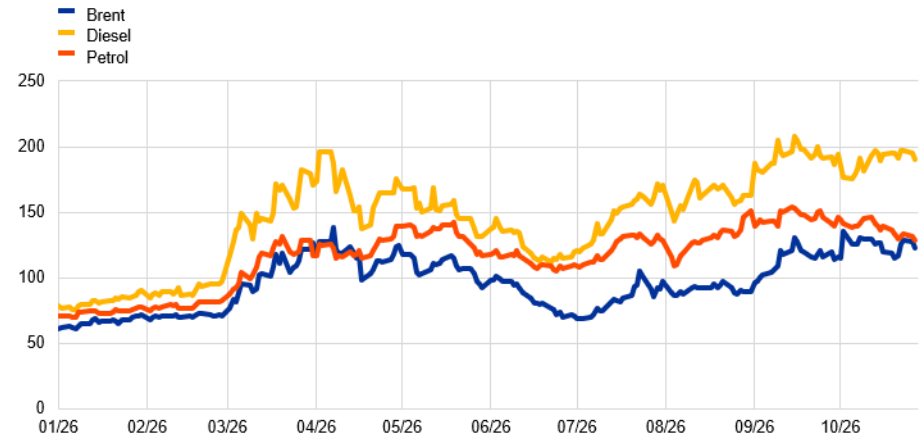
[1] In this box, the terms "refining margins", "refining costs and margins" and "crack spreads" are used interchangeably. Refining margins are calculated as the difference between the price of the refined product and the price of crude oil. This includes costs which occur in the production of the refined product, such as insurance, transport and labour costs, as well as a mark-up over the cost of production.

Chart B

Recent international developments in crude oil and refined product prices and in refining costs and margins

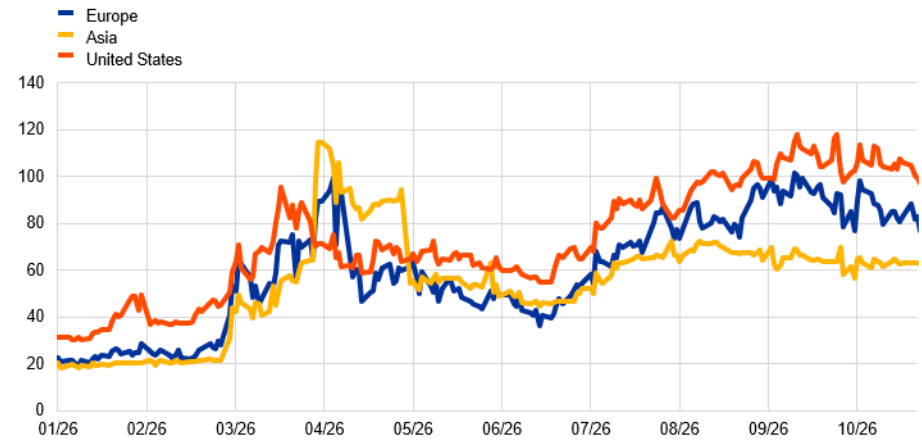
a) Brent crude and refined petrol and diesel prices in Europe

(USD per barrel)



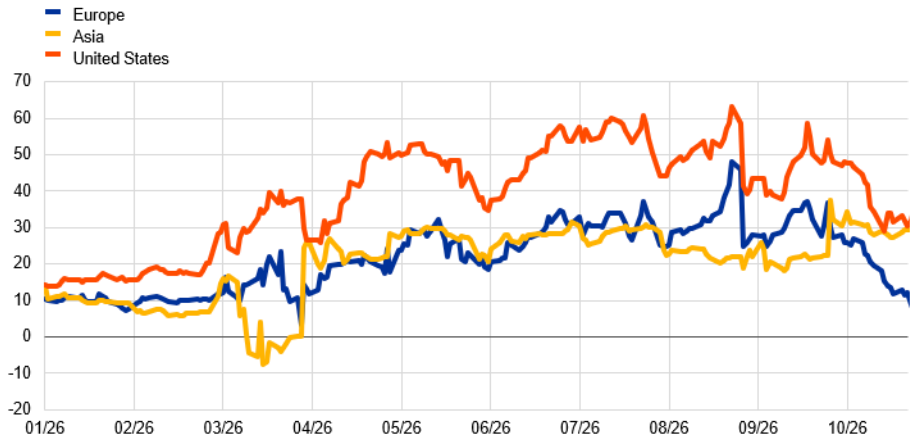
b) Diesel refining costs and margins (crack spreads)

(USD per barrel)



c) Petrol refining costs and margins (crack spreads)

(USD per barrel)



Sources: Bloomberg, LSEG, ECB and ECB staff calculations.
Notes: In panel a), all series represent physical/spot prices. Panels b) and c) show diesel and petrol/gasoline refining margins, calculated as product prices minus the regional crude benchmark. All series use the nearest available futures contract. European spreads use ARA ultra-low-sulphur gasoil and Eurobob gasoline against Brent crude. Asian spreads use Singapore 10 ppm gasoil and 92 RON gasoline against Dubai crude. US spreads use New York Harbor ULSD and RBOB gasoline against West Texas Intermediate (WTI) crude. The latest observations are for 28 October 2026.

In addition to some structural shifts, refining margins in the euro area, measured in real terms, have been elevated and volatile since 2020 (Chart C, panel a). Margins fell in 2020 during the COVID-19 pandemic, rebounded strongly following Russia's full-scale invasion of Ukraine, peaked in early 2023, and eased back towards pre-pandemic levels in the second half of 2024. Margins have surged again since the start of the Middle East conflict. This heightened volatility follows a gradual increase in refining margins over the past two decades, driven by structural shifts in the sector.[2] Historically, margin spikes have been short-lived, as they create incentives to adjust the supply-demand balance as well as the product mix of refineries. The current disruption may be harder and slower to correct.

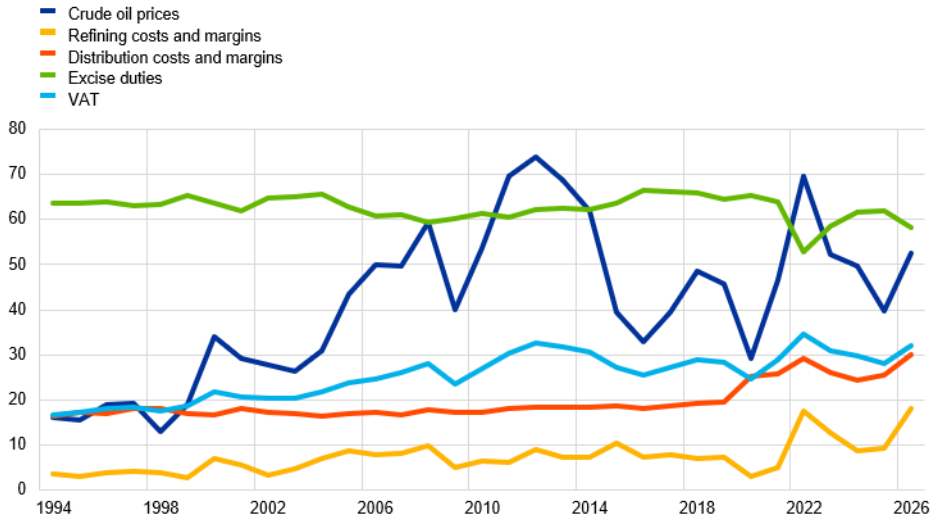
2 Refining margins have increased in nominal terms over time. After having been very low at around USD 4 per barrel for both petrol and diesel until 2003, margins increased as global refining markets became tighter with the emerging demand from China and averaged around USD 10 per barrel from 2004 to 2021 (with levels typically being slightly higher for diesel than for petrol). Since Russia's invasion of Ukraine, margins have averaged around USD 14 per barrel for petrol and USD 28 per barrel for diesel.

Chart C

Developments in prices of liquid fuels for transport and heating

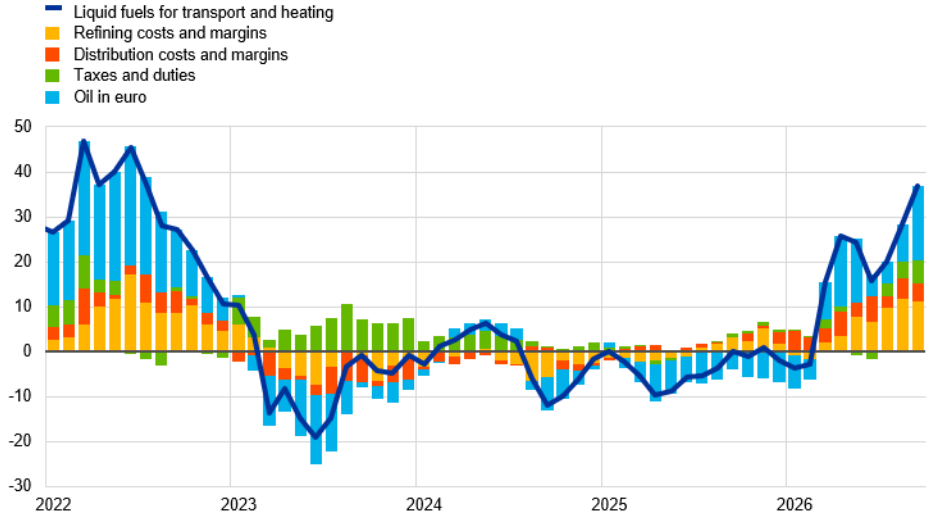
a) Components of liquid fuel prices in real terms

(2026 euro cent per litre)



b) Decomposition of price inflation for liquid fuels

(annual percentage changes, percentage point contributions)



Sources: Eurostat, LSEG, European Commission (Weekly Oil Bulletin, WOB) and ECB staff calculations.
Notes: Liquid fuel prices are calculated as a weighted average of transport (diesel and petrol) and heating oil prices using HICP weights. Panel a): The individual components are shown in 2026 euro cent per litre deflated by HICP inflation. Data for 2026 refer to the year up to 28 October 2026. Panel b): The latest observations are for September 2026.

There have also been changes in the dynamics of distribution costs and margins and the tax component of liquid fuel prices since the pandemic and since Russia's invasion of Ukraine. Distribution costs and margins rose in 2020 in real terms (perhaps as integrated oil companies sought to offset the decline in sales volumes and refining margins) but have co-moved with refining margins since 2022 and remain at a higher level than before the pandemic. Since 2022, changes in excise duties have partly offset these movements. Having been broadly stable in real terms until 2022, excise duties were reduced in 2022 and 2023. In 2026, the

reductions in excise duties, reflecting fiscal measures to curb energy price increases, have been small compared with the rises in crude oil prices and refining and distribution margins.[3]

For consumer prices, changes in refining margins have occasionally been almost as important as developments in crude oil prices, particularly during energy crises (Chart C, panel b). Since the end of February 2026, refining margins have substantially increased, pushing up the rate of inflation for liquid fuels for transport and heating.[4] Given their importance for HICP inflation, it is useful to capture these dynamics in forecasting models. A real-time forecast evaluation using the ECB's short-term inflation projection (STIP) energy model suggests that using financial futures to forecast prices for liquid fuels for transport and heating in the euro area results in small improvements, particularly at horizons of 3 to 11 months over the full sample and one month ahead in the pre-pandemic period (until 2019).[5] The benefits are less evident during the high-inflation period, when futures prices generally underpredicted subsequent price developments.

The STIP energy model shows that refining margins can significantly affect energy inflation. The model was run using two sets of data and assumptions: first using the assumptions for crude oil, gas and refined diesel and petrol based on the cut-off date for the June 2026 Eurosystem staff macroeconomic projections (21 May); and second using the new data outcomes and the same set of assumptions based on the cut-off date for the September 2026 ECB staff macroeconomic projections (19 August). In both cases, futures for refined product prices from the financial markets were used to inform the outlook. Despite lower oil price assumptions, the September-based forecast yields higher energy inflation, largely because of higher refining costs and margins (Chart D, panels a and b).

3 As value added tax (VAT) is levied in percentage terms, the VAT component in euro cent per litre will vary with the sum of the other components (crude oil prices, refining and distribution margins, and excise duties), even if the VAT rate is constant.

4 See Kuik et al. (2026). For a similar decomposition in 2022, see Kuik et al. (2022).

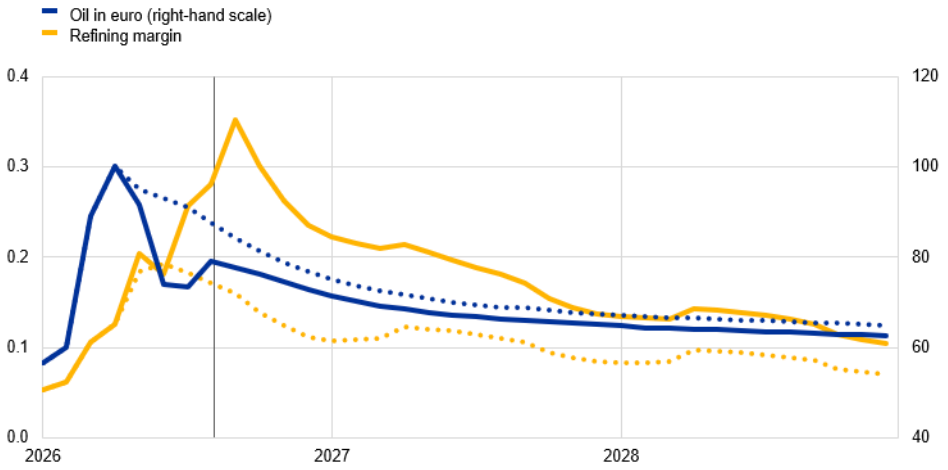
5 The STIP energy model used for the evaluation is described in Bańbura et al. (2025).

Chart D

Potential role of refining margins in the HICP energy outlook

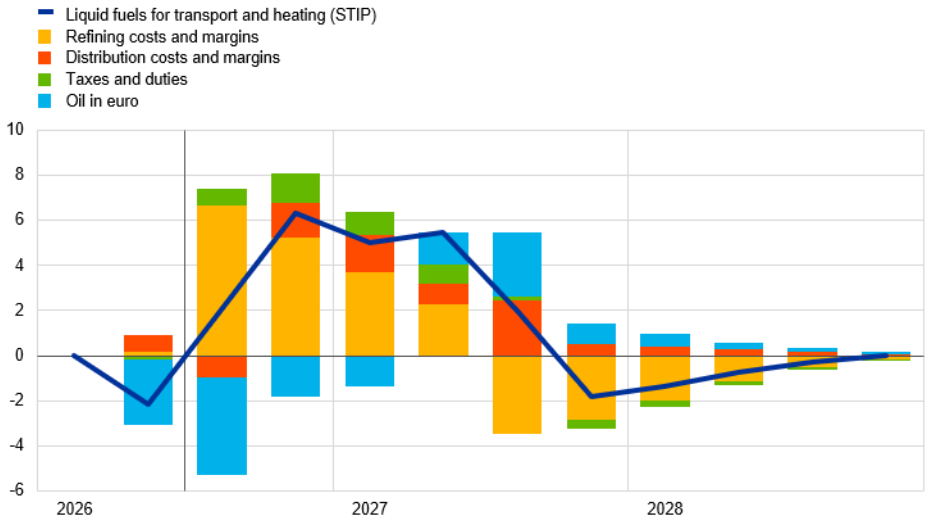
a) Assumptions for the STIP energy model

(left-hand scale: euro per litre; right-hand scale: euro per barrel)



b) Revision of inflation forecasts from the STIP energy model for liquid fuels for transport and heating: impact of data and changes in assumptions between the June and September 2026 staff projections

(percentage points)



Sources: Eurostat, LSEG, European Commission (WOB) and ECB staff calculations.
Notes: Panel a) compares assumptions based on the cut-off date for the September 2026 projections (19 August, solid lines) and the cut-off date for the June 2026 projections (21 May, dotted lines). Panel b) shows the revision of the forecast annual rate of change between the two cut-off dates. The solid vertical line in the two panels indicates the latest available observation for the September 2026 projections.

These findings explain why ECB and Eurosystem staff closely monitor the price trajectories of refined diesel and petrol in their projections. Specifically, financial futures for refined petrol and diesel prices have been used to inform the projections since the start of the conflict in the Middle East to ensure that they are based on all relevant information needed for a proper assessment of the inflation outlook and risks going forward.

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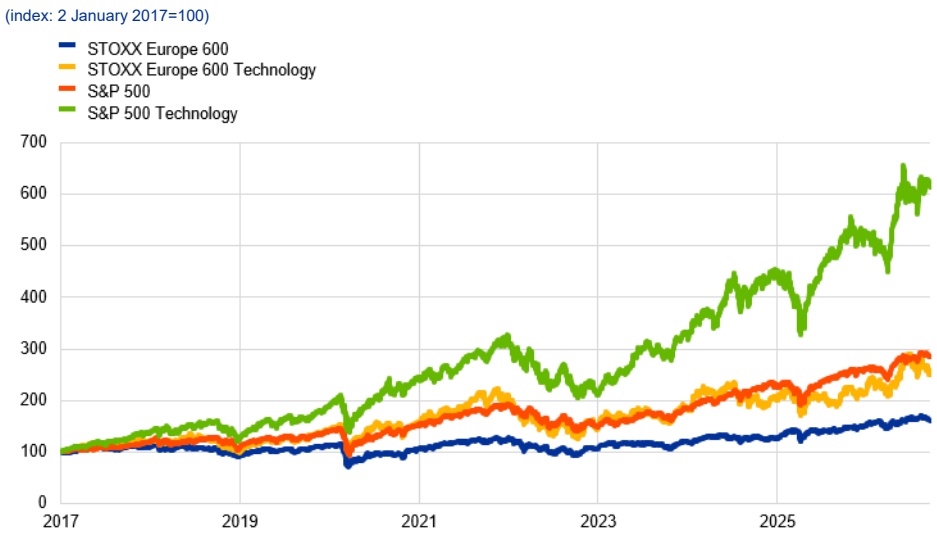
6 Artificial intelligence and European firms: the cost of market-based financing

Prepared by Irene Ferrari, Sofia Gori, Johannes Groß, Fabian Schupp and Sigurd Steffensen

Artificial intelligence (AI) has been the dominant theme in global financial markets since late 2022, with equities in the technology sector outperforming substantially (Chart A). This outperformance has been especially striking in the United States, led by a small group of hyperscalers, and is evident among European firms that occupy upstream positions in the global AI infrastructure buildout. However, AI's influence on markets extends beyond a narrow set of infrastructure providers and stretches further back in time. Many firms integrate AI into their businesses, either by developing AI-enhanced products or by adopting AI-enabled processes that improve productivity.[1] This box therefore introduces a new firm-level measure of AI exposure derived from AI-related discussions in earnings call transcripts. It uses this measure to examine how the AI exposure of European firms is reflected in their equity returns and corporate bond spreads.[2]

Chart A

Performance of the STOXX Europe 600 and S&P 500 and their technology subsectors



Sources: LSEG and European Central Bank (ECB) calculations.
Notes: The chart shows the levels of European and US benchmark equity indices and their technology subsectors over time. The latest observations are for 15 September 2026.

Firms are classified as AI-exposed when their earnings calls link AI to infrastructure provision, product development, or improvements in business

1 See, for example, Acemoglu and Restrepo (2020) and Babina et al. (2024).

2 Earnings calls have previously been used to measure the AI exposure of US firms (see Ca' Zorzi et al., 2025).

processes and productivity.[3] These criteria are applied across STOXX Europe 600 constituents, identifying not only firms that supply AI technology but also firms across all sectors that embed AI in their products and operations. The approach also captures the evolving nature of AI: as the technology matures and diffuses across sectors, firms' disclosures shift accordingly, allowing a measure grounded in contemporaneous statements to track this evolution. This is valuable given the reliance of analysis on timely identification of AI-related news. Accordingly, AI exposure is measured quarterly from 2017 onwards and treated as time-varying, allowing the analysis to control for firm heterogeneity and sector-specific time variation.[4]

The share of AI-exposed firms has risen markedly since 2022, with AI predominantly mentioned in earnings calls as a source of product innovation and growth (Chart B). 75% of earnings calls mentioning AI refer to product innovation or growth opportunities from an AI-enhanced product offering, while 50% discuss AI-related productivity gains, with some mentioning both. There is clear heterogeneity across sectors and over time: IT firms mentioned AI-related product innovation as far back as 2017, whereas firms in other sectors mainly started to refer to productivity improvements resulting from AI after the launch of ChatGPT in late 2022. This is consistent with the findings of the ECB's Survey on the Access to Finance of Enterprises in the euro area in June and December 2025, which show more innovation-oriented cases of AI use in the IT sector and greater emphasis on cost reduction in manufacturing, construction, trade and other services.[5]

3 This approach builds on Ferrari et al. (2026). Their prompt allows multi-label classification, anchors AI definitions to the time of each call, and provides a rationale for each flag, aiding interpretability and improving decision quality. Since firms may have an incentive to influence analysts' perceptions when discussing their AI usage on earnings calls, the model guards against "AI washing" by excluding vague statements that are not explicitly linked to performance.

4 The measure correlates strongly with an established sector-level classification provided by Calvino et al. (2024), which combines indicators of AI human capital, AI innovation, barrier-adjusted exposure and AI use.

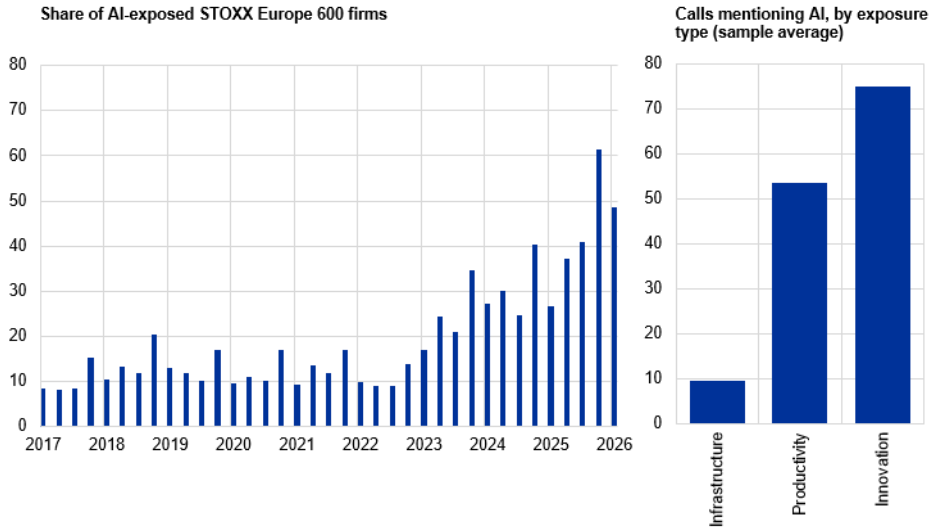
5 See Ferrando et al. (2026). Related ECB survey evidence also points to a rapid but uneven diffusion of AI, with around three-quarters of large euro area firms surveyed in 2024 reporting the use of AI in their business operations (Bergeaud et al., 2025). Complementary evidence from the ECB Consumer Expectations Survey shows that the share of workers reporting AI use at work roughly doubled between 2024 and 2026, with substantial heterogeneity across occupations and worker characteristics (Dias da Silva et al., 2026).

Chart B

Share of AI-exposed STOXX Europe 600 firms and breakdown by AI exposure type

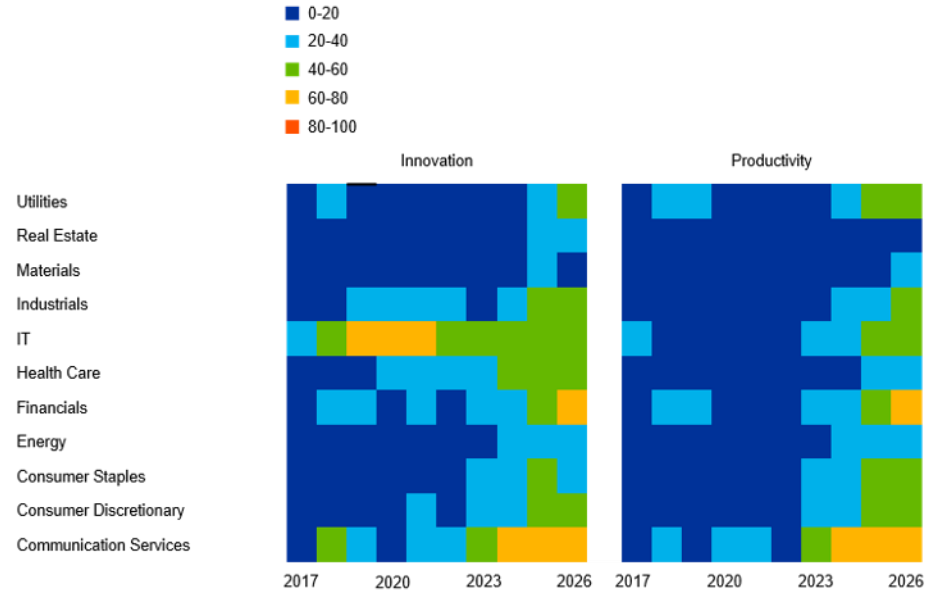
a) Overall share

(percentages)



b) Share by innovation and productivity exposure

(percentages)



Sources: LSEG and ECB calculations.
Notes: The sample includes all STOXX Europe 600 firms and spans from the first quarter of 2017 to the second quarter of 2026. Panel a): quarterly share of earnings calls in which AI is mentioned (left-hand side) and breakdown of earnings calls mentioning AI by exposure type over the sample period (right-hand-side). Panel b): annual share of firms in each Global Industry Classification Standard sector mentioning innovation exposure (left-hand side) and productivity exposure (right-hand side). The 2026 annual share is approximated using the shares for the first and second quarters. The latest observations are for the second quarter of 2026.

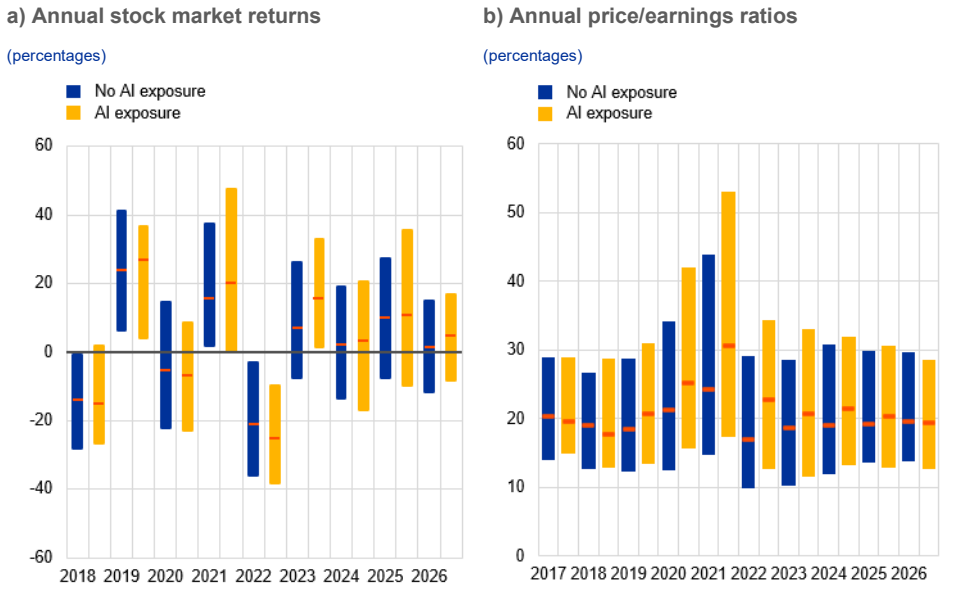
Whether AI exposure raises or lowers firms' financing costs is theoretically ambiguous. AI adoption may boost expected cash flows, lifting equity valuations and reducing perceived credit risk, but only if investors believe that firms are genuinely advancing, and not merely making unsubstantiated claims. On the debt side, AI adoption often requires substantial upfront capital investment concentrated

in intangible assets with limited collateral value, potentially raising financing costs. Since these mechanisms operate simultaneously, the analysis examines whether AI exposure is systematically associated with different equity returns and bond financing costs than those faced by firms not exposed to AI.

Panel regression evidence points to an equity return premium of around 1.3 percentage points per quarter for AI-exposed firms (Chart C).[6] Quarterly stock returns are regressed on AI exposure flags, controlling for firm-level characteristics, earnings surprises, firm and sector-quarter fixed effects, and sector-specific time trends. This ensures that AI-exposed firms are compared with non-exposed firms in the same sector-quarter, netting out sector-wide movements.[7] The regression results align with descriptive patterns in the data: AI-exposed firms recorded higher median annual stock returns than non-exposed firms in most years (Chart C, panel a) and also tended to trade at higher price/earnings ratios (Chart C, panel b). This is consistent with a longer-duration equity profile, whereby much of the value of AI firms is tied to earnings that are expected to accrue far into the future.

