EUROPEAN CENTRAL BANK

EUROSYSTEM

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Contents

Economic, financial and monetary developments

Summary

At its meeting on 17 April 2025, the Governing Council decided to lower the three key ECB interest rates by 25 basis points. In particular, the decision to lower the deposit facility rate – the rate through which the Governing Council steers the monetary policy stance – was based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission.

The disinflation process is well on track. Inflation has continued to develop as staff expected, with both headline and core inflation declining in March. Services inflation has also eased markedly over recent months. Most measures of underlying inflation suggest that inflation will settle at around the Governing Council's 2% medium-term target on a sustained basis. Wage growth is moderating, and profits are partially buffering the impact of still elevated wage growth on inflation. The euro area economy has been building up some resilience against global shocks, but the outlook for growth has deteriorated owing to rising trade tensions. Increased uncertainty is likely to reduce confidence among households and firms, and the adverse and volatile market response to the trade tensions is likely to have a tightening impact on financing conditions. These factors may further weigh on the economic outlook for the euro area.

The Governing Council is determined to ensure that inflation stabilises sustainably at its 2% medium-term target. Especially in current conditions of exceptional 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 in light of the incoming economic and financial data, 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 economic outlook is clouded by exceptional uncertainty. Euro area exporters face new barriers to trade, although their scope remains unclear. Disruptions to international commerce, financial market tensions and geopolitical uncertainty are weighing on business investment. As consumers become more cautious about the future, they may hold back from spending as well.

At the same time, the euro area economy has been building up some resilience against the global shocks. The economy is likely to have grown in the first quarter of

2025, and manufacturing has shown signs of stabilisation. Unemployment fell to 6.1% in February, its lowest level since the launch of the euro. A strong labour market, higher real incomes and the impact of monetary policy should underpin spending. The important policy initiatives that have been launched at the national and EU levels to increase defence spending and infrastructure investment can be expected to bolster manufacturing, which is also reflected in recent surveys.

In the present geopolitical environment, it is even more urgent for fiscal and structural policies to make the euro area economy more productive, competitive and resilient. The European Commission's Competitiveness Compass provides a concrete roadmap for action, and its proposals, including on simplification, should be swiftly adopted. This includes completing the savings and investment union, following a clear and ambitious timetable, which should help savers benefit from more opportunities to invest and improve firms' access to finance, especially risk capital. It is also important to rapidly establish the legislative framework to prepare the ground for the potential introduction of a digital euro. Governments should ensure sustainable public finances in line with the EU's economic governance framework and prioritise essential growth-enhancing structural reforms and strategic investment.

Inflation

Annual inflation edged down to 2.2% in March 2025. Energy prices fell by 1.0% after a slight rise in February, while food price inflation rose to 2.9% in March, from 2.7% in February. Goods inflation was stable at 0.6%. Services inflation fell again in March, to 3.5%, and it now stands half a percentage point below the rate recorded at the end of 2024.

Most indicators of underlying inflation are pointing to a sustained return of inflation to the Governing Council's 2% medium-term target. Domestic inflation has declined since the end of 2024. Wages are gradually moderating. In the last quarter of 2024 annual growth in compensation per employee stood at 4.1%, down from 4.5% in the previous quarter. Rising productivity also meant that unit labour costs grew more slowly. The ECB's wage tracker and information from its contacts with companies point to a decline in wage growth in 2025, as also indicated in the March 2025 ECB staff macroeconomic projections for the euro area. Unit profits fell at an annual rate of 1.1% at the end of 2024, contributing to lower domestic inflation.

Most measures of longer-term inflation expectations continue to stand at around 2%, which supports the sustainable return of inflation to the Governing Council's target.

Risk assessment

Downside risks to economic growth have increased. The major escalation in global trade tensions and associated uncertainties will likely lower euro area growth by dampening exports, and it may drag down investment and consumption.

Deteriorating financial market sentiment could lead to tighter financing conditions, increase risk aversion and make firms and households less willing to invest and consume. Geopolitical tensions, such as Russia's unjustified war against Ukraine and the tragic conflict in the Middle East, also remain a major source of uncertainty. At the same time, an increase in defence and infrastructure spending would add to growth.

Increasing global trade disruptions are adding more uncertainty to the outlook for euro area inflation. Falling global energy prices and appreciation of the euro could put further downward pressure on inflation. This could be reinforced by lower demand for euro area exports owing to higher tariffs, and a re-routing of exports into the euro area from countries with overcapacity. Adverse financial market reactions to the trade tensions could weigh on domestic demand and thereby also lower inflation. By contrast, a fragmentation of global supply chains could raise inflation by pushing up import prices. A boost in defence and infrastructure spending could also raise inflation over the medium term. Extreme weather events, and the unfolding climate crisis more broadly, could drive up food prices by more than expected.

Financial and monetary conditions

Risk-free interest rates have declined in response to the escalating trade tensions. Equity prices have fallen amid high volatility and corporate bond spreads have widened around the globe. The euro has strengthened over recent weeks as investor sentiment has proven more resilient towards the euro area than towards other economies.

The latest official statistics on corporate borrowing, which predated these market tensions, continued to indicate that the cuts in the key ECB interest rates had made it less expensive for firms to borrow. The average interest rate on new loans to firms declined to 4.1% in February 2025, from 4.3% in the previous month. Firms' cost of issuing market-based debt declined to 3.5% in February, but there has been some upward pressure more recently. Moreover, growth in lending to firms picked up again in February, to 2.2%, while debt securities issuance by firms grew at an unchanged rate of 3.2%.

At the same time, credit standards for business loans tightened slightly again in the first quarter of 2025, as reported in the April 2025 bank lending survey for the euro area. As in the previous quarter, this was mainly because banks are becoming more concerned about the economic risks faced by their customers. Demand for loans to firms decreased slightly in the first quarter, after a modest recovery in previous quarters.

The average rate on new mortgages, at 3.3% in February, increased on the back of earlier rises in longer-term market rates. Mortgage lending continued to strengthen in February, albeit at a still subdued annual rate of 1.5%, as banks eased their credit standards and demand for loans to households continued to increase strongly.

Monetary policy decisions

The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility were decreased to 2.25%, 2.40% and 2.65% respectively, with effect from 23 April 2025.

The portfolios of the asset purchase programme and the pandemic emergency purchase programme are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

Conclusion

At its meeting on 17 April 2025, the Governing Council decided to lower the three key ECB interest rates by 25 basis points. In particular, the decision to lower the deposit facility rate – the rate through which the Governing Council steers the monetary policy stance – was based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is determined to ensure that inflation stabilises sustainably at its 2% medium-term target. Especially in current conditions of exceptional 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 in light of the incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

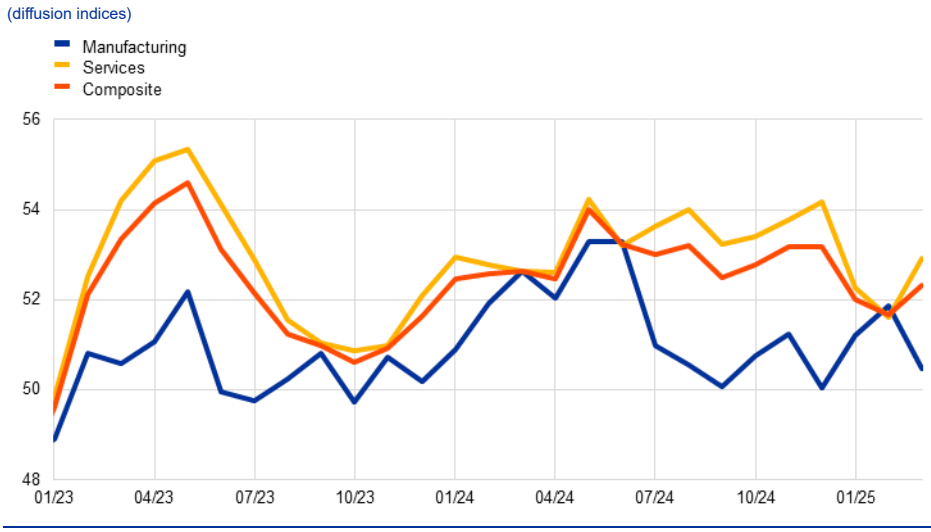
In any case, the Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises sustainably at its medium-term target and to preserve the smooth functioning of monetary policy transmission.

1 External environment

Global economic activity remained steady at the start of the year, but the uncertainty surrounding US trade tariffs implies major downside risks. Global trade rebounded in the first quarter of 2025, driven by a frontloading of US imports in anticipation of a change in trade policy. Headline inflation across OECD economies decreased in February, owing to lower energy prices, while core inflation was unchanged. The inflation outlook is very uncertain: although trade tariffs and subsequent retaliatory measures could exert upward pressure on inflation in affected economies, a weakening of demand could counteract the direct inflationary effects of tariffs.

Despite the recent trade shocks, global economic activity remained steady in the first quarter of 2025. In March the global composite output Purchasing Managers' Index (PMI) excluding the euro area increased to 52.3, from 51.7 in February (Chart 1), as services activity expanded moderately, to 52.9 from 51.6 in February. In contrast, the manufacturing output PMI fell to 50.5, from 51.9 in February. The improvement in the composite output PMI was broad-based across major economies. In the United States, the composite index rebounded sharply in March as services activity jumped to close to its long-term average and offset an abrupt deceleration in the momentum of manufacturing output. In China, output increased in both the manufacturing and services sectors, with the latter reaching its highest reading in three months. Overall, ECB nowcasting models point to steady quarter-on-quarter growth of around 1.1% in the first quarter of 2025.

Chart 1
Global output PMI (excluding the euro area)



Sources: S&P Global Market Intelligence and ECB staff calculations.
Note: The latest observations are for March 2025.

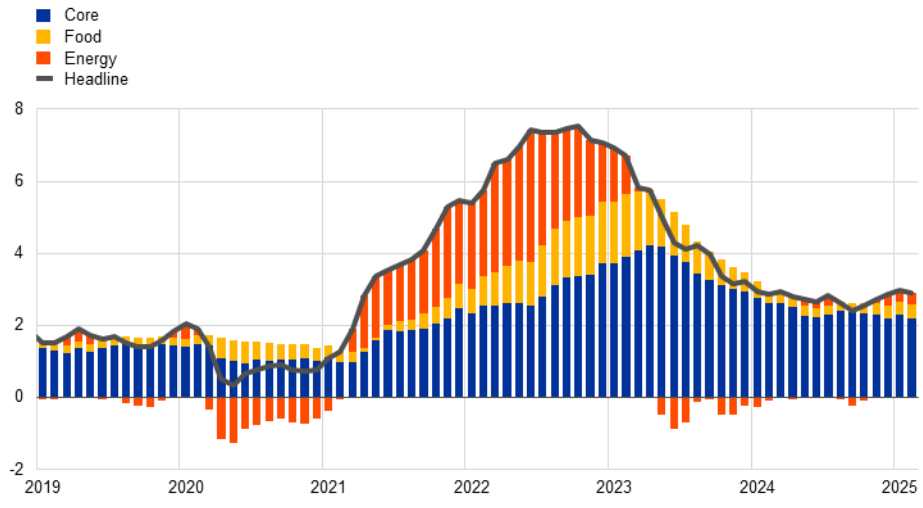
Global trade rebounded at the beginning of 2025, but higher tariffs and the exceptionally high uncertainty surrounding trade policy are likely to lead to a marked slowdown. For the first quarter of 2025 the ECB staff nowcast points to global trade growth of 1.5% quarter on quarter. This is partly due to the significant frontloading of US imports that occurred in January and February in anticipation of

broad-based tariffs, evident across a wide range of goods. High-frequency data on vessel movement, not included in the ECB nowcast, showed increased trade activity in early 2025, though a notable decline in March suggests downside risks. At the current juncture, the ECB trade nowcast does not point to a sharp slowdown in trade growth for the second quarter of 2025, as the effects of the tariff announcements are not yet reflected in the monthly indicators used by the nowcasting models. At the same time, upside risks may arise from further import frontloading due to evolving US trade policies.

Headline inflation across the member countries of the Organisation for Economic Co-operation and Development (OECD) decreased, but core inflation was unchanged. In February 2025 the annual rate of consumer price index (CPI) inflation across OECD member countries (excluding Türkiye) decreased to 2.9%, from 3.0% in the previous month (Chart 2). This downtick in headline inflation was due to lower energy prices, while the contribution of food prices remained stable. Core inflation, which excludes energy and food prices, was unchanged at 3.1%. Looking ahead, the shift towards higher tariffs in US trade policy poses risks to the global inflation outlook. On the one hand, trade tariffs, subsequent retaliation by other countries and disruptions to supply chains could push inflation upwards if the added costs are not absorbed in profit margins. On the other hand, weakening demand due to lower real incomes and elevated uncertainty could counteract the direct inflationary effects of tariffs.

Chart 2
OECD CPI inflation

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



Sources: OECD and ECB staff calculations.
Notes: The OECD aggregate excludes Türkiye and is calculated using OECD CPI annual weights. The latest observations are for February 2025.

Over the review period from 6 March to 16 April 2025, Brent crude oil prices declined by 3.7% to USD 69 per barrel and by 8.4% in EUR per barrel, while European gas prices decreased by 5.7% in EUR/MWh. Oil prices fell sharply following the announcement of US “reciprocal” tariffs, as concerns about the impact of tariffs on global oil demand as well as their negative effect on risk sentiment

across financial markets outweighed earlier supply-related worries. Downward pressures on oil prices were amplified by the decision by OPEC+, which was released on the same day as the announcement of "reciprocal" US tariffs, to speed up the phasing-out of earlier production cuts. OPEC+ members announced they would increase output by 411,000 barrels per day in May, up from a previous target increase of 135,000 barrels. European gas prices fell sharply, driven by demand concerns following the announcement of US tariffs. Furthermore, recent news on the progress made on an EU agreement on targets for filling natural gas storage, which would give EU countries more flexibility in meeting the 90% target for next winter, contributed to a reduction in gas prices. Metal prices declined by 6.8% on growth concerns following the US tariff announcements, even though these did not directly target metal imports. Prior to the announcements, expectations of specific tariffs on copper had prompted traders to frontload copper imports, widening the gap between prices in London and New York and filling warehouses to record levels. In contrast, food prices declined by only 1.5% following the tariff announcements, as concerns with regard to US corn supply supported prices to some extent.

In the United States, tariff announcements since the start of the year have led to a significant decline in consumer confidence, potentially contributing to a weakening of US growth. Consumer confidence fell significantly between November and April, particularly in terms of consumers' expectations. The current drop in confidence is comparable in size to decreases seen prior to or at the start of recessions since the 1990s. Corporate confidence indicators and investment intentions have so far seen more modest declines. In line with faltering consumer confidence, real personal consumption expenditures (PCE) weakened in January and February compared with December. The US labour market has steadily cooled since wage growth peaked in mid-2022, though it remains tight. Further restrictions in US immigration policy could lead to a renewed tightening of the labour market.

US CPI headline and core inflation fell in March, coming in below market expectations, but are expected to rise as a result of tariffs. US headline CPI inflation decreased to 2.4% in March (by 0.4 percentage points compared with February), while core CPI inflation dropped from 3.1% to 2.8%. In terms of core components, goods inflation remained unchanged at -0.1% in year-on-year terms, while services inflation, although still at an elevated level, continued to slow. Headline and core market-based PCE inflation, measures to which the Federal Reserve pays close attention because they exclude imputed prices, are developing in line with the overall PCE measures but stood lower in February, at 2.2% and 2.4% respectively. Looking ahead, inflation is expected to increase as tariffs are introduced, but with significant uncertainty surrounding the inflationary impact of the policies being implemented. One-year and five-year consumer inflation expectations as measured by the University of Michigan in April recorded their most significant three-month gain since the start of monthly data, according to preliminary data.