Chart C

Stock returns and price/earnings ratios for AI-exposed and non-AI-exposed STOXX Europe 600 firms



Sources: LSEG and ECB calculations.
Notes: Panel a): distribution of annual equity returns, weighted by end-of-year market value. Panel b): distribution of annual price/earnings ratios, weighted by end-of-year market value. The latest observations are for the second quarter of 2026.

Non-financial corporate bond markets exhibit a broadly similar pattern to equity markets (Chart D). Panel regressions using quarterly option-adjusted spreads over 2019-26, with bond and issuer-specific controls, show that AI exposure

6 Since many firms report more than one type of AI exposure, the categories are not mutually exclusive and the analysis therefore focuses on firms' overall exposure.

7 Importantly, the premium does not merely reflect the broader tech rally. Excluding the IT sector from the sample leaves the estimated premium similar in magnitude and significance, confirming that the return differential is present across the wider corporate universe. The premium is identified from within-firm variation, comparing the same firm in quarters with and without concrete AI disclosure, net of earnings surprises released at earnings calls and of lagged firm fundamentals and momentum.

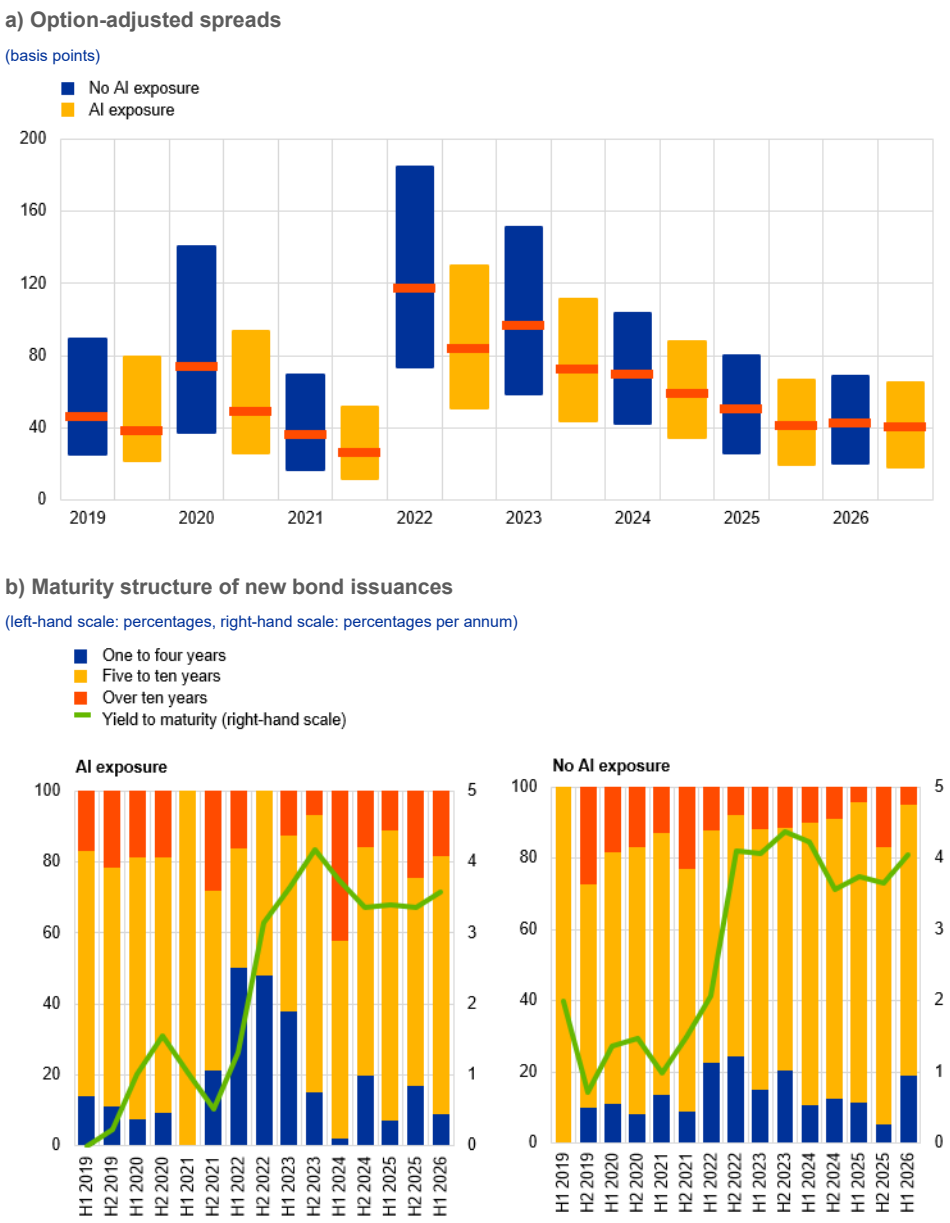
corresponds to spreads that are around 5 basis points tighter – a modest but robust link between AI exposure and a lower market-implied cost of debt.[8] This again aligns with descriptive patterns in the data. AI-exposed issuers consistently exhibit lower spreads than non-exposed issuers, with both the median and interquartile range shifted downward across most years (Chart D, panel a). Exposed firms have also issued a larger share of bonds with maturities exceeding ten years (Chart D, panel b), whereas issuance by non-exposed firms is more concentrated at intermediate maturities. This combination points to more favourable financing conditions, since longer maturities would typically command higher, not lower, spreads.[9]

[8] In contrast to the equity findings, none of the three exposure types is individually associated with tighter spreads when entered separately. This suggests that bond markets price overall AI engagement rather than differentiating across specific forms, which is consistent with many firms reporting more than one exposure type.

[9] Relatedly, US hyperscalers funding the buildout of AI infrastructure through European corporate debt markets are also found to issue bonds with longer maturities. For these firms, however, AI-related debt issuance is associated with higher, not lower, credit spreads relative to peers, as investors appear to demand a risk premium for the uncertainty surrounding firms' AI investments. See Duquerroy et al. (2026).

Chart D

Corporate bond spreads and bond maturity structure for AI-exposed and non-AI-exposed STOXX Europe 600 non-financial corporates



Sources: LSEG, ECB (CSDB, CSEC), ICE, Moody's Analytics and ECB calculations.
Notes: Panel a): annual distribution of option-adjusted spreads over the swap curve. Spreads are winsorised and weighted by the outstanding amount in euro. The sample covers euro-denominated bonds with a residual maturity of between 1 and 30 years, an issued amount above €1 million, and spreads ranging from -100 basis points to 3,500 basis points. Panel b): new bond issuance by maturity bucket as a share of the outstanding amount in euro, with the yield to maturity calculated as the average weighted by the outstanding amount in euro. The sample covers euro-denominated bonds with a residual maturity of between 1 and 30 years and an issued amount above €1 million. The latest observations are for the second quarter of 2026.

The findings in this box suggest that AI exposure is positively reflected in equity and corporate bond pricing across the wider economy in Europe. AI's association with lower market-based financing costs is more widely distributed than the concentrated equity rally in the IT sector suggests. However, this relationship rests on expectations about the technology's returns. Should those expectations disappoint, valuations and spreads could reprice abruptly and broadly, extending

well beyond the firms driving the AI investment cycle. Further analysis is warranted to establish the potential scale of this repricing and its effect on aggregate financing conditions in the euro area.[10]

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[10] For further information on the valuation risk associated with AI and the potential impact of a correction in US equities on euro area financial conditions, see Andersson et al. (2026).

7 Bank competitiveness and its role for monetary policy

Prepared by Lorenzo Ferrante, Franziska Maruhn and Carla Valero Escribá

This box provides evidence on bank competitiveness in the euro area and its relationship with monetary policy transmission. Recently, European institutions have been exploring measures to improve bank competitiveness by reducing cross-border fragmentation and simplifying regulation and reporting requirements (European Commission, 2026). The definition of bank competitiveness is not straightforward. Banks are competitive if they generate profits based on a sustainable business model (rather than by exploiting market power) and are adequately capitalised, with affordable access to market-based funding and liquidity, allowing them to maintain lending during episodes of economic or financial disruption and through policy cycles. Bank competitiveness in turn supports the effective transmission of monetary policy.[1]

Euro area banks are more competitive now than they have been for most of the period since the global financial crisis, as intermediation margins have widened and balance sheets have recovered (Chart A). One way to assess bank competitiveness is through valuation-based measures of their performance. These reflect investors' perceptions of expected future earnings and therefore provide a market view of expected profitability and performance. The price-to-book ratios of euro area banks have substantially improved in recent years, reflecting stronger balance sheets and higher intermediation margins as net interest earnings have recovered, narrowing the gap to their US peers since 2023, although there are still significant differences across euro area countries (Chart A, panel a). Another way to analyse bank competitiveness is by looking at bank profitability, which has also improved relative to peers outside the euro area (Chart A, panel b). While valuation-based measures focus only on listed institutions and bank profitability is backward looking, a broader metric, based on replicating portfolios, also shows a substantial improvement in recent years (see Altavilla et al., 2024).[2]

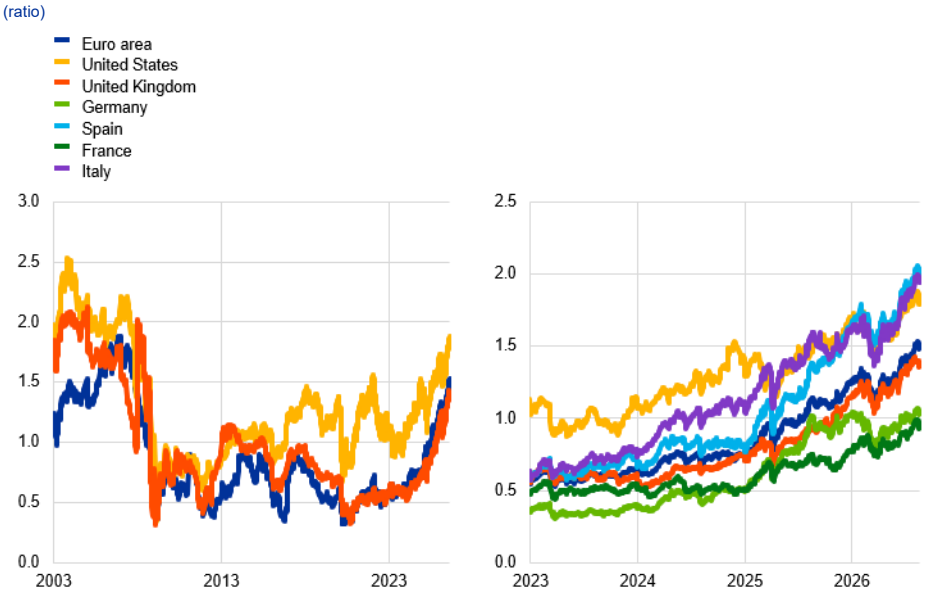
1 For further discussion on the issues discussed in this box, in particular regarding the definition of competitiveness in the banking sector and the role of capital requirements and fragmentation in the euro area, see, for example, Vujčić (2026), Machado (2026), Elderson (2026) and Buch (2025).

2 The measure developed in Altavilla et al. (2024) captures the performance of banks by benchmarking the returns on their balance sheets against the return that a market portfolio with similar maturity and risk characteristics would generate. The "edge" that euro area banks have over the financial markets is now positive, after having been negative for most banks between 2015 and mid-2022. It began to recover during the rapid hiking of interest rates by the European Central Bank (ECB) and eventually returned to positive territory as the yield curve stabilised.

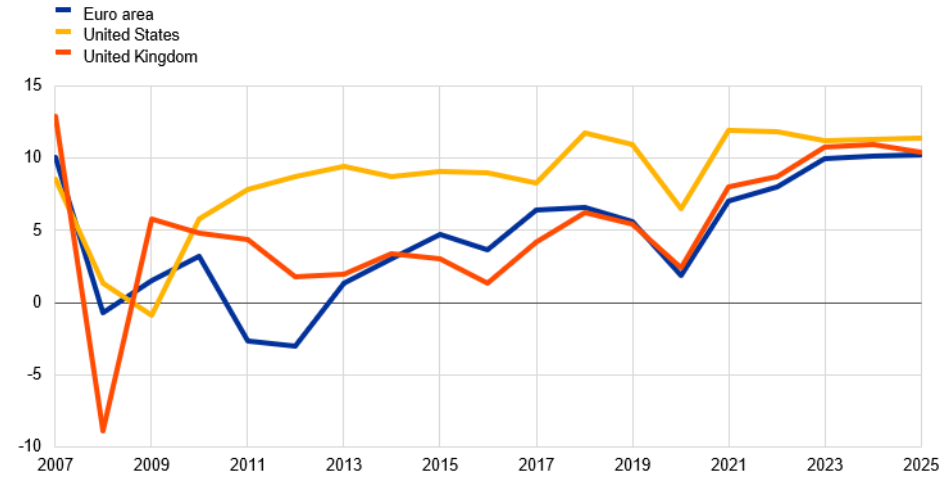
Chart A

Price-to-book ratio and return on equity for euro area and other banks

a) Price-to-book ratio



b) Return on equity



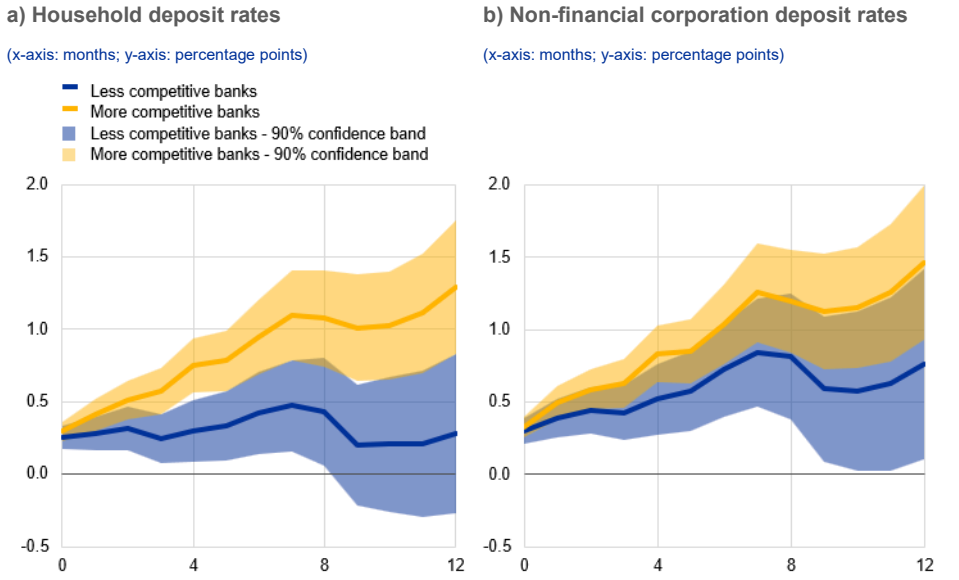
Sources: LSEG, ECB (supervisory reporting, consolidated banking data), Federal Deposit Insurance Corporation, Moody's Analytics BankFocus (formerly BvD BankFocus) and ECB calculations.
Notes: Panel a): The price-to-book ratio is the ratio of a bank's share price to its book value per share. Panel b): Return on equity (ROE) is computed on a four-quarter trailing basis. Before 2015, the ROE for the euro area is based on consolidated banking data. The latest observations are for 21 August 2026 for the price-to-book ratio and 2025 for ROE.

More competitive banks have demonstrated greater resilience to shocks and transmitted monetary policy more effectively (Chart B). From a monetary policy transmission perspective, bank competitiveness matters, especially if it supports the intermediation capacity of banks over the cycle. During the pandemic shock in 2020 and 2021, more competitive banks were less reliant on lending backed by government guarantees and on the Eurosystem's targeted longer-term refinancing operations (TLTROs) and were better able to transmit the monetary policy stimulus (Altavilla et al., 2024). More competitive banks also exhibit a higher pass-through to

deposit rates, in particular for household deposits (Chart B, panel a). For corporate deposits the differences are less pronounced, with point estimates differing but confidence bands partially overlapping (Chart B, panel b). It is likely that this reflects the fact that more competitive banks are more able to retain deposits by increasing deposit rates during periods of rising rates and more able to lower rates following monetary policy easing without the risk of losing funding. For lending rates, the pass-through is not dependent on bank competitiveness, indicating that more competitive banks are not achieving a higher remuneration of deposits by extracting higher rents from borrowers.

Chart B

The pass-through of monetary policy to deposit rates by bank competitiveness



Sources: ECB (iBSI, iMIR, AnaCredit, SHSG, CSDB, supervisory reporting) and ECB calculations.
Notes: Banks are categorised as more competitive or less competitive in each quarter based on the 50th percentile of the "edge" as in Altavilla et al. (2024). Charts show the cumulative change in rates on new business deposits following a 1 percentage point increase in the policy rate. The impacts are estimated using local projection regressions of the change in new business interest rates between t-1 and t+h on the change in the policy rate between t-1 and t (explained by high-frequency monetary policy shocks), where h refers to months. The model includes the lag dependent variable, bank controls and country fixed effects. The latest observations are for March 2026.

Gains in cost efficiency are emerging as a driver of recent developments (Chart C). Changes in competitiveness may reflect various drivers. First, the estimated effect of lower capital requirements on competitiveness is not statistically significant, likely reflecting offsetting factors (Chart C, panel a). On the one hand, higher capital requirements may increase transition costs for individual banks with specific vulnerabilities, thereby negatively affecting profitability. On the other hand, these requirements support the resilience of the banking system to adverse shocks and help prevent excessive risk-taking. In addition, in an environment of generally solid bank balance sheets, targeted increases in capital requirements for individual banks can be absorbed and are not a hindrance to the competitiveness of the banking system.[3] Second, a less competitive bank may lose market share against other banks, non-banks or financial assets that offer similar services to customers. Indeed, there is an association between an easing of credit standards originating

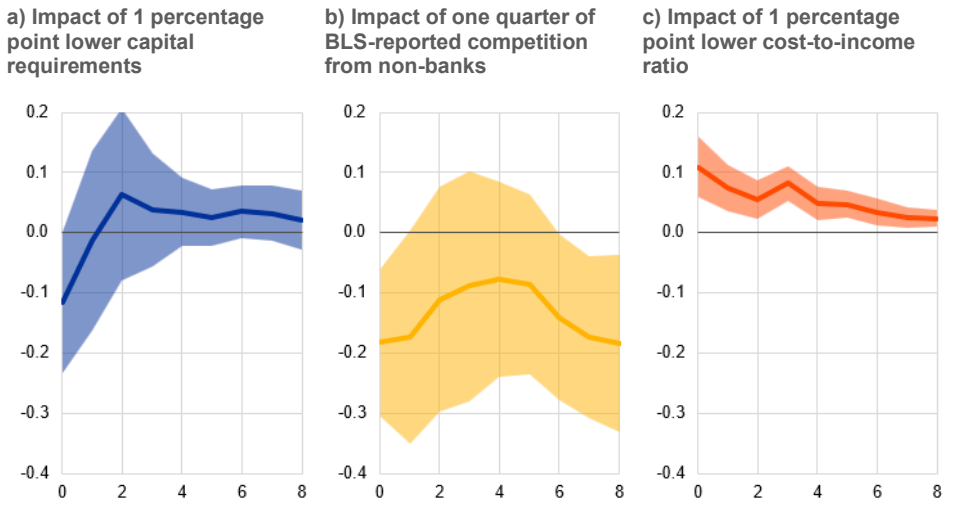
[3] See, for example, Behn and Reghezza (2025).

from perceived increases in competition, as reported in the Bank Lending Survey (BLS), and lower bank competitiveness, even after controlling for observed and unobserved characteristics at bank level and country-specific factors (Chart C, panel b). At the same time, overall competition from non-banks has stabilised in recent years, reflecting specialisation in different customer segments and mutually beneficial interaction between banks and non-banks, for instance via securitisations or mutual exposures. Third, improvements in the cost efficiency of banks have significant and persistent positive effects on bank competitiveness (Chart C, panel c). Thus, it is likely that euro area banks can achieve sustained gains in competitiveness through improved cost efficiency.

Chart C

Impact of changes in potential determinants on bank competitiveness

(x-axis: quarters ahead; y-axis: percentage points)



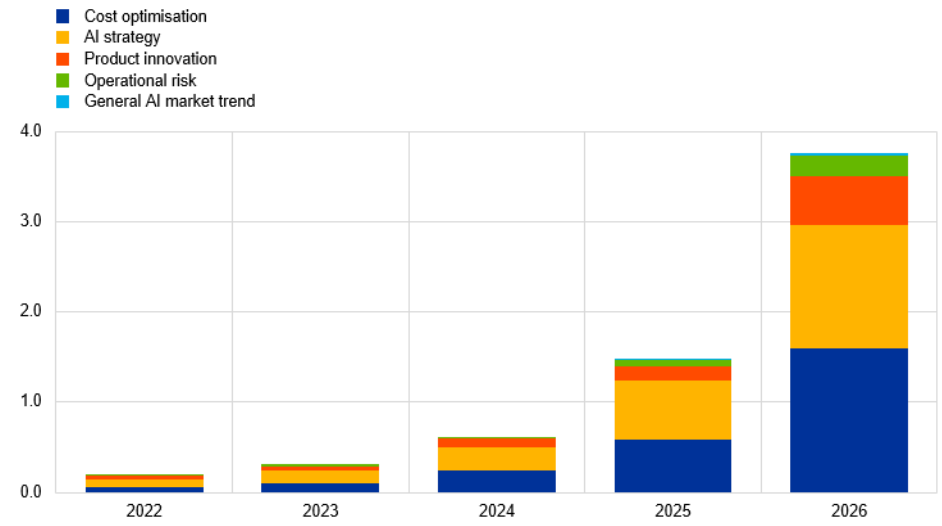
Sources: Altavilla et al. (2024), ECB (iBSI, iMIR, AnaCredit, SHSG, CSDB, supervisory reporting, BLS) and ECB calculations.
Notes: Results from panel local projection estimations controlling for liquidity, funding composition, and bank and country-time fixed effects. The dependent variable is the difference between the realised return and the replicating portfolio return measured in percentage points. For details, see Altavilla et al. (2024). Panel b) shows the impact of one quarter in which the bank reports an effect from non-bank competition in the BLS. Shaded areas indicate 90% confidence bands. The sample covers the fourth quarter of 2015 to the first quarter of 2026.

Investment in digitalisation and artificial intelligence (AI) technologies is expected to yield efficiency gains, which can also be achieved by streamlining operations and taking a targeted approach to closing local branches (Chart D). The average size of banking groups in the euro area has steadily increased, while operating expenses (as a share of equity) have generally declined. Banks have reduced their operating expenses by streamlining their group structure, closing a substantial number of local branches and reducing their staff, facilitated by the rise of online banking and digitalisation. Looking ahead, banks are increasingly trying to leverage AI technologies to enhance cost efficiency. Almost half of the references bank executives make to AI adoption specifically focus on potential benefits in terms of cost optimisation in the future (Chart D).

Chart D

Mentions of AI in bank earnings calls by topic

(number of mentions per earnings call)



Sources: Capital IQ and ECB calculations.
Notes: The chart is based on transcripts of 761 earnings calls from 51 euro area banks analysed using a large language model (LLM) and a comprehensive prompt. The LLM identifies mentions of AI and categorises them into five broad themes. Each earnings call can span multiple themes. Data for 2026 refer to earnings calls up to the second quarter of 2026.

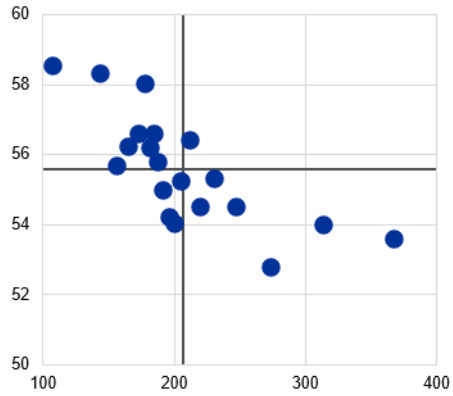
Euro area banks could become more competitive if progress is made on completing the savings and investments union or through further consolidation (Chart E). Market fragmentation prevents euro area banks from achieving the cost efficiency that would allow them to offer competitive lending terms and conditions to borrowers. More competitive banking groups are typically characterised by greater geographical reach, with benefits in terms of lower cost-to-income ratios (Chart E, panel a). Bank consolidation, including across borders, which has been particularly limited within the euro area, would offer an alternative way to further enhance bank efficiency. Evidence from past mergers demonstrates that such consolidation can enhance the operating efficiency, balance sheet health and sectoral diversification of banks, thereby helping to strengthen their intermediation capacity, while at the same time mechanically increasing their market shares (Chart E, panel b). This, taken by itself, would reduce competition in local banking markets and could weaken monetary policy transmission. However, in the case of cross-border consolidation in a more integrated euro area loan market, larger, more diversified and more competitive banking groups could benefit borrowers by enhancing stability and access to credit through the policy cycle and ensuring that monetary policy impulses reach them.

Chart E

Geographical reach, consolidation and bank competitiveness

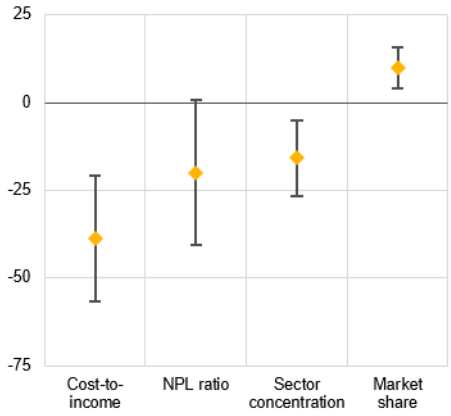
a) Relationship between geographical reach and cost efficiency

(x-axis: geographical reach, kilometres, y-axis: cost-to-income ratio, percentages)



b) Impact of mergers on bank efficiency and other characteristics

(percentages of standard deviation)



Sources: ECB (AnaCredit, supervisory reporting), OpenStreetMap and ECB calculations.
Notes: Panel a): binned scatter plot based on 1,034 euro area banks. The two grey lines indicate aggregate weighted averages. Geographical reach is measured by the weighted average distance to firms that have borrowed from the bank in the past 12 months (weighted by size of loan). Panel b) shows results from difference-in-difference regressions assessing post-merger changes in banks, including bank and time fixed effects. "Cost-to-income" refers to the cost-to-income ratio, and "NPL ratio" refers to the non-performing loans ratio. Dependent variables are standardised. Effects are cumulated over the years after the merger. Whiskers indicate 95% confidence intervals. The sector concentration of loans is measured by a bank-level Herfindahl-Hirschman index. Panel a) covers the period from the first quarter of 2019 to the second quarter of 2026. Panel b) covers 2011 to 2025.

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8 Who holds stablecoins? New evidence on euro area consumer holdings

Prepared by Alexandra Born, Johanne Evrard, Dimitris Georgarakos, Geoff Kenny, Claudia Lambert, Justus Meyer, Trixi Pairan and Luca Zannier

The expanding stablecoin market, its increasing interlinkages with the financial sector and growing consumer holdings could affect financial stability in the euro area. The global stablecoin market has grown rapidly since 2020 but has recently plateaued (Chart A, panel a). At the same time, stablecoins have become increasingly interlinked with the traditional financial sector, particularly through reserve asset holdings.[1] While the euro-denominated stablecoin market has grown, it remains relatively small (Chart A, panel b). Stablecoins are mainly used for crypto trading, although they could potentially also serve as cross-border payment instruments. This box uses unique household-level evidence from a topical module of the ECB's Consumer Expectations Survey (CES), carried out in August and November 2025, to assess the extent and composition of euro area consumers' stablecoin holdings.[2] Current exposures in the euro area appear limited, but the concentration of holdings among crypto investors and the prominence of US dollar-backed tokens could amplify shocks. Wider stablecoin use in the euro area, especially outside the crypto ecosystem, could increase the risks to traditional finance over time.[3]

1 See Ferrari Minesso and Habib (2022).

2 The CES covers the 11 largest euro area countries. For further information, see Bańkowska et al. (2021), Georgarakos and Kenny (2022) and the ECB's CES web page.

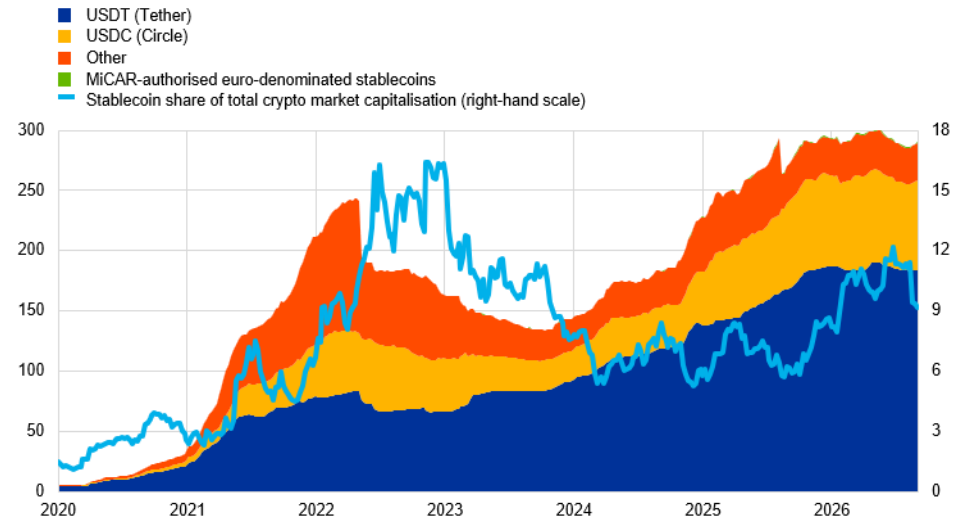
3 A stablecoin's primary vulnerability is that holders may lose confidence that it can be redeemed at par value, triggering a run. A run on a stablecoin could trigger a fire sale of its reserve assets, which could have an impact on traditional financial markets. See Aerts et al. (2025a) and Aerts et al. (2025b) for further details on the linkages and transmission channels between stablecoins and traditional financial markets.

Chart A

Evolution of the global stablecoin market

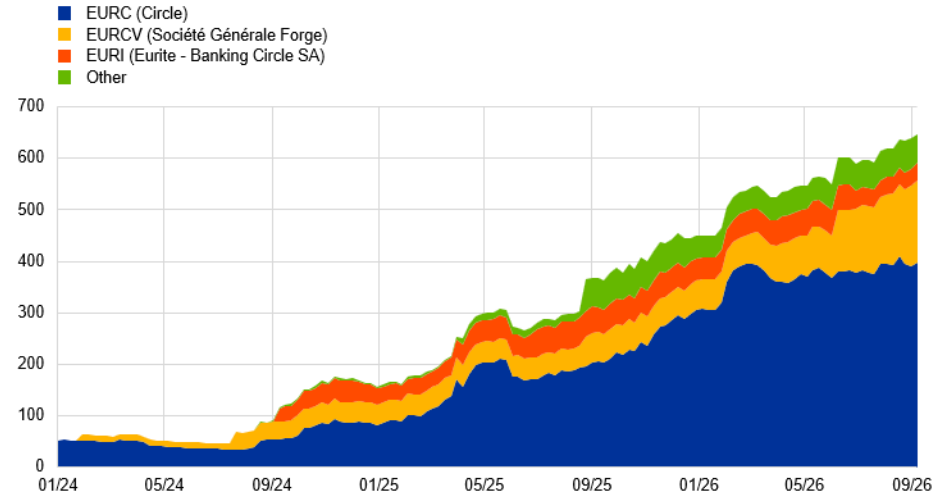
a) Size of US dollar-denominated stablecoins in the crypto-asset ecosystem

(USD billions, percentages)



b) Market capitalisation of MiCAR-authorised euro-denominated stablecoins

(EUR millions)



Sources: CoinDesk, CoinMarketCap and ECB calculations.
Notes: Market capitalisation is based on the circulating supply of stablecoins. This includes EURC, EURCV, EURAU, EURØP, EURR, EURI, EURe and EURQ. Fluctuations in the share of stablecoins in total crypto market capitalisation are driven mainly by changes in the valuation of other crypto-assets. The latest observations are for September 2026.

The use of stablecoins to facilitate transactions in the crypto ecosystem may carry a risk for consumers, as it could affect the traditional financial system.[4] Stablecoins enable the trading and exchange of fiat currencies for non-stablecoin crypto-assets and vice versa.[5] The reserve assets that back stablecoins link them to

4 See Bertsch (2023). While the EU has enacted a regulatory framework for stablecoin issuers with the Markets in Crypto-Assets Regulation, which addresses risks from stablecoins for consumers and for financial stability, stablecoins that are not authorised under the Regulation may still pose these risks; see European Systemic Risk Board (2025).

5 See Chart A.6 in Aerts et al. (2025a).

the traditional financial system, which can potentially lead to spillover effects.[6] Stablecoins may also enable low-cost cross-border payments, which could be an option for consumers sending money outside the euro area, though evidence on this use case is mixed.[7]

Euro area consumers are slowly increasing their direct exposure to crypto-assets, from low levels.[8] The share of consumers owning crypto-assets increased from 9.8% in November 2024 to 13% in August 2025 (Chart B, panel a), a period in which crypto markets and stablecoins were growing rapidly (Chart A). The 2025 CES results distinguish stablecoin holdings within consumer crypto-asset exposures: in August 5% of consumers reported holding stablecoins, which was over a third of all consumers that held crypto-assets. The estimated distribution of stablecoin holdings in terms of amounts invested is skewed towards smaller amounts (Chart B, panel b). However, close to 10% of stablecoin owners are estimated to have had holdings of €10,000 or more in November, pointing to a substantial range.

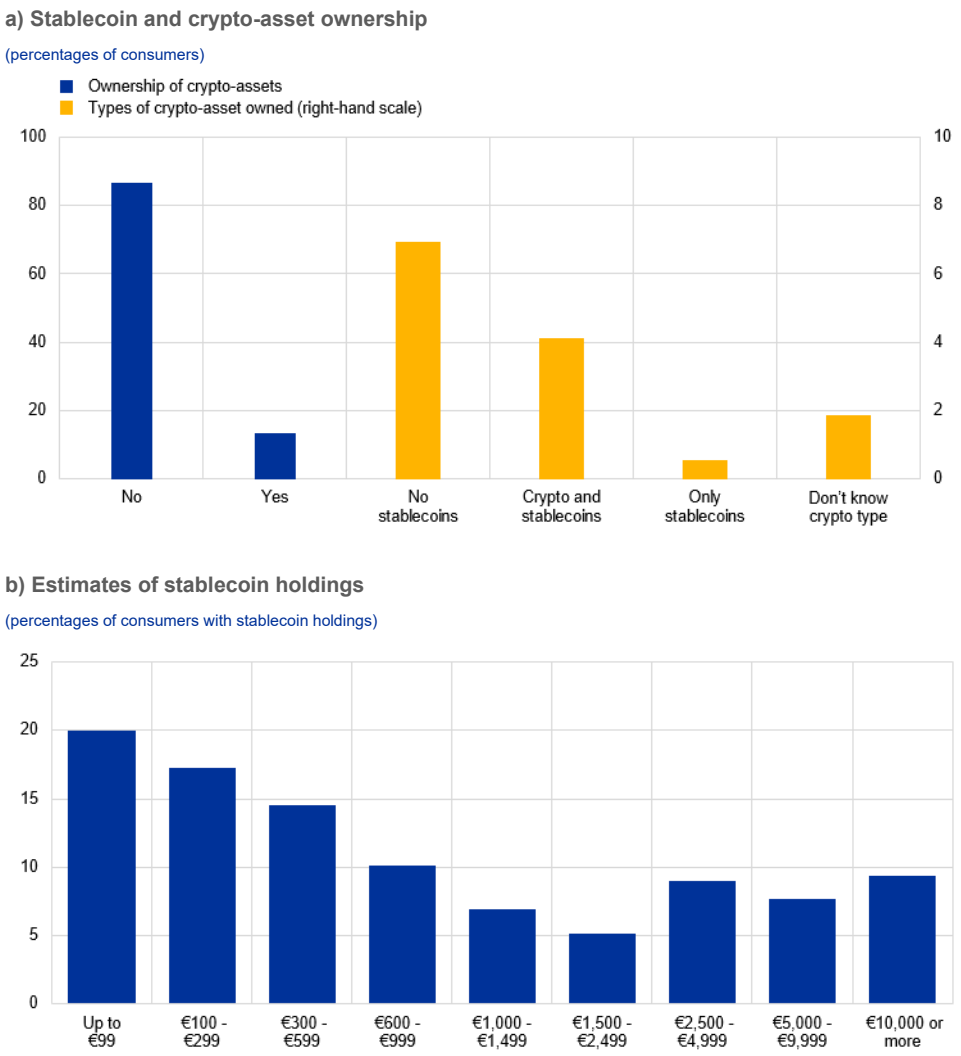
6 Runs on stablecoins could force issuers to liquidate assets in order to satisfy redemption demands. See European Systemic Risk Board (2025) and Aerts et al. (2025a).

7 See, for example, Di Iorio et al. (2026) or Vlaicu (2026).

8 We rely on experimental data from the August and November 2025 waves of the CES. Data cover both consumer ownership of stablecoins and the approximate value of consumer holdings. Responses are subject to measurement uncertainty reflecting the experimental nature of the data, including sensitivity to questionnaire design and small samples given the small percentage of consumers that own crypto-assets. Respondents may also misreport asset types and their holdings owing to a perceived sensitivity of such information.

Chart B

Consumer holdings of crypto-assets



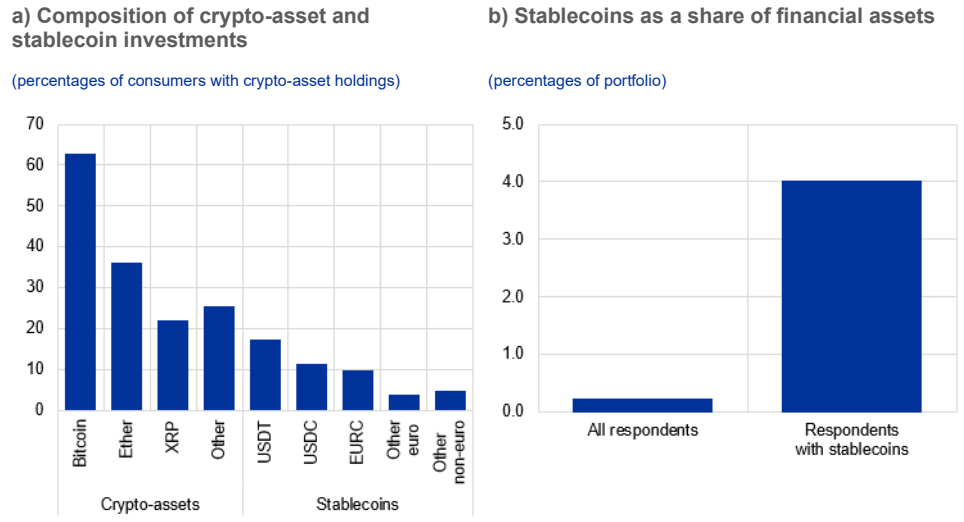
Sources: ECB Consumer Expectations Survey and ECB calculations.
Notes: Population-weighted data from 11 euro area countries. Panel a): experimental data from the August 2025 CES topical module. Consumers were asked: "Do you or any members of your household currently own crypto-assets?", and as a separate follow-up: "Which of the following do you or someone of your household currently own?" Panel b): experimental data from the November 2025 CES topical module. Consumers who reported any investment in crypto-assets (including stablecoins) were asked: "To the best of your knowledge, what is the main type of crypto-assets you and your household currently own?" and could choose on a five-point scale from "fully invested in crypto-assets other than stablecoins" to "fully invested in stablecoins". We assign weights in 0.25 steps, ranging from 0 (only crypto other than stablecoins) to 1 (only stablecoins) and calculate the stablecoin investment on the basis of self-reported crypto investments.

Dollar-denominated stablecoins dominate euro area consumer exposure, as consumers tend to hold the crypto-assets with the largest market capitalisation. Around 63% of consumers with a crypto exposure hold bitcoin, followed by ether (36%) and XRP (22%) (Chart C, panel a). Among stablecoins, USDT is the most widely held (17% of consumers with crypto holdings), ahead of USDC (12%) and the euro-denominated EURC (10%). Other euro-denominated and non-euro-denominated stablecoins combined account for less than 9% of reported holdings. Although the survey does not directly report how assets are used, preliminary evidence shows higher usage among respondents born either in another EU country or outside the EU. Foreign-born respondents were found to be 2.1

percentage points more likely to hold stablecoins than domestic consumers after taking into account other characteristics. This pattern is consistent with the possibility that stablecoins are being used for cross-border payments or remittances.

Chart C

Composition of consumer crypto-asset investments



Sources: ECB Consumer Expectations Survey and ECB calculations.
Notes: Data from 11 euro area countries. Panel a): experimental data from the August 2025 CES topical module. The panel shows the types of crypto-asset and stablecoin held by respondents who reported owning crypto-assets. Given the small percentage of respondents that owned crypto-assets, observations are also limited (1,286 respondents). As respondents could select multiple assets, shares do not add up to 100%. "Other" captures holdings not listed separately in the questionnaire. Panel b): experimental data from the November 2025 CES topical module. The panel shows average stablecoin portfolio shares based on the estimated amounts shown in Chart B, panel b and the total value of consumers' financial assets (e.g. in bank accounts, stocks and mutual funds). Estimates are weighted using population weights.

The use of stablecoins as transactional assets could have broader implications for financial stability if adoption continues to grow. Stablecoins account for a small share of consumers' financial assets and are mostly held alongside other crypto-assets. This is consistent with their main use as transactional assets within the crypto-asset ecosystem (Chart C). While the relatively low usage of stablecoins in the euro area limits immediate risks to bank funding, it points to three vulnerabilities for the future if stablecoins were to become significantly more widely used: (i) exposure to runs on stablecoins and "de-pegging" events, when stablecoins deviate significantly from their par value; (ii) potential spillovers from a liquidation of US dollar stablecoin reserves; and (iii) a possible currency substitution channel. If the use of dollar-denominated stablecoins by euro area consumers begins to extend beyond crypto-asset transactions, their holdings of non-euro stablecoins could grow. Depending on the scale of adoption, this could affect deposit funding, monetary transmission and the role of euro-denominated payment instruments.[9] Given the importance of stablecoins in the crypto ecosystem, a large shock to a stablecoin (e.g. a de-pegging event) could be detrimental.[10] As most stablecoin holders also own other crypto-assets, their wider portfolio would be affected. Conversely, an adverse shock to crypto-asset prices could trigger a stablecoin sell-off, potentially de-pegging stablecoins and causing additional wealth effects. The dual holdings

9 See Altavilla et al. (2026).

10 See Du et al. (2025).

suggest that stablecoin usage acts as a two-way channel between crypto-assets and investor wealth. Shocks may also harm investors' trust in stablecoins, further contributing to crypto market instability.[11] Volatile crypto-asset valuations may pose a risk to investor confidence through stablecoins.

The CES data suggest that while current holdings pose limited risks to euro area financial stability, this could change if stablecoin adoption were to broaden significantly. As the market continues to develop, euro area consumers may increasingly hold private, non-bank and non-euro stablecoins – especially as younger, more crypto-inclined cohorts enter these markets. While spillover risks from cross-border regulatory arbitrage may persist, the EU has implemented a robust regulatory framework through the Markets in Crypto-Assets Regulation which reduces many of the risks discussed. Monitoring consumer exposures and contagion channels remains essential to support consumer confidence and limit risks to consumer wealth.

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Articles

1 Industrial policy in the EU: new opportunities, old risks?

Prepared by Sam Langfield, Daphne Momferatou and Ralph Setzer

1 Definition and relevance for central banks

Industrial policy can be defined as government intervention that targets the structural transformation of economic activity in pursuit of a public goal. Industrial policy deliberately directs factors of production to specific sectors. Conceptually, this distinguishes industrial policy from macroeconomic stabilisation measures and structural policies that aim to improve the general business environment (Juhász et al., 2024). While structural policies can also have uneven effects – for example, a research and development (R&D) tax credit would favour R&D-intensive industries – the conceptual distinction is useful for identifying policies explicitly designed for sectoral reallocation.

While market failures can be the rationale for industrial policy, its selectivity creates efficiency and governance risks. Industrial policy can help address coordination failures, knowledge externalities and vulnerabilities (International Monetary Fund, 2025). However, because interventions selectively promote specific sectors or activities, opportunity costs are implicit. Shifting resources away from potentially more productive uses risks allocative inefficiency owing to the bounded knowledge of policymakers and the potential for rent-seeking behaviour, especially in environments with weak institutional quality. Historically, this has often led governments to support politically influential incumbents rather than address genuine market failures (Grossman and Helpman, 1994). The open question is whether modern industrial policy can overcome informational frictions, resist undue influence from vested interests and avoid institutional inefficiencies in a contemporary European Union (EU) context.

Governments implement industrial policy, the macroeconomic effects of which can affect monetary policy transmission. Sector-specific interventions alter relative prices, for example by subsidising factor costs. Other general equilibrium effects emerge from cross-border spillovers, policy responses by other governments and fiscal implications. Effective interventions can raise potential growth or dampen the inflationary impact of price shocks. Poorly designed measures, however, can subsidise capacity-constrained sectors and distort economic decisions. Nationally differentiated industrial policies can also affect cross-country competitiveness and financial fragmentation, with implications for monetary policy transmission. For these reasons, it is important for central banks to assess the design and macroeconomic effects of industrial policy.

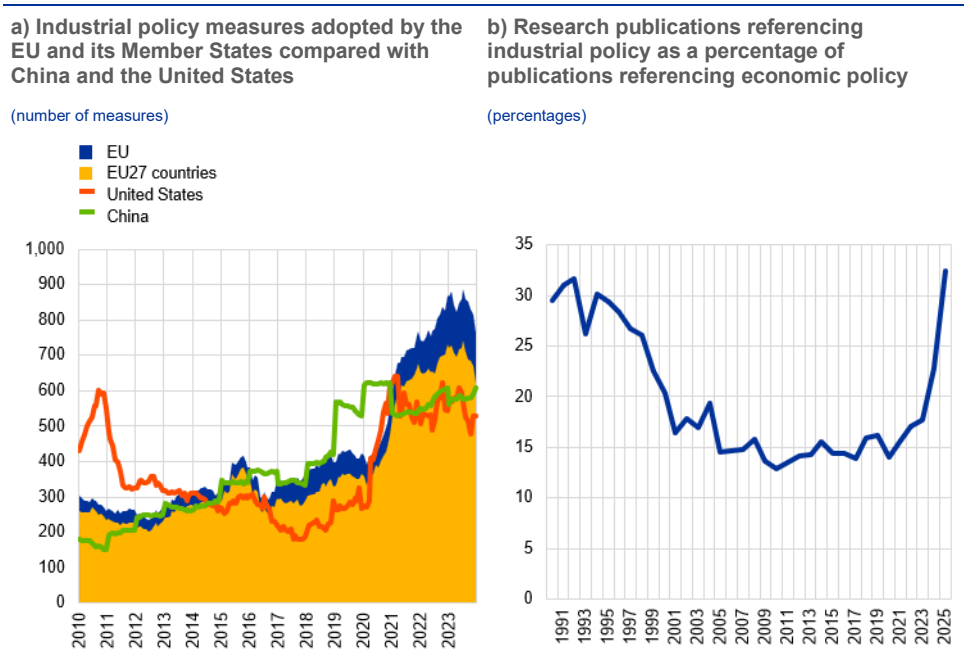
Industrial policy has re-emerged worldwide in response to geoeconomic fragmentation, rapid technological change and the climate transition. The remainder of this article documents the resurgence of industrial policy, reviews the evidence of its effectiveness and examines the specific opportunities and risks it presents in the EU context. It then identifies key principles for the design of industrial policy in Europe.

2 Resurgence of industrial policy

The use of industrial policy has expanded across major economies. Governments deploy targeted grants, equity and credit support, trade measures and localisation requirements to promote selected sectors. There has been an increase in the number of such measures in the EU and its Member States, with similar patterns in the United States and China (Chart 1, panel a). Researchers have likewise shown renewed interest in industrial policy, with the share of publications referencing industrial policy having more than doubled since 2020 (Chart 1, panel b).

Chart 1

Resurgence of industrial policy in practice and research



Sources: New Industrial Policy Observatory, Evenett et al. (2024, 2025) and Google Scholar.
Notes: Panel a) plots the 12-month rolling count of industrial policy measures. The latest observations are for December 2023. Panel b) plots the yearly time series of all research publications referencing "industrial policy" as a percentage of those referencing "economic policy".

Three structural trends – geoeconomic fragmentation, technological progress and climate change – underpin this renewed attention to industrial policy.

First, geoeconomic fragmentation exposes supply chain vulnerabilities and raises concerns about resilience. The pandemic and recent conflicts have highlighted the macroeconomic risks associated with external dependencies. The

more interventionist trade policy stance in the United States and technological upgrading in China, partly supported by domestic industrial policy, are further reshaping global production networks. While lower import prices improve the terms of trade, reliance on foreign capacity increases exposure to supply disruptions and geoeconomic coercion, motivating policymakers to intervene as insurance against price and quantity shocks.

Second, rapid technological change generates discrete outward shifts in potential output. Breakthroughs in general-purpose technologies, including artificial intelligence and robotics, raise the opportunity cost of operating behind the global productivity frontier. Technological dynamism can motivate intervention in specific sectors to stimulate domestic innovation (by addressing knowledge spillovers and financing constraints) or accelerate adoption (by targeting coordination failures and network externalities). Effective implementation of innovation-oriented industrial policy means overcoming informational constraints so that market failures can be targeted precisely.

Third, the climate transition requires large-scale investment in physical capital. Carbon pricing is the primary policy used to incentivise necessary capital formation, by correcting the underlying environmental externalities. However, price signals may be weakened by barriers to investment, including coordination failures in infrastructure deployment, network effects in green technologies and financial frictions. This could provide a rationale for climate-motivated industrial policy to complement carbon pricing through sectoral interventions.

Stated reasons for intervention broadly align with these structural trends, but the emphasis differs across economies. EU measures are more often climate-related, US measures place greater weight on resilience, and Chinese measures are more often framed around competitiveness.[1]

3 Policy instruments and empirical effectiveness

Surveying the range and targets of policy instruments

Modern industrial policy draws on an established policy toolkit. Based on Evenett et al. (2024, 2025), this article focuses on sector-specific instruments that can be classified in terms of whether they provide financial support or restrict market access.[2] This classification is necessary because outcomes may diverge from stated policy intentions.

1 According to New Industrial Policy Observatory data, 40% of measures were motivated by climate, 39% by competitiveness and 21% by resilience. Climate accounts for 49% of EU and Member State interventions, compared with 12% for resilience; resilience accounts for 39% of US interventions, while competitiveness accounts for 73% of Chinese interventions.

2 This narrower classification excludes broader macro-financial tools sometimes associated with industrial policy, such as financial repression, foreign reserve accumulation and capital controls (Gourinchas et al., 2026).

Grants: non-repayable grants, tax and social insurance relief, production subsidies, in-kind transfers and price stabilisation measures alter firms' cost structures. Similar effects can also arise indirectly, for example when public procurement or defence contracts support related civilian technologies or firms. These tools provide immediate support but carry fiscal costs. If deployed without strict conditionality and exit criteria, subsidies are vulnerable to pressures from vested interests, leading to resource misallocation by shielding supported firms from market discipline.

Equity and credit: state-sponsored loans, guarantees, interest payment subsidies and equity capital injections transfer risk from private balance sheets to the public sector. These interventions can support targeted sectors by lowering the cost of capital for recipient firms, especially those developing new technologies (see Box 1). Their effectiveness, however, depends on careful design: poorly designed measures can generate fiscal liabilities, crowd out private investment and sustain unproductive firms.

Trade policy: governments implement import tariffs, quotas, anti-dumping duties and export controls to influence the prices and quantities of foreign goods relative to domestic goods in specific sectors. Such measures can insulate domestic production capacity from external competition and secure supply. However, they can raise downstream costs and interfere with comparative advantage, disrupting global supply chains and increasing retaliation risk. From a fiscal perspective, the net impact of trade measures is ambiguous; while tariffs can generate revenue, outcomes depend on import elasticities.

Localisation: local content requirements, procurement preferences, restrictions on foreign direct investment and sector-specific regulations limit market access. While these interventions can coordinate technological standards and establish domestic capacity without significant fiscal implications, they serve as implicit protectionism. Compliance costs distort firm-level decisions, and barriers to cross-border investment and competition risk fragmenting markets, with the magnitude of these effects depending on the coverage of the measures.

The industrial policy mix varies across major economies. Measured by the number of recorded interventions between 2020 and 2024, the EU and its Member States together rank highest in the G20, with equity and credit support the most frequently used instrument, partly reflecting the deployment of measures related to the pandemic and the energy crisis (Chart 2, panel a). Intervention counts, however, do not capture fiscal scale and are affected by differences in transparency: the EU's State aid framework makes its measures particularly visible. China records fewer interventions but relies on larger-scale fiscal and quasi-fiscal support, including grants, support for state-owned enterprises and state-directed finance (Garcia-Macia et al., 2025 and Attinasi et al., 2026). The United States exhibits a more uniform policy mix, with a notable use of localisation requirements. Other G20 countries deploy industrial policy on a smaller scale and tend to rely more on trade-related measures.

Macroeconomic effects also depend on the specific sectors targeted for intervention. Natural targets for intervention include sectors responsible for supply

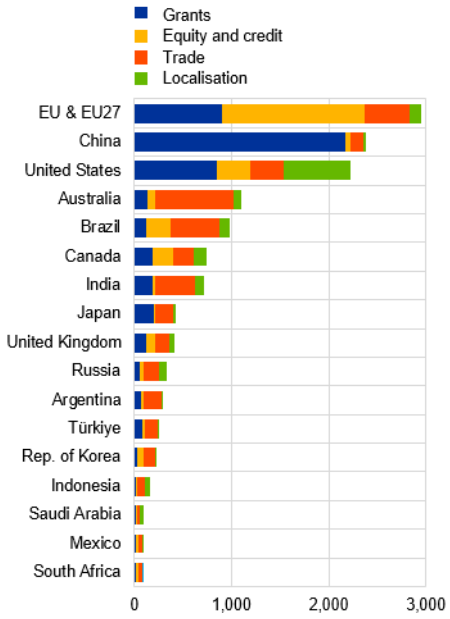
chain bottlenecks and emerging R&D-intensive sectors. Jakubik and Langfield (2026) find some evidence of policy targeting bottlenecks, but little evidence of R&D targeting. Instead, industrial policy interventions are more common for products that already account for a large share of exports (Chart 2, panel b). While interventions may intend to defend export sectors against state-subsidised foreign competition, an unintended consequence may be that they shield established incumbents from market discipline.

Chart 2

Industrial policy measures by instrument type and export share of targeted products

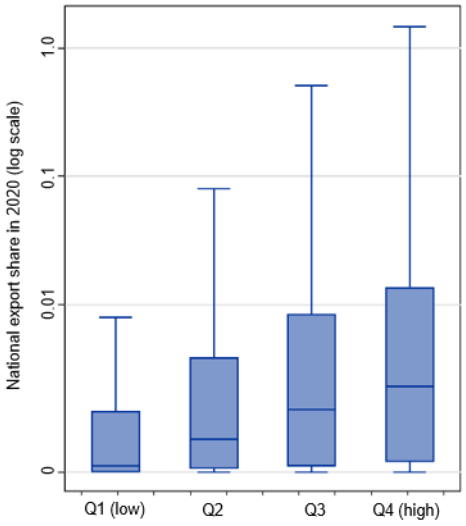
a) Breakdown by instrument type of industrial policy measures adopted by the EU and its Member States compared with G20 countries

(number of measures)



b) Product-level export shares by quartile of industrial policy intervention intensity

(percentages)



Sources: New Industrial Policy Observatory, Evenett et al. (2024, 2025) and Jakubik and Langfield (2026).
Notes: Panel a) plots the cumulative number of industrial policy measures introduced over 2020-24 across G20 economies by instrument type. Unlike the state aid data in Box 2, it includes crisis-related measures, as the purpose is to compare the composition of newly adopted measures. Panel b) is a box plot of product-level national export shares in 2020 (logarithmic scale) for the EU and its Member States, categorised by quartiles of intervention intensity over 2020-24.

Box 1

Innovation financing by public institutions

Prepared by Sam Langfield and Nikolaos Papadatos

State-backed capital accounts for approximately one-third of commitments in European venture capital markets. While such financing can address market failures specific to the technological frontier, including financial frictions and knowledge externalities, achieving favourable outcomes depends on institutional design. This box documents institutional design differences and considers their macroeconomic implications.