In China, short-term economic activity indicators were higher than previously expected at the turn of the year, but domestic demand is expected to slow further. Activity data for January and February slightly exceeded market expectations, showing positive momentum in fixed asset investment, PMIs and retail

sales. However, the boost provided by existing consumer stimulus programmes is expected to end, and result in a slowdown in retail sales in the coming months, unless these programmes are stepped up as put forward by some policymakers. Other high-frequency consumption indicators do not show a pick-up in momentum and remain well below historical averages. Persistently low consumer confidence also continues to hinder a broader spending recovery, while key property market indicators remain subdued, with housing construction lagging behind sales. Export growth is weakening as frontloading effects subside and the impact of higher US tariffs begins to take hold. Chinese exports to the United States declined sharply at the start of the year, after having surged disproportionately after the US elections in November. This is a pattern also observed in China's exports to the euro area and other regions. Weakening exports are also reflected in declining prices for shipping from China's major ports, which have fallen most significantly for exports to the United States and Europe. Additionally, the impact of US tariffs is expected to intensify, with multiple rounds of "reciprocal" and retaliatory tariffs set to raise the effective US rate on Chinese imports to around 140%, while China raised the effective tariff rate on US imports to 125% as of 12 April. China also introduced further non-tariff measures, such as export bans on additional rare earths and the inclusion of more US companies on its "unreliable entity" list.

The UK economy is likely to have gained some momentum in the first quarter of 2025 and to accelerate slightly in the second quarter. UK real GDP declined by 0.1% (month on month) in January 2025, largely reflecting weakness in manufacturing output. However, indicators of consumer and business confidence and retail sales signal a pick-up in activity in February, and the composite PMI rose from 50.5 in January to 51.5 in March, the highest level since last October. For the second quarter, real GDP growth is expected to increase slightly, to 0.3%. This should be supported by ongoing monetary easing and increasing real incomes, despite the Government's announcement on 26 March of a set of spending cuts aimed at preserving the credibility of its fiscal targets.

2 Economic activity

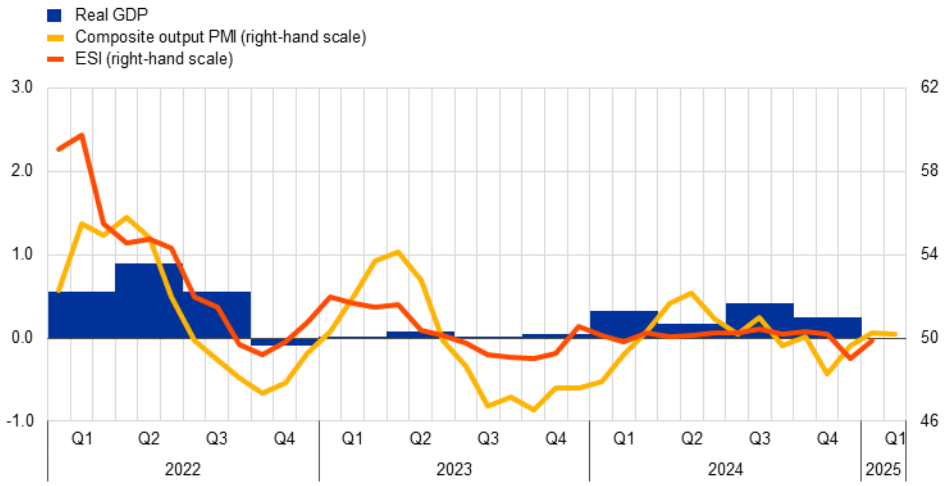
Euro area economic activity softened in the fourth quarter of 2024, bringing annual real GDP growth to 0.9% in the year. Survey data point to moderate growth in the first quarter of 2025. Activity was still weak in the manufacturing sector, but confidence showed signs of improvement. At the same time, services activity continued to grow, albeit at a slower pace. Rising household incomes and a resilient labour market are supporting a gradual pick-up in consumption, although consumer confidence is fragile, and the saving rate is high. The euro area economic outlook is clouded by exceptional uncertainty. Euro area exporters face new barriers to trade, although their scope remains unclear. Disruptions to international commerce, financial market tensions and geopolitical uncertainty are weighing on business investment. As consumers become more cautious about the future, they may hold back from spending as well. At the same time, the euro area economy has been building up some resilience against the global shocks. Growth is expected to be supported by a solid labour market, higher real incomes and gradually more affordable credit, which should support consumption. Moreover, the important policy initiatives that have been launched at the national and EU levels to increase defence spending and infrastructure investment can be expected to support manufacturing activity in particular.

Euro area activity is expected to have continued to grow moderately in the first quarter of 2025 (Chart 3). According to Eurostat, euro area real GDP increased by 0.2%, quarter on quarter, in the fourth quarter of 2024. Activity is expected to have continued to exhibit moderate growth in the first quarter of 2025, as suggested by available survey data, which remained largely unaffected by the uncertainty surrounding US trade policy in the first few months of the year. The composite output Purchasing Managers' Index (PMI), released on 3 April 2025, rose above the growth threshold of 50 in the first quarter of 2025, pointing to a modest expansion in activity. At the same time, the European Commission's Economic Sentiment Indicator (ESI), released on 28 March 2025, also exceeded its average for the previous quarter. However, it declined in March, following two months of increases. This decline was broad-based across sectors, except for industry, where confidence rose. Survey data also indicate some rebalancing of previous sectoral differences in early 2025, as manufacturing activity showed signs of improvement, while services activity continued to grow at a moderate pace (Chart 4). The PMI manufacturing output index rose above the growth threshold of 50 for the first time in two years in March. The outcome brings the average for the first quarter to 48.8, which still points to persisting weakness but also to a substantial improvement on the previous quarter (average of 45.1). According to the ESI, confidence in the manufacturing sector also showed signs of improvement in the first quarter of 2025. At the same time, services sector activity, which has been leading the slow euro area recovery in recent quarters, continued to increase at a steady pace early in the year. The PMI services output index stood at 51 on average in the first quarter, broadly unchanged from the previous quarter and maintaining modest growth. However, economic sentiment for services deteriorated in March.

Chart 3

Euro area real GDP, composite output PMI and ESI

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

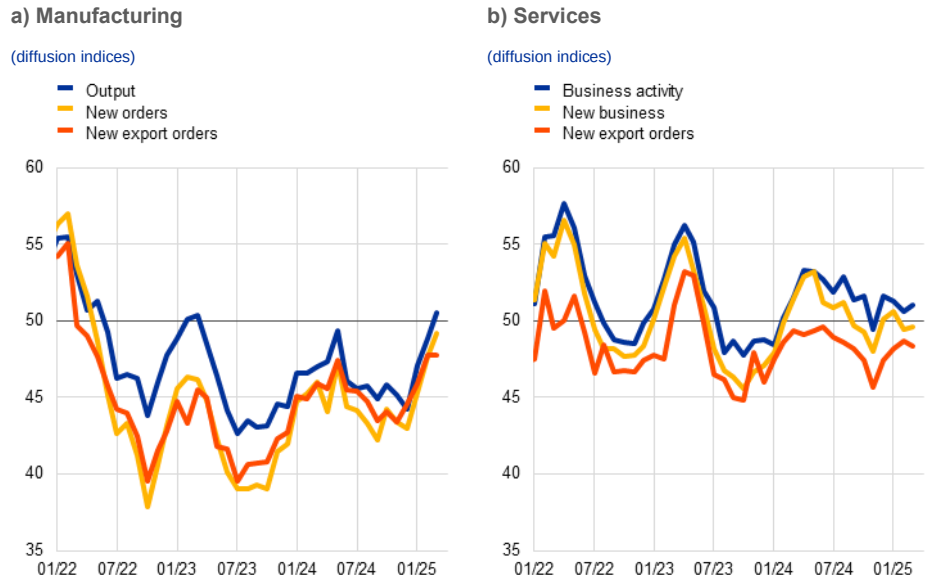


Sources: Eurostat, European Commission and S&P Global.
Notes: The two lines indicate monthly developments; the bars show quarterly data. The European Commission's Economic Sentiment Indicator (ESI) has been standardised and rescaled to have the same mean and standard deviation as the composite output PMI. The latest observations are for the fourth quarter of 2024 for real GDP and for March 2025 for the composite output PMI and ESI.

The expected recovery in the second quarter is surrounded by heightened uncertainty. Euro area GDP appears to have been on a positive trajectory in the early months of 2025. However, the outlook for the second quarter has been affected by the recent adverse global shocks – new US tariffs and possible retaliatory measures, rising global uncertainty, higher financial market volatility – as well as by more beneficial domestic shocks, such as the new national and EU policies on infrastructure and defence spending. Forward-looking indicators were already giving a mixed picture in March, most likely reflecting the headwinds from the expected US tariff announcements. PMI business expectations in 12 months' time declined marginally in March but remained above their long-term average. In the same month, the euro area manufacturing PMI for new orders increased but remained below 50. The ECB's recent contacts with euro area non-financial companies, which took place in mid-March 2025, before the US tariff announcements, pointed to gradually improving activity as of the second quarter and, notably, to a recovery in the industrial sector (see Box 4). However, the announcement of "reciprocal" tariffs by the United States on 2 April, coupled with the potential escalation of trade tensions, are an additional source of risk for companies and the euro area outlook. At the same time, the newly announced increases in infrastructure and defence spending may support confidence and activity in the manufacturing sector, but the positive effects would be unlikely to be visible in the second quarter. The ECB's contacts in manufacturing indicated that rebuilding inventories and adapting production capacity for future defence output could already be helping to support activity in 2025.

Chart 4

PMIs across sectors of the economy



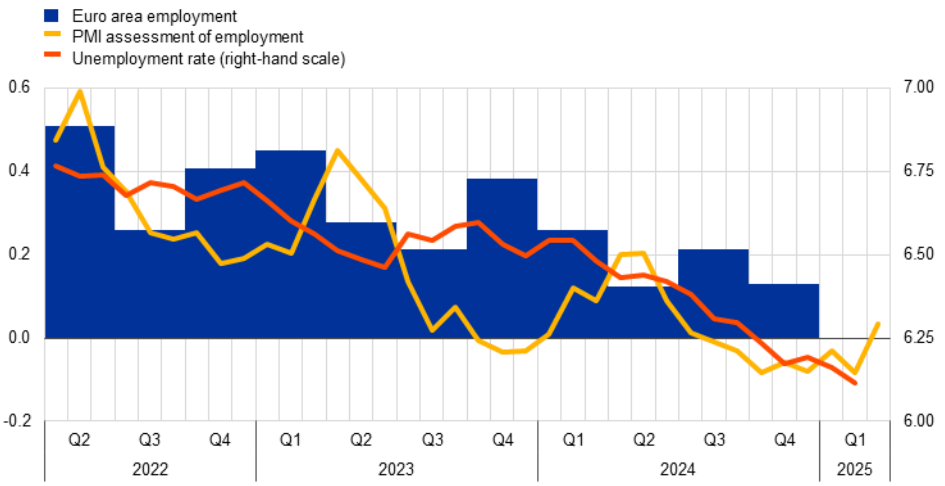
Source: S&P Global Market Intelligence.
Note: The latest observations are for March 2025.

The unemployment rate remains low despite signs of a gradual slowdown in the labour market. The unemployment rate stood at a record low of 6.1% in February 2025, which is 0.1 percentage points lower than in January (Chart 5). Total hours worked increased by 0.6% in the fourth quarter of 2024, driven mostly by the recovery in average hours worked. Total hours worked increased in Spain, Germany and Italy (by 1.8%, 0.6% and 0.2% respectively) and decreased in France (-0.2%). Employment growth was 0.1% in the fourth quarter of 2024 and across all sectors except industry (-0.3%). Nevertheless, the labour market continues to show signs of gradual cooling. The job vacancy rate stood at 2.5% in the fourth quarter of 2024, continuing its steady decline from its peak in 2022. The vacancy-to-unemployment ratio returned to 2021 levels and the indicator of labour as a factor limiting production stood at 24.5% for services and 14.8% for industry in the first quarter of 2025, down from 26.5% and 16.4% respectively in the fourth quarter of 2024.

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 ten. The latest observations are for the fourth quarter of 2024 for employment, for March 2025 for the PMI assessment of employment and for February 2025 for the unemployment rate.

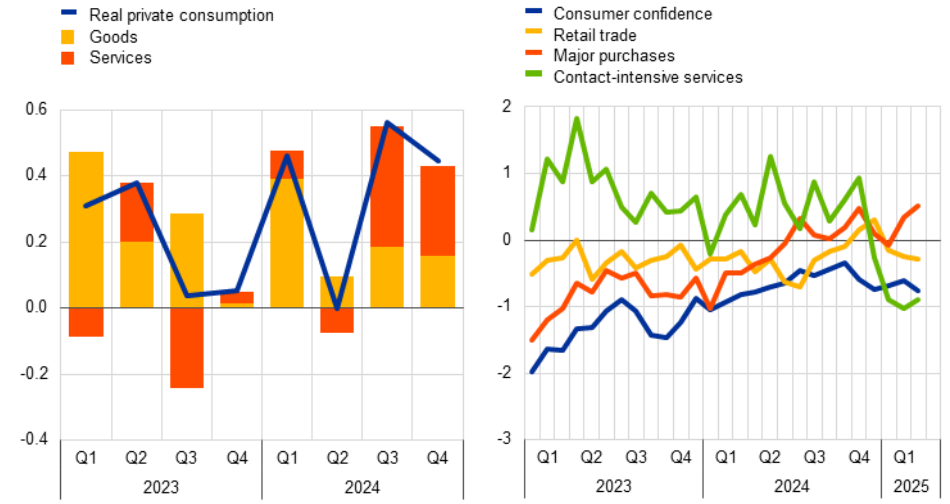
Short-term indicators suggest that the labour market will continue to cool in the first quarter of 2025. The monthly composite PMI employment indicator was broadly neutral, increasing from 49.2 in February to 50.4 in March (Chart 5). The composite outturn edged up across all sectors. Perceptions of employment growth remained in contractionary territory in the manufacturing and construction sectors, while rebounding into expansionary territory in the services sector. Nevertheless, the PMI for employment in the services sector remains well below its 2024 average. Overall, looking ahead, weaker employment dynamics should support a gradual recovery in labour productivity.

Private consumption continued to grow robustly in the fourth quarter of 2024 and is likely to have moderated at the beginning of 2025. Private consumption expanded by 0.4%, quarter on quarter, in the fourth quarter of 2024 (Chart 6, panel a). Goods consumption increased by 0.8%, at a faster pace than services consumption, which rose by 0.4%. Meanwhile, the saving rate stabilised at 15.3% in the fourth quarter, partly reflecting elevated consumer uncertainty and subdued confidence. The volume of retail sales increased by 0.1% in the first two months of 2025 relative to the fourth quarter of 2024, while services consumption expanded by 0.4% in January compared with the same period. Incoming data continue to point to ongoing, albeit more moderate, household spending growth at the beginning of 2025. The European Commission's consumer confidence indicator edged down in March (Chart 6, panel b). This softening in consumption sentiment occurred alongside a noticeable decline in business expectations for contact-intensive services, indicating a potential moderation in demand for services. By contrast, the ECB's latest Consumer Expectations Survey finds that planned spending on holidays for the next 12 months remains robust. At the same time, consumer expectations for major purchases over the next 12 months improved further in March but, on average, were broadly unchanged in the first quarter of 2025 compared with the previous

quarter. Looking ahead, persisting economic policy uncertainty, particularly in the context of global economic developments, should continue to weigh on households' spending decisions. However, higher purchasing power – reflecting the slowdown in inflation – and further rises in real labour income are expected to continue to support consumption in the quarters ahead.