In Europe, public institutions finance innovation through diverse mandates. Some pursue broad development goals, combining innovation support with export promotion and financing for small and medium-sized enterprises (SMEs), while others act as narrow, mission-oriented agencies targeting

specific technological frictions. Chart A (panel a) captures two dimensions of this heterogeneity in risk appetite: the share of early-stage deals and the median age of portfolio firms. Recently established public institutions such as SPRIN-D (Germany) and Saminvest (Sweden) exhibit high failure tolerance, investing primarily in young firms of around two years of age. By contrast, established institutions such as Tesi (Finland) target firms aged six to eight years on average, addressing scaling needs rather than early-stage development. At EU level, the European Investment Fund (EIF) and European Innovation Council (EIC) occupy a mid-point, directing roughly half their deals to early-stage ventures.

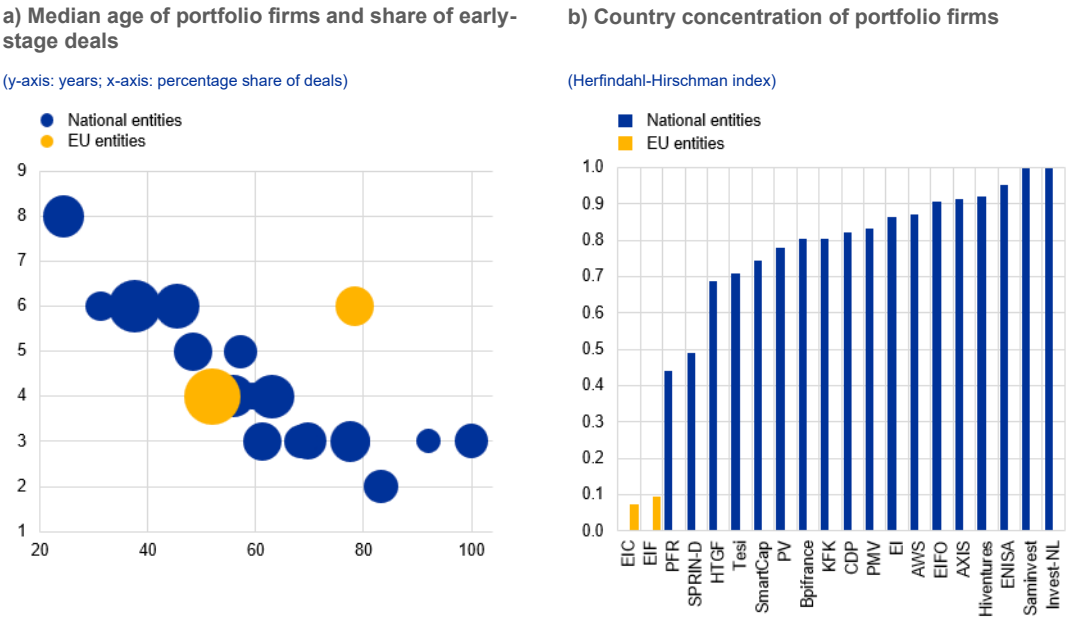
Early-stage orientation and size are negatively associated: smaller institutions tend to target early-stage ventures, whereas larger institutions operate in the mid-to-late-stage segment. Consequently, institutions supporting foundational research remain small relative to the stock of government venture capital. Scale also shapes investment modality. Larger institutions such as the EIF operate through fund-of-funds structures, facilitating large-scale capital deployment by outsourcing project selection to private asset managers, while smaller entities typically intervene directly at firm level.

These investment approaches have distinct implications. Fund-of-funds approaches mitigate capture risk and support venture capital market development, while direct intervention allows portfolio allocation to be fine-tuned to policy priorities (Moretti, 2025). Furthermore, an institution's stage orientation affects whether public funds complement or crowd out private capital, with later-stage intervention in particular facing three constraints. First, fiscal space is insufficient relative to the aggregate financing needs of scale-ups. Second, later-stage intervention risks crowding out private investment: while moderate government participation can be complementary, more significant involvement displaces private capital (Brander et al., 2015). Third, later-stage financing may be less efficient in so far as interventions subsidise incremental innovation within established firms rather than foundational research by start-ups (Aragoneses and Saxena, 2025).

Geographic dispersion reveals a further dimension of heterogeneity. Measured by the Herfindahl-Hirschman Index (HHI), most national public institutions exhibit portfolios with values approaching one, reflecting near-exclusive investment in domestic firms (Chart A, panel b). The EIF and EIC, by contrast, allocate capital more broadly across EU firms. Two national agencies also exhibit relatively low HHI levels: SPRIN-D (Germany), which runs open competitive calls attracting non-domestic applicants, and PFR Ventures (Poland), which favours a fund-of-funds model that facilitates diversification. While orientation towards domestic firms is consistent with local information advantage, it risks Single Market fragmentation if institutions engage in a subsidy race. Innovation support from the EIF and EIC is more consistent with market deepening, but the existence of national agencies operating across borders suggests that local embeddedness and country-level experimentation need not imply excessive home bias.

Chart A

Stage orientation and geographic concentration of government venture capital



Sources: Pitchbook and ECB calculations.
Notes: Panel a) plots the median age (in years) of portfolio firms acquired by public innovation institutions over 2015-25 (y-axis) against the share of portfolio firms that are "early-stage", defined as grant, seed, early venture capital, accelerator or incubator (x-axis). Marker size is proportional to the log of assets under management of the public institution. Panel b) plots the Herfindahl-Hirschman concentration index of the country in which portfolio firms are headquartered. In both panels, yellow denotes the two EU-level agencies (EIC and EIF), while blue denotes national institutions.

Government venture capital can contribute to technological innovation and adoption, depending on institutional design. Venture capital stimulates patent activity when directed towards early-stage ventures (Popov and Roosenboom, 2012). To achieve successful market exits, capital needs to be managed by autonomous institutions with project selection and management expertise (Bottazzi et al., 2008). Joint public-private investment rounds allow public institutions to absorb early-stage risk while maintaining private-sector discipline (Çamoğlu, 2026). At later stages, public involvement faces a trade-off between supporting firm expansion and displacing private investors. To resolve this tension, deep pools of patient private capital must be mobilised, particularly from pension funds and insurance companies (Kukies and Noyer, 2026). This underscores the necessity of deepening capital markets to complement innovation-oriented industrial policies.

Empirical assessments of effectiveness

Assessing the effectiveness of industrial policy requires an economy-wide approach. Welfare assessments must consider whether factor displacement effects are justified by gains in productivity or resilience. While any evaluation requires a counterfactual, resilience is harder to observe and quantify, especially if an adverse shock does not materialise. Consequently, the empirical literature focuses mainly on observable outcomes such as investment, employment and productivity. Yet the same economy-wide trade-offs apply to resilience objectives: even if targeted interventions build resilience at sector level, they can reduce it on aggregate, for

example by diverting resources from other critical activities or entrenching protected incumbents.

Early empirical evaluations found that sectoral interventions tended to channel resources to declining industries, contributing to depressed productivity growth. Cross-country panel evidence suggested that support was often misdirected (Pack, 2000), a finding echoed by studies of East Asia, including Japan (Beason and Weinstein, 1996) and South Korea (Lee, 1996), and by early European evidence on State aid allocation (Neven and Röller, 2000). Informational constraints and vested interests caused policymakers to support incumbents rather than high-potential sectors facing market failures (Pack and Saggi, 2006). This literature gave rise to a long-standing presumption that industrial policies are unlikely to improve total factor productivity.

More recent literature identifies specific contexts in which industrial policy can resolve sector-specific market failures in emerging economies. By exploiting firm-level data and improved identification strategies, these studies distinguish policy effects from underlying sectoral trends. Successful interventions rely less on open-ended protection than on conditional support and continued competition, allowing unproductive firms to exit (Aghion et al., 2015 and Lane, 2020). However, when institutions are weak, the same tools can sustain inefficient incumbents and generate overcapacity (Barwick et al., 2025 and Fang et al., 2025). Consistent with these concerns, recent evidence links industrial policy in China to lower aggregate productivity through factor misallocation (Garcia-Macia et al., 2025).

In mature economies, policy justification extends beyond coordination failures to include underinvestment in knowledge, as well as resilience and security objectives. Public research and procurement agencies in the United States have been shown to accelerate technological development by targeting early-stage innovation and promoting knowledge spillovers (Gross and Sampat, 2023 and Gazzani et al., 2025). The evidence on production subsidies is more mixed: expanding capacity in targeted sectors diverts resources from non-subsidised competitors while incurring fiscal costs (Goldberg et al., 2024). The literature therefore suggests that the benefits to industrial policy in mature economies are more clearly established for foundational research than downstream production.

Assessments of interventions in Europe demonstrate the difficulty of translating targeted support into aggregate productivity growth. Brandão-Marques and Toprak (2024) find that EU State aid has positive effects on employment and revenues in recipient firms, but no effect on investment or productivity. They also find adverse spillovers to competing non-recipient firms, which can offset the direct benefits of support within the Single Market. Evidence from regional interventions in the United Kingdom is consistent with this pattern, showing that support increased recipient employment without improving total factor productivity (Criscuolo et al., 2019).

Constraints on industrial policy are tighter in open economies. Across integrated markets, uncoordinated national subsidies can alter relative prices and distort comparative advantage (Hodge et al., 2024). Likewise, import tariffs intended

to shield domestic capacity raise input costs for downstream manufacturing, dampening sector employment (Flaaen and Pierce, 2026). To address these challenges, industrial policy should preserve a level playing field and limit the influence of vested interests.

4 A new industrial policy strategy for Europe

Features specific to the EU context

In the EU, governments pursue industrial policy across a partially integrated Single Market. Decentralised industrial policy risks distorting competition by allocating resources according to countries' differing abilities to intervene and preferences as to where to do so, risking subsidy races. Limiting this distortive effect is a key underlying principle for State aid rules: while these rules constrain the provision of selective economic advantages to firms or sectors, Member States still provide substantial fiscal support through industrial policy, the overall scale of which is subject to measurement challenges (see Box 2). More intensive use of fiscally costly industrial policies may require further EU-level coordination and, where appropriate, common decision-making or centralisation of policy instruments. This could help mitigate local capture risks, safeguard competition across the Single Market and reduce the scope for local maladministration.

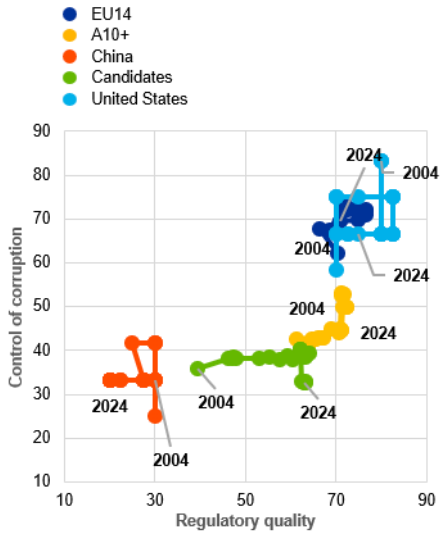
Fragmentation risk is compounded by uneven institutional quality across Member States. Discretionary intervention demands "embedded autonomy": the state must be informed on the sources of friction while resisting rent-seeking and withdrawing support according to predefined exit criteria (Rodrik, 2004). Yet institutions vary across Europe. At national level, regulatory quality and control of corruption differ significantly across country groups (Chart 3, panel a). At regional level, weaker quality of government is associated with lower labour productivity (Chart 3, panel b). Regions in need of productivity-enhancing investment may lack the administrative capacity to design and monitor interventions, exacerbating resource misallocation and political capture.

Chart 3

Institutional quality across countries and regions

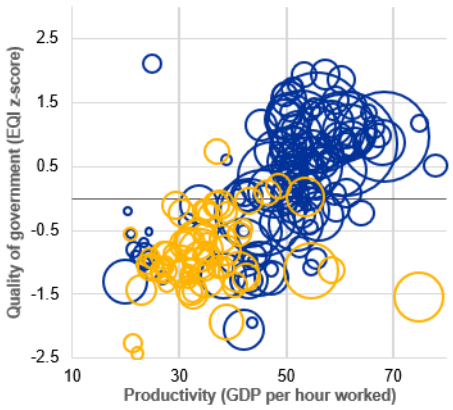
a) Time series of control of corruption and regulatory quality by EU country groups compared with the United States and China

(index)



b) Relationship between quality of government and labour productivity across EU regions

(index)



Sources: World Bank Governance Indicators, European Quality of Government Index (University of Gothenburg) and Eurostat.
Notes: Panel a) plots the GDP-weighted time series of country-level control of corruption and regulatory quality over 2004-24 by country group. Higher values indicate lower levels of corruption and better regulatory quality. "EU14" represents the 14 continuing members of the EU before enlargement in 2004 (excluding the United Kingdom); "A10+" represents the ten countries that joined the EU in 2004 plus Bulgaria, Romania and Croatia; "Candidates" represents the nine candidate countries as of 2026. Panel b) plots region-level (NUTS-2) quality of government against labour productivity (GDP per hour worked) in 2024. Marker size is proportional to regional GDP measured in purchasing power standards (PPS), i.e. adjusted for differences in price levels.

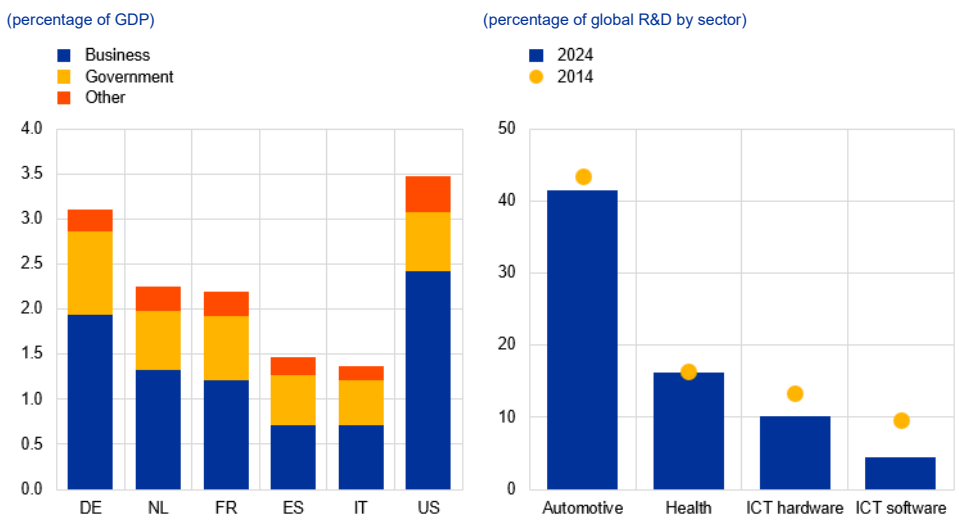
The effect of industrial policy also depends on financial structure and regulatory impediments to cross-border activity. In the EU, support is largely provided through credit and guarantees channelled via national banking sectors, which favour domestic capital-intensive firms with established bank relationships. Such support can therefore reinforce incumbency bias. Fragmented equity markets restrict the supply of risk finance, especially for firms that are reliant on intangible capital. This bank-based financial structure weighs on economic growth (Langfield and Pagano, 2016), while disparate national regulatory and insolvency frameworks constrain cross-border expansion at firm level (Baumann et al., 2026). Sector-specific interventions cannot therefore substitute deeper market integration. Advancing the savings and investments union, including through common frameworks in corporate law and pension reform, would help mobilise risk capital and improve the effectiveness of industrial policy in innovation-intensive sectors (Arampatzi et al., 2025).

Europe's institutional and financial architecture defines its position relative to the global technological frontier. R&D expenditure relative to GDP is lower in the EU than in the United States, reflecting weaker business sector investment (Chart 4, panel a). The sectoral composition of R&D in the EU is concentrated in established industrial sectors (Fuest et al., 2024), with high-technology sectors receiving lower allocations (Chart 4, panel b). This composition matters for productivity, as high-tech

sectors generate stronger spillovers and account for a significant share of the EU-US productivity gap (Bothner et al., 2026 and Coatanlem and Coste, 2025).

Chart 4

Structure of R&D spending by sector and country



Sources: European Commission Innovation Scoreboard, Eurostat and OECD.
Notes: Panel a) shows R&D expenditure as a percentage of GDP across selected EU Member States and the United States, broken down by funding source (the category "Other" includes R&D expenditure financed by foreign investment). Panel b) shows the four sectors with the highest levels of global R&D spending (together accounting for 80% of total global R&D spending in 2024). It compares the EU's top 800 R&D investors with the top 2,000 global companies, which account for over 90% of global R&D funded by the business sector.

Alongside these institutional and financial frictions, the EU's relatively open economy shapes which industrial policies are most appropriate. The EU economy exhibits greater openness to external trade than the United States or China. Deploying trade-restrictive measures such as tariffs or local content requirements can trigger retaliation and geoeconomic fragmentation (Baba et al., 2023 and Rotunno et al., 2026). These constraints are particularly relevant for climate-related industrial policy, where the EU faces trade-offs between climate ambition, trade openness and preserving the Single Market (Wunsch and Langenus, 2026). Fragmentation can weigh on economic growth and reduce resilience by weakening the diversified trade networks that help economies absorb external shocks. For export-oriented EU manufacturing, these costs may outweigh the shorter-term benefits of shielding domestic industries. Preserving competitive neutrality and multilateral trade frameworks is therefore still important.

Europe's distinct institutional, financial and macroeconomic features limit the scope for direct replication of foreign industrial policies. The Draghi report calls for EU action to be refocused on policy priorities, supported by stronger coordination, simplified rules and better targeted financing (Draghi, 2024). The EU has introduced several legislative initiatives, including the Net-Zero Industry Act, the Critical Raw Materials Act, the European Chips Act and the Tech Sovereignty Package. Furthermore, the Industrial Accelerator Act proposal aims to introduce targeted public procurement and foreign direct investment rules. The Commission's proposal

for the next Multiannual Financial Framework would reorient spending towards EU-wide priorities, alongside a transition from a programme-based budget to a policy-based framework intended to better target EU funds and a move from cost-based payments to performance-based disbursements. The macroeconomic outcomes of these initiatives will depend on their concrete design and alignment with evidence-based design principles, including effective coordination between EU and national levels.

Box 2
Measuring the fiscal implications of industrial policy

Prepared by Steffen Osterloh

Industrial policy can affect public finances through direct and indirect channels. Effects are difficult to quantify and distinguish from those of structural policies, making cross-country comparisons of industrial policy challenging.

When it comes to expenditure, quantifying instruments with direct fiscal costs, such as grants, is largely straightforward. However, assessment can be complicated by off-budget measures, for example spending by state-owned enterprises. Similarly, while interest subsidies directly affect public finances, quantification is less clear owing to possible differences in timing and accounting treatment. Guarantees create contingent liabilities that generate direct fiscal costs if they are called, but these are unknown ex ante. Equity injections pose further measurement challenges: depending on design and statistical classification, they may not generate an immediate expenditure impact, while losses or below-market returns can result in fiscal costs over time. Other industrial policy instruments entail more indirect and typically smaller fiscal costs. For example, localisation preferences in public procurement may increase government expenditure.

In terms of revenue, industrial policy instruments include preferential tax rates, exemptions, deductions or tax credits, resulting in lower revenues than a uniform tax system would entail. At the same time, industrial policy can generate additional revenues by broadening the tax base if it succeeds in stimulating domestic production. Net fiscal impacts depend on the costs of individual measures and the effects of those measures on economic activity and the tax base.

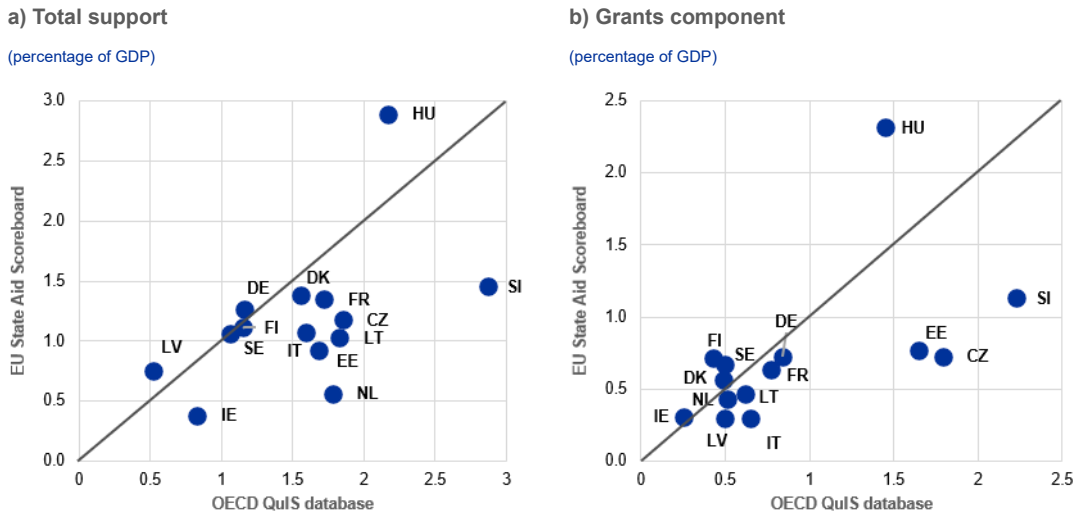
The direct fiscal costs of industrial policy can be quantified using the EU State Aid Scoreboard and the OECD Quantifying Industrial Strategies (QuIS) database. Both datasets provide comprehensive quantifications of the costs of government support measures but differ conceptually in their definition of government support. The EU State Aid Scoreboard covers state aid within the meaning of EU State aid rules, compiled from reporting by Member States. OECD QuIS, by contrast, uses publicly available information to identify industrial policy support extended to businesses aimed at promoting investment, improving competitiveness or supporting economic development. Measures are classified according to instrument type and eligibility criteria.

Comparing the State Aid Scoreboard (excluding crisis aid) and OECD QuIS shows that the latter generally reports higher values, with expenditure ranging from 0.5% to 2.9% of GDP across EU

countries in 2023 (Chart A, panel a).[3] Considerable variation can also be observed among non-EU countries, from 0.8% of GDP in Canada to 3.2% of GDP in the United Kingdom. The higher values reported in OECD QuIS can largely be explained by the fact that the database treats tax expenditures as investment incentives (Criscuolo et al., 2022) – these are not generally considered State aid in an EU context unless they are targeted at specific firms or sectors. Another difference concerns financial instruments such as guarantees: the Scoreboard reports the aid element of guarantees, i.e. the economic advantage transferred to the beneficiary, while QuIS records notional amounts, which are therefore not included in the chart. Despite these differences, a comparison of grants shows a high correlation between the two datasets, with grants estimated to range between 0.3% and 0.8% of GDP in most EU countries (Chart A, panel b).

Chart A

Comparison of support in EU State Aid Scoreboard and OECD QuIS databases



Sources: EU State Aid Scoreboard, OECD QuIS and ECB calculations.
Notes: Panel a) plots the sum of grants and tax expenditure recorded in OECD QuIS (x-axis) against the total state aid expenditure recorded in the EU State Aid Scoreboard (y-axis). Panel b) plots grants quantified in OECD QuIS (x-axis) against the sum of the categories "direct grant" and "direct grant/interest rate subsidy" recorded in the State Aid Scoreboard (y-axis). In both panels, the lines represent the 45-degree line.

The development of government support can be analysed using the Scoreboard, which provides comprehensive coverage of EU countries (Bernasconi et al., 2026). Non-crisis-related government support as a share of euro area GDP increased from 0.6% in 2010 to 1% in 2019, declining to 0.8% in recent years (Chart B, panel a). These fluctuations were driven by support for environmental protection, which became the largest State aid objective from 2014 onwards, reflecting Germany's substantial support for renewable energy. Support for research, development and innovation declined between 2010 and 2017 and has since recovered only moderately, remaining below 0.1% of GDP. Similarly, support for important projects of common European interest (IPCEIs) remains small, at around 0.01% of GDP. Support for other objectives related to agriculture, fisheries and regional development has declined somewhat over time. The composition of government support also varies across euro area countries (Chart B, panel b), although environmental protection is the

[3] State aid expenditure increased temporarily from 2020 onwards under the Temporary Framework adopted in response to the COVID-19 pandemic and, subsequently, under the Temporary Crisis Framework introduced following Russia's full-scale invasion of Ukraine. This spending was excluded from the charts as it was motivated by emergency stabilisation and did not constitute structural industrial policy. In 2024 it was mostly phased out and amounted to only about 0.1% of GDP.

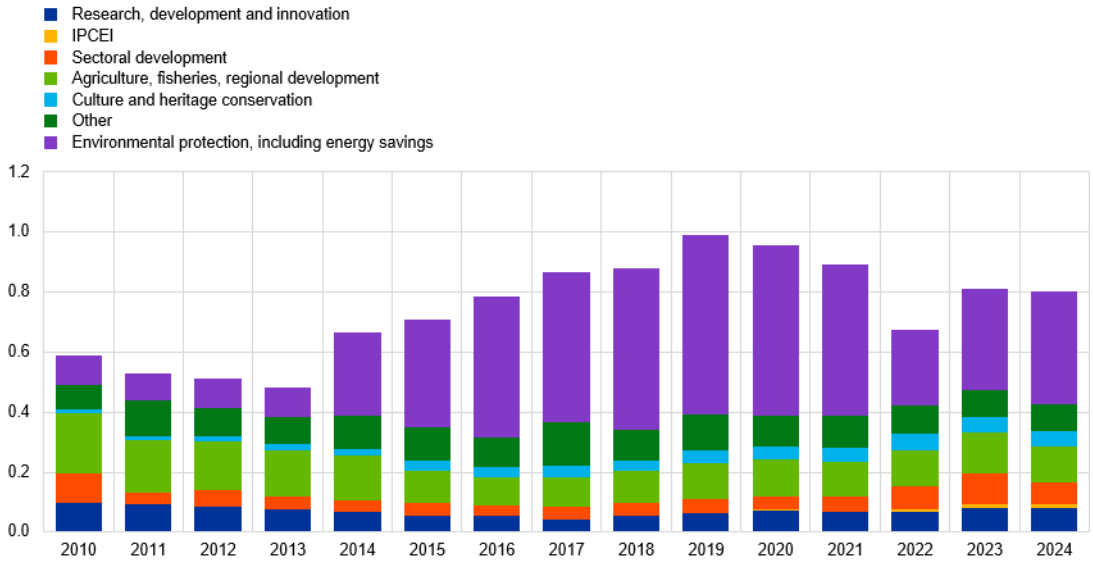
primary category in most countries. Support for research, development and innovation remains limited across countries, accounting in almost all of them for around 10% or less of total support.

Chart B

Government support in EU State Aid Scoreboard

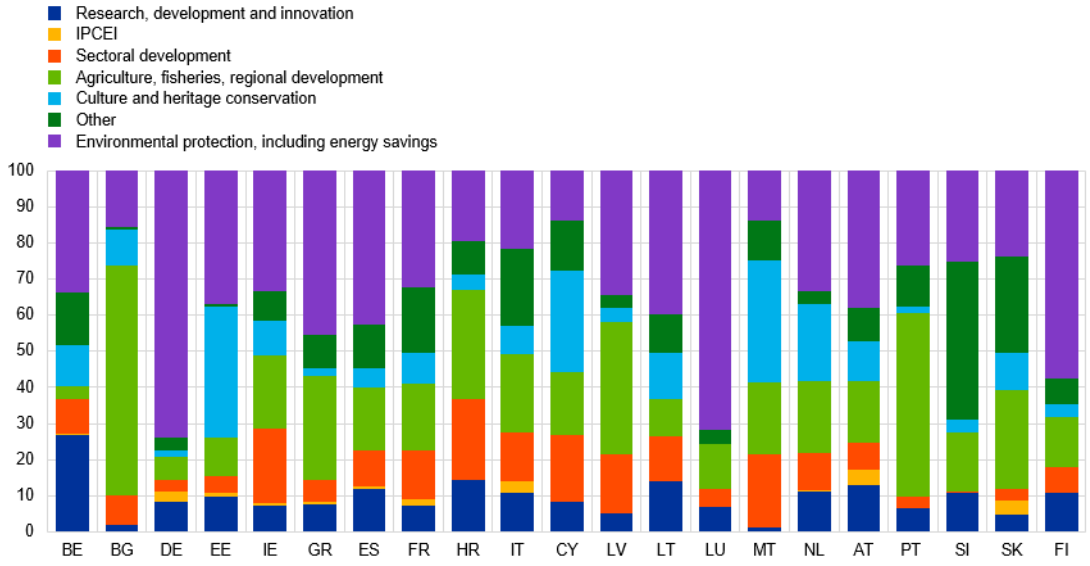
a) Total support in euro area

(percentage of GDP)



b) Composition of support, 2024

(percentage shares)



Sources: EU State Aid Scoreboard and ECB calculations.
Notes: "Agriculture, fisheries, regional development" comprises the categories "Agriculture, Forestry, and Rural areas", "Fisheries and aquaculture" and "Regional development". "Other" comprises the categories "Closure aid", "Compensation of damages caused by natural disaster", "Employment", "Other", "Promotion of export and internationalisation", "Rescue & Restructuring", "SMEs including risk capital", "Social support to individual consumers" and "Training".

Industrial policy design principles in the EU context

The EU context calls for policy design principles that integrate international evidence with the specificities of a multi-country Single Market. EU-level industrial policy can help limit the fragmentation and subsidy races associated with uncoordinated national interventions, while pooling resources to achieve scale in targeted activities or sectors. The EU can build on existing frameworks, including State aid control and performance-based instruments such as the Recovery and Resilience Facility, which offer relevant experience in linking funding to results. At the same time, differences in institutional quality and national regulatory frameworks, together with Europe's bank-based financial system, can amplify risks of resource misallocation. Five design principles are therefore relevant to strengthen governance, safeguard cross-border competition and ensure that industrial policy complements structural reform.

First, industrial policy benefits from clearly defined objectives in order to inform instrument selection and define criteria for ex-post evaluation. Productivity and resilience-related objectives ought to be differentiated, and broad motivations should be translated into operational targets. Interventions aimed at economic resilience require particularly narrow targeting to prevent mandate expansion. A lack of precision risks shielding incumbents rather than resolving specific dependencies and improving economy-wide resilience.

Second, the targeting of specific sectors depends on linking interventions to well-identified market failures. Where the objective is productivity growth, interventions are most efficient when directed at activities with knowledge spillovers, such as frontier technologies in areas where the EU is lagging behind. This avoids using scarce fiscal resources to subsidise incremental innovation by financially unconstrained incumbents. Where the objective is resilience, targeting should be based on empirical identification of critical dependencies and supply chain vulnerabilities. Labelling a sector "strategic" is insufficient; designation must be accompanied by economic analysis and clear identification of the public interest objective, whether related to market failures, resilience, or security concerns.

Third, preservation of the Single Market calls for mechanisms that account for cross-border externalities. National subsidies can distort competition and create negative cross-border spillovers. To avoid subsidy races and capture economies of scale, interventions should prioritise common EU instruments. While operating at EU level mitigates concerns regarding Single Market fragmentation, it does not eliminate the need for safeguards against resource misallocation.

Fourth, predefined exit mechanisms are key to enforcing market discipline. Governments cannot reliably predict winners, so some interventions will fail. Policy implementation should incorporate sunset clauses to ensure that support is withdrawn from underperforming projects or projects for which the reasons for intervention no longer hold. Without credible termination mechanisms, temporary interventions risk becoming permanent, trapping resources in unproductive uses.

Fifth, industrial policy underscores the importance of structural reforms. With finite institutional capacity, industrial policy risks crowding out structural reform. Yet without structural improvements, interventions will underperform. For example, subsidising high-tech sectors will fail if fragmentation prevents firms from reaching minimum efficient scale. Advancing the savings and investments union, easing labour market rigidities and reducing burdensome administrative work would help mobilise private risk capital across borders. These conditions enable capital and labour to be reallocated from declining firms to productive sectors – a market mechanism industrial policy cannot replace.

5 Conclusion

Industrial policy can play a role within the broader policy framework, provided interventions are well designed, targeted and time limited. The macroeconomic impact of interventions is context dependent. In the EU's multi-country Single Market, with its heterogenous institutions and bank-based financial structures, uncoordinated national measures risk fragmenting competition and triggering subsidy races. To be effective, industrial policy needs a clear mandate, robust governance, market-based incentives and mechanisms for continuous evaluation. Interventions should be time limited by design, with support for capital-intensive activities conditional on predefined milestones, targets and exit criteria.

Even with institutional safeguards, industrial policy entails macroeconomic trade-offs. Where the goal is productivity, industrial policy can be most effective when fostering innovation and supporting the adoption of frontier technologies rather than shielding incumbents from competition. Where the goal is resilience, policymakers need to weigh the insurance value of reducing dependencies against the costs of allocative inefficiency. In all cases, sector-specific intervention is only one element of a broader set of policy measures; it cannot substitute structural reforms that improve the framework conditions for potential growth.

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2 From recognition to integration: the ECB's progress on climate and nature-related risks and the role of its climate change centre

Prepared by Ivana Baranović, Giuseppe Barillà, Irene Heemskerk and John Hutchinson

1 Introduction

The relevance of climate change and nature degradation for central banks continues to grow amid worsening physical impacts and a slower than expected transition to a low-carbon economy.[64] Physical risks arising from more frequent and severe weather events, together with risks stemming from the transition towards a low-carbon economy, can affect inflation, economic activity, financial markets and the resilience of the overall financial system. Within its mandate, it is therefore important that the European Central Bank (ECB) develops a deep understanding of these risks and incorporates them into its monetary policy, banking supervision and other areas of activity.

The ECB climate change centre (CCC) was established in 2021 to coordinate and provide strategic direction for the work of the ECB on climate-related issues.[65] The aim was to help the institution address the growing relevance of climate-related risks for the delivery of its mandate. The centre has evolved alongside the ECB's climate agenda, supporting the progression "from recognition to integration".[66] This transition has contributed to ensuring that the approach of the ECB to climate and nature-related risks is adequate and responsive. In this article, we review how the CCC has developed and what it has achieved in its first five years, highlighting the key institutional accomplishments and explaining how the ECB continues to respond flexibly to the changing economic, policy and environmental landscape.

2 Steering the work on climate and nature-related risks from recognition to integration

The 2021 ECB monetary policy strategy review recognised climate change as an important consideration for its monetary policy and central banking functions. Extensive analysis demonstrated how climate-related risks closely interact with price stability (Work stream on climate change, 2021). On that basis and within its mandate, the Governing Council committed to ensuring that the Eurosystem fully takes into account the implications of climate change and the

64 For further information, see the ECB's monetary policy strategy statement (ECB, 2025a).

65 See ECB (2021a).

66 See Lagarde (2026).

transition to a low-carbon economy for monetary policy and central banking, in line with the climate goals and objectives of the EU.[67] This commitment meant adopting an ambitious climate action plan, which involved a wide range of ECB business areas and resulted in a more structured and coordinated approach to strategic planning and the assessment of climate-related risks.[68]

The cross-cutting nature of climate-related risks called for a coordinated institution-wide approach, leading to the establishment of the CCC. The CCC reports directly to the President of the ECB. It is a small unit made up of staff members from different professional disciplines with relevant expertise, and it includes a climate scientist. In its first year, the CCC focused on designing governance structures, strengthening cross-functional cooperation and putting in place suitable coordination and reporting mechanisms to support the implementation of the ECB's climate action plan. It also worked on building up analytical capabilities, creating internal networks and supporting ECB staff members with their climate-related work.

As this climate-related work expanded and became more established, the CCC further developed the strategic climate objectives of the ECB and helped improve its readiness to respond to climate and nature-related risks. Building on the foundations established through the ECB's 2021 climate action plan, the CCC coordinated and led the publication of the ECB's climate and nature plan 2024-25, which expanded on the ECB's previous work on climate change. It identified key priority areas and extended its research and analysis to nature-related risk for the first time. The CCC also continued to support the ECB in systematically integrating climate and nature-related risks into its analytical, operational and policy processes, by coordinating its work activities and building up internal expertise through training programmes, seminars, relevant publications and knowledge-sharing across ECB business areas and the Eurosystem.

Establishing a central hub for this work has enabled the ECB to focus on sustained and coordinated engagement with external stakeholders on climate-related issues. Addressing climate change and nature degradation requires close cooperation among public authorities, the financial sector, academia and civil society. One of the key tasks of the CCC is therefore to ensure that external developments – such as changes in the macroeconomic and geopolitical environment, evolving climate and nature-related risks, technological innovation or different international initiatives – inform the work of the ECB while strengthening collaboration with partner institutions. This includes ongoing participation in international fora such as the Financial Stability Board, Basel Committee on Banking Supervision, G20 and G7, as well as cooperation with other European institutions, such as the European Commission, the European Banking Authority (EBA), the European Insurance Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority. The CCC also maintains regular dialogue with industry, academic and civil society representatives.

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67 For further information, see the ECB's 2021 monetary policy strategy statement (ECB, 2021b).

68 See ECB (2021c).

The CCC supports the ECB's participation in two central bank cooperation fora, namely the Network for Greening the Financial System (NGFS) and the Eurosystem Climate Change Forum. The NGFS was founded in Paris in 2017 by eight central banks and their supervisors. The aim was to advance the management of environmental and climate-related risks in the financial sector and to mobilise finance in support of the transition to a sustainable economy. Today, this forum comprises more than 170 institutional members and observers, becoming a global network and the main international forum for climate-related cooperation among central banks and supervisors from advanced, emerging and developing economies. In 2022 the Governing Council approved the establishment of a Eurosystem Climate Change Forum at the euro area level. This forum acts as a vehicle for fostering information exchange and knowledge-sharing between the national central banks, drawing on existing knowledge to ultimately advance its climate agenda. Membership in this forum was extended to include the other central banks of the European System of Central Banks (ESCB) in January 2026.

Through its extensive engagement across ECB institutional functions and with external stakeholders, the CCC acts as a knowledge hub, helping to develop the ECB's stance on climate and nature-related risks. The CCC facilitates a two-way exchange of knowledge by reporting external insights to ECB experts and sharing its in-house expertise through specific communication channels, such as workshops, seminars and conferences. This helps ensure that the policy work of the ECB takes into account diverse perspectives and a range of expertise. It also strengthens the analytical foundation for its policy and research activities and helps the CCC and other business areas to develop the ECB's stance on strategic initiatives relevant to its work, including the European Commission's sustainability Omnibus package and developments related to the EU Emissions Trading System.

3 Progress made

The CCC and its governance structure created the foundation for advancing the climate and nature agenda of the ECB over successive phases and for improving how business areas address climate and nature-related risks across the ECB's core business functions. Thanks to the continuous cross-institutional efforts of multiple business areas and supported by its governance structure, the ECB has successfully drawn up and implemented several climate action plans, delivering on its commitments. The highlights of this work are presented below (Table 1). They give examples of progress made by relevant business areas to ensure that climate and nature-related risks are fully considered across the ECB. In parallel, a wealth of experience and knowledge are continuously built upon to support further progress in this regard.

Table 1

Key climate and nature-related deliverables across the ECB

Area	Highlights
Monetary policy implementation and market operations	Reduced exposure to unexpected climate transition shocks by integrating climate-related factors into the Eurosystem collateral framework for assets issued by non-financial corporations. This was implemented in 2026 for marketable assets and is planned for 2027 for credit claims (ECB, 2026a). Improved risk assessment through climate stress tests (see below) on the Eurosystem balance sheet. Reduced the financed emissions of the Eurosystem's corporate bond holdings and of the ECB's non-monetary policy portfolios (own funds and pension fund). Coordinated and annually improved Eurosystem disclosures (ECB, 2026b).
Research and analysis	Advanced macroeconomic research and integrated climate-related risks into the Eurosystem/ECB staff macroeconomic projections for the euro area and into various surveys (Ferrando et al., 2023; Köhler-Ulbrich et al., 2025). Analysed the impact of transition policies on growth and inflation (Brand et al., 2023; Ferdinandusse et al., 2024). Explored the impact of physical climate change on economic activity and inflation (Parker, 2023). Assessed EU green investment needs and their funding (Nerlich et al., 2025) and explored the climate insurance protection gap (Giuzio et al., 2026).
Scenarios and stress tests	Improved stress testing and scenario analysis methodologies, including two top-down economy-wide stress tests (ECB, 2021d and 2023). Conducted two stress tests for the Eurosystem balance sheet (Germann et al., 2023). Chaired the NGFS workstream on climate scenarios, including long and short-term scenarios, and contributed to work on the introduction of climate risk into the EU-wide stress test (EBA, 2026; see also the NGFS web page on scenario design and analysis).
Banking supervision	Improved resilience of the banking system to climate and nature-related risks through the multi-year supervisory programme (Elderson, 2025), including exercises such as the thematic review (ECB, 2022b), bottom-up stress tests, on-site inspections and workshops (ECB, 2022a).
Data initiative	Developed robust ESCB statistical indicators used to monitor sustainable finance, physical risks and carbon emissions, and continued to improve data availability, including data coverage, data granularity and data quality (see the ECB web page on climate-related change indicators).
Internal operations	Enhanced carbon emission reduction targets, broadened the environmental programme and contributed to ongoing developments in the environmental management system. In 2025 the ECB saw a 46% reduction in CO_2 emissions as compared with 2019 (see the ECB web page on environmental protection at the European Central Bank).
Nature integration	Improved understanding of the relevance of nature degradation for the euro area economy and banks through a dependency study and risk assessment (Ceglar et al., 2024 and 2025). Clarified the relevance of nature degradation for monetary policy in the ECB's updated monetary policy strategy (ECB, 2025a).
Wider action and capacity-building	Achieved external impact by sharing the climate-related work of the ECB and by issuing opinions (e.g. CON/2025/10*) on climate and nature-related risks within international and EU fora, and participated in NGFS workstreams.

Note: * Opinion of the European Central Bank of 8 May 2025 on proposals for amendments to corporate sustainability reporting and due diligence requirements (CON/2025/10) (OJ C, C/2025/3667, 8.7.2025).

4 Ensuring an adaptable response to improve work and address new developments

The ECB has deepened its understanding of climate and nature-related risks and remained responsive, ensuring that both its policy analysis and policymaking have kept pace with the evolving climate, nature and policy risk landscape. Although substantial progress has been made, the increasing economic implications of climate and nature-related risks call for continuous efforts and underscore the importance of implementing the European climate law. In this context, rigorous research and impartial, evidence-based analysis by the central banking and research communities are crucial. The CCC, together with experts across the ECB, consistently strengthens its analytical capabilities. Three priority areas have been identified: (i) navigating the transition to a climate-neutral economy, (ii) assessing physical climate risks, and (iii) furthering its understanding of nature-related risks.

Navigating the green transition

Advancing the green transition and reducing the EU's dependence on fossil fuels could help curtail an important source of inflation volatility and economic and financial uncertainty. Energy markets are becoming increasingly exposed to geopolitical shocks, highlighting their dependence on fossil fuels. A more sustainable energy mix would benefit price stability and support disposable incomes for European households, contributing to the common good of combatting global warming by abating CO_2 emissions.[69] The ECB is currently analysing how developments in energy markets, including elevated fuel and electricity prices, as well as the green transition, affect the economy and financial stability. In particular, it has explored their impact on labour markets, industrial competitiveness and households (Kuik et al., 2022; Bijnens et al., 2025; Arlia et al., 2026; and Schroeder, 2026). Furthermore, its analysis considers how EU emissions allowances will affect inflation and the economy (Aguilar et al., 2025). These analytical studies underline the importance of affordable, reliable and low-carbon energy for EU strategic autonomy and stable economic developments.

Closing the green investment gap in Europe will be crucial for the success of the green transition, as well as for long-term economic growth and security of energy supply. The ECB is therefore devoting more time to estimating the investment required to meet the EU's climate objectives and to identifying policies to secure both public and private financing. Recent analysis has estimated that additional green investment of around 3% of EU GDP will be required annually until 2030 for this purpose. Estimates point to around 20%-25% of total green investment needs being covered by the public sector, while the remainder will need to be covered by private capital.[70] This demonstrates the importance of deeper European capital markets, appropriate public policies and an efficient allocation of capital (Nerlich et al., 2025). These findings show that green investment is not only key to the green transition but also to future productivity and economic growth.

For banking supervision, the imminent prudential transition planning requirements will be an important element of banking sector resilience. Alongside continuously monitoring banks' progress in managing climate and nature-related risks, banking supervisors are taking a gradual and targeted approach to the new prudential transition planning requirements (Elderson, 2025). This work is part of the supervisory priorities for 2026-28 and an important element of the supervisory efforts to strengthen the resilience of the EU banking sector to transition risks.[71]

Physical risks

2026 has illustrated some of the broader implications of extreme weather events for economies and societies, with impacts occurring through a wide range of channels. Prolonged and recurring heatwaves and droughts have caused

69 See Cipollone (2026).

70 See Andersson et al. (2024).

71 See ECB (2025b).

significant productivity losses and agricultural damage across Europe.[72] Droughts have also reduced river water levels, limiting the supply of cooling water for industrial plants and disrupting river transport.[73] A Kiel Institute assessment estimates that the river Rhine's low water levels in July 2026 reduced real GDP growth in Germany by around 0.2 percentage points in the third quarter, although economic output should rebound towards the end of the year.[74] In addition, wildfires, such as those in Spain and France, have burned down thousands of hectares of land, forcing large-scale evacuations and causing substantial damage to property. This has led many businesses to suspend their operations.

Given the increasing frequency of extreme weather events, the key priorities are to improve data availability and refine the methodologies for assessing exposures to physical risk. Extreme weather events affect the economy through multiple channels and can cause losses that are increasing over time. This makes it challenging to assess their precise overall economic impact and consequences.[75] Additional challenges arise from cumulative effects, including the degradation and loss of agricultural land, shifts in tourism patterns, higher rates of mortality, climate-induced migration and reduced labour productivity. It is therefore crucial that the ECB continues to strengthen its analytical framework for assessing the impact of floods, droughts, heatwaves and other extreme weather events (Lane, 2026), thereby increasing its capacity to produce impartial and evidence-based research on these effects.

In many regions of Europe, the insurance protection gap is very large, making households, businesses and our societies more vulnerable. Joint EIOPA-ECB analysis shows that less than one-quarter of the losses caused by natural catastrophes in the EU is currently insured, and in several countries this share is below 5%. Moreover, insurance coverage has recently been declining and may fall further, such that this gap is expected to widen. This may lead to an increasing economic burden on households, businesses and governments (Giuzio et al., 2026) and risk spillover effects to banks. Further research by the ECB and other relevant authorities is needed to assess the macroeconomic, fiscal and financial stability impacts associated with the insurance protection gap. The complexity and cross-cutting nature of this issue may require the involvement of a broader range of stakeholders. In this regard, it is worth mentioning the joint EIOPA-ECB proposal for an EU public-private reinsurance scheme to pool risks and expand coverage across Member States, and to establish an EU public disaster fund to improve disaster risk management and coordination (EIOPA-ECB, 2024).

Given that some degree of climate change is inevitable, climate change adaptation and resilience-building are becoming increasingly important in addition to the current mitigation measures. The ECB will continue to strengthen

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72 See Joint Research Centre (2026).

73 For example, Romania was forced to shut down its only nuclear power plant owing to record low water levels on the river Danube, triggering a nationwide state of alert.

74 See Kiel Institute (2026).

75 Between 1981 and 2023, natural catastrophe-related extreme events caused around €900 billion in direct economic losses in the EU, with more than one-fifth of those losses having occurred in the last three years (EIOPA-ECB, 2024).

its understanding of the role of the financial sector in supporting climate change adaptation and resilience, as well as of the most effective pathways for reducing the overall exposure of the economy and the financial system to climate-related risks.

Nature-related risks

Nature degradation is increasingly seen as a source of macroeconomic and financial risk alongside climate change, with potentially material implications for price stability and financial stability across Europe. Nature-related risks can have direct effects on the economy. For example, water scarcity, soil erosion and the loss of pollinators can impair agricultural productivity and drive up food prices. These effects, even if they are initially confined to a specific location, can spread throughout the economy via supply chains. The resulting economic implications can subsequently translate into financial risks, affecting financial institutions through their financing of exposed economic activities and sectors. Biodiversity loss can also amplify climate change and its associated risks, especially through the degradation of ecosystems that store carbon or support climate change adaptation, underlining the need for an integrated approach to climate and nature-related risks (Ceglar et al., 2024).

The ECB is strengthening its analytical framework to account for nature-related risks and to better understand their impact on the ECB's mandate. The ECB has begun developing methodologies to assess the financial impact of nature-related risks. ECB research shows that 72% of companies in the euro area are highly dependent on ecosystem services, and nearly 75% of banks' corporate lending goes to firms that are highly dependent on at least one ecosystem service (Ceglar et al., 2024).[76] This work seeks to both understand how ecosystem degradation may propagate through the financial system and enrich its existing climate-related risk assessments. The key topics for future work include: (i) improving data availability; (ii) developing nature-related scenarios; (iii) examining how banks identify and manage these risks; and (iv) assessing potential supervisory approaches, supported by ongoing cooperation with the NGFS.

Water-related risks have emerged as one of the most significant sources of nature-related risk for the EU economy. Water ecosystems are a critical economic asset in Europe and a significant source of risk when they are disrupted. Recent research has found that an extreme water scarcity event could put up to 24% of euro area output at risk of loss (Ceglar et al., 2025). Banks are also considerably exposed to water-dependent sectors, and increasing water stress could affect production, supply chains and broader macroeconomic resilience. In response, the ECB and other central banks of the ESCB are working collaboratively on an analytical framework to assess the implications of rising water stress on the EU economy.

[76] Ecosystems can be regarded as local networks of interacting plants and animals, and the landscape in which they live. Direct and indirect benefits from these ecosystems are known as ecosystem services. Examples include freshwater from rivers, lakes and reservoirs for drinking, industrial or agricultural purposes, and harvestable vegetation, livestock, fish and other biomass supporting food, fibre and energy production.

5 Concluding remarks

Five years on, the CCC has helped the ECB to transition from recognising climate-related risks to systematically integrating climate and nature-related risks across all relevant business areas. During this time, the CCC, in close cooperation with other business areas, has developed the strategic climate and nature agenda of the ECB, translated high-level objectives into concrete institutional actions and strengthened cooperation across the Eurosystem and internationally. This has helped the ECB to deliver on its climate-related commitments.

The ECB will need to remain responsive to changing climate and nature-related challenges. The next phase of the ECB's climate and nature-related work will combine strategic continuity with the flexibility to respond to emerging risks. The ECB will continue to integrate climate and nature-related risks into its monetary policy, banking supervision, financial stability and market operation activities. At the same time, analytical work will increasingly focus on those issues where uncertainty remains greatest and where new evidence is needed to support policymaking. In particular, the three focus areas discussed earlier, namely (i) navigating the green transition, (ii) physical risks, and (iii) nature-related risks, help to steer the ECB's attention towards those developments that are most relevant for its mandate.

In its role as both a strategic and coordination hub and a climate competence centre, the CCC will continue to work hand in hand with all relevant business areas of the ECB and the central banks of the ESCB. Specifically, the CCC will continue to identify emerging risks and policy priorities, harness relevant expertise and foster research that improves the understanding of climate and nature-related risks. The combination of consistency and responsiveness will be important to ensure that the ECB remains prepared for the evolving economic and financial implications of climate change and nature degradation, while keeping its actions firmly grounded in its mandate.

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Further information

Data published by the ECB can be accessed from the ECB Data Portal:	https://data.ecb.europa.eu/
Detailed tables are available in the ”Publications” section of the ECB Data Portal:	https://data.ecb.europa.eu/publications
Methodological definitions, general notes and technical notes to statistical tables can be found in the ”Methodology” section of the ECB Data Portal:	https://data.ecb.europa.eu/methodology
Explanations of terms and abbreviations can be found in the ECB’s statistics glossary:	https://www.ecb.europa.eu/home/glossary/html/glossa.en.html

Conventions used in the tables

-	data do not exist/data are not applicable
.	data are not yet available
...	nil or negligible
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted

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	0.4	0.9	5.4	0.4	4.1	7.4	3.3	0.2	5.4
2024	3.3	3.0	1.1	0.1	5.0	1.3	2.9	2.5	2.7	0.2	2.4
2025	3.4	2.3	1.2	1.2	5.0	1.2	.	3.4	3.2	0.1	2.1
2025 Q4	0.7	0.1	0.0	0.3	1.1	0.2	.	3.4	2.7	0.6	2.1
2026 Q1	0.8	0.6	0.6	0.5	1.3	0.0	2.7	3.1	1.4	0.8	2.0
Q2	0.7	0.6	0.5	0.4	0.9	0.6	3.9	2.7	1.5	1.1	3.0
Q3	.	.	.	.	1.2	.	3.5	3.2	2.0	0.7	3.3
2026 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	1.6	1.0	2.8
July	-	-	-	-	-	-	3.4	2.9	1.9	0.5	2.9
Aug.	-	-	-	-	-	-	3.4	3.1	1.9	0.8	3.2
Sep.	-	-	-	-	-	-	3.7	3.5	2.1	0.9	3.8

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	14,801.5	14,291.4	7,862.8	3,107.3	3,245.8	1,653.5	944.6	641.2	75.5	-510.0	7,440.6	6,930.5
2024	15,432.4	14,785.4	8,177.7	3,281.3	3,254.7	1,654.7	948.4	645.5	71.7	-647.0	7,606.6	6,959.6
2025	15,993.3	15,422.3	8,460.5	3,436.1	3,413.1	1,716.8	979.9	710.3	112.7	-571.0	7,772.9	7,201.9
2025 Q3	4,011.3	3,872.3	2,119.8	863.7	856.6	431.7	247.4	175.9	32.2	-138.9	1,940.1	1,801.2
Q4	4,056.1	3,909.9	2,145.2	877.6	866.7	438.6	250.2	176.4	20.4	-146.1	1,955.4	1,809.3
2026 Q1	4,075.3	3,946.2	2,162.2	882.4	872.8	437.9	252.3	181.0	28.9	-129.1	1,968.6	1,839.4
Q2	4,125.8	3,978.0	2,193.5	891.9	882.2	444.9	253.6	182.0	10.5	-147.8	2,086.0	1,938.2
as percentage of GDP												
2025	100.0	96.4	52.9	21.5	21.3	10.7	6.1	4.4	0.7	-3.6	-	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q3	0.3	0.5	0.2	0.6	1.0	0.5	1.3	1.7	-	-	0.7	1.2
Q4	0.2	0.2	0.6	0.6	0.6	0.9	0.7	-0.3	-	-	0.4	0.4
2026 Q1	0.0	0.5	0.0	0.5	-0.1	-1.1	0.5	1.6	-	-	-0.5	0.5
Q2	0.6	-0.3	0.4	0.3	0.0	0.1	-0.4	0.0	-	-	3.5	1.7
annual percentage changes												
2023	0.4	0.1	0.7	1.1	2.6	1.0	3.1	6.0	-	-	-1.1	-1.9
2024	1.3	1.0	1.6	2.7	-1.7	-2.1	-0.9	-1.6	-	-	1.3	0.7
2025	1.2	2.0	1.4	1.5	2.8	1.2	2.1	8.1	-	-	1.7	3.4
2025 Q3	1.1	1.7	1.2	1.4	2.9	2.0	3.7	4.0	-	-	2.2	3.5
Q4	1.1	1.8	1.3	1.6	2.8	2.5	3.1	3.1	-	-	2.0	3.5
2026 Q1	0.6	1.5	0.9	2.3	0.2	0.4	3.7	-4.7	-	-	-0.1	1.8
Q2	1.2	1.0	1.2	2.0	1.4	0.4	2.1	3.0	-	-	4.1	3.8
contributions to quarter-on-quarter percentage changes in GDP; percentage points												
2025 Q3	0.3	0.5	0.1	0.1	0.2	0.1	0.1	0.1	0.1	-0.2	-	-
Q4	0.2	0.2	0.3	0.1	0.1	0.1	0.0	0.0	-0.3	0.0	-	-
2026 Q1	0.0	0.5	0.0	0.1	0.0	-0.1	0.0	0.1	0.4	-0.5	-	-
Q2	0.6	-0.3	0.2	0.1	0.0	0.0	0.0	0.0	-0.5	0.9	-	-
contributions to annual percentage changes in GDP; percentage points												
2023	0.4	0.1	0.4	0.2	0.6	0.1	0.2	0.3	-1.1	0.4	-	-
2024	1.3	0.9	0.8	0.6	-0.4	-0.2	-0.1	-0.1	-0.1	0.3	-	-
2025	1.2	1.9	0.7	0.3	0.6	0.1	0.1	0.3	0.3	-0.7	-	-
2025 Q3	1.1	1.6	0.6	0.3	0.6	0.2	0.2	0.2	0.1	-0.5	-	-
Q4	1.1	1.7	0.7	0.3	0.6	0.3	0.2	0.1	0.1	-0.6	-	-
2026 Q1	0.6	1.4	0.5	0.5	0.0	0.0	0.2	-0.2	0.4	-0.8	-	-
Q2	1.2	0.9	0.6	0.4	0.3	0.0	0.1	0.1	-0.4	0.3	-	-

Sources: Eurostat and ECB calculations.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade.
2) Including acquisitions less disposals of valuables.