Chart 6

Consumption and consumer expectations



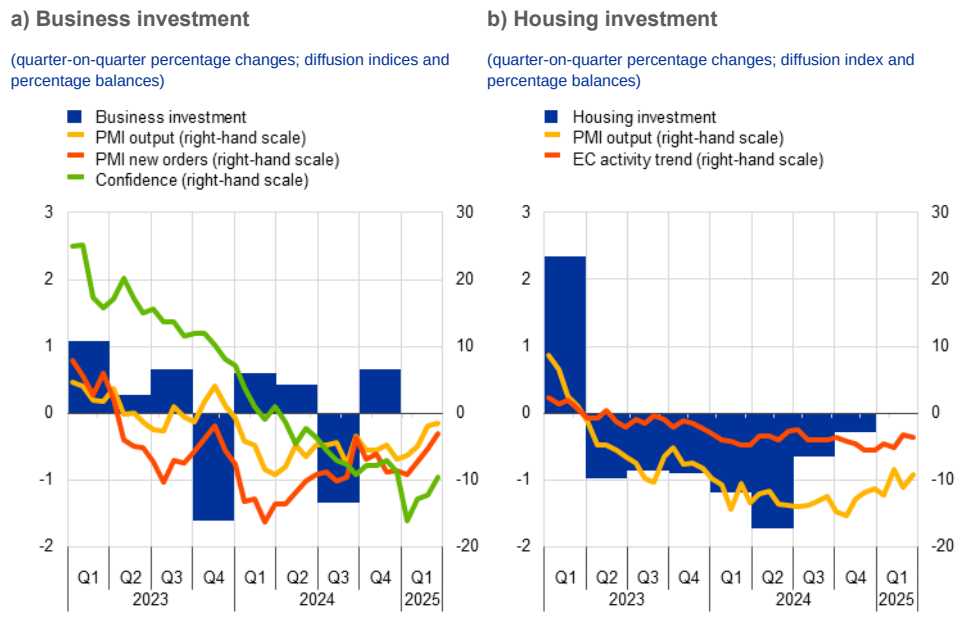
Sources: Eurostat, European Commission and ECB calculations.
Notes: In panel a), real private consumption refers to the national concept and the components refer to the domestic concept of consumption. The latest observations are for the fourth quarter of 2024. In panel b), business expectations for demand in contact-intensive services and retail trade expectations refer to the next three months, while consumer expectations for major purchases refer to the next 12 months. The contact-intensive services series is standardised for the period January 2005-19, owing to data availability, whereas the other three series shown in the chart are standardised for the period 1999-2019. "Contact-intensive services" include accommodation, travel and food services. The latest observations are for March 2025.

Business investment grew robustly in the fourth quarter of 2024 but has likely weakened in the first quarter of 2025. Non-construction investment (excluding Irish intangibles) increased by 0.7% in the fourth quarter of 2024. This increase stemmed from a rebound in transport equipment investment, while machinery and other equipment contracted, and intangibles were flat. Investment is expected to have stagnated in the first quarter of 2025 – as evidenced by capital goods data, which show a slight contraction in industrial production as well as still subdued PMI output, PMI new orders and European Commission economic sentiment (Chart 7, panel a). The outlook for the second quarter and beyond is equally weak, as suggested by the April Sentix confidence indicator measuring euro area investors' outlook six months ahead, which saw the largest drop following Russia's invasion of Ukraine in February 2022. The latest ECB surveys, conducted before the US Administration's tariff announcements on 2 April, point to a gradual pick-up in investment this year, amid heightened uncertainty. The ECB's recent contacts with euro area non-financial companies, suggest that elevated uncertainty could delay investment, but also signals potential for building and adapting capacity for future infrastructure and defence spending (see Box 4). The Survey on Access to Finance of Enterprises reports some improvement expected for investment activity in the second quarter of

2025 from subdued levels. In sum, the expected gradual rise in demand, new national and EU policies on infrastructure and defence spending, along with generally more benign financing conditions, would support investment growth in the future. However, there are downside risks related to tariffs, elevated uncertainty and the potential transmission of the recent increase in government bond yields to lending conditions for non-financial companies, including the slight deterioration in the credit outlook as indicated by the ECB's April 2025 bank lending survey.

Chart 7

Real private investment dynamics and survey data



Sources: Eurostat, European Commission (EC), 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 refers to non-construction investment excluding Irish intangibles. Monthly data reflect the capital goods sector. The latest observations are for the fourth quarter of 2024 for business investment and for March 2025 for the PMIs and the European Commission's confidence indicator. In panel b), the line for the European Commission's activity trend indicator refers to the building and specialised construction sector's assessment of the trend in activity over the preceding three months. The latest observations are for the fourth quarter of 2024 for housing investment and for March 2025 for the PMI and the European Commission's indicator.

Housing investment declined again in the fourth quarter of 2024, albeit at a slower pace than in the third quarter. Housing investment fell by 0.3%, quarter on quarter, in the fourth quarter of 2024, following a 0.6% decline in the previous quarter (Chart 7, panel b). Looking at hard indicators, residential building permits remained at low levels in the fourth quarter, pointing to limited support from new projects in the near term. More recently, a composite index for building construction and specialised construction activities in January stood 0.8% above its level in the fourth quarter. However, survey-based activity measures, such as the PMI for residential construction output and the European Commission's indicator for building and specialised construction activity in the last three months, remained subdued up to March, despite some improvement. Overall, this suggests that housing investment is likely to have broadly stagnated in the first quarter of 2025. Looking ahead, recent ECB surveys point to persistently weak momentum in housing investment in the coming quarters. The latest Consumer Expectations Survey signals that household expectations for the housing market, as reflected by the attractiveness of housing as

a good investment, have moved sideways, hovering around their average levels in the months up to March. The ECB's April 2025 bank lending survey indicates that demand for housing loans is expected to continue to improve, but credit standards may tighten in the second quarter of 2025 (see Section 5, "Financing conditions and credit developments").

Euro area exports continue to show subdued dynamics, despite an uptick in January. In January 2025 euro area goods exports increased by 0.5% in three-month-on-three-month terms, marking the first rise since April 2024. This was in part due to a surge in Irish chemical exports to the United States, which may suggest frontloading ahead of impending tariffs. Despite this uptick, the underlying export momentum remains subdued, with ongoing competitiveness challenges reflected in PMI export orders, indicating contraction in both the manufacturing and services sectors. The recent appreciation of the euro, particularly against the US dollar and the Chinese renminbi, is also adding to the headwinds by potentially eroding price competitiveness in key markets. Timely shipping data do not show that frontloading is pushing up euro area exports to a large extent, although there is some anecdotal evidence in specific sectors such as chemicals (including pharmaceuticals) and automotives. Euro area imports rose by 0.3% in three-month-on-three-month terms, with a relatively strong contribution from China. The appreciation of the euro against the Chinese renminbi and the US dollar may reduce costs for imports priced in those currencies, especially for commodities which are priced in US dollars. However, potential tariff expansions and EU retaliation could offset these benefits. Additionally, higher defence spending may drive short-term import growth, particularly in high-tech military equipment. Looking ahead, the trade outlook is highly uncertain, with potential tariff increases and a deterioration in global economic conditions posing significant risks.

Overall, the outlook for euro area activity has deteriorated owing to rising trade tensions. Increased uncertainty is likely to reduce confidence among households and firms, and the adverse and volatile market response to the trade tensions is likely to have a tightening impact on financing conditions. These factors are expected to weigh on euro area activity by the second quarter of 2025. At the same time, the euro area economy has been building up some resilience against global shocks. Medium-term growth is expected to be supported by a solid labour market, higher real incomes and gradually more affordable credit, which should bolster consumption. Moreover, the important policy initiatives that have been launched at the national and EU levels to increase defence spending and infrastructure investment can be expected to support manufacturing activity, which is also reflected in recent surveys.

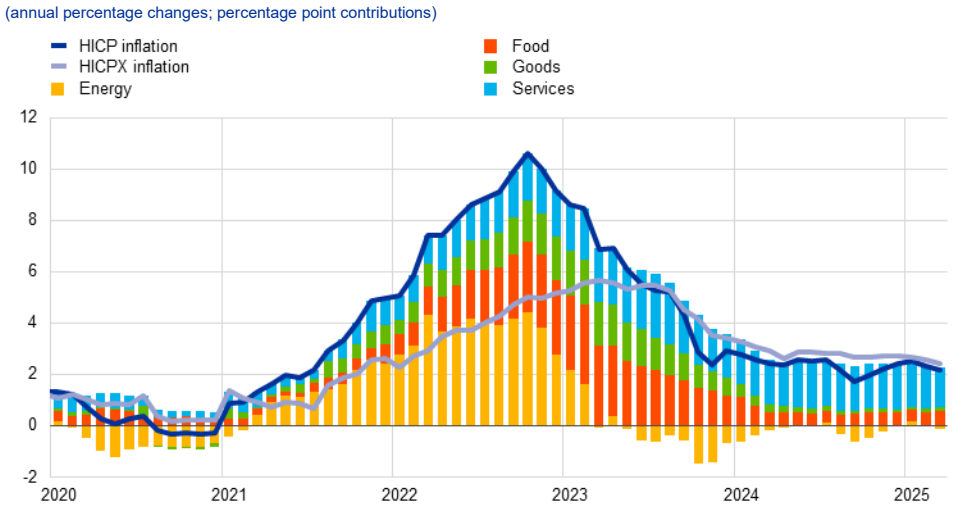
3 Prices and costs

The disinflation process is well on track. Euro area headline inflation decreased to 2.2% in March 2025, from 2.3% in February. This decline was mainly due to a drop in energy prices and a further easing in services inflation, which lessened markedly over recent months. Most measures of underlying inflation are pointing to a sustained return of inflation to the ECB's 2% medium-term target. Annual growth in compensation per employee stood at 4.1% in the last quarter of 2024, down from 4.5% in the previous quarter, while unit profits fell, continuing to buffer the impact of labour costs on inflation. Most measures of longer-term inflation expectations continued to stand at around 2%, which supports the sustainable return of inflation to our target.

Euro area headline inflation, as measured in terms of the Harmonised Index of Consumer Prices (HICP), decreased to 2.2% in March from 2.3% in February (Chart 8). This fall was mainly driven by a decline in services and energy inflation, which more than offset the rise in food inflation. The inflation outcome for the first quarter of 2025 was broadly in line with the March 2025 ECB staff macroeconomic projections for the euro area.

Chart 8

Headline inflation and its main components



Sources: Eurostat and ECB calculations.
Notes: "Goods" refers to non-energy industrial goods. The latest observations are for March 2025.

Energy inflation decreased to -1.0% in March 2025 from 0.2% in February. This decline mainly reflects a drop in the month-on-month growth rate of energy prices. Moreover, the detailed breakdown showed a strong decrease in the annual inflation rate for transportation fuels – related to falling oil prices – and, to a lesser extent, for electricity, while it increased for gas.

Food inflation rose to 2.9% in March 2025, up from 2.7% in February, largely due to an increase in unprocessed food inflation. The annual rate of change in unprocessed food prices picked up to 4.2% in March, compared with 3.0% in the previous month. This surge was driven by somewhat stronger than usual month-on-month growth of unprocessed food prices, potentially linked to unfavourable weather effects, and the weak developments of a year ago dropping out. Meanwhile, the annual rate of growth in processed food prices was unchanged at 2.6%, partly owing to the persistently high pressure from tobacco prices. The annual rate for processed food excluding the tobacco component was unchanged at 1.8%.

HICP inflation excluding energy and food (HICPX) decreased further to 2.4% in March, from 2.6% in the previous month. This decline was mainly due to a fall in services inflation, which decreased to 3.5% from 3.7% in February. Several factors contributed to the easing, including lower demand for recreation services, decreasing energy and wage cost pressures, and somewhat lower annual repricing effects at the beginning of the year. At the same time non-energy industrial goods (NEIG) inflation remained at 0.6%, consistent with ongoing moderate price pressures. This steady rate reflected a decline in non-durable goods inflation offset by the rise in semi-durable and durable goods inflation, although durable goods inflation remained in negative territory.

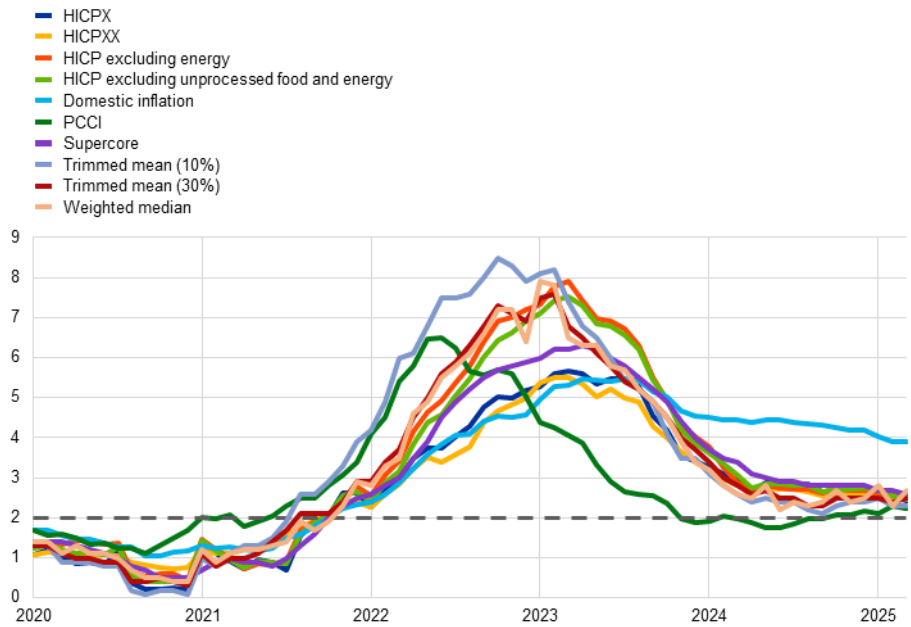
Most measures of underlying inflation have been developing in line with a sustained return of headline inflation to the 2% medium-term target (Chart 9).[1] The bulk of the indicator values ranged from 2.2% to 2.7%. Exclusion-based measures, such as the HICP excluding energy and HICP inflation excluding unprocessed food and energy, continued to ease. At the same time, the 10% trimmed mean was unchanged, and the 30% trimmed mean and the weighted median increased in March. Regarding model-based measures, the Supercore indicator (which comprises HICP items sensitive to the business cycle) decreased to 2.6% in March, from 2.7% in February. Meanwhile the Persistent and Common Component of Inflation (PCCI), which tends to outperform other indicators as a predictor of future headline inflation, decreased slightly to 2.2% in March after 2.3% in February and remained at the bottom of the range. Although the indicator for domestic inflation, which mostly covers services items, remained at a high level, it had been gradually easing since December 2024 and stood at 3.9% in March.

[1] For information on the different measures of underlying inflation, see Lane, P.R., "Underlying inflation: an update", speech at the Inflation: Drivers and Dynamics Conference 2024 organised by the Federal Reserve Bank of Cleveland and the ECB, 24 October 2024.

Chart 9

Indicators of underlying inflation

(annual percentage changes)



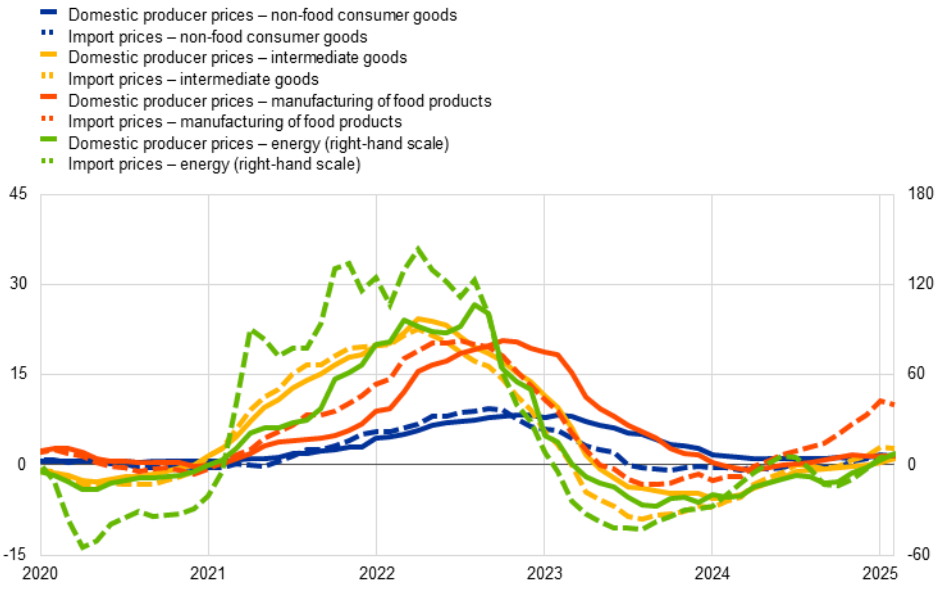
Sources: Eurostat and ECB calculations.
Notes: The grey dashed line represents the ECB's inflation target of 2% over the medium term. The latest observations are for March 2025.