2 Economic activity

2.2 Value added by economic activity

(quarterly data seasonally adjusted; annual data unadjusted)

	Gross value added (basic prices)											
	Total	Agriculture, forestry and fishing	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	Taxes less subsidies on products
	1	2	3	4	5	6	7	8	9	10	11	12
Current prices (EUR billions)												
2023	13,391.9	226.1	2,639.5	714.4	2,489.6	704.4	604.1	1,519.3	1,611.6	2,469.6	413.2	1,409.6
2024	13,902.2	234.9	2,643.7	742.6	2,568.7	743.2	637.1	1,582.7	1,690.2	2,623.2	435.8	1,530.2
2025	14,375.0	248.8	2,684.4	776.7	2,640.0	786.0	657.9	1,615.0	1,761.1	2,753.9	451.2	1,618.3
2025 Q3	3,603.2	63.3	665.5	195.5	662.8	197.9	165.4	405.0	443.4	691.1	113.3	408.1
Q4	3,648.8	61.7	678.4	198.3	669.1	200.7	168.3	409.0	448.3	700.9	114.0	407.2
2026 Q1	3,656.2	60.9	670.7	198.3	674.1	201.3	170.4	411.4	451.0	703.9	114.3	419.1
Q2	3,709.9	58.1	692.3	201.1	683.4	205.0	171.1	415.7	455.7	712.4	115.2	415.9
as percentage of value added												
2025	100.0	1.7	18.7	5.4	18.4	5.5	4.6	11.2	12.3	19.2	3.1	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2025 Q3	0.4	0.6	1.0	0.1	0.2	1.1	0.2	0.0	0.4	0.1	-0.2	-0.1
Q4	0.2	0.4	-0.9	0.5	0.3	1.0	0.7	0.4	0.3	0.5	0.1	0.6
2026 Q1	0.0	0.0	-0.7	-0.8	0.1	0.3	0.0	0.3	0.3	0.1	0.0	0.4
Q2	0.8	-0.1	1.7	0.4	0.7	1.0	-0.5	0.4	0.8	0.5	0.5	-0.4
annual percentage changes												
2023	0.7	-2.4	-1.5	1.5	0.0	7.2	-3.0	2.3	1.7	0.7	3.2	-1.7
2024	1.3	0.7	1.6	-0.5	0.0	2.9	0.7	1.5	1.8	2.0	1.4	1.2
2025	1.2	4.1	0.7	0.6	1.2	4.5	-0.1	0.7	1.4	1.1	0.1	1.9
2025 Q3	1.1	5.2	0.2	0.9	1.4	4.7	-0.1	0.6	1.6	1.0	-0.5	1.5
Q4	1.1	3.7	-0.1	1.4	1.3	4.2	1.0	1.0	1.7	1.0	0.4	0.5
2026 Q1	0.5	1.7	-2.6	0.0	1.1	3.2	0.5	1.2	1.5	1.1	0.2	1.7
Q2	1.3	1.0	1.0	0.2	1.3	3.5	0.5	1.2	1.8	1.2	0.5	0.5
contributions to quarter-on-quarter percentage changes in value added; percentage points												
2025 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	0.1	0.1	0.0	0.1	0.0	0.1	0.0	-
2026 Q1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q2	0.8	0.0	0.3	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.0	-
contributions to annual percentage changes in value added; percentage points												
2023	0.7	0.0	-0.3	0.1	0.0	0.4	-0.1	0.3	0.2	0.1	0.1	-
2024	1.3	0.0	0.3	0.0	0.0	0.2	0.0	0.2	0.2	0.4	0.0	-
2025	1.2	0.1	0.1	0.0	0.2	0.2	0.0	0.1	0.2	0.2	0.0	-
2025 Q3	1.1	0.1	0.0	0.0	0.3	0.3	0.0	0.1	0.2	0.2	0.0	-
Q4	1.1	0.1	0.0	0.1	0.2	0.2	0.0	0.1	0.2	0.2	0.0	-
2026 Q1	0.5	0.0	-0.5	0.0	0.2	0.2	0.0	0.1	0.2	0.2	0.0	-
Q2	1.3	0.0	0.2	0.0	0.2	0.2	0.0	0.1	0.2	0.2	0.0	-

Sources: Eurostat and ECB calculations.

2 Economic activity

2.3 Employment [1)]

(quarterly data seasonally adjusted; annual data unadjusted)

		By employment status		By economic activity									
	Total	Employees	Self-employed	Agriculture forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	13
Persons employed													
as a percentage of total persons employed													
2023	100.0	85.9	14.1	3.1	14.2	6.4	24.4	3.4	2.3	1.1	14.1	24.7	6.5
2024	100.0	86.0	14.0	3.0	14.0	6.4	24.4	3.4	2.3	1.0	14.1	24.9	6.5
2025	100.0	85.9	14.1	2.9	13.9	6.4	24.4	3.4	2.3	1.1	14.2	25.0	6.5
annual percentage changes													
2023	1.5	1.6	1.0	-1.1	0.8	1.5	2.0	3.8	0.7	1.8	1.9	1.3	1.7
2024	1.0	1.1	0.5	-1.5	0.1	0.6	1.1	2.0	1.4	0.3	1.0	1.8	1.0
2025	0.7	0.7	1.0	-1.3	-0.4	1.1	0.6	0.2	0.6	2.2	1.1	1.2	1.5
2025 Q3	0.6	0.6	1.1	-1.0	-0.4	1.4	0.4	-0.2	0.6	2.2	1.0	1.1	1.4
Q4	0.7	0.6	1.1	-0.5	-0.4	1.5	0.4	-0.8	0.6	0.6	1.3	1.0	1.4
2026 Q1	0.5	0.4	1.4	-0.6	-0.1	1.7	0.3	-1.7	0.7	0.6	0.9	0.9	0.5
Q2	0.5	0.5	0.6	-1.9	-0.4	1.4	0.5	-1.7	1.4	0.7	0.8	1.2	0.5
Hours worked													
as a percentage of total hours worked													
2023	100.0	81.8	18.2	3.9	14.7	7.3	25.2	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	25.2	3.7	2.4	1.1	14.1	22.1	5.9
2025	100.0	82.1	17.9	3.7	14.4	7.3	25.1	3.7	2.4	1.1	14.2	22.3	6.0
annual percentage changes													
2023	1.7	2.0	0.4	-1.8	1.0	1.5	2.1	4.0	0.8	1.5	2.2	1.7	2.5
2024	1.4	1.6	0.2	-0.6	0.4	0.7	1.3	2.5	1.9	0.6	1.5	2.2	1.7
2025	0.2	0.3	-0.1	-2.0	-1.0	0.6	-0.1	-0.1	0.0	1.0	0.7	1.0	1.8
2025 Q3	0.6	0.6	0.8	-1.8	-0.3	1.2	0.3	-0.3	0.1	2.7	1.1	1.2	1.8
Q4	0.5	0.5	0.5	-1.2	-0.5	1.2	-0.1	-0.6	0.5	-1.8	1.3	1.2	1.6
2026 Q1	0.5	0.4	0.8	-1.3	0.1	1.1	0.3	-1.9	0.1	0.0	0.9	1.2	0.5
Q2	0.6	0.6	0.6	-1.8	-0.1	1.7	0.8	-1.7	0.9	0.7	1.2	1.1	-0.5
Hours worked per person employed													
annual percentage changes													
2023	0.2	0.4	-0.5	-0.7	0.2	0.0	0.1	0.1	0.1	-0.3	0.3	0.4	0.8
2024	0.3	0.5	-0.3	0.9	0.3	0.1	0.2	0.5	0.6	0.3	0.5	0.3	0.6
2025	-0.5	-0.4	-1.0	-0.7	-0.6	-0.5	-0.7	-0.3	-0.5	-1.1	-0.4	-0.2	0.4
2025 Q3	0.0	0.0	-0.3	-0.7	0.0	-0.2	-0.1	-0.1	-0.5	0.4	0.2	0.1	0.4
Q4	-0.2	-0.1	-0.7	-0.7	-0.1	-0.3	-0.5	0.2	-0.1	-2.4	0.0	0.1	0.3
2026 Q1	0.0	0.0	-0.6	-0.7	0.2	-0.7	0.0	-0.2	-0.6	-0.6	0.0	0.3	0.0
Q2	0.1	0.1	0.0	0.1	0.4	0.2	0.3	0.1	-0.5	0.0	0.4	0.0	-0.9

Sources: Eurostat and ECB calculations.
1) Data for employment are based on the ESA 2010.

2 Economic activity

2.4 Labour force, unemployment and job vacancies

(seasonally adjusted, unless otherwise indicated)

	Labour force, millions	Under-employment, % of labour force	Unemployment [1]												Job vacancy rate [3]
			Total		Long-term unemploy-ment, % of labour force [2]	By age				By gender					
						Adult		Youth		Male		Female			
			Millions	% of labour force		Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force		
	1	2	3	4	5	6	7	8	9	10	11	12	13		14
% of total in 2025			100.0			78.7		21.3		51.5		48.5			
2023	173.117	2.9	11.332	6.6	2.4	9.030	5.8	2.302	14.5	5.730	6.2	5.602	6.9		3.0
2024	174.344	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	175.918	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 Q3	175.996	2.8	11.295	6.4	2.0	8.904	5.6	2.391	15.0	5.816	6.2	5.480	6.6		2.1
Q4	176.256	2.8	11.075	6.3	2.0	8.663	5.4	2.412	15.1	5.719	6.1	5.356	6.5		2.2
2026 Q1	176.366	2.8	11.061	6.3	2.0	8.657	5.4	2.404	15.1	5.655	6.0	5.406	6.5		2.3
Q2	176.766	2.8	11.299	6.4	2.0	8.876	5.5	2.423	15.2	5.861	6.2	5.438	6.6		.
2026 Mar.	-	-	11.310	6.4	-	8.877	5.5	2.432	15.3	5.796	6.2	5.514	6.7		-
Apr.	-	-	11.276	6.4	-	8.860	5.5	2.416	15.2	5.800	6.2	5.476	6.6		-
May	-	-	11.235	6.4	-	8.812	5.5	2.422	15.2	5.778	6.2	5.456	6.6		-
June	-	-	11.318	6.4	-	8.902	5.5	2.416	15.2	5.837	6.2	5.482	6.6		-
July	-	-	11.331	6.4	-	8.931	5.6	2.400	15.1	5.814	6.2	5.517	6.7		-
Aug.	-	-	11.357	6.4	-	8.966	5.6	2.391	15.0	5.807	6.2	5.551	6.7		-

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 regis-trations
	Total (excluding construction)		Main Industrial Groupings										
	Total	Manu-facturing	Inter-mediate goods	Capital goods	Consumer goods	Energy		Total	Food, beverages, tobacco	Non-food	Fuel		
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2021	100.0	88.7	32.4	33.2	22.5	11.9	100.0	100.0	38.1	54.4	7.5	100.0	100.0
annual percentage changes													
2023	-1.7	-1.3	-6.1	3.1	-1.0	-5.4	2.4	-1.9	-2.4	-1.2	-1.5	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	0.0
2025	1.7	1.7	-0.7	1.1	5.6	1.1	2.3	2.4	1.5	3.2	2.3	2.1	1.2
2025 Q4	1.9	1.9	0.5	2.8	2.5	1.5	2.2	2.4	1.3	3.1	1.9	0.9	3.5
2026 Q1	-1.9	-2.4	-1.4	1.1	-8.5	2.2	-3.2	2.0	1.3	2.9	0.9	0.8	3.1
Q2	0.0	-0.1	0.8	1.7	-4.3	1.2	-0.2	1.4	1.3	2.6	-4.8	1.6	6.1
Q3	.	.	.	.	.	.	.	.	.	.	.	.	6.0
2026 Apr.	0.2	0.2	0.9	3.3	-5.5	1.6	-0.1	1.0	1.1	1.9	-4.8	1.5	4.5
May	-0.1	-0.2	1.3	2.7	-6.5	1.4	0.5	1.9	2.1	2.9	-5.6	2.0	6.8
June	-0.2	-0.3	0.3	-0.6	-0.9	0.5	-1.5	1.4	0.7	2.9	-4.1	1.3	6.9
July	-0.3	-0.8	0.2	1.6	-4.5	3.4	-1.7	0.4	1.2	0.4	-2.9	1.5	4.1
Aug.	-1.1	-1.7	-0.4	3.0	-8.3	3.1	1.4	0.8	1.6	1.7	-3.7	.	4.4
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	9.4
month-on-month percentage changes (s.a.)													
2026 Apr.	0.2	0.4	0.8	-0.4	2.8	-0.4	0.0	-0.4	0.7	-0.6	-3.4	0.5	0.0
May	0.2	0.0	-0.4	0.4	2.8	2.6	0.1	0.2	0.3	0.5	-1.6	0.6	-0.1
June	-0.1	-0.2	-0.8	-1.7	2.5	1.3	-1.6	0.3	-0.5	0.6	1.9	-0.3	-1.5
July	-0.3	-0.4	0.2	0.7	-2.4	0.0	0.2	-0.6	-0.1	-1.2	-0.2	0.4	0.7
Aug.	-0.5	-0.4	-0.8	0.4	-2.4	-0.6	1.8	0.1	0.1	0.5	-1.9	.	-0.5
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	5.6

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	117.7	14.3	39.5	.	9.1	3.7	17.2	.
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 Q4	97.0	-8.8	77.9	-12.9	-1.5	-6.6	4.9	89.9
2026 Q1	98.0	-7.1	78.0	-13.7	-1.9	-6.3	6.0	89.8
Q2	94.5	-7.5	78.2	-19.0	-3.8	-9.8	3.6	90.0
Q3	97.8	-4.9	78.3	-16.0	-5.1	-6.5	5.6	90.1
2026 May	94.3	-7.6	.	-18.9	-4.0	-10.6	3.7	.
June	95.6	-7.4	.	-17.7	-4.7	-9.2	4.4	.
July	97.1	-5.9	78.3	-15.9	-5.1	-6.9	5.0	90.1
Aug.	98.4	-5.0	.	-15.5	-5.0	-6.3	5.6	.
Sep.	97.9	-3.8	.	-16.5	-5.0	-6.4	6.1	.
Oct.	.	.	.	-17.9	.	.	.	.

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	14.2	83.8	1.3	1.9	2.8	3.9	1.4	37.3	6.0	68.6	1.8	4.0	0.9
2024	15.1	80.5	2.7	2.3	-8.1	5.6	4.6	35.7	4.4	67.1	2.0	1.1	1.1
2025	14.8	80.6	0.8	2.6	3.3	4.8	4.4	35.4	4.0	65.5	2.2	5.5	1.5
2025 Q3	14.9	80.5	0.5	2.6	4.8	4.7	4.7	35.3	4.0	66.0	2.2	4.1	1.4
Q4	14.8	80.6	0.6	2.6	6.3	4.8	4.4	35.4	4.0	65.5	2.2	0.8	1.5
2026 Q1	14.7	80.4	0.8	2.8	4.4	4.2	3.9	35.2	4.1	65.5	2.2	1.3	1.4
Q2	14.5	80.3	0.0	2.7	3.2	5.1	3.6	35.0	4.0	66.1	2.6	-1.1	1.7

Sources: ECB and Eurostat.
1) Based on four-quarter cumulated sums of saving, debt and gross disposable income (adjusted for the change in pension entitlements).
2) Financial assets (net of financial liabilities) and non-financial assets. Non-financial assets consist mainly of housing wealth (residential structures and land). They also include non-financial assets of unincorporated enterprises classified within the household sector.
3) The profit rate is gross entrepreneurial income (broadly equivalent to cash flow) divided by gross value added.
4) Defined as consolidated loans and debt securities liabilities.

2 Economic activity

2.8 Euro area balance of payments, current and capital accounts

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

	Current account											Capital account [1]	
	Total			Goods		Services		Primary income		Secondary income			
	Credit	Debit	Balance	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2025 Q3	1,486.1	1,422.1	64.0	710.2	632.0	393.4	364.2	333.4	329.9	49.1	96.1	25.0	22.3
Q4	1,509.5	1,443.8	65.7	711.5	637.1	399.1	352.3	348.5	350.5	50.3	103.8	47.1	24.1
2026 Q1	1,535.3	1,461.2	74.1	714.7	654.9	410.9	372.2	359.1	332.0	50.7	102.0	37.4	26.7
Q2	1,609.0	1,552.0	57.0	786.4	711.0	425.1	391.5	348.0	349.5	49.6	100.0	26.9	14.5
2026 Mar.	513.6	503.1	10.5	239.4	230.2	137.7	124.4	120.2	113.8	16.3	34.8	11.6	4.9
Apr.	534.8	523.2	11.6	261.8	237.2	141.1	129.4	115.1	123.4	16.7	33.2	7.3	4.2
May	533.8	517.0	16.8	261.0	237.2	142.3	132.6	114.9	113.7	15.5	33.5	7.8	5.8
June	540.5	511.8	28.7	263.5	236.6	141.6	129.6	117.9	112.4	17.4	33.2	11.8	4.4
July	537.4	510.2	27.2	262.9	229.0	140.1	127.7	118.1	118.7	16.3	34.8	11.9	5.2
Aug.	533.1	524.4	8.7	258.8	240.5	140.5	127.6	117.4	121.8	16.5	34.5	7.6	6.1
12-month cumulated transactions													
2026 Aug.	6,219.9	5,969.5	250.3	2,973.9	2,683.5	1,647.4	1,494.2	1,398.5	1,384.3	200.1	407.6	140.5	86.3
12-month cumulated transactions as a percentage of GDP													
2026 Aug.	38.2	36.7	1.5	18.3	16.5	10.1	9.2	8.6	8.5	1.2	2.5	0.9	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.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports	Total	Intermediate goods	Capital goods	Consumption goods	Manufacturing	Total	Intermediate goods	Capital goods	Consumption goods	Manufacturing	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2025 Q3	1.4	2.2	724.1	339.8	145.8	222.5	600.5	698.9	380.5	121.3	179.0	514.2	64.6
Q4	0.3	0.2	719.4	332.0	145.3	223.5	592.9	695.1	375.5	124.4	176.0	518.6	57.6
2026 Q1	-6.4	-0.4	725.4	342.3	144.5	220.1	589.3	713.1	389.5	128.8	179.0	523.6	64.9
Q2	6.4	11.8	768.1	361.8	157.7	229.5	622.8	777.5	436.1	137.8	187.8	550.3	93.5
2026 Mar.	-5.2	6.8	246.9	117.0	49.4	73.8	198.2	248.7	137.0	44.6	61.8	179.0	26.6
Apr.	4.7	9.9	254.2	122.3	51.0	75.0	204.9	255.1	144.0	45.1	60.9	178.7	32.2
May	0.2	10.8	255.9	120.6	51.5	78.1	207.5	262.9	147.8	46.2	63.9	184.5	33.6
June	14.6	14.8	258.0	118.9	55.1	76.4	210.5	259.5	144.3	46.5	62.9	187.2	27.7
July	8.8	9.1	260.3	122.3	52.7	78.4	211.8	259.0	142.0	46.6	64.0	190.2	27.0
Aug.	9.9	16.7	257.2	.	.	.	205.1	264.0	.	.	.	187.4	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2025 Q3	0.1	2.8	94.5	87.2	95.2	105.5	94.9	102.4	96.6	105.0	112.4	103.3	140.7
Q4	-0.9	2.1	92.2	84.0	92.1	105.5	91.7	102.6	95.6	106.7	111.3	104.3	141.2
2026 Q1	-5.6	1.5	92.1	84.7	92.9	104.3	90.8	102.2	95.2	107.5	112.1	103.8	145.4
Q2	1.4	2.9	94.6	86.9	98.8	105.2	93.8	103.7	97.3	110.5	113.9	105.3	152.1
2026 Feb.	-5.1	1.0	92.7	85.9	93.4	104.8	91.9	102.5	95.9	106.9	110.9	103.8	145.2
Mar.	-4.6	6.6	92.7	85.3	93.4	103.6	89.8	104.3	98.5	111.2	115.3	106.1	151.5
Apr.	1.8	2.9	95.0	88.9	95.2	105.4	93.8	102.9	96.7	110.0	113.0	104.4	147.8
May	-5.4	0.2	93.5	85.6	96.7	105.1	92.7	103.7	97.2	110.1	114.1	105.0	160.9
June	8.0	5.7	95.4	86.1	104.6	105.0	94.8	104.4	97.9	111.3	114.7	106.5	147.7
July	1.0	0.2	95.2	87.2	95.7	107.6	94.4	102.8	96.6	107.2	115.0	105.1	150.2

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	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total	Total excluding food and energy										
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 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 Q4	100.6	2.1	2.4	0.9	3.4	0.4	0.4	0.1	0.1	-0.1	0.8	2.0	2.3
2026 Q1	100.9	2.0	2.3	1.0	3.3	0.8	0.1	2.0	0.2	3.3	0.7	2.0	2.2
Q2	103.1	3.0	2.4	2.8	3.2	1.1	0.0	0.8	0.3	6.3	0.9	3.0	3.2
Q3	103.7	3.3	2.5	3.4	3.2	0.9	0.1	0.3	0.5	4.3	0.7	3.2	3.9
2026 Apr.	103.0	3.0	2.2	3.1	3.0	0.5	0.0	0.7	0.2	3.0	0.4	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	0.3	3.2	3.2
June	103.0	2.8	2.4	2.3	3.2	-0.1	0.0	-0.5	0.0	-1.8	0.2	2.7	3.3
July	103.2	2.9	2.5	2.6	3.3	0.5	0.1	0.0	0.3	2.7	0.3	2.9	3.6
Aug.	103.7	3.2	2.4	3.4	3.0	0.5	0.0	0.5	0.2	2.9	0.2	3.2	3.9
Sep.	104.3	3.8	2.5	4.2	3.2	0.6	0.0	1.0	0.0	4.0	0.3	3.7	4.2

	Goods						Services					
	Food (including alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal care	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Total	Rents				
	14	15	16	17	18	19	20	21	22	23	24	25
% of total in 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 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
Q3	1.2	0.5	3.1	4.7	1.1	14.5	3.1	2.7	3.6	1.7	3.2	2.9
2026 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
July	1.2	0.7	2.4	3.5	0.9	10.3	3.1	2.7	4.0	2.0	3.3	2.9
Aug.	1.1	0.5	2.7	4.7	1.2	14.3	3.1	2.6	3.4	1.9	2.8	3.0
Sep.	1.3	0.4	4.0	5.8	1.1	18.9	3.0	2.6	3.4	1.3	3.5	3.0

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]												
		Total		Industry excluding construction and energy						Energy	Construction [2]	Residential property prices	Experimental indicator of commercial property prices [3]
							Consumer goods						
	Total (index: 2021 = 100)	Total	Manufacturing	Total	Intermediate goods	Capital goods	Total	Food, beverages and tobacco	Non-food				
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2021	100.0	100.0	77.8	72.3	30.9	19.3	22.2	15.7	6.5	27.7			
2023	130.0	-2.2	1.9	3.8	-0.2	4.8	8.3	8.4	5.7	-13.4	6.9	-1.0	-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 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	1.8
2026 Q1	126.5	-1.1	1.4	1.2	1.6	1.6	1.3	-0.2	1.7	-5.7	1.9	4.6	.
Q2	129.9	5.1	5.8	2.7	5.2	2.3	0.7	-1.0	2.1	11.7	3.6	4.0	.
2026 Mar.	129.0	2.0	3.7	1.4	2.0	1.7	1.1	-0.5	1.7	4.0	-	-	-
Apr.	129.8	4.9	6.1	2.3	3.9	2.2	0.8	-0.8	1.9	12.4	-	-	-
May	130.1	5.9	6.2	2.8	5.5	2.3	0.7	-1.0	2.2	14.0	-	-	-
June	129.7	4.6	5.1	3.0	6.1	2.3	0.5	-1.2	2.3	8.8	-	-	-
July	131.8	5.8	5.8	3.1	6.3	2.5	0.4	-1.2	2.3	13.0	-	-	-
Aug.	134.3	8.2	7.0	3.4	6.8	2.6	0.4	-1.2	2.5	21.0	-	-	-

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 column 13 exclude Bulgaria.

3.3 Commodity prices and GDP deflators

(annual percentage changes, unless otherwise indicated)

	GDP deflators								Oil prices (Brent spot, US Dollar)	Non-energy commodity prices (EUR)					
			Domestic demand							Import-weighted [2]			Use-weighted [2]		
	Total (s.a.; index: 2020 = 100)	Total	Total	Private consumption	Government consumption	Gross fixed capital formation	Exports [1]	Imports [1]		Total	Food	Non-food	Total	Food	Non-food
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
% of total										100.0	45.5	54.6	100.0	50.4	49.6
2023	114.1	6.3	5.0	6.3	4.0	4.1	0.7	-2.1	83.7	-13.2	-14.1	-12.3	-14.0	-14.6	-13.4
2024	117.5	3.0	2.5	2.4	2.8	2.0	0.9	-0.3	82.0	2.7	2.5	3.0	3.7	3.9	3.5
2025	120.3	2.4	2.3	2.0	3.2	2.0	0.5	0.1	69.9	-0.6	0.2	-1.2	-1.1	-0.6	-1.6
2025 Q4	121.5	2.5	2.3	2.3	3.4	1.9	-0.4	-1.0	64.3	-4.8	-9.5	-0.8	-7.3	-11.7	-2.8
2026 Q1	122.1	2.4	1.9	2.1	2.4	2.2	0.7	-0.4	82.9	-6.6	-17.1	2.8	-7.9	-14.3	-0.9
Q2	122.8	2.4	2.7	3.0	2.5	3.1	3.9	4.5	109.4	6.4	-5.4	16.6	5.4	-3.0	14.4
Q3	.	.	.	.	.	.	.	.	99.8	9.2	6.4	11.5	7.2	4.5	9.8
2026 Apr.	-	-	-	-	-	-	-	-	133.1	4.7	-7.9	15.9	4.1	-4.1	13.1
May	-	-	-	-	-	-	-	-	111.7	6.7	-6.6	18.6	6.0	-3.2	15.9
June	-	-	-	-	-	-	-	-	86.0	7.7	-1.5	15.5	6.1	-1.7	14.1
July	-	-	-	-	-	-	-	-	82.4	9.8	8.7	10.6	7.6	6.0	9.2
Aug.	-	-	-	-	-	-	-	-	93.7	8.4	4.7	11.4	6.5	3.6	9.3
Sep.	-	-	-	-	-	-	-	-	123.5	9.5	6.0	12.4	7.4	3.8	10.9

Sources: Eurostat, ECB calculations and LSEG (London Stock Exchange Group) (col. 9).
1) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.
2) Import-weighted: weighted according to 2009-11 average import structure; use-weighted: weighted according to 2009-11 average domestic demand structure.

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	48.0	50.7	25.8	40.7	68.9
2023	9.0	28.8	19.6	15.0	75.6
2024	6.1	14.6	15.2	4.7	55.9
2025	9.0	16.9	14.0	4.7	48.9
2025 Q4	10.0	17.9	13.6	7.8	48.4
2026 Q1	14.2	18.3	14.6	8.8	46.7
Q2	26.3	27.0	16.3	16.6	56.5
Q3	18.5	22.0	13.8	10.5	55.2
2026 Apr.	29.6	27.6	17.6	19.2	56.5
May	26.7	26.9	16.6	17.2	57.4
June	22.5	26.6	14.7	13.3	55.5
July	18.2	22.5	13.7	9.2	53.8
Aug.	16.9	22.0	14.0	8.5	54.9
Sep.	20.3	21.6	13.6	13.9	56.8

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

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

			By component		For selected economic activities		
	Total (index: 2020=100)	Total	Wages and salaries	Employers' social contributions	Business economy	Mainly non-business economy	Memo item: Indicator of negotiated wages [1]
	1	2	3	4	5	6	7
% of total in 2020	100.0	100.0	75.3	24.7	69.0	31.0	
2023	110.6	4.9	4.7	5.5	5.2	4.2	4.5
2024	115.8	4.7	4.7	4.7	4.7	4.6	4.6
2025	120.2	3.7	3.6	4.1	3.9	3.4	2.9
2025 Q3	116.2	3.5	3.3	3.9	3.5	3.4	2.0
Q4	127.2	3.7	3.4	4.5	3.5	4.1	2.9
2026 Q1	116.2	3.3	3.4	2.8	3.3	3.2	2.6
Q2	128.6	3.1	3.0	3.2	3.0	3.1	2.4

Sources: Eurostat and ECB calculations.
1) Experimental data based on non-harmonised sources (see https://www.ecb.europa.eu/stats/ecb_statistics/governance_and_quality_framework/html/experimental-data.en.html for further details).