In February most indicators of pipeline price pressures for goods at the early stages of the pricing chain showed moderate upward shifts, while those indicators at the later stages eased slightly (Chart 10). At the early stages producer price inflation for domestic sales of intermediate goods increased to 0.9% in February, up from 0.5% in January. At the later stages, by contrast, the annual growth rates of producer prices for non-food consumer goods edged down to 1.5% in February from 1.6% in January. The annual growth rate of producer prices for manufactured food increased to 1.5% from 1.4% over the same period, confirming previous indications that the gradual easing of pipeline pressures had subsided in the manufactured food segment. The annual growth rate of import prices for non-food consumer goods remained unchanged at 1.5%. Meanwhile, import price inflation for manufactured food decreased to 9.9% in February from 10.7% in January, possibly reflecting the still high but easing growth rates of international food commodity prices. Overall, the latest data on producer and import prices confirm that the gradual easing of accumulated pipeline pressures on consumer goods prices has been fading but there has not been a noticeable resurgence.

Chart 10

Indicators of pipeline pressures

(annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: The latest observations are for February 2025.

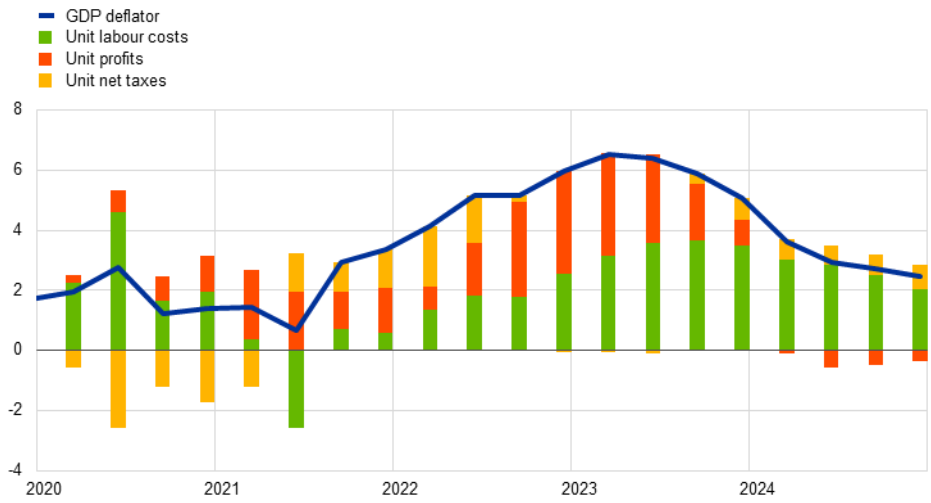
Domestic cost pressures, as indicated by growth in the GDP deflator, continued to ease in the fourth quarter of 2024, slowing to 2.5% from 2.7% in the previous quarter (Chart 11). This marks a substantial decline from the peak of 6.5% in the first quarter of 2023, although the rate remains above its long-term average before the COVID-19 pandemic of 1.6%. The deceleration in the GDP deflator was largely driven by a continued moderation in the growth of unit labour costs (3.7% in the fourth quarter of 2024, down from 4.5% in the third quarter). This slowdown reflects a combination of lower wage growth, measured in terms of compensation per employee (4.1% in the fourth quarter after 4.5% in the previous quarter), and an increase in productivity growth (to 0.4% from 0.0% in the previous quarter). The easing in actual wage growth was broadly in line with a decline in negotiated wage growth (to 4.1% in the fourth quarter of 2024, from 5.4% in the third quarter). While the negative contribution of unit profits to the GDP deflator diminished in the fourth quarter, they continued to buffer the still elevated growth in labour costs. Looking forward the ECB's wage tracker, which incorporates data on wage agreements negotiated up to the first week of April 2025, suggests that wage growth pressures will continue easing throughout 2025. This outlook is supported by the latest survey indicators on wage growth, such as the ECB's Corporate Telephone Survey, in which wage growth expectations for 2025 were revised downwards to 3.0% from 3.6% in the previous round.[2] The easing of wage growth pressures is consistent with both a decrease in demands for inflation compensation during negotiations and cooling labour demand.

[2] For more information, see the box entitled "Main findings from the ECB's recent contacts with non-financial companies", *Economic Bulletin*, Issue 3, ECB, 2025.

Chart 11

Breakdown of the GDP deflator

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: Compensation per employee contributes positively to changes in unit labour costs. Labour productivity contributes negatively. The latest observations are for the fourth quarter of 2024.

Market-based measures of near-term euro area inflation compensation, as measured by inflation fixings, have edged down to levels below 2% for the coming months (Chart 12). These measures – reflecting market participants' expectations for HICP inflation excluding tobacco – suggest that investors expect this measure of inflation to fall below 2.0% in the coming months before declining further around the turn of the year to settle tangibly below 2% in mid-2026. Similarly, the one-year forward inflation-linked swap rate starting one year ahead declined to around 1.6% over the review period. On the consumer side, the March 2025 ECB Consumer Expectations Survey (CES) reported that the median rate of perceived inflation over the previous 12 months stood at 3.1% in March 2025 – the lowest rate since September 2021. At the same time median expectations for headline inflation over the next year increased to 2.9% in March from 2.6% in February. Median expectations for headline inflation three years ahead increased slightly as well, to 2.5% from 2.4% in the same period. The increase in consumer inflation expectations is linked to higher inflation uncertainty for some respondents.

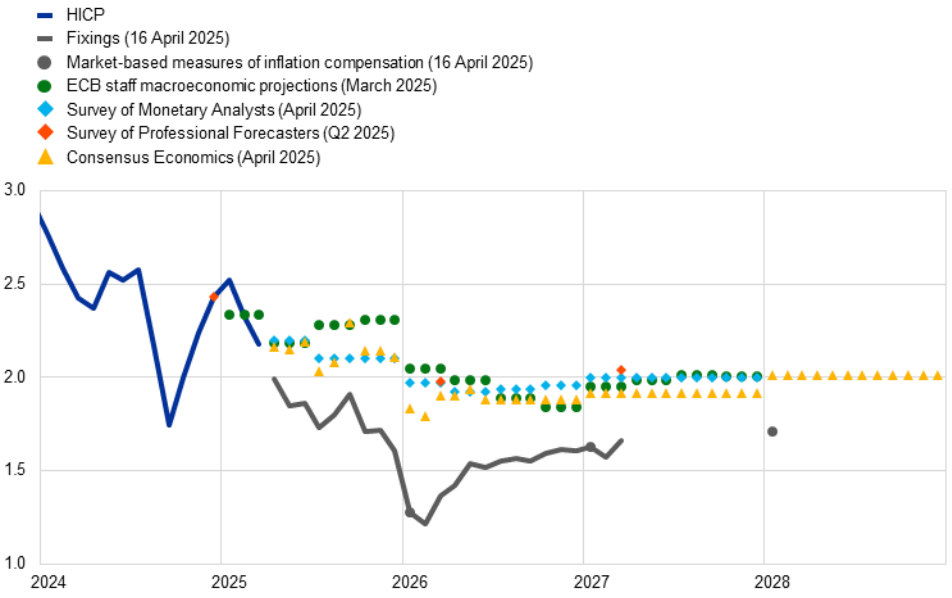
Survey-based indicators of longer-term inflation expectations and market-based measures of longer-term inflation compensation remained stable, with most standing at around 2% (Chart 12). In both the ECB Survey of Monetary Analysts (SMA) for April 2025 (conducted between 31 March and 2 April) and the ECB Survey of Professional Forecasters (SPF) for the second quarter of 2025 (conducted between 1 and 4 April), median and average longer-term inflation expectations were unchanged at 2%. Longer-term market-based measures of inflation compensation (based on the HICP excluding tobacco) declined over the review period, with the five-year forward inflation-linked swap rate five years ahead standing at around 2%. Furthermore, model-based estimates of genuine inflation expectations, excluding inflation risk premia, indicate that market participants continue to expect inflation to be around 2% in the longer term.

Chart 12

Headline inflation, inflation projections and expectations

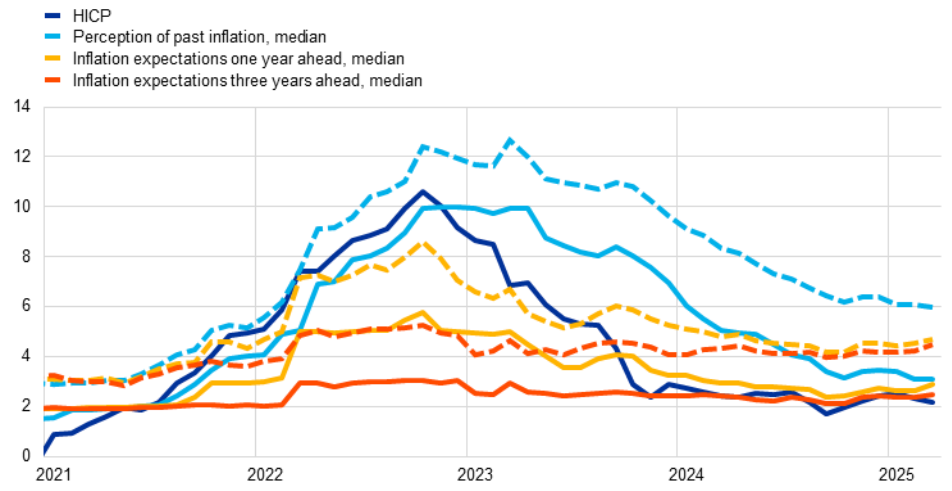
a) Headline inflation, market-based measures of inflation compensation, inflation projections and survey-based indicators of inflation expectations

(annual percentage changes)



b) Headline inflation and ECB Consumer Expectations Survey

(annual percentage changes)



Sources: Eurostat, LSEG, Consensus Economics, ECB (SMA, SPF, CES), ECB staff macroeconomic projections for the euro area, March 2025, and ECB calculations.
Notes: In panel a) the market-based measures of inflation compensation series are based on the one-year spot inflation rate, the one-year forward rate one year ahead, the one-year forward rate two years ahead and the one-year forward rate three years ahead. The observations for market-based measures of inflation compensation are for 16 April 2025. Inflation fixings are swap contracts linked to specific monthly releases in euro area year-on-year HICP inflation excluding tobacco. The SPF for the second quarter of 2025 was conducted between 1 and 4 April 2025. The cut-off date for the Consensus Economics long-term forecasts was 7 April 2025. The March 2025 ECB staff macroeconomic projections for the euro area were finalised on 19 February 2025 and the cut-off date for the technical assumptions was 6 February 2025. In panel b) for the CES, the dashed lines represent the mean and the solid lines represent the median. The latest observations are for March 2025.

4 Financial market developments

During the review period from 6 March to 16 April 2025, euro area financial markets were heavily influenced by the changes in trade policies initiated by the United States. The announcement of sweeping US tariffs on 2 April led to the sharpest repricing of financial assets since the pandemic amid heightened volatility. The subsequent 90-day suspension of tariffs on most US trading partners provided only partial respite. Overall, the risk-free euro short-term rate forward curve shifted lower, with markets at the end of the review period pricing in around 85 basis points of cumulative interest rate cuts in the euro area by the end of 2025. Long-term sovereign bond yields also fell across jurisdictions, slightly outpacing the decline in risk-free rates. Euro area equity prices declined significantly amid high volatility, in particular after 2 April. Euro area corporate bond spreads widened for both investment-grade and, especially, high-yield issuers. In the foreign exchange market, the euro appreciated strongly both against the US dollar (5.2%) and in trade-weighted terms (3.3%).

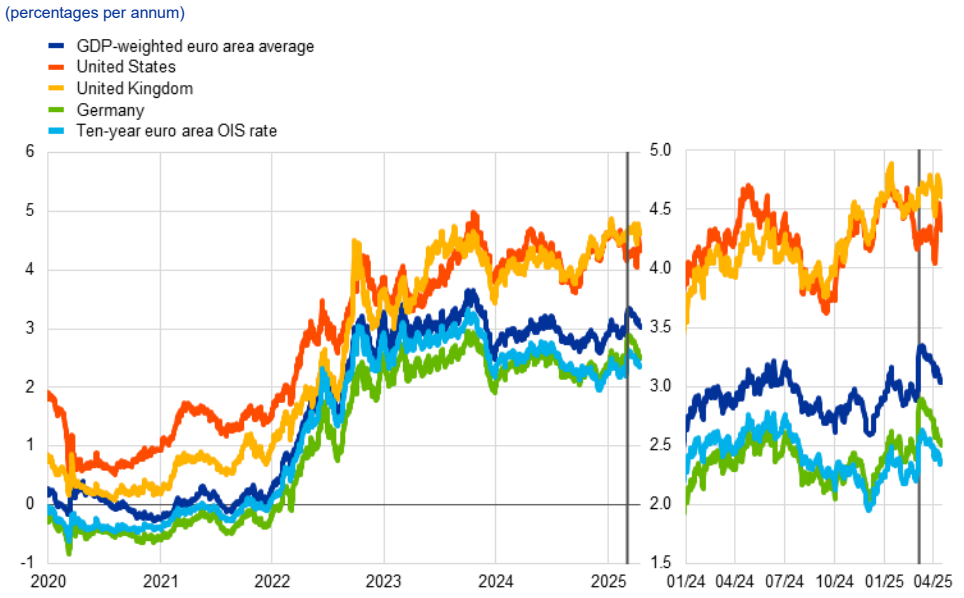
During the review period, euro area risk-free rates declined amid heightened volatility driven by escalating trade tensions, resulting in a steepening of the forward curve. The benchmark euro short-term rate (€STR) averaged 2.45% over the review period, following the Governing Council's widely anticipated decision to lower the key ECB interest rates by 25 basis points at its March meeting. Excess liquidity decreased by around €44 billion to €2,783 billion. This mainly reflected the decline in the portfolios of securities held for monetary policy purposes, with the Eurosystem no longer reinvesting the principal payments from maturing securities in its asset purchase programmes. After shifting upwards following the announcement of a planned fiscal expansion in Germany and the "ReArm Europe" initiative just before the review period, the forward curve gradually reversed a good part of its upward shift on the back of mounting international trade tensions. The US tariff announcement on 2 April and the subsequent escalation of global trade tensions resulted in a pronounced downward repricing of the forward curve, reflecting expectations of a faster pace of monetary policy easing in the euro area. By the end of the review period, markets were pricing in cumulative interest rate cuts of around 85 basis points by the end of 2025, about 40 basis points more than at the start of the period. Longer-term euro area risk-free rates also declined during the review period, albeit to a lesser extent, resulting in a steepening of the forward curve as the ten-year nominal overnight index swap (OIS) rate sank to 2.4%, which was 15 basis points lower than at the start of the review period.

Long-term sovereign bond yields also fell, with some variation across jurisdictions (Chart 13). The ten-year GDP-weighted euro area sovereign bond yield closed the review period at 3%, a decline of 31 basis points from its initial level, with spreads relative to the OIS rate narrowing by around 15 basis points. Sovereign bond spreads mostly tightened prior to the US Administration's tariff announcement on 2 April as changes played out broadly equally across jurisdictions. Subsequently, the escalation of international trade tensions caused the dispersion across euro area sovereign bond yields to increase somewhat as investors shifted towards safer assets. Internationally, the ten-year US Treasury yield fluctuated significantly, rising

by around 5 basis points to 4.3% by the end of the review period, while the ten-year UK sovereign bond yield declined by 7 basis points and ended the period at 4.6%.

Chart 13

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



Sources: LSEG and ECB calculations.
Notes: The vertical grey line denotes the start of the review period on 6 March 2024. The latest observations are for 16 April 2025.