3 Prices and costs

3.6 Unit labour costs, compensation per labour input and labour productivity

(annual percentage changes, unless otherwise indicated; quarterly data seasonally adjusted; annual data unadjusted)

			By economic activity									
	Total (index: 2020 =100)	Total	Agriculture, forestry andfishing	Manu-facturing, energy and utilities	Con-struction	Trade, transport, accom-modation and food services	Information and commu-nication	Finance and insurance	Real estate	Professional, business and support services	Public ad-ministration, education, health and social work	Arts, enter-tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
Unit labor costs												
2023	109.5	6.5	6.9	8.2	4.9	7.6	1.1	10.7	3.1	6.2	5.5	4.1
2024	114.1	4.2	3.7	2.8	5.4	5.3	3.5	5.8	3.1	4.0	4.3	4.6
2025	117.9	3.3	-1.3	2.5	4.6	3.3	-0.3	4.5	4.3	3.5	4.3	4.9
2025 Q3	118.2	3.4	-2.4	3.3	4.4	3.1	-0.4	4.4	5.0	3.2	4.1	6.4
Q4	119.1	3.3	-1.6	3.2	3.4	2.9	-0.9	3.7	3.6	2.8	4.4	4.1
2026 Q1	120.1	3.6	0.8	6.0	5.0	3.1	-0.3	3.9	4.2	3.2	3.3	4.3
Q2	120.5	2.6	0.6	2.2	4.8	2.3	-0.3	4.0	3.3	2.2	3.1	3.2
Compensation per employee												
2023	115.1	5.4	5.5	5.8	4.9	5.6	4.4	6.5	3.6	6.0	4.8	5.7
2024	120.2	4.5	6.0	4.4	4.3	4.1	4.3	5.2	4.3	4.7	4.5	5.0
2025	124.9	3.8	4.0	3.6	4.0	3.9	4.1	3.8	2.7	3.9	4.1	3.6
2025 Q3	125.4	4.0	3.8	4.0	3.9	4.1	4.5	3.7	3.3	3.8	4.0	4.3
Q4	126.6	3.7	2.6	3.5	3.4	3.8	4.2	4.1	3.9	3.1	4.4	3.1
2026 Q1	127.5	3.6	3.1	3.3	3.2	3.8	4.6	3.7	4.9	3.8	3.4	4.0
Q2	128.6	3.3	3.6	3.7	3.5	3.2	4.9	3.0	3.7	3.2	3.1	3.2
Labour productivity per person employed												
2023	105.1	-1.1	-1.3	-2.3	-0.1	-1.9	3.3	-3.8	0.5	-0.2	-0.6	1.5
2024	105.3	0.2	2.2	1.5	-1.1	-1.1	0.8	-0.6	1.2	0.7	0.2	0.3
2025	105.9	0.5	5.4	1.1	-0.5	0.6	4.4	-0.7	-1.5	0.3	-0.1	-1.3
2025 Q3	106.1	0.5	6.3	0.6	-0.5	0.9	4.9	-0.7	-1.6	0.7	-0.1	-1.9
Q4	106.2	0.4	4.2	0.3	0.0	0.8	5.1	0.4	0.3	0.3	0.0	-1.0
2026 Q1	106.1	0.1	2.3	-2.5	-1.7	0.7	4.9	-0.1	0.6	0.6	0.1	-0.3
Q2	106.7	0.7	3.0	1.5	-1.2	0.9	5.3	-0.9	0.4	1.0	0.1	0.0
Compensation per hour worked												
2023	108.7	4.9	5.3	5.6	4.5	5.2	4.3	6.3	3.7	5.4	4.4	4.7
2024	113.0	4.0	4.4	3.9	3.8	3.7	3.9	4.6	3.7	3.9	4.1	4.2
2025	117.8	4.2	3.6	4.2	4.3	4.3	4.5	4.4	4.6	4.4	4.3	3.1
2025 Q3	117.8	4.0	4.1	3.9	4.1	3.8	5.0	4.3	4.5	4.1	3.8	4.1
Q4	118.7	3.8	2.3	3.5	3.8	4.2	4.1	4.2	6.8	3.2	4.2	2.4
2026 Q1	119.8	3.6	4.0	3.1	4.0	3.8	5.0	4.2	5.9	3.6	3.0	3.9
Q2	120.8	3.2	4.1	3.3	3.6	2.8	4.9	3.4	4.3	2.8	3.1	4.1
Hourly labour productivity												
2023	99.1	-1.3	-0.6	-2.5	-0.1	-2.0	3.1	-3.8	0.8	-0.5	-1.0	0.7
2024	99.0	-0.1	1.3	1.2	-1.2	-1.3	0.3	-1.2	0.8	0.2	-0.1	-0.3
2025	99.9	1.0	6.2	1.7	-0.1	1.3	4.7	-0.1	-0.4	0.7	0.1	-1.6
2025 Q3	99.8	0.5	7.1	0.6	-0.3	1.0	5.0	-0.2	-2.1	0.5	-0.2	-2.3
Q4	99.7	0.6	4.9	0.4	0.3	1.3	4.9	0.4	2.8	0.4	-0.2	-1.3
2026 Q1	99.8	0.1	3.0	-2.7	-1.1	0.8	5.1	0.5	1.2	0.6	-0.2	-0.3
Q2	100.3	0.6	2.9	1.1	-1.5	0.5	5.2	-0.5	0.4	0.6	0.1	0.9

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 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
July	2.18	2.21	2.43	2.65	2.86	3.62	0.98
Aug.	2.19	2.22	2.51	2.71	2.95	3.64	0.98
Sep.	2.31	2.41	2.64	2.92	3.25	3.76	1.05

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 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
July	2.38	2.65	2.76	2.89	3.23	0.58	0.73	1.52	2.86	2.87	3.18	3.88
Aug.	2.42	2.71	2.86	3.01	3.34	0.63	0.68	1.44	2.96	3.01	3.29	3.98
Sep.	2.50	2.96	3.16	3.29	3.58	0.62	0.82	1.32	3.32	3.35	3.53	4.13

Source: LSEG and 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 Apr.	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
May	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
June	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
July	666.9	6,291.7	1,077.7	244.7	164.9	200.9	429.7	1,265.1	1,477.6	589.3	381.8	841.0	7,481.3	66,505.6
Aug.	682.1	6,483.6	1,101.9	242.4	161.5	208.5	450.1	1,320.7	1,502.2	570.6	385.2	844.3	7,711.3	66,377.8
Sep.	666.1	6,316.4	1,100.4	230.1	157.0	210.5	448.8	1,252.9	1,471.6	554.3	378.2	824.9	7,669.4	65,048.2

Source: LSEG.

4 Financial market developments

4.4 MFI interest rates on loans to and deposits from households (new business) [1), 2)]

(percentages per annum, period average, unless otherwise indicated)

	Deposits				Revolving loans and overdrafts	Extended credit card credit	Loans for consumption			Loans to sole proprietors and unincorporated partnerships	Loans for house purchase					
			With an agreed maturity of:				By initial period of rate fixation		APRC [3)]		By initial period of rate fixation				APRC [3)]	Composite cost-of-borrowing indicator
	Overnight	Redeemable at notice of up to 3 months	Up tp 2 years	Over 2 years			Floating rate and up to 1 year	Over 1 year			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 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	16.45	6.18	7.45	8.07	4.17	3.53	3.35	3.48	3.15	3.58	3.30
Dec.	0.25	1.22	1.78	2.27	7.23	16.45	6.35	7.25	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	16.52	7.17	7.62	8.37	4.13	3.51	3.38	3.51	3.23	3.65	3.35
Feb.	0.26	1.17	1.80	2.24	7.26	16.45	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	16.50	7.02	7.51	8.16	4.12	3.50	3.36	3.52	3.24	3.64	3.35
Apr.	0.27	1.17	1.88	2.40	7.23	16.47	7.11	7.66	8.34	4.30	3.56	3.43	3.61	3.31	3.72	3.44
May	0.27	1.17	1.93	2.37	7.19	16.45	7.18	7.68	8.43	4.38	3.60	3.47	3.66	3.32	3.76	3.48
June	0.28	1.17	2.06	2.55	7.29	16.51	7.20	7.54	8.22	4.36	3.65	3.53	3.67	3.34	3.77	3.51
July	0.28	1.18	2.12	2.58	7.32	16.53	7.45	7.60	8.31	4.48	3.69	3.58	3.74	3.35	3.81	3.54
Aug. [p]	0.29	1.25	2.16	2.61	7.28	16.54	7.58	7.96	8.59	4.56	3.86	3.60	3.80	3.43	3.91	3.60

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) Including non-profit institutions serving households.
3) Annual percentage rate of charge (APRC).

4.5 MFI interest rates on loans to and deposits from non-financial corporations (new business) [1), 2)]

(Percentages per annum; period average, unless otherwise indicated)

	Deposits			Revolving loans and overdrafts	Other loans by size and initial period of rate fixation									Composite cost-of-borrowing indicator
		With an agreed maturity of:			Up to EUR 0.25 million			over EUR 0.25 and up to 1 million			over EUR 1 million			
	Overnight	Up tp 2 years	Over 2 years		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 year	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2025 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	3.63	3.66	4.18	4.88	3.49	3.45	3.60	3.15	3.32	3.55	3.50
Dec.	0.52	1.94	2.48	3.67	3.64	4.09	4.82	3.52	3.41	3.64	3.30	3.55	3.60	3.57
2026 Jan.	0.52	1.90	2.42	3.67	3.59	4.07	4.71	3.57	3.41	3.71	3.29	3.45	3.59	3.57
Feb.	0.53	1.90	2.36	3.65	3.65	4.14	4.80	3.55	3.42	3.70	3.19	3.14	3.63	3.51
Mar.	0.54	1.95	2.52	3.66	3.64	4.30	4.83	3.54	3.52	3.71	3.28	3.52	3.59	3.58
Apr.	0.54	1.99	2.72	3.69	3.70	4.33	4.85	3.59	3.59	3.82	3.32	3.51	3.68	3.62
May	0.53	2.03	2.61	3.70	3.78	4.47	5.10	3.64	3.74	3.88	3.28	3.58	3.75	3.63
June	0.59	2.20	2.66	3.82	3.91	4.46	5.05	3.72	3.76	3.89	3.55	3.67	3.77	3.79
July	0.61	2.25	2.84	3.86	3.83	4.45	5.02	3.84	3.83	3.93	3.48	3.84	3.84	3.80
Aug. [p]	0.61	2.25	2.73	3.92	3.93	4.52	5.04	3.90	3.87	3.99	3.34	3.78	3.94	3.77

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
			Total	FVCs						Total	FVCs			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Short-term														
2023	1,575.5	623.7	165.6	104.5	84.5	701.8	659.1	537.3	242.2	117.9	91.8	48.6	128.5	104.6
2024	1,600.5	581.1	206.3	120.0	71.3	741.8	674.7	517.3	206.2	133.9	105.3	39.9	137.3	110.3
2025	1,626.2	575.5	227.2	141.9	77.7	745.8	662.7	553.9	224.7	152.7	120.8	41.9	134.7	107.8
2026 Apr.	1,679.0	579.1	213.5	119.0	100.4	786.0	700.2	633.4	224.1	173.4	130.3	62.0	173.9	144.9
May	1,689.9	580.3	218.9	120.5	96.8	793.8	710.0	588.9	213.4	174.1	125.8	52.6	148.8	123.9
June	1,751.1	607.8	237.0	131.0	92.4	813.9	731.1	662.4	246.4	204.3	149.1	54.2	157.5	136.9
July	1,725.7	599.7	227.3	115.1	94.7	804.0	728.1	648.5	238.8	196.9	142.4	52.8	159.9	135.6
Aug.	1,736.4	625.1	222.4	109.1	94.9	794.0	722.9	578.0	246.1	172.7	125.1	38.9	120.4	105.8
Sep.	1,730.1	617.8	215.0	98.8	85.5	811.7	744.7	631.2	216.4	191.5	130.3	49.3	174.0	160.7
Long-term														
2023	19,435.7	4,452.7	3,268.8	1,429.4	1,531.7	10,182.4	9,443.2	321.8	93.2	68.3	31.0	21.1	139.2	130.7
2024	20,545.5	4,770.3	3,540.6	1,523.9	1,633.5	10,601.0	9,828.9	350.3	89.0	85.7	35.1	26.9	148.6	138.0
2025	21,434.7	4,883.9	3,804.8	1,697.9	1,736.1	11,009.9	10,216.8	384.0	92.2	103.2	45.1	31.0	157.7	146.6
2026 Apr.	21,764.4	4,997.0	3,819.0	1,695.1	1,746.0	11,202.5	10,384.9	437.6	128.6	93.8	38.3	33.8	181.4	170.9
May	22,014.8	5,038.7	3,872.7	1,717.2	1,772.5	11,331.0	10,501.7	441.9	113.7	105.8	40.6	45.1	177.2	164.8
June	22,299.7	5,115.5	3,893.7	1,729.7	1,795.3	11,495.1	10,648.9	512.7	146.4	116.3	51.6	44.0	206.0	189.1
July	22,106.3	5,090.5	3,900.4	1,738.1	1,782.0	11,333.4	10,500.9	387.2	92.8	111.1	37.7	27.4	156.0	149.8
Aug.	22,051.9	5,090.5	3,908.6	1,743.0	1,776.8	11,276.1	10,447.5	282.2	65.4	73.1	30.2	12.5	131.3	127.7
Sep.	21,819.9	5,087.0	3,903.5	1,747.3	1,775.8	11,053.6	10,232.7	445.9	138.8	100.1	36.7	46.7	160.2	143.1

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	21,011.2	5,076.4	3,434.4	1,533.9	1,616.2	10,884.2	10,102.3	9,643.3	619.7	1,390.4	7,632.6
2024	22,145.9	5,351.4	3,746.9	1,643.9	1,704.9	11,342.8	10,503.6	10,142.6	749.9	1,579.4	7,812.9
2025	23,060.9	5,459.3	4,032.0	1,839.8	1,813.8	11,755.8	10,879.5	11,690.7	1,309.3	1,843.0	8,538.0
2026 Apr.	23,443.4	5,576.1	4,032.5	1,814.1	1,846.3	11,988.5	11,085.1	11,902.4	1,263.4	1,823.8	8,814.7
May	23,704.7	5,619.0	4,091.5	1,837.6	1,869.3	12,124.8	11,211.7	12,287.1	1,322.5	1,834.0	9,130.2
June	24,050.8	5,723.3	4,130.7	1,860.7	1,887.7	12,309.0	11,380.0	12,589.4	1,418.7	1,920.2	9,250.0
July	23,832.0	5,690.2	4,127.7	1,853.2	1,876.7	12,137.4	11,229.0	12,567.6	1,492.4	1,970.0	9,104.8
Aug.	23,788.3	5,715.6	4,130.9	1,852.1	1,871.6	12,070.1	11,170.4	12,661.4	1,531.8	1,992.7	9,136.5
Sep.	23,549.9	5,704.8	4,118.6	1,846.0	1,861.2	11,865.3	10,977.4	12,397.6	1,488.5	1,926.9	8,981.8
Growth rate [1]											
2026 Feb.	5.4	3.5	9.8	11.6	4.8	5.0	4.8	0.1	2.3	-1.0	0.1
Mar.	5.4	2.7	9.6	11.4	4.4	5.5	5.5	0.3	2.4	-0.7	0.2
Apr.	5.4	4.9	8.0	8.3	4.8	4.9	4.9	0.1	1.7	-1.5	0.2
May	5.2	3.8	7.9	9.2	3.7	5.2	5.2	0.1	1.8	-1.4	0.2
June	5.4	4.5	7.1	7.3	3.9	5.6	5.5	0.2	1.4	-0.9	0.3
July	5.3	4.5	6.5	6.2	3.8	5.5	5.5	0.0	1.3	-1.3	0.1
Aug.	5.1	4.6	5.8	5.2	4.1	5.2	5.2	0.0	1.4	-1.4	0.1
Sep.	5.2	5.7	5.9	4.3	4.6	4.8	4.9	-0.1	-0.3	-1.3	0.2

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	93.9	98.0	89.0	58.4	87.7	122.1	94.3
2024	98.2	94.2	98.3	89.5	56.2	88.6	124.4	94.5
2025	100.4	96.3	100.4	91.8	54.6	91.1	128.3	96.4
2025 Q4	101.9	97.8	101.9	93.4	55.0	92.8	130.7	97.8
2026 Q1	101.4	97.6	101.6	92.9	54.7	92.8	130.3	97.6
Q2	100.8	97.2	101.2	92.1	52.9	92.0	129.7	97.1
Q3	100.1	96.9	100.6	.	.	.	129.2	96.9
2026 Apr.	101.3	97.9	102.3	-	-	-	130.2	97.7
May	100.8	97.2	101.2	-	-	-	129.7	97.1
June	100.3	96.6	100.1	-	-	-	129.0	96.4
July	99.9	96.6	100.3	-	-	-	128.7	96.5
Aug.	100.4	97.2	100.9	-	-	-	129.6	97.2
Sep.	100.0	96.9	100.5	-	-	-	129.2	97.0
Percentage change versus previous month								
2026 Sep.	-0.4	-0.3	-0.4	-	-	-	-0.3	-0.3
Percentage change versus previous year								
2026 Sep.	-2.2	-1.2	-1.6	-	-	-	-1.5	-1.4

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 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
Q3	7.756	24.228	7.475	362.533	183.250	4.324	0.856	5.2497	11.101	0.935	1.151
2026 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
July	7.737	24.207	7.475	359.468	185.539	4.318	0.854	5.2372	11.046	0.926	1.142
Aug.	7.809	24.179	7.476	363.382	184.102	4.310	0.856	5.2493	11.023	0.936	1.159
Sep.	7.724	24.296	7.475	364.926	180.044	4.345	0.858	5.2633	11.233	0.943	1.151
Percentage change versus previous month											
2026 Sep.	-1.1	0.5	0.0	0.4	-2.2	0.8	0.2	0.3	1.9	0.7	-0.7
Percentage change versus previous year											
2026 Sep.	-7.6	-0.2	0.1	-6.8	3.7	2.0	-1.2	3.7	2.1	0.9	-1.9

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 Q3	36,982.7	35,422.0	1,560.7	12,728.4	9,850.7	15,115.0	17,520.8	-10.1	7,527.3	8,050.5	1,622.2	17,013.0
Q4	37,835.1	36,175.0	1,660.1	12,897.6	9,806.0	15,532.5	18,306.5	7.3	7,622.8	8,062.6	1,774.9	17,003.8
2026 Q1	38,512.7	36,627.5	1,885.2	12,928.7	9,849.4	15,622.3	18,364.9	38.2	8,015.4	8,413.1	1,908.1	17,450.9
Q2	40,313.7	38,369.1	1,944.6	13,086.4	9,800.9	17,041.5	19,782.8	11.0	8,419.4	8,785.5	1,755.4	18,049.2
Outstanding amounts as percentage of GDP												
2026 Q2	248.0	236.0	12.0	80.5	60.3	104.8	121.7	0.1	51.8	54.0	10.8	111.0
Transactions												
2025 Q3	353.0	273.3	79.7	35.3	22.9	311.9	200.8	-5.7	5.4	49.7	6.2	-
Q4	312.3	225.1	87.2	137.7	-8.3	79.4	195.4	-17.8	104.5	38.0	8.6	-
2026 Q1	612.0	583.8	28.1	78.2	62.4	233.0	294.1	-11.2	306.3	227.4	5.7	-
Q2	708.4	629.3	79.1	108.7	-5.4	222.5	423.0	59.0	315.7	211.7	2.6	-
2026 Mar.	-47.9	-35.1	-12.8	51.0	46.0	-56.1	61.5	18.0	-63.0	-142.7	2.3	-
Apr.	177.1	133.7	43.4	37.6	24.4	46.6	20.8	14.9	81.1	88.6	-3.0	-
May	213.2	206.9	6.3	7.7	-18.1	93.5	91.5	15.1	90.6	133.6	6.3	-
June	318.1	288.7	29.4	63.5	-11.7	82.5	310.8	29.0	144.0	-10.4	-0.8	-
July	57.9	53.5	4.4	21.6	-8.8	53.4	81.3	-6.4	-11.4	-19.0	0.6	-
Aug.	240.1	191.3	48.8	68.0	48.5	61.1	11.9	2.9	107.1	130.9	1.1	-
12-month cumulated transactions												
2026 Aug.	2,070.5	1,759.2	311.3	423.6	88.6	797.9	1,105.2	21.7	804.2	565.4	23.2	-
12-month cumulated transactions as percentage of GDP												
2026 Aug.	12.7	10.8	1.9	2.6	0.5	4.9	6.8	0.1	4.9	3.5	0.1	-

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

5 Financing conditions and credit developments

5.1 Monetary aggregates [1)]

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

	M3											
	M2							M3-M2				Total
	M1			M2-M1			Total					
	Currency in circulation	Overnight deposits	Total	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Total		Repos	Money market fund shares	Debt securities with a maturity of up to 2 years	Total	
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2023	1,534.0	8,811.6	10,345.6	2,305.6	2,451.9	4,757.5	15,103.1	183.5	743.6	69.4	996.6	16,099.7
2024	1,554.5	9,036.5	10,591.0	2,544.5	2,456.1	5,000.6	15,591.6	253.8	885.7	33.2	1,172.7	16,764.3
2025	1,587.5	9,503.0	11,090.5	2,420.0	2,564.8	4,984.7	16,075.2	257.4	855.7	11.8	1,125.0	17,200.2
2025 Q4	1,587.5	9,503.0	11,090.5	2,420.0	2,564.8	4,984.7	16,075.2	257.4	855.7	11.8	1,125.0	17,200.2
2026 Q1	1,602.1	9,676.0	11,278.1	2,422.7	2,574.0	4,996.7	16,274.8	223.3	900.9	40.3	1,164.4	17,439.2
Q2	1,609.3	9,715.8	11,325.1	2,516.1	2,576.2	5,092.3	16,417.4	233.4	913.5	48.1	1,195.0	17,612.5
Q3 [p]	1,618.4	9,715.3	11,333.7	2,584.9	2,573.3	5,158.2	16,491.9	236.4	927.8	61.1	1,225.3	17,717.3
2026 Apr.	1,602.9	9,676.0	11,278.9	2,445.6	2,579.5	5,025.1	16,304.0	200.8	900.7	44.0	1,145.4	17,449.4
May	1,606.4	9,690.1	11,296.5	2,472.9	2,580.6	5,053.5	16,350.0	213.3	911.4	48.7	1,173.5	17,523.5
June	1,609.3	9,715.8	11,325.1	2,516.1	2,576.2	5,092.3	16,417.4	233.4	913.5	48.1	1,195.0	17,612.5
July	1,612.7	9,679.1	11,291.9	2,569.3	2,573.7	5,143.0	16,434.9	220.0	908.1	52.3	1,180.3	17,615.2
Aug.	1,616.8	9,679.3	11,296.1	2,578.5	2,575.1	5,153.6	16,449.7	225.9	917.6	54.5	1,197.9	17,647.6
Sep. [p]	1,618.4	9,715.3	11,333.7	2,584.9	2,573.3	5,158.2	16,491.9	236.4	927.8	61.1	1,225.3	17,717.3
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	178.3	199.5	205.5	6.8	212.3	411.7	75.6	131.5	-36.4	170.7	582.4
2025	33.0	474.9	508.0	-123.3	101.4	-21.9	486.1	8.9	-5.2	-13.2	-9.5	476.6
2025 Q4	12.6	139.9	152.5	56.6	21.1	77.7	230.3	-0.3	-34.2	2.3	-32.2	198.1
2026 Q1	7.0	89.9	96.9	-18.4	8.7	-9.7	87.2	-8.4	43.2	29.3	64.1	151.2
Q2	7.2	24.7	31.9	92.1	2.2	94.3	126.2	13.1	9.7	1.6	24.4	150.6
Q3 [p]	9.2	0.6	9.8	66.5	-1.8	64.7	74.5	3.2	11.4	8.8	23.3	97.8
2026 Apr.	0.8	-6.1	-5.3	25.0	5.6	30.6	25.3	-21.8	-1.4	0.9	-22.4	3.0
May	3.5	11.1	14.6	26.7	1.1	27.8	42.4	12.4	9.9	2.1	24.4	66.8
June	2.9	19.7	22.6	40.4	-4.5	35.9	58.5	22.5	1.2	-1.4	22.4	80.8
July	3.5	-34.9	-31.4	54.1	-2.4	51.7	20.3	-13.2	-6.3	1.0	-18.4	1.8
Aug.	4.1	6.1	10.2	8.5	1.4	10.0	20.2	5.0	8.4	0.5	14.0	34.2
Sep. [p]	1.6	29.4	31.0	3.9	-0.8	3.0	34.0	11.3	9.2	7.2	27.8	61.8
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	1.9	8.9	0.3	4.5	2.7	41.6	17.6	-54.4	17.2	3.6
2025	2.1	5.3	4.8	-4.9	4.1	-0.4	3.1	3.6	-0.6	-52.2	-0.8	2.8
2025 Q4	2.1	5.3	4.8	-4.9	4.1	-0.4	3.1	3.6	-0.6	-52.2	-0.8	2.8
2026 Q1	2.3	5.1	4.7	-3.6	3.4	-0.1	3.2	4.0	3.5	27.2	4.1	3.2
Q2	2.4	3.6	3.5	3.2	2.4	2.8	3.3	2.4	2.4	90.9	4.1	3.3
Q3 [p]	2.3	2.7	2.7	8.3	1.2	4.6	3.3	3.2	3.5	349.6	7.1	3.5
2026 Apr.	2.3	4.2	3.9	-1.7	3.3	0.8	2.9	-11.7	3.3	31.6	0.9	2.8
May	2.4	3.9	3.7	-0.2	3.0	1.4	3.0	-3.1	3.4	45.6	3.2	3.0
June	2.4	3.6	3.5	3.2	2.4	2.8	3.3	2.4	2.4	90.9	4.1	3.3
July	2.4	3.3	3.1	5.6	2.0	3.7	3.3	2.8	2.2	87.5	4.2	3.4
Aug.	2.5	3.0	2.9	6.6	1.7	4.1	3.3	5.8	3.8	145.0	6.6	3.5
Sep. [p]	2.3	2.7	2.7	8.3	1.2	4.6	3.3	3.2	3.5	349.6	7.1	3.5