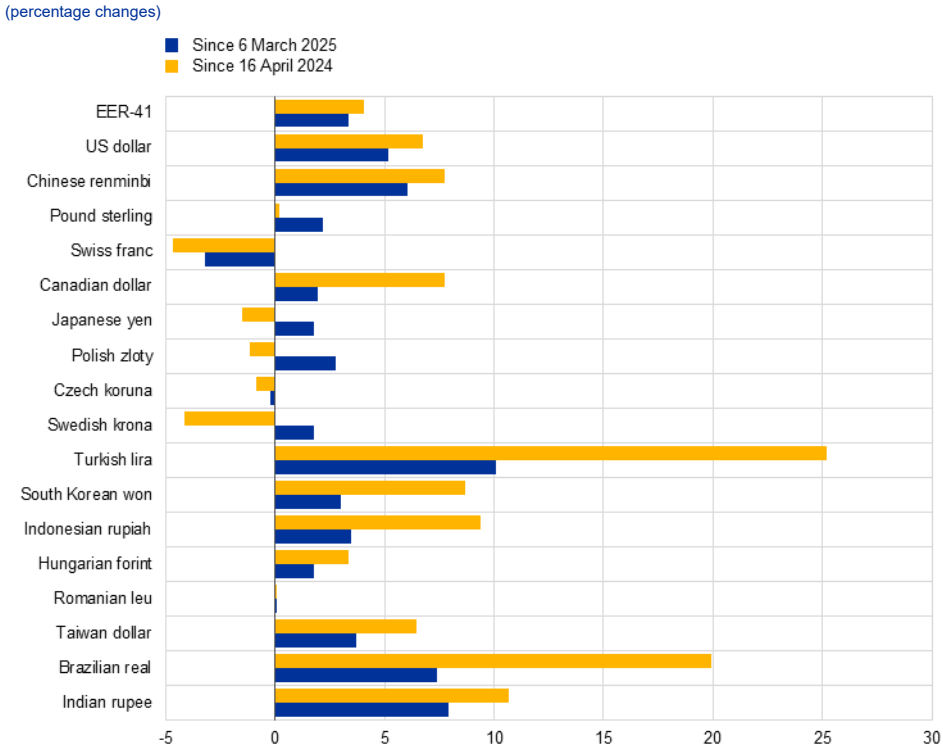
Throughout the review period, trade tensions fuelled significant volatility in global and euro area stock markets, resulting in marked declines in equity prices. Stock prices declined more notably following the imposition of tariffs on automobile imports by the US Administration and in the run-up to the broad-based "reciprocal" tariffs announced on 2 April. Between the beginning of the year and the start of the review period, euro area equities had been outperforming their US counterparts as a shift in equity fund flows towards Europe partially counterbalanced the negative impact of trade tensions. However, the 2 April announcement, and the subsequent escalation in global trade tensions, triggered a global equity markets sell-off. After the US Administration implemented a 90-day pause on its "reciprocal" tariffs for all countries except China, stock prices partially recovered, despite heightened international trade uncertainty. Over the review period as a whole, euro area stock market indices fell by 8.5%, with non-financial corporation (NFC) and bank equities declining by 9.4% and 7.9% respectively. US stock market indices dropped by 8%, with declines of 9.9% for banks and 8.3% for NFCs.

Corporate bond spreads widened in both the investment-grade and the high-yield segments. The risk-off market sentiment was also reflected in corporate bond markets. The widening of spreads in the investment-grade segment was driven by an almost parallel widening of spreads on bonds issued by financial corporations and NFCs by around 30 basis points. The effect of the tariff announcement was more pronounced in the high-yield segment, where spreads on NFC bonds increased by 110 basis points and spreads on bonds issued by financial corporations widened by around 85 basis points.

In foreign exchange markets, the euro appreciated strongly, both against the US dollar and in trade-weighted terms (Chart 14). The nominal effective exchange rate of the euro – as measured against the currencies of 41 of the euro area's most important trading partners – appreciated by 3.3% during the review period. This strong appreciation of the euro was broad-based. A 5.2% appreciation against the US dollar was largely driven by a shift in market expectations regarding the growth outlook in the United States and the potential impact of US policies after the US tariff announcements in early April. The euro also strengthened by 6.0% against the Chinese renminbi, with the latter currency weakening owing to the expected adverse impact of the US tariffs. The euro appreciated significantly against the Turkish lira amid country-specific developments in this emerging market economy which led to a broad weakening of its currency. Conversely, the euro depreciated by 3.2% against the Swiss franc amid market uncertainties and a broader risk-off market sentiment.

Chart 14

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



Source: ECB calculations.
Notes: EER-41 is the nominal effective exchange rate of the euro against the currencies of 41 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 16 April 2025.

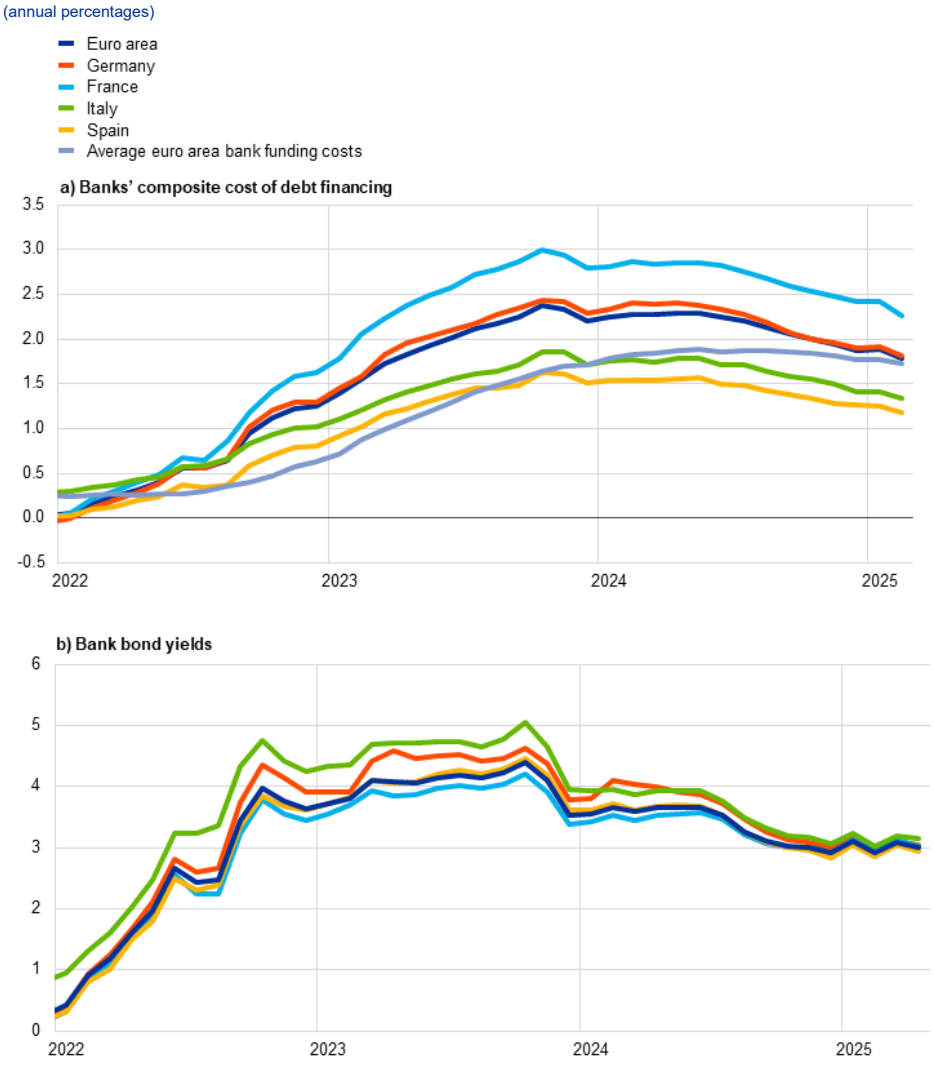
5 Financing conditions and credit developments

The latest official statistics on corporate borrowing, which were published on 2 April 2025, show that the ECB's interest rate cuts have again made it less expensive for firms to borrow. In February average bank funding costs remained close to the recent peak, while bank lending rates to firms continued their gradual decline from peak levels. Average interest rates on new loans to firms fell in February to 4.1%, while those on new mortgages rose slightly to 3.3%. Growth in loans to firms and households continued to increase in February, but remained far below historical averages, reflecting still weak demand and tight credit standards. Over the period from 6 March to 16 April 2025, the cost to firms of equity financing rose, owing to the higher equity risk premium, while the cost of market-based debt financing remained virtually unchanged. According to the April 2025 euro area bank lending survey, credit standards for loans to firms again tightened slightly in the first quarter of 2025 and net loan demand decreased slightly, after a modest recovery in previous quarters. Credit standards for housing loans eased and net housing loan demand continued to increase strongly. In the Survey on Access to Finance of Enterprises (SAFE) for the first quarter of 2025, which was conducted between 10 February and 21 March 2025, firms reported a decline in bank interest rates and a further slight tightening of other loan conditions. Firms also indicated a small reduction in the need for bank loans and broadly unchanged bank loan availability. The annual growth rate of broad money (M3) increased further to 4.0% in February.

Marginal bank funding costs decreased further in February 2025, while average funding costs for euro area banks saw only marginal declines. The composite cost of debt financing for euro area banks, i.e. the index which measures marginal bank funding costs, fell in February (Chart 15, panel a), driven by rate cuts and an increased preference for liquidity on the part of firms and households, while average bank funding costs decreased only marginally. Deposit rates and interbank money market rates continued to fall, with the composite deposit rate standing at 1.1% in February compared with a peak of 1.4% in May 2024. Bank bond yields rose in early March and declined again thereafter, amid heightened macroeconomic and geopolitical uncertainty (Chart 15, panel b). Interest rates on time deposits for firms and households fell more sharply than those on overnight deposits. As a result, the significant gap between interest rates on time and overnight deposits continued to narrow for both firms and households, reflecting the somewhat larger fall in the remuneration of deposits with an agreed maturity.

Chart 15

Composite bank funding costs in selected euro area countries



Sources: ECB, S&P Dow Jones Indices LLC and/or its affiliates, and ECB calculations.
Notes: Composite bank funding costs are an average of new business costs for overnight deposits, deposits redeemable at notice, time deposits, bonds and interbank borrowing, weighted by their respective outstanding amounts. Average bank funding costs use the same weightings but are based on rates for outstanding deposits and interbank funding, and on yield to maturity at issuance for bonds. Bank bond yields are monthly averages for senior tranche bonds. The latest observations are for February 2025 for the composite cost of debt financing for banks (panel a) and for 16 April 2025 for bank bond yields (panel b).

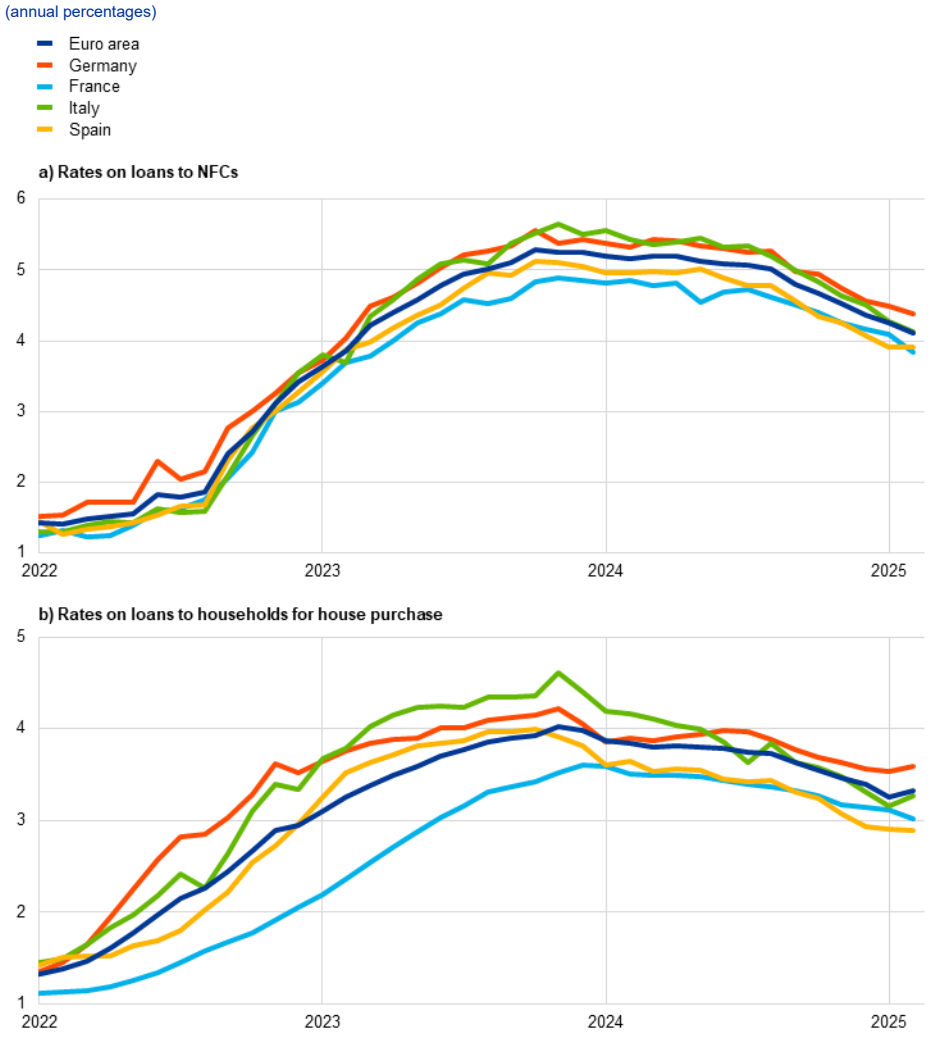
The euro area banking sector remained resilient, with strong capital positions and still high levels of profitability, despite headwinds related to weak economic growth. In the fourth quarter of 2024, bank capitalisation continued to be broadly stable, with capital ratios well above 15% and voluntary capital buffers exceeding Common Equity Tier 1 (CET1) requirements. Banks' return on equity remained high, standing at 10% in the fourth quarter of 2024, despite an increase in provisioning needs in some asset classes and support from net interest income having declined from the peak seen in the first quarter of 2024. With interest rates still at elevated levels, asset quality continued to slowly deteriorate, with considerable cross-country variation. Non-performing loan ratios were stable, being close to the historical lows seen in the first quarter of 2023. The proportion of underperforming (i.e. Stage 2) loans increased substantially in 2024, especially as

regards small firms and commercial real estate, and banks have increased their loan loss provisions to reflect this.

Bank lending rates for firms declined further, while rates for households levelled out in February. Lending rates have fallen since the summer of 2024, reflecting lower policy rates (Chart 16). In February 2025 lending rates for new loans to non-financial corporations (NFCs) fell by 15 basis points to stand at 4.10%, around 1.2 percentage points below their October 2023 peak (Chart 16, panel a). This decline was widespread across the largest euro area countries and concentrated in loans with maturities of up to one year. In contrast, rates on loans with maturities of more than one year increased in response to the rise in longer-term risk-free rates. For firms, the cost of issuing market-based debt declined to 3.5% in February, but there has been some upward pressure more recently and rates rose to 3.7% in April (Chart 17). The spread between interest rates on small and large loans to firms widened somewhat in February to 0.47 percentage points, slightly above its historical low and amid cross-country heterogeneity. In contrast, lending rates on new loans to households for house purchase increased by 8 basis points to stand at 3.33% in February, 70 basis points below their November 2023 peak (Chart 16, panel b), with variation across countries. This rise was due to developments in long-term rates and was more pronounced for longer maturities.

Chart 16

Composite bank lending rates for firms and households in selected euro area countries



Sources: ECB and ECB calculations.
Notes: NFCs stands for non-financial corporations. Composite bank lending rates are calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes. The latest observations are for February 2025.

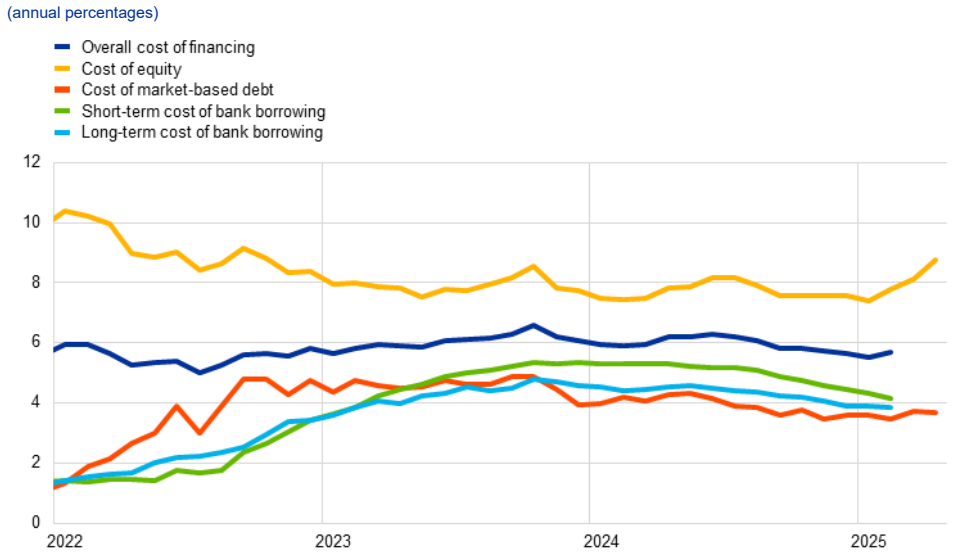
Over the period from 6 March to 16 April 2025, the cost to firms of equity financing rose, while the cost of market-based debt financing remained virtually unchanged. Based on the monthly data available until February 2025, the overall cost of financing for NFCs – i.e. the composite cost of bank borrowing, market-based debt and equity – increased in February compared with the previous month and stood at 5.7%, below the multi-year high reached in October 2023 (Chart 17).[3] This was the result of a rise in the cost of equity owing to a higher equity risk premium, all the other cost components having either declined or remained unchanged. Daily data covering the period from 6 March to 16 April 2025 show that the cost of market-based debt financing remained stable, driven by a downward shift in the overnight index swap (OIS) curve at the medium and long-term maturities that

[3] Owing to lags in data availability for the cost of borrowing from banks, data on the overall cost of financing for NFCs are only available up to February 2025.

was almost completely offset by the widening of corporate bond spreads, especially on bonds in the high yield sector. The cost of equity financing rose over the same period in response to the strengthening of the equity risk premium and despite the decline in the long-term risk-free rate, as approximated by the ten-year OIS rate.

Chart 17

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



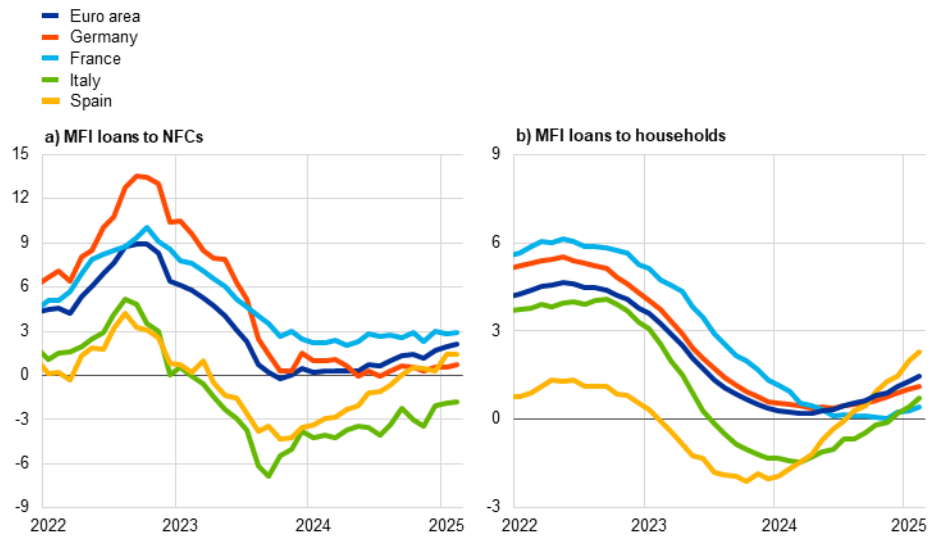
Sources: ECB, Eurostat, Dealogic, Merrill Lynch, Bloomberg, LSEG and ECB calculations.
Notes: The overall cost of financing for non-financial corporations (NFCs) is based on monthly data and is calculated as a weighted average of the long and short-term cost of bank borrowing (monthly average data), market-based debt and equity (end-of-month data), based on their respective outstanding amounts. The latest observations are for 16 April 2025 for the cost of market-based debt and the cost of equity (daily data), and for February 2025 for the overall cost of financing and the cost of borrowing from banks (monthly data).

Growth in loans to firms and households continued to increase gradually in February, reflecting still weak demand and tight credit standards. The annual growth rate of bank lending to firms rose to 2.2% in February 2025, up from 2.0% in January and well below its historical average of 4.8% (Chart 18, panel a). The increase was mainly driven by short-term loans (up to one year). Corporate debt securities issuance in February was relatively weak, following a series of volatile months, and grew at a stable rate of 3.2% in annual terms. The annual growth rate of loans to households improved, rising to 1.5% in February from 1.3% in January, although it remained well below its historical average of 4.1% (Chart 18, panel b). Loans for house purchases continued to be the primary driving force behind this upward trend, while consumer credit stabilised, with annual growth standing at 3.9% in February. By contrast, other lending to households, including loans to sole proprietors, was again weak. The ECB's Consumer Expectations Survey in February showed that the percentage of households who perceived credit access to have been tighter still outweighs that perceiving credit access to have been easier, but looking ahead, households expect credit access to ease somewhat over the next 12 months.

Chart 18

MFI loans in selected euro area countries

(annual percentage changes)



Sources: ECB and ECB calculations.
Notes: Loans from monetary financial institutions (MFIs) are adjusted for loan sales and securitisation; in the case of non-financial corporations (NFCs), loans are also adjusted for notional cash pooling. The latest observations are for February 2025.

According to the April 2025 euro area bank lending survey**, banks reported a small further tightening of credit standards for loans or credit lines to firms in the first quarter of 2025 and a moderate easing of credit standards for housing loans (Chart 19).** The continued tightening of credit standards for loans to firms in the first quarter of 2025 was smaller than banks had expected in the previous round and was again driven by higher perceived risks related to the economic outlook and to the industry and firm-specific situations. Banks reported a moderate easing of credit standards for loans to households for house purchase, whereas a small further tightening was indicated for consumer credit. For housing loans, competition from other banks was the main driver of this easing, while the tightening of credit standards for consumer credit was primarily attributable to risk perceptions. Banks reported a broadly unchanged share of rejected applications for loans to large firms and for consumer credit, but a small net decrease for housing loans and a further increase for loans to small and medium-sized enterprises (SMEs). For the second quarter of 2025, euro area banks expect a further tightening of credit standards for loans to firms, consumer credit and housing loans.

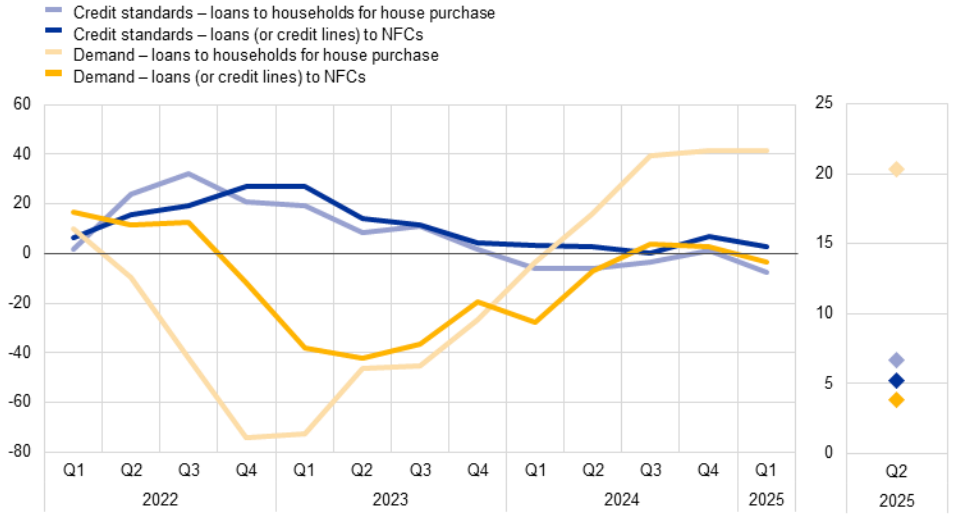
In the first quarter of 2025, banks reported a further small decline in loan demand by firms, after two quarters of weak recovery, and a strong increase in housing loan demand. Loan demand by firms decreased, primarily owing to a negative contribution from firms' inventories and working capital and despite support from falling interest rates. Fixed investment continued to have a broadly neutral impact on loan demand, with some banks referring to economic and geopolitical uncertainties as a dampening factor for firms' longer-term planning. For housing loans, the strong increase in demand primarily reflected declining interest rates and, to a lesser extent, improving housing market prospects and rising consumer confidence. The moderate increase in demand for consumer credit was mainly

supported by declining interest rates, with further small contributions from consumer confidence and spending on durable goods. For the second quarter of 2025, banks expect a small rise in loan demand by firms and further increases for households, especially for housing loans.

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)



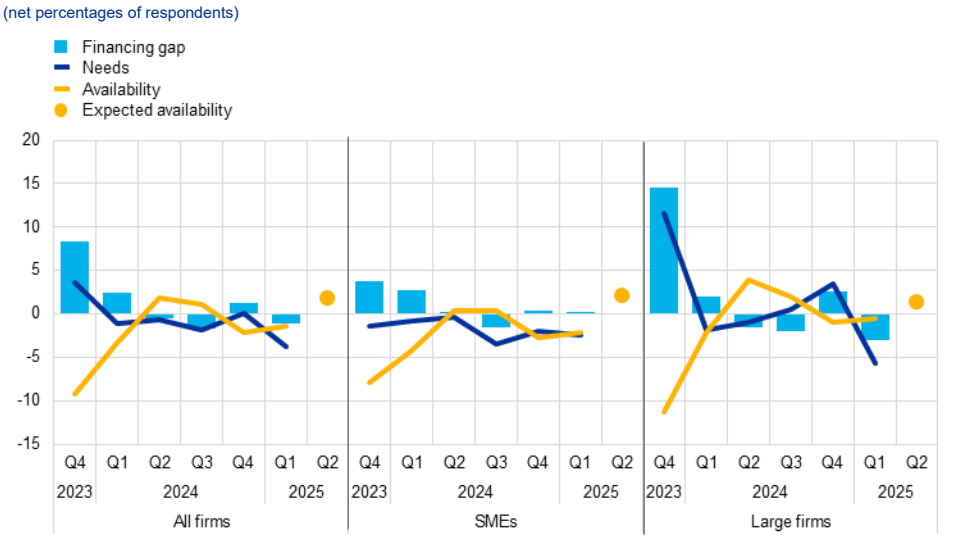
Source: Euro area bank lending survey.
Notes: NFCs stands for non-financial corporations. For survey questions on credit standards, "net percentages" are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". For survey questions on demand for loans, "net percentages" are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The diamonds denote expectations reported by banks in the current round. The latest observations are for the first quarter of 2025.

According to the banks surveyed, access to funding remained broadly unchanged, while perceived risks to credit quality weighed on lending conditions. In the first quarter of 2025, banks' access to retail funding remained broadly unchanged, but eased for debt securities, money markets and securitisations. Banks indicated that the reduction of the ECB's monetary policy asset portfolio had had a small negative impact on their financing and lending conditions over the past six months, as well as on their liquidity positions, and that the impact on credit standards had been broadly neutral. Euro area banks reported a tightening impact of non-performing loan ratios and other indicators of credit quality on their lending conditions for loans to firms and for consumer credit in the first quarter of 2025, while the impact for housing loans had been neutral. Banks also reported a further negative net impact of the past and expected ECB key interest rate decisions on their net interest margins over the past six months, while the impact via volumes had remained slightly negative. Banks expect a similar negative net impact of ECB key interest rate decisions on their margins over the next six months, which is expected to be a drag on overall profitability, despite the slightly positive contribution from asset volumes.

In the latest Survey on Access to Finance of Enterprises (SAFE), firms reported a further decrease in bank interest rates, while still indicating a tightening of other loan conditions. The first quarter of 2025 saw a marked increase in the net number of large firms observing a decline in interest rates, while, on net, SMEs indicated that interest rates had remained broadly unchanged. At the same time, a net 24% of firms (up from 22% in the fourth quarter of 2024) pointed to a rise in other financing costs, such as charges, fees and commissions, and a net 13% (down from 15% in the fourth quarter of 2024) reported stricter collateral requirements.

Chart 20

Changes in euro area firms' bank loan needs, current and expected availability and financing gap



Sources: Survey on Access to Finance of Enterprises (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 availability of bank loans (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 for a direct comparison with realisations. The figures refer to Pilot 2 and Rounds 30 to 34 of the SAFE (October-December 2023 to January-March 2025).

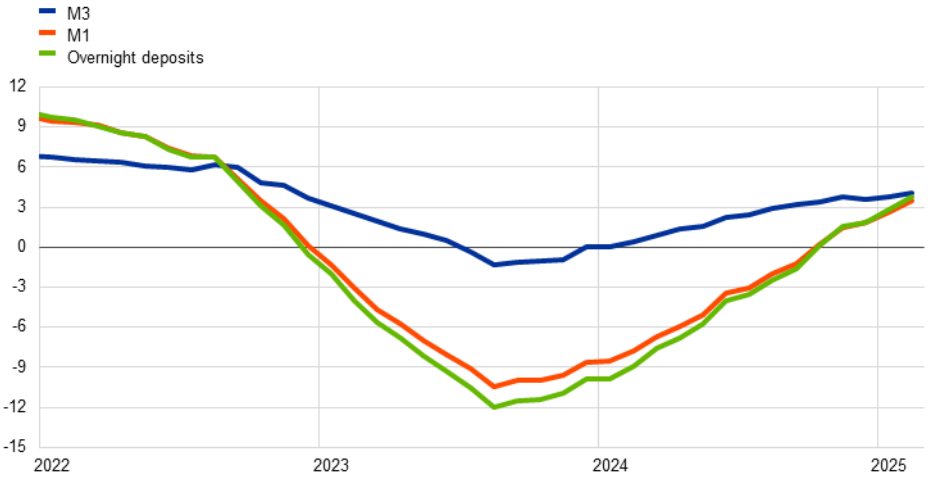
Firms saw a small reduction in the need for bank loans and broadly unchanged bank loan availability, although a modest improvement in availability is anticipated over the next three months (Chart 20). The net percentage of firms reporting a decline in the availability of bank loans was 1% (down from 2% in the previous quarter). Although availability diminished slightly for SMEs, it remained unchanged for large firms. These developments were echoed by the slight net tightening of banks' lending policies, and in particular of credit standards, as highlighted by the euro area bank lending survey for the same period. The bank loans financing gap indicator – an index capturing the difference between changes in needs and availability – was broadly unchanged. Looking ahead, firms expect to see a modest improvement in bank loan availability over the next three months.

Broad money (M3) growth stabilised in February, amid progressive weakening of net foreign inflows and a gradual recovery in lending to firms and households (Chart 21). Annual M3 growth strengthened further to 4.0% in February, up from 3.8% in January. Annual growth of narrow money (M1) – which comprises the most liquid assets of M3 – increased markedly, rising to 3.5% in February compared with 2.7% in January. The increase was driven by the ongoing surge in the annual growth rate of overnight deposits, which rose to 3.8% in February, up from 2.9% in January, reflecting investors' heightened preference for liquidity in an environment of heightened uncertainties and amid falling interest rates on savings deposits. Net foreign flows, albeit weakening, and the progressive recovery in bank lending to firms and households made a positive contribution to money creation in February, and bank net purchases of government securities slowed, amid a substantial decrease in the net issuance of government bonds. At the same time, the ongoing contraction of the Eurosystem balance sheet and the issuance of long-term bank bonds (which are not included in M3) continued to contribute negatively to 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 February 2025.