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

5 Financing conditions and credit developments

5.2 Deposits in M3 [1)]

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

	Non-financial corporations [2)]					Households [3)]							
	Total	Overnight	With an agreed maturity of up to 2 years	Redeemable at notice of up to 3 months	Repos	Total	Overnight	With an agreed maturity of up to 2 years	Redeemable at notice of up to 3 months	Repos	Financial corporations other than MFIs and ICPFs [2)]	Insurance corporations and pension funds	Other general government [4)]
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2023	3,318.2	2,403.6	772.2	130.9	11.6	8,406.5	5,105.8	1,014.1	2,285.3	1.3	1,258.9	226.7	542.4
2024	3,417.1	2,479.2	793.5	133.3	11.1	8,734.0	5,188.5	1,255.1	2,289.0	1.3	1,359.9	231.6	548.3
2025	3,505.8	2,575.3	774.2	150.4	5.9	8,989.8	5,472.0	1,136.3	2,380.2	1.3	1,472.1	224.2	553.2
2025 Q4	3,505.8	2,575.3	774.2	150.4	5.9	8,989.8	5,472.0	1,136.3	2,380.2	1.3	1,472.1	224.2	553.2
2026 Q1	3,568.1	2,626.1	786.5	152.4	3.1	9,103.9	5,566.9	1,150.9	2,385.4	0.7	1,425.4	244.0	554.5
Q2	3,642.9	2,641.0	842.4	153.3	6.2	9,148.7	5,590.0	1,171.8	2,385.9	1.0	1,437.2	242.9	569.8
Q3 [p)]	3,677.7	2,646.0	873.0	150.5	8.2	9,181.8	5,584.0	1,212.0	2,385.0	0.9	1,455.0	233.8	561.6
2026 Apr.	3,572.1	2,612.7	800.6	153.6	5.3	9,138.5	5,587.2	1,159.6	2,390.9	0.8	1,400.8	237.1	553.3
May	3,606.9	2,623.7	823.4	153.8	6.0	9,145.3	5,589.4	1,165.1	2,389.9	0.9	1,387.4	245.0	572.3
June	3,642.9	2,641.0	842.4	153.3	6.2	9,148.7	5,590.0	1,171.8	2,385.9	1.0	1,437.2	242.9	569.8
July	3,654.3	2,626.4	869.5	151.7	6.7	9,173.1	5,591.5	1,194.8	2,385.9	0.9	1,396.2	238.3	580.1
Aug.	3,647.0	2,630.0	857.8	152.1	7.1	9,173.3	5,584.7	1,200.8	2,386.8	0.9	1,434.6	242.1	561.8
Sep. [p)]	3,677.7	2,646.0	873.0	150.5	8.2	9,181.8	5,584.0	1,212.0	2,385.0	0.9	1,455.0	233.8	561.6
Transactions													
2023	-38.3	-313.8	271.4	-1.6	5.6	13.8	-459.5	571.7	-98.9	0.5	-47.7	-2.1	-29.6
2024	89.5	69.8	16.5	3.1	0.2	290.0	48.5	236.1	5.3	0.1	79.6	3.8	3.2
2025	115.8	111.9	-12.3	17.0	-0.8	262.1	294.7	-116.4	83.9	-0.1	86.0	-4.9	3.0
2025 Q4	39.5	38.7	-3.6	4.6	-0.2	81.2	66.4	-2.6	17.2	0.2	87.0	-5.0	14.6
2026 Q1	34.8	26.5	9.0	2.0	-2.8	56.9	52.8	-0.2	5.0	-0.6	-31.7	12.7	-1.0
Q2	74.3	14.8	55.6	0.9	3.1	33.7	12.1	20.8	0.4	0.4	18.3	-1.3	7.1
Q3 [p)]	36.2	7.4	29.6	-2.7	1.9	32.9	-7.2	40.1	0.1	-0.1	16.9	-9.2	-8.3
2026 Apr.	6.0	-12.1	14.8	1.2	2.2	25.4	10.7	9.1	5.4	0.2	-20.8	-6.6	-1.3
May	35.2	11.7	22.5	0.3	0.7	5.9	1.4	5.3	-0.9	0.1	-8.6	7.8	10.9
June	33.1	15.3	18.3	-0.6	0.2	2.3	-0.1	6.4	-4.1	0.1	47.7	-2.5	-2.5
July	12.6	-14.0	27.7	-1.6	0.5	24.8	1.7	23.2	0.0	-0.1	-39.7	-4.5	10.3
Aug.	-7.0	4.4	-12.2	0.4	0.4	0.8	-6.5	6.2	1.0	0.0	41.8	3.9	-18.4
Sep. [p)]	30.6	16.9	14.1	-1.6	1.0	7.3	-2.5	10.7	-0.8	-0.1	14.8	-8.7	-0.2
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	6.2	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	6.1	-2.1	0.5
2025 Q4	3.4	4.5	-1.6	12.7	-8.4	3.0	5.7	-9.3	3.7	-4.3	6.1	-2.1	0.5
2026 Q1	4.2	5.3	0.0	9.7	-50.6	2.9	5.2	-7.1	3.1	-37.9	3.6	4.6	2.1
Q2	5.3	4.5	7.8	6.6	6.7	2.7	3.8	-1.5	2.2	-6.6	3.4	1.2	2.5
Q3 [p)]	5.3	3.4	11.6	3.3	33.7	2.3	2.3	5.0	1.0	-18.5	6.6	-1.0	2.4
2026 Apr.	3.8	4.4	1.2	9.4	-24.6	3.0	4.9	-5.1	3.0	-8.4	0.4	-3.5	1.9
May	4.2	4.3	3.0	8.5	3.9	2.8	4.3	-3.6	2.6	-12.9	0.9	3.6	3.3
June	5.3	4.5	7.8	6.6	6.7	2.7	3.8	-1.5	2.2	-6.6	3.4	1.2	2.5
July	5.3	3.6	10.8	5.1	11.1	2.6	3.4	0.6	1.8	-4.4	4.0	3.8	3.7
Aug.	4.7	3.3	9.1	5.0	22.5	2.4	2.9	2.2	1.5	-10.4	7.4	3.9	1.0
Sep. [p)]	5.3	3.4	11.6	3.3	33.7	2.3	2.3	5.0	1.0	-18.5	6.6	-1.0	2.4

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 coprorations other than MFIs and ICPFs [3)]	To insurance corporations and pension funds		
					Total	Adjusted loans [2)]						
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2023	6,297.5	988.8	5,283.4	15,501.0	13,045.4	13,251.0	5,130.8	6,649.1	1,127.6	137.8	1,559.1	896.5
2024	6,251.2	986.9	5,238.4	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	6,294.6	1,020.5	5,247.9	16,247.8	13,630.3	13,903.8	5,294.8	6,853.2	1,334.8	147.4	1,572.2	1,045.3
2025 Q4	6,294.6	1,020.5	5,247.9	16,247.8	13,630.3	13,903.8	5,294.8	6,853.2	1,334.8	147.4	1,572.2	1,045.3
2026 Q1	6,307.8	1,047.9	5,233.6	16,420.8	13,798.8	14,069.9	5,357.0	6,932.2	1,357.1	152.4	1,571.8	1,050.2
Q2	6,309.1	1,055.4	5,227.4	16,551.7	13,946.8	14,220.3	5,430.9	6,971.6	1,393.4	150.9	1,524.1	1,080.8
Q3 [p]	6,212.1	1,060.9	5,124.6	16,668.1	14,057.5	14,338.4	5,478.2	7,021.7	1,400.1	157.4	1,517.8	1,092.8
2026 Apr.	6,271.1	1,049.0	5,195.8	16,403.9	13,820.3	14,092.4	5,380.5	6,938.0	1,353.6	148.1	1,529.2	1,054.5
May	6,306.2	1,049.2	5,230.7	16,478.6	13,886.2	14,160.0	5,405.2	6,956.4	1,375.2	149.4	1,530.6	1,061.7
June	6,309.1	1,055.4	5,227.4	16,551.7	13,946.8	14,220.3	5,430.9	6,971.6	1,393.4	150.9	1,524.1	1,080.8
July	6,249.9	1,059.1	5,164.3	16,605.5	13,995.2	14,264.0	5,455.3	6,989.9	1,392.3	157.6	1,525.4	1,084.9
Aug.	6,217.9	1,056.2	5,135.1	16,647.9	14,030.2	14,308.1	5,464.5	7,003.5	1,401.5	160.7	1,524.2	1,093.5
Sep. [p]	6,212.1	1,060.9	5,124.6	16,668.1	14,057.5	14,338.4	5,478.2	7,021.7	1,400.1	157.4	1,517.8	1,092.8
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	-63.0	286.9	228.9	274.3	76.6	45.2	106.2	0.9	10.9	47.1
2025	49.8	33.4	16.1	455.6	406.1	440.5	144.4	187.4	65.5	8.7	-4.5	54.0
2025 Q4	10.1	4.7	5.3	182.2	167.1	176.9	57.6	48.5	49.8	11.2	6.0	9.1
2026 Q1	14.5	25.0	-10.5	141.0	136.1	131.4	46.5	56.1	33.0	0.5	0.3	4.6
Q2	-26.9	7.5	-34.4	118.1	161.2	163.6	76.0	54.2	32.5	-1.5	-50.4	7.3
Q3 [p]	-26.2	4.4	-30.9	132.4	118.2	120.3	45.4	51.7	16.2	4.9	-2.0	16.2
2026 Apr.	-40.6	1.2	-41.8	-7.8	37.3	38.6	22.1	19.1	0.3	-4.2	-42.9	-2.2
May	18.8	-0.6	19.4	70.5	67.7	69.8	26.5	19.1	20.8	1.3	-0.5	3.3
June	-5.1	6.8	-12.0	55.3	56.2	55.2	27.4	16.0	11.3	1.4	-7.0	6.2
July	-30.8	2.7	-33.7	62.6	53.3	48.8	24.4	19.6	2.5	6.8	3.5	5.8
Aug.	-21.9	-2.9	-19.1	46.1	38.3	44.2	10.9	14.6	11.4	1.4	-0.4	8.3
Sep. [p]	26.4	4.5	21.9	23.7	26.6	27.3	10.1	17.5	2.2	-3.3	-5.0	2.1
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 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	0.4	4.9	-0.4	3.1	3.3	3.4	3.1	2.9	5.8	8.1	0.6	4.1
Q2	0.3	4.5	-0.6	3.2	3.8	3.8	4.1	3.0	7.1	1.2	-3.2	4.9
Q3 [p]	-0.4	4.1	-1.3	3.6	4.3	4.3	4.3	3.1	10.3	11.0	-2.9	3.6
2026 Apr.	-0.4	4.8	-1.4	2.9	3.3	3.4	3.3	2.9	4.9	5.2	-2.3	5.3
May	0.1	3.9	-0.7	3.2	3.7	3.8	3.8	3.0	6.7	5.0	-2.2	5.1
June	0.3	4.5	-0.6	3.2	3.8	3.8	4.1	3.0	7.1	1.2	-3.2	4.9
July	-0.5	4.3	-1.4	3.4	4.1	4.1	4.4	3.1	7.6	11.1	-2.9	4.0
Aug.	-0.6	3.9	-1.5	3.6	4.4	4.3	4.3	3.1	10.5	12.7	-3.1	3.7
Sep. [p]	-0.4	4.1	-1.3	3.6	4.3	4.3	4.3	3.1	10.3	11.0	-2.9	3.6

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	949.8	1,122.1	3,222.9	6,853.2	7,111.6	777.1	5,403.4	672.8
2025 Q4	5,294.8	5,324.3	949.8	1,122.1	3,222.9	6,853.2	7,111.6	777.1	5,403.4	672.8
2026 Q1	5,357.0	5,383.6	966.3	1,142.1	3,248.6	6,932.2	7,188.2	796.4	5,465.3	670.5
Q2	5,430.9	5,466.1	983.5	1,160.1	3,287.2	6,971.6	7,224.7	803.9	5,507.7	660.0
Q3 [p]	5,478.2	5,518.2	1,002.0	1,178.4	3,297.8	7,021.7	7,276.4	813.5	5,542.4	665.8
2026 Apr.	5,380.5	5,409.1	969.6	1,148.5	3,262.5	6,938.0	7,191.4	798.4	5,480.7	658.9
May	5,405.2	5,442.5	980.6	1,157.7	3,266.9	6,956.4	7,207.8	802.1	5,496.9	657.4
June	5,430.9	5,466.1	983.5	1,160.1	3,287.2	6,971.6	7,224.7	803.9	5,507.7	660.0
July	5,455.3	5,488.6	992.8	1,170.4	3,292.2	6,989.9	7,241.0	807.7	5,521.9	660.4
Aug.	5,464.5	5,499.9	997.2	1,169.1	3,298.2	7,003.5	7,260.2	810.4	5,531.3	661.8
Sep. [p]	5,478.2	5,518.2	1,002.0	1,178.4	3,297.8	7,021.7	7,276.4	813.5	5,542.4	665.8
Transactions										
2023	-6.5	23.7	-44.8	10.5	27.8	8.5	26.8	19.1	10.3	-20.9
2024	76.6	88.0	21.8	14.7	40.1	45.2	77.6	26.6	28.3	-9.7
2025	144.4	156.7	31.6	35.5	77.4	187.4	205.0	38.7	148.3	0.4
2025 Q4	57.6	49.4	26.1	-4.1	35.6	48.5	61.7	11.9	34.5	2.1
2026 Q1	46.5	43.7	10.7	19.8	16.0	56.1	52.5	9.4	45.8	0.8
Q2	76.0	84.5	18.4	19.7	37.9	54.2	51.2	9.5	43.0	1.8
Q3 [p]	45.4	46.9	15.5	19.0	10.9	51.7	51.2	11.0	36.7	4.0
2026 Apr.	22.1	23.2	4.4	7.3	10.4	19.1	17.1	3.3	15.7	0.1
May	26.5	34.6	11.7	8.8	5.9	19.1	17.4	4.2	16.4	-1.4
June	27.4	26.7	2.3	3.6	21.6	16.0	16.8	2.0	10.9	3.1
July	24.4	22.2	8.6	10.4	5.4	19.6	17.1	4.4	14.4	0.7
Aug.	10.9	11.5	2.3	1.6	7.0	14.6	19.0	3.1	9.6	1.9
Sep. [p]	10.1	13.2	4.6	7.1	-1.6	17.5	15.1	3.5	12.6	1.4
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	3.4	3.2	2.5	2.8	3.0	5.2	2.8	0.1
2025 Q4	2.8	3.0	3.4	3.2	2.5	2.8	3.0	5.2	2.8	0.1
2026 Q1	3.1	3.2	4.8	3.2	2.6	2.9	3.0	5.2	2.9	0.2
Q2	4.1	4.0	5.8	4.2	3.5	3.0	3.0	5.5	3.0	0.3
Q3 [p]	4.3	4.2	7.6	4.8	3.1	3.1	3.1	5.4	3.0	1.3
2026 Apr.	3.3	3.4	4.7	4.0	2.7	2.9	3.0	5.3	2.9	0.2
May	3.8	4.0	6.3	4.7	2.8	3.0	3.1	5.7	3.0	0.0
June	4.1	4.0	5.8	4.2	3.5	3.0	3.0	5.5	3.0	0.3
July	4.4	4.4	7.3	4.8	3.5	3.1	3.1	5.7	3.0	0.7
Aug.	4.3	4.2	7.2	4.6	3.4	3.1	3.1	5.5	3.0	1.1
Sep. [p]	4.3	4.2	7.6	4.8	3.1	3.1	3.1	5.4	3.0	1.3

Source: ECB.
1) Data refer to the changing composition of the euro area.
2) In accordance with the ESA 2010, in December 2014 holding companies of non-financial groups were reclassified from the non-financial corporations sector to the financial corporations sector. These entities are included in MFI balance sheet statistics with financial corporations other than MFIs and insurance corporations and pension funds (ICPFs).
3) Including non-profit institutions serving households.
4) Adjusted for loan sales and securitisation (resulting in derecognition from the MFI statistical balance sheet) as well as for positions arising from notional cash pooling services provided by MFIs.

5 Financing conditions and credit developments

5.5 Counterparts to M3 other than credit to euro area residents [1)]

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

	MFI liabilities						MFI assets			
		Longer-term liabilities to other euro area residents						Other		
	Liabilities to central government [2)]	Total	Deposits with an agreed maturity of over 2 years	Deposits redeemable at notice of over 3 months	Debt securities with a maturity of over 2 years	Capital and reserves	Net external assets	Total	Repos with central counter-parties [3)]	Reverse repos to central counter-parties [3)]
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2023	477.8	7,338.3	1,827.0	90.5	2,415.1	3,005.6	1,853.9	263.3	152.1	152.6
2024	396.8	7,851.0	1,842.3	117.2	2,590.7	3,300.8	2,664.0	308.8	140.4	136.0
2025	399.1	8,372.3	1,872.6	131.7	2,621.6	3,746.5	3,240.9	188.4	324.1	235.1
2025 Q4	399.1	8,372.3	1,872.6	131.7	2,621.6	3,746.5	3,240.9	188.4	324.1	235.1
2026 Q1	427.7	8,549.2	1,890.8	133.2	2,652.3	3,873.0	3,529.8	157.8	396.2	257.3
Q2	401.7	8,501.1	1,858.2	136.2	2,733.5	3,773.2	3,505.4	148.9	460.8	289.0
Q3 [p]	383.2	8,572.0	1,853.3	137.8	2,779.8	3,801.1	3,646.8	145.5	419.6	282.8
2026 Apr.	426.1	8,517.0	1,849.9	132.9	2,669.3	3,864.9	3,517.4	200.0	386.7	277.0
May	430.8	8,560.0	1,853.4	134.9	2,702.4	3,869.4	3,556.8	172.7	417.1	272.8
June	401.7	8,501.1	1,858.2	136.2	2,733.5	3,773.2	3,505.4	148.9	460.8	289.0
July	400.2	8,501.1	1,863.0	137.2	2,750.8	3,750.0	3,503.5	157.6	457.4	270.0
Aug.	406.5	8,632.9	1,864.8	138.1	2,758.4	3,871.6	3,653.7	167.5	424.4	277.3
Sep. [p]	383.2	8,572.0	1,853.3	137.8	2,779.8	3,801.1	3,646.8	145.5	419.6	282.8
Transactions										
2023	-199.0	325.0	24.9	40.2	227.5	32.5	436.9	-192.4	17.1	9.0
2024	-80.6	279.4	15.2	26.7	164.7	72.8	530.5	27.5	-11.7	-16.7
2025	2.3	193.4	33.2	16.3	104.9	39.0	297.5	-130.6	8.6	29.2
2025 Q4	-32.2	108.8	24.0	-0.8	32.9	52.7	83.7	-1.3	-19.3	-3.0
2026 Q1	19.0	45.6	14.3	1.3	21.9	8.1	141.5	-81.2	70.8	21.0
Q2	-26.1	74.1	-33.0	3.0	74.8	29.3	93.5	13.9	64.5	34.6
Q3 [p]	-18.5	84.6	-2.3	1.6	48.4	36.9	85.0	-27.2	-41.2	-3.5
2026 Apr.	-1.7	-14.0	-39.2	-0.3	25.2	0.3	-14.6	50.3	-9.5	22.5
May	4.8	51.4	3.2	2.0	31.9	14.3	48.0	-14.5	30.4	-4.2
June	-29.1	36.7	3.0	1.3	17.7	14.7	60.1	-21.9	43.6	16.2
July	-1.5	35.9	5.4	1.0	23.0	6.5	7.9	-3.5	-3.3	-19.0
Aug.	6.3	43.7	5.4	0.9	14.1	23.3	45.3	14.7	-33.0	10.1
Sep. [p]	-23.3	5.0	-13.1	-0.4	11.3	7.1	31.8	-38.4	-4.8	5.5
Growth rates										
2023	-29.5	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	0.6	2.4	1.8	14.0	4.1	1.0	-	-	31.4	26.4
2025 Q4	0.6	2.4	1.8	14.0	4.1	1.0	-	-	31.4	26.4
2026 Q1	7.7	2.9	2.8	9.9	4.6	1.3	-	-	23.0	16.1
Q2	-4.5	3.2	0.8	5.5	6.2	2.2	-	-	47.0	28.1
Q3 [p]	-12.9	3.8	0.2	3.8	6.9	3.4	-	-	41.5	24.8
2026 Apr.	-3.6	2.8	0.7	7.7	5.8	1.5	-	-	12.8	17.4
May	-6.7	3.0	0.9	7.2	5.9	1.8	-	-	30.5	12.9
June	-4.5	3.2	0.8	5.5	6.2	2.2	-	-	47.0	28.1
July	-1.5	3.5	1.0	3.9	6.7	2.5	-	-	49.6	20.4
Aug.	-3.7	3.9	1.1	4.3	7.2	3.0	-	-	16.8	16.1
Sep. [p]	-12.9	3.8	0.2	3.8	6.9	3.4	-	-	41.5	24.8

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	-3.4	-3.5	-0.2	-0.1	0.4	-1.7
2024	-3.0	-2.6	-0.2	-0.3	0.1	-1.2
2025	-3.0	-2.6	-0.2	-0.3	0.2	-1.1
2025 Q3	-3.0	.	.	.	.	-1.2
Q4	-3.0	.	.	.	.	-1.1
2026 Q1	-3.1	.	.	.	.	-1.2
Q2	-3.2	.	.	.	.	-1.3

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

6.2 Revenue and expenditure

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

	Revenue						Expenditure						
		Current revenue						Current expenditure					
	Total	Total	Direct taxes	Indirect taxes	Net social contribu-tions	Capital revenue	Total	Total	Compen-sation of employ-ees	Inter-mediate consump-tion	Interest	Social benefits	Capital expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
2022	46.4	45.6	13.2	12.9	14.5	0.8	49.7	44.5	9.8	5.9	1.7	22.3	5.2
2023	45.7	44.9	13.0	12.3	14.4	0.9	49.2	43.8	9.7	5.9	1.7	22.1	5.3
2024	46.1	45.3	13.2	12.3	14.6	0.8	49.2	44.2	9.9	5.9	1.9	22.6	5.0
2025	46.7	45.9	13.3	12.4	15.1	0.8	49.7	44.5	10.0	5.9	1.9	22.9	5.2
2025 Q3	46.5	45.7	13.2	12.4	15.0	0.7	49.5	44.4	10.0	5.9	1.9	22.8	5.1
Q4	46.7	45.9	13.3	12.4	15.1	0.8	49.7	44.5	10.0	5.9	1.9	22.9	5.2
2026 Q1	46.8	46.0	13.3	12.4	15.1	0.8	49.9	44.7	10.0	5.9	1.9	22.9	5.2
Q2	46.8	46.0	13.3	12.4	15.2	0.8	50.1	44.8	10.0	5.9	2.0	23.0	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 de-posits	Loans	Debt securi-ties	Resident creditors		Non-resident credi-tors	Up to 1 year	Over 1 year	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other curren-cies
					Total	MFIs								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2022	88.8	2.6	13.1	73.1	52.0	39.2	36.7	8.6	80.2	15.8	28.1	44.8	87.8	0.9
2023	86.3	2.4	12.0	71.9	48.7	35.4	37.6	7.7	78.6	14.8	27.7	43.8	85.5	0.8
2024	86.1	2.1	11.7	72.3	46.2	33.2	40.0	7.6	78.5	14.2	27.9	44.0	85.3	0.8
2025	87.3	2.1	11.8	73.4	44.4	31.2	42.9	7.6	79.6	14.5	28.3	44.5	86.6	0.7
2025 Q3	87.7	2.2	11.7	73.8	.	.	.	.	.	.	.	.	.	.
Q4	87.3	2.1	11.8	73.4	.	.	.	.	.	.	.	.	.	.
2026 Q1	88.4	2.2	11.7	74.5	.	.	.	.	.	.	.	.	.	.
Q2	88.8	2.1	11.6	75.1	.	.	.	.	.	.	.	.	.	.

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	-2.5	1.7	-0.3	-0.4	-0.5	-0.1	0.1	0.1	0.6	-0.4	-3.9	2.6
2024	-0.2	1.2	0.3	0.0	-0.4	0.1	0.2	0.1	0.2	0.1	-1.7	3.1
2025	1.1	1.1	1.2	0.7	0.5	-0.1	0.2	0.2	0.3	0.1	-1.1	3.9
2025 Q3	0.9	1.2	1.0	0.6	0.4	0.0	0.1	0.1	0.2	0.1	-1.2	3.8
Q4	1.1	1.1	1.2	0.7	0.5	-0.1	0.2	0.2	0.3	0.1	-1.1	3.9
2026 Q1	1.7	1.2	1.5	0.9	0.5	0.0	0.2	0.2	0.3	0.3	-1.0	4.3
Q2	1.5	1.3	1.3	0.5	0.1	-0.1	0.2	0.2	0.3	0.4	-1.0	4.2

Sources: ECB for annual data; Eurostat for quarterly data.
1) Intergovernmental lending in the context of the financial crisis is consolidated except in quarterly data on the deficit-debt adjustment.
2) Calculated as the difference between the government debt-to-GDP ratios at the end of the reference period and a year earlier.

6.5 Government debt securities [1)]

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

	Debt service due within 1 year [2)]					Average residual maturity in years [3)]	Average nominal yields [4)]						
	Total	Principal		Interest			Outstanding amounts					Transactions	
										Fixed rate			
		Total	Maturities of up to 3 months	Total	Maturities of up to 3 months		Total	Floating rate	Zero coupon	Total	Maturities of up to 1 year	Issuance	Redemption
	1	2	3	4	5	6	7	8	9	10	11	12	13
2023	12.7	11.4	4.1	1.3	0.3	8.1	2.0	1.2	1.9	2.0	1.6	3.6	2.0
2024	12.3	10.9	4.0	1.4	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
2025	12.5	11.0	3.9	1.4	0.4	8.2	2.2	1.2	1.5	2.3	1.7	2.8	2.5
2025 Q4	12.5	11.0	3.9	1.4	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	1.6	2.3	1.6	2.8	2.2
Q3	12.8	11.2	3.7	1.6	0.4	8.2	2.3	1.2	1.9	2.4	1.6	2.9	2.2
2026 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	12.3	10.8	3.5	1.6	0.4	8.3	2.2	1.3	1.7	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	1.6	2.3	1.6	2.8	2.2
July	12.7	11.1	3.7	1.6	0.4	8.2	2.3	1.3	1.7	2.4	1.6	2.9	2.3
Aug.	12.6	11.0	3.7	1.6	0.4	8.2	2.3	1.2	1.7	2.4	1.6	2.9	2.2
Sep.	12.8	11.2	3.7	1.6	0.4	8.2	2.3	1.2	1.9	2.4	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	-1.0	1.6	-2.7	-4.6	-4.7	0.0	-8.1	2.7
2023	-4.1	-2.0	-2.2	-2.7	1.5	-1.5	-3.3	-5.4	-1.2	-7.1	1.7
2024	-4.4	-3.0	-2.7	-1.6	4.2	1.4	-3.2	-5.8	-2.5	-3.4	4.0
2025	-5.2	-4.0	-2.9	-2.0	1.8	2.0	-2.4	-5.1	-3.0	-3.1	3.6
2025 Q3	-5.1	-2.9	-2.3	-1.5	1.2	2.6	-3.0	-5.5	-2.6	-3.4	2.9
Q4	-5.2	-4.0	-2.9	-2.0	1.8	2.0	-2.4	-5.1	-3.0	-3.1	3.6
2026 Q1	-5.3	-5.0	-3.3	-1.9	1.9	1.7	-2.3	-5.0	-3.1	-3.0	3.7
Q2	-5.3	-5.5	-3.7	-2.1	2.0	2.1	-2.5	-5.1	-3.5	-3.0	3.6
	Government debt										
2022	103.3	22.4	64.1	19.1	42.8	177.8	109.3	111.4	68.0	138.4	80.0
2023	102.3	22.8	61.8	20.3	42.1	164.0	105.3	109.5	60.5	134.0	69.6
2024	104.0	23.7	61.4	23.5	38.4	153.5	101.4	112.6	56.5	134.3	60.1
2025	108.1	29.9	62.8	24.0	34.8	145.4	100.5	115.7	55.7	136.7	52.3
2025 Q3	107.3	28.4	62.2	22.8	34.5	149.8	103.0	117.3	56.4	137.1	57.2
Q4	108.1	30.0	62.8	24.0	34.8	146.2	100.5	115.7	55.7	136.7	52.3
2026 Q1	109.4	28.6	63.5	25.0	37.0	143.5	101.4	117.7	57.8	138.6	51.5
Q2	110.2	28.7	63.4	26.1	35.3	140.8	101.4	119.1	56.2	139.9	48.5

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Austria	Portugal	Slovenia	Slovakia	Finland
	12	13	14	15	16	17	18	19	20	21
	Government deficit (-)/surplus (+)									
2022	-4.8	-0.5	0.3	-5.3	0.0	-3.4	-0.3	-3.0	-1.6	-0.2
2023	-2.2	-0.7	-0.7	-4.4	-0.3	-2.6	1.1	-2.6	-5.3	-3.0
2024	-1.8	-1.3	0.6	-3.5	-0.7	-4.6	0.7	-0.8	-5.4	-4.4
2025	-2.5	-1.8	-1.8	-2.1	-1.6	-4.1	0.7	-2.5	-4.4	-3.8
2025 Q3	-2.9	-1.7	-0.9	-4.1	-1.5	-4.7	0.3	-1.5	-4.7	-3.8
Q4	-2.5	-1.8	-1.8	-2.1	-1.6	-4.1	0.7	-2.5	-4.4	-3.8
2026 Q1	-2.0	-1.5	-2.1	-3.1	-1.7	-3.8	0.5	-2.8	-4.3	-4.0
Q2	-2.3	-1.7	-1.3	-3.5	-1.9	-3.6	0.5	-2.9	-4.1	-3.7
	Government debt									
2022	44.5	39.4	24.9	50.1	48.4	78.1	111.2	72.7	57.7	74.1
2023	44.5	36.7	24.7	46.9	45.9	77.4	96.9	68.2	55.5	77.2
2024	45.7	37.8	25.9	46.0	44.0	79.0	93.0	66.3	58.9	82.5
2025	46.2	39.3	26.0	46.3	44.7	80.7	89.2	65.1	60.5	88.4
2025 Q3	44.4	40.5	27.0	46.3	42.7	82.7	96.9	67.3	61.4	86.6
Q4	46.2	39.3	26.0	46.3	44.7	80.7	89.2	65.1	60.5	88.4
2026 Q1	46.2	42.1	28.6	45.7	43.8	82.7	90.4	64.1	61.6	89.5
Q2	48.0	43.8	28.2	47.0	43.7	83.6	92.5	64.7	60.6	90.2

Source: Eurostat.

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Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

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