Boxes

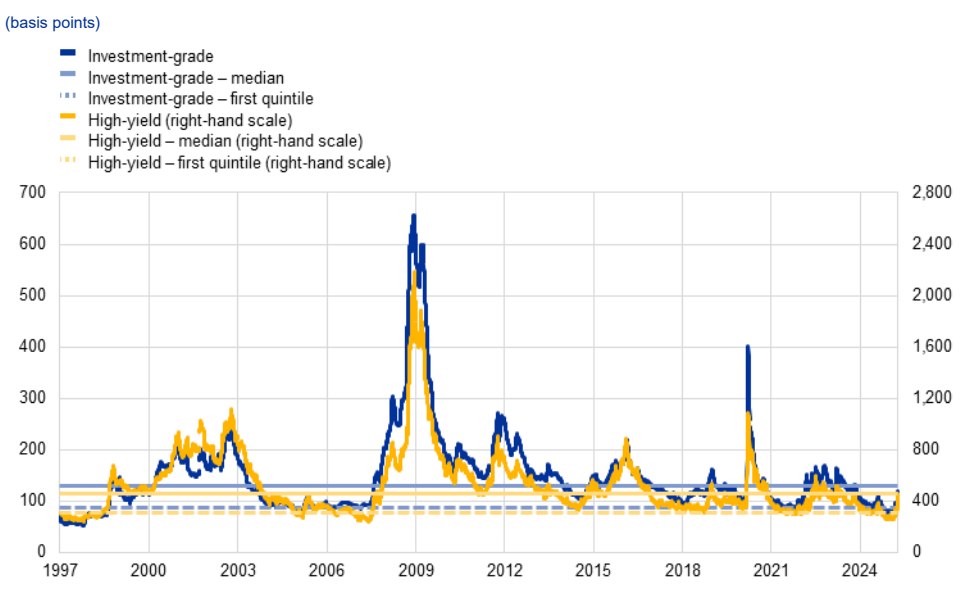
1 Challenges to the resilience of US corporate bond spreads

Prepared by Mar Domenech Palacios and Martina Jančoková

Prior to the recent abrupt widening, US corporate bond spreads experienced a prolonged phase of unusual resilience, despite a backdrop of elevated interest rates. Throughout 2024, the risk premium required by investors to hold US corporate debt over government securities – as measured by non-financial corporate bond spreads – remained remarkably compressed. Investment-grade corporate bond spreads ranged between 83 and 112 basis points, while high-yield spreads fluctuated between 264 and 393 basis points. Spreads stood at their lowest levels in nearly two decades, falling within the first quintile of the historical spread distribution since 1999 (see Chart A). However, more recently, US corporate spreads have widened significantly, increasing to 120 basis points for investment-grade and 461 basis points for high-yield bonds. This abrupt shift has coincided with the announcement of new tariffs by the US administration, which has triggered a sharp deterioration in market risk sentiment. Against this backdrop, and in light of the recent market repricing, this box examines the factors that contributed to the previous resilience of US corporate bond spreads and assesses the potential risks of spread decompression in the period ahead.

Chart A

US corporate bond spreads



Sources: Federal Reserve Economic Data (FRED) and ECB staff calculations.
Notes: ICE BofA Option-Adjusted Spreads (OASs) are calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. The high-yield index comprises bonds rated BB or below, while the investment-grade index is based on bonds rated BBB or higher. The first quintile refers to the 20th percentile of the time series starting on 1 January 1999. The latest observations are for 11 April 2025.

Until recently, and beyond strong firm fundamentals, a pronounced risk-on sentiment in global financial markets supported robust demand for US corporate bonds, explaining a large proportion of the compression in spreads. Strong realised earnings and strong expected earnings, driven in part by expected artificial intelligence (AI)-related productivity gains, supported US equity prices and compressed spreads in US corporate bond markets.[1] Estimates of the excess bond premium (EBP), which reflects the additional compensation investors require for holding corporate bonds beyond what is justified by fundamentals, such as default risk, pointed to persistently strong risk appetite since the end of 2022 (Chart B, panel a).[2] The compression was also broad-based: until the end of February 2025, nearly 90% of bonds in the sample were trading below the levels implied by firm-specific fundamentals. Similar dynamics have been observed in past tightening cycles, with the EBP reaching comparable or even lower levels during the 1993-1995 and 2004-2006 periods.[3] Model analysis suggests that corporate bond spreads tend to respond less to macroeconomic and monetary policy shocks during these risk-on phases than during risk-off periods (Chart B, panel b). This may explain the muted reaction of spreads to such shocks while risk sentiment remained buoyant. However, more recent events have seen a rapid reversal of this positive sentiment. Corporate bond spreads have widened markedly, signalling a notable repricing of risk. As a result, the market appears increasingly sensitive to macroeconomic and policy developments, raising the risk of heightened volatility and a stronger response to future shocks as sentiment continues to adjust.

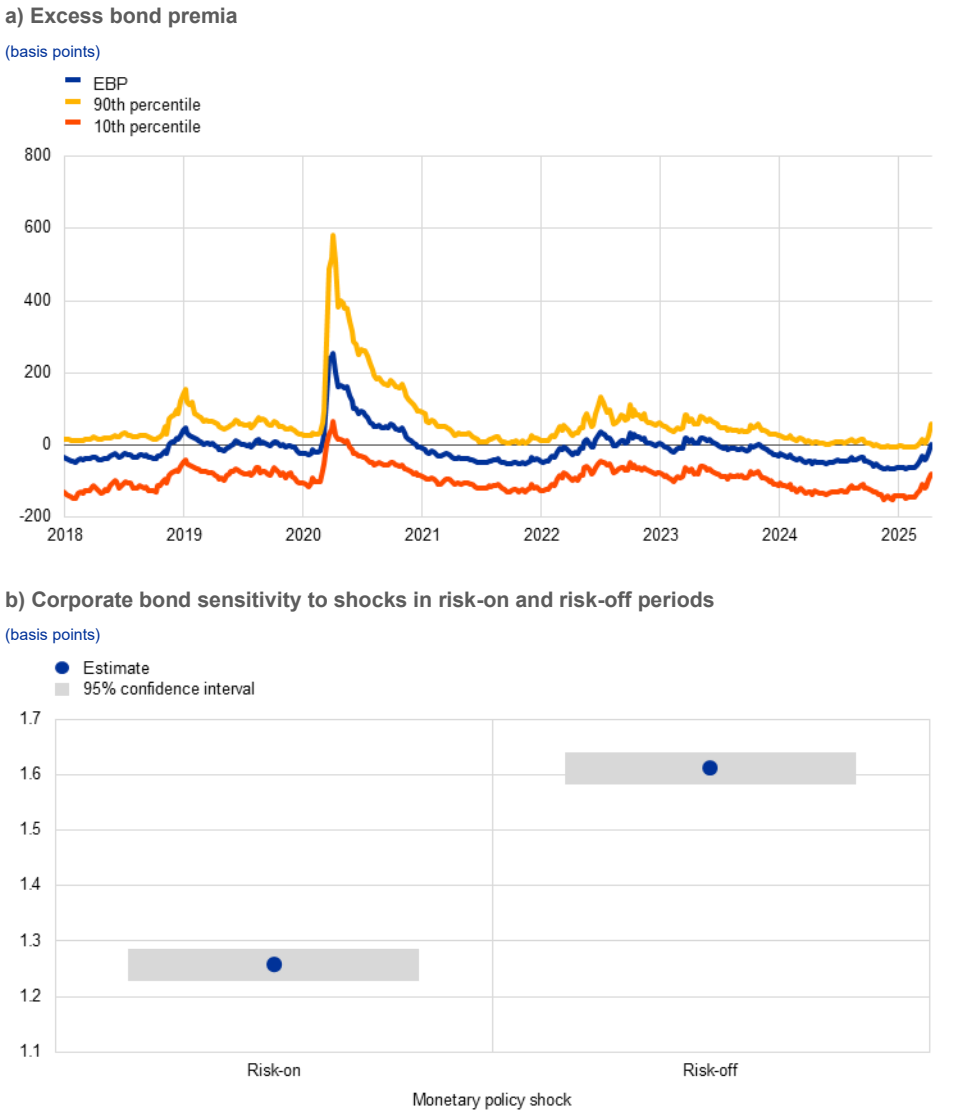
1 For a related discussion on the drivers of strong equity prices, see the box entitled "What's behind the resilience of US equity prices – market structure, earnings expectations or equity risk premia?", *Economic Bulletin*, Issue 8, ECB, 2024.

2 The EBP represents the compensation investors demand for holding corporate bonds that goes beyond compensation for the standard risks associated with interest rate expectations or credit risk. It captures factors like market sentiment, liquidity conditions and other macroeconomic uncertainties that affect bond prices. An increase in the EBP implies a reduction in the risk-bearing capacity of the financial sector, which induces a contraction in the supply of credit and a deterioration in macroeconomic conditions. Accordingly, it tends to have predictive power over economic activity. For more detail on how it is computed, see Gilchrist, S. and Zakrajšek, E., "Credit Spreads and Business Cycle Fluctuations", *American Economic Review*, Vol. 102, No 4, June 2012.

3 The investor optimism observed during previous tightening cycles may be due to investors' expectations of a soft landing. See Blinder, A.S., "Landings, Soft and Hard: The Federal Reserve, 1965-2022", *Journal of Economic Perspectives*, Vol. 37, No 1, Winter 2023.

Chart B

Drivers of corporate bond spread resilience



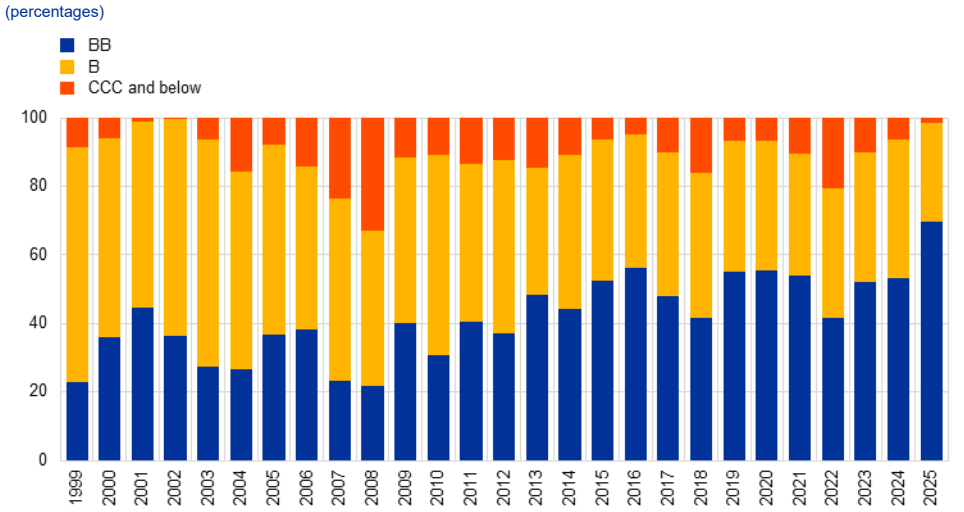
Sources: Moody's Analytics and ECB staff calculations.
Notes: In panel a), the EBP is calculated following the baseline specification in Gilchrist, S. and Zakrajšek, E., op. cit. The explanatory variables include distance to default, duration, amount outstanding, coupon rate, an indicator variable that is equal to one if the bond is callable and zero otherwise, and industry and rating fixed effects. The estimation is based on senior unsecured bonds with maturities above one year. The lines show the time series of the cross-sectional average EBP and the 90th and 10th percentiles. In panel b), a risk-off (risk-on) period is defined by the cross-sectional median EBP being above (below) the full sample median EBP. Shaded areas refer to the 95% confidence interval. Structural monetary policy shocks are retrieved from the two-country model in Brandt, L., Saint Guilhem, A., Schröder, M. and Van Robays, I., "What drives euro area financial market developments? The role of US spillovers and global risk", *Working Paper Series*, No 2560, ECB, May 2021, where daily shocks are accumulated at weekly frequency and refer to restrictive US monetary policy shocks. Shocks are standardised such that a one unit increase corresponds to a one standard deviation increase in the magnitude of the shock series. The latest observations are for 11 April 2025 (weekly data) for panel a) and 10 January 2025 for panel b).

The composition of US corporate bond issuance among high-yield issuers, which shifted towards higher-quality bonds, also supported the aggregate compression in spreads. Since 2007, the proportion of BB-rated bonds among new issuances in the high-yield category has been increasing, while the issuance of riskier B-rated bonds has been declining, and the issuance of bonds rated CCC or below has remained relatively low and has been particularly low in the last two years (Chart C). At the same time, the number of downgrades and upgrades of corporate

bonds has been relatively balanced. The trend towards less risky high-yield bonds might also reflect relatively robust corporate balance sheets and profitability in recent years and may have contributed to the overall lower spreads.

Chart C

Decomposition of high-yield bond issuance by rating



Sources: Dealogic and ECB staff calculations.
Note: The latest observation is for 11 April 2025.

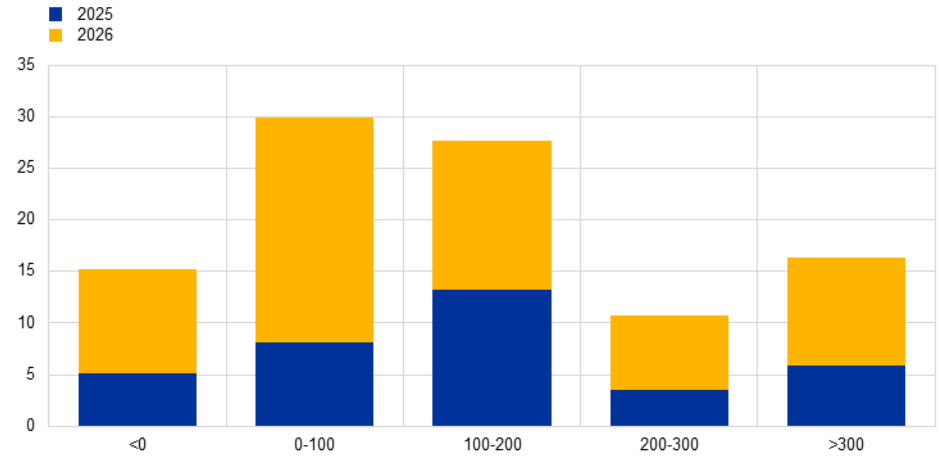
Two types of risk are present – debt rollover risk and repricing risk. A substantial amount of US corporate debt will potentially need to be refinanced in the coming months and years. This includes USD 642 billion of debt scheduled to mature in the rest of 2025, USD 930 billion in 2026 and USD 860 billion in 2027. Despite recent policy rate cuts by the Federal Reserve, corporate funding costs remain elevated, as interest rates are still generally higher than those prevailing at the time of issuance, exposing US firms to higher costs when refinancing their debt. Simulations suggest that 85% of the maturing debt would need to be refinanced at higher rates. More than half of maturing bonds would face more than a 1 percentage point increase in interest rates if refinanced at current rates, while around 25% of maturing bonds would face more than a 2 percentage point increase (Chart D). Such increases in costs could potentially weaken firm fundamentals, raising default risks and worsening risk sentiment.[4]

[4] Using balance sheet data on non-financial firms for a large panel of countries, Albuquerque, B., Abbas, N., Garrido, J.M., Gautam, D., Mosk, B., Piontek, T., Rosha, A., Tressel, T. and Yokoyama, A., "Corporate Sector Vulnerabilities and High Levels of Interest Rates", *Departmental Papers*, No 2025/001, International Monetary Fund, January 2025, provide empirical evidence that firms with high rollover needs tend to experience sharper declines in investment and debt following a monetary contraction. The study showcases the potential financial stability implications of such emerging corporate vulnerabilities.

Chart D

Risks ahead: estimated interest rate increases for maturing bonds

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



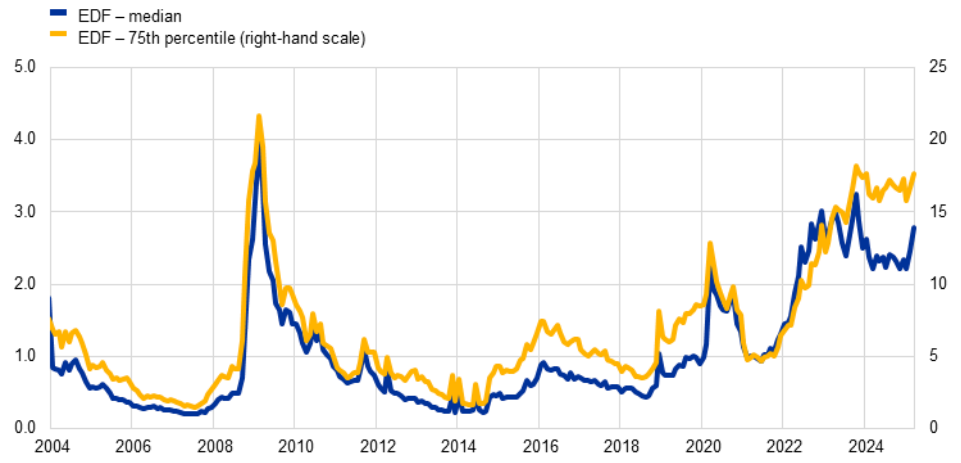
Sources: Moody's Analytics and ECB staff calculations.
Notes: Interest rate increases to refinance maturing bonds are calculated by comparing current yields on corporate bonds in secondary markets (i.e. the yield to maturity) with rates prevailing at the time of bond issuance (i.e. the coupon). The x-axis shows estimated interest rate increases in basis points. The y-axis shows percentages of total outstanding debt maturing in 2025 or 2026. The latest observation is for 11 April 2025 (weekly data).

A deterioration in risk sentiment triggers heightened bond sensitivity and a disproportionate spread widening for more vulnerable firms. The recent abrupt shift in risk sentiment could carry significant implications, not only altering the average magnitude of reactions to market shocks but also influencing which bonds are most responsive. During risk-off episodes, bonds exhibit heightened sensitivity, reacting more intensely to market dynamics (Chart B, panel b). Moreover, analysis reveals that, in these periods, investors tend to retreat from bonds issued by firms with worse financing conditions given their fundamentals (bonds in the right tail of the EBP distribution), causing a disproportionate widening of their spreads. While firm fundamentals remain strong, corporate expected default frequencies (EDFs), which indicate the probability that a company will default on its payments within one year, point to limited but emerging vulnerabilities. For example, the 75th percentile of EDFs has been on a strong upward trend and at the end of March 2025 stood at around 18%, a level not observed since the global financial crisis (Chart E).

Chart E

Risks ahead: expected default frequencies

(percentages)



Sources: Moody's Analytics and ECB staff calculations.
Notes: The chart shows the median and 75th percentile (third quartile) EDF within one year for non-financial corporations in the United States. The EDF is a market-based measure developed by Moody's KMV that indicates the probability that a company will default (fail to make scheduled debt payments) within one year. The latest observations are for 31 March 2025 (monthly data).

2 The implications of US-China trade tensions for the euro area – lessons from the tariffs imposed by the first Trump Administration

Prepared by Vanessa Gunnella, Giovanni Stamato and Alicja Kobayashi

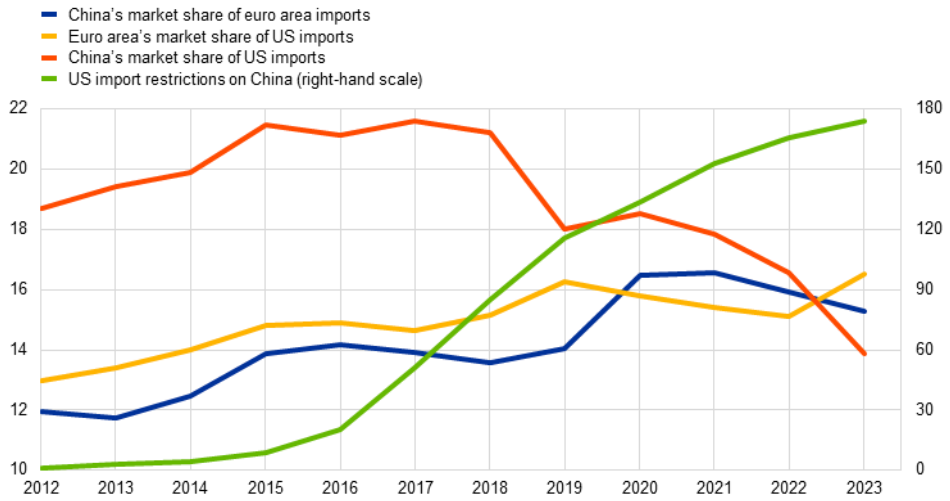
This box examines how the tariffs that the United States introduced on Chinese products in 2018 influenced euro area trade patterns. It looks at whether euro area exporters were able to gain market share in the United States as their competitiveness increased vis-à-vis their Chinese counterparts. It also assesses how Chinese export patterns changed, highlighting how Chinese exports were diverted from the United States to alternative markets, including the euro area. Examining the outcomes of these past measures can give an indication of the potential channels through which current US tariffs on Chinese goods could affect the euro area.

Trade tensions in 2018 led to a significant decline in Chinese exports to the United States, which prompted Chinese exporters to seek other markets. The US Administration implemented numerous tariff and non-tariff measures targeting Chinese goods, significantly increasing trade restrictions from 2018 onwards. As a result of the measures, the effective tariff rate on Chinese imports to the United States increased by almost 18 percentage points. This escalation caused a marked decrease in aggregate Chinese exports to the United States, with China's share of the US import market declining substantially from its level in 2017. Although the COVID-19 pandemic makes it difficult to disentangle the effects of the increased trade restrictions, it appears that Chinese exporters sought alternative markets when the US tariffs hit. This included shifting trade towards the euro area, with China's market share of euro area imports growing more rapidly in the years after the tariffs were imposed (Chart A).

Chart A

Import market shares and US import restrictions on China

(left-hand scale: percentages; right-hand scale: number of measures in place)



Sources: Trade Data Monitor, Global Trade Alert and ECB staff calculations.
Notes: The green line shows the cumulated number of tariff and non-tariff measures imposed on Chinese imports by the United States. For the market shares, trade in goods is considered.

A detailed analysis of product-level trade data reveals that the US tariffs had a significant impact on Chinese exports, with products possibly being diverted to the euro area. By analysing granular six-digit product-level trade data, we can identify Chinese goods that were affected by US tariffs and assess the resulting trade diversion.[1] Our findings indicate that exports of the affected products to the United States decreased significantly, contributing to a substantial decline in China's market share in the United States. Chart B, panel a, shows how these tariff-affected products – which include clothing, IT equipment, auto parts and furniture – primarily drove down China's share of US aggregate imports. Concurrently, these products found alternative markets, such as neighbouring countries in Asia and, notably, the euro area (Chart B, panel b).[2] Indeed, it appears that, from 2019, goods subject to US tariffs were redirected to the euro area, significantly boosting China's market share. While COVID-19-related products like medical equipment and electronics – such as computers and related IT equipment – may have reinforced this trend during the pandemic, the structural change in trade flows persisted afterwards.

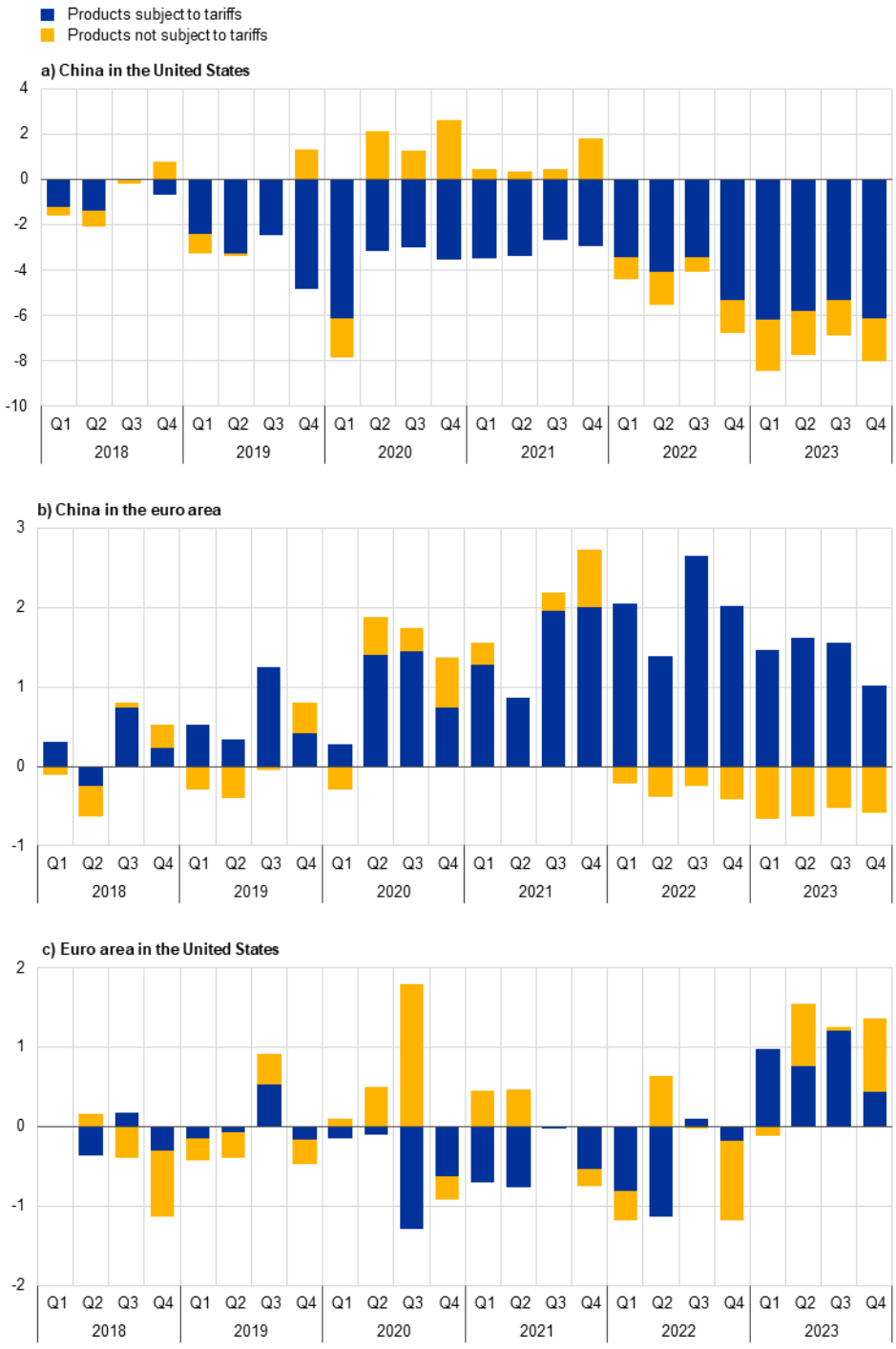
1 See Haberkorn, F., Hoang, T., Lewis, G., Mix, C., and Moore, D., "Global trade patterns in the wake of the 2018-2019 U.S.-China tariff hikes", *FEDS Notes*, Board of Governors of the Federal Reserve System, 12 April 2024.

2 See Bown, C. P., "Four years into the trade war, are the US and China decoupling?", *PIIE RealTime Economics Blog*, 20 October 2022.

Chart B

Changes in import market shares

(percentage point change since 2017)



Sources: Trade Data Monitor, Peterson Institute for International Economics, and ECB staff calculations.
Notes: Products subject to tariffs are Chinese products affected by US import tariffs, as reported in official documents. Shares are computed using import values. The latest observations are for the fourth quarter of 2023.

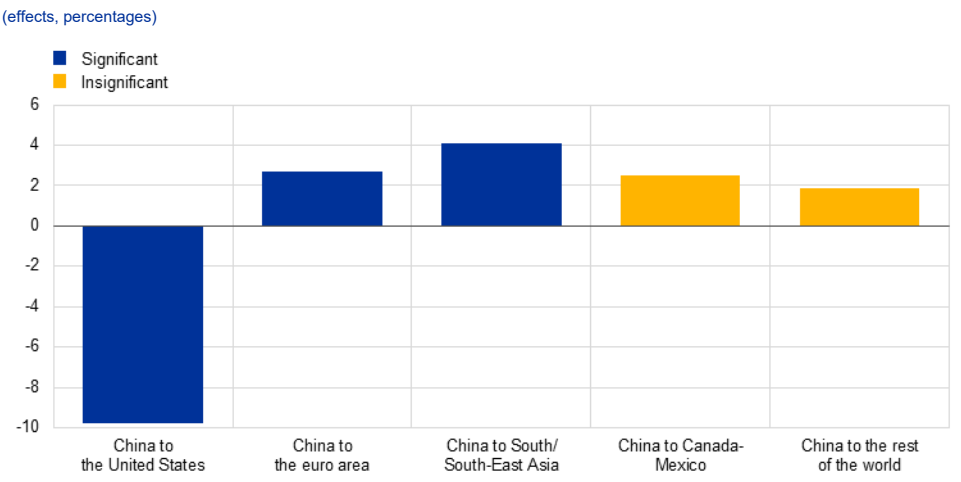
The euro area, however, did not increase its market share in the United States. With tariffs applied to Chinese imports to the United States, euro area goods would have been more price competitive in US markets. Yet, compared with 2017, the euro

area did not substantially increase its share of the US import market. Developments in market shares do not seem to be related to the US tariffs on China (Chart B, panel c). Other countries with export baskets that are more similar to China's may have been able to increase their market share in the United States as supply chains were reconfigured to reduce direct US sourcing from China.[3]

Empirical results from a gravity model confirm that some of China's exports to the United States were redirected to the euro area. A structural gravity model on bilateral sector-level trade flows in manufacturing from 2012 to 2023 is used to assess the trade diversion effects.[4] The results (Chart C) confirm a significant decrease in Chinese exports to the United States. This was related to the trade measures, as these roughly doubled in number over the time interval considered, dampening US imports from China by around 10%. Chinese exports were largely redirected towards South and South-East Asian countries, the euro area and other global markets. The trade restrictions imposed by the United States on Chinese goods led to a statistically significant increase of 2%-3% in euro area imports from China.

Chart C

Empirical evidence of the effect of US import restrictions on Chinese exports



Sources: UN Comtrade, ADB-MRIO, Global Trade Alert, Egger and Larch RTA database and ECB staff calculations.
Notes: The bars represent the coefficient of US restrictions on imports from China, interacted with dummy variables for bilateral flows from 2019 from a sector gravity regression. The effects are computed by multiplying the estimated elasticities by the observed change in US restrictions on Chinese imports since 2019. Blue bars denote statistically significant elasticities. The dependent variable is nominal exports in goods. Estimation is performed using the Poisson pseudo-maximum likelihood estimator. The sample period is 2012-23 and includes 62 countries and 15 sectors. We account for bilateral/sector time-varying controls, including bilateral sector time-varying trade-restrictive measures, sector time-varying border effects, sector-exporter/sector-importer-year fixed effects and exporter-importer-sector fixed effects. Standard errors are clustered by country pair and sector.

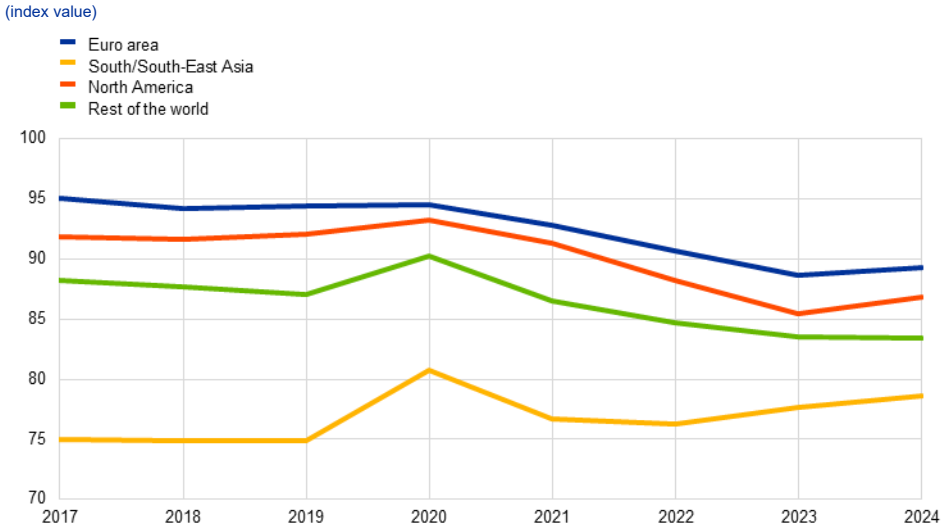
3 See Alfaro, L. and Chor, D., "Global supply chains: The looming 'great reallocation'", *Working Paper Series*, No 31661, National Bureau of Economic Research, September 2023 and Freund, C., Mattoo, A., Mulabdic, A. and Ruta, M. "Is US trade policy reshaping global supply chains?", *Journal of International Economics*, Vol. 152, 104011, November 2024.

4 The regression controls for pandemic-period effects by including a) time-varying sectoral border effects in trade costs, which capture all global unobservable factors affecting international trade compared with domestic; and b) exporter and importer sector-time fixed effects, which control for any sector-specific dynamics in countries' exports and imports, including sector-specific demand or supply factors like those observed during the pandemic. Price levels are also taken into account by means of country-time fixed effects.

As global trade dynamics shifted, China strategically redirected its exports, with the euro area emerging as a key alternative market owing to the structural similarities between Chinese exports to the United States and those to the euro area. Similarity metrics (Chart D) illustrate that, of China's trading partners, the euro area was considered to be among the most similar to the United States. This made redirecting trade towards the euro area a natural channel for Chinese exporters attempting to find alternative markets. In parallel, China redirected trade even more strongly to other countries, particularly in Asia. However, this appears to be for different reasons, as the similarities between Chinese exports and the imports of certain South and South-East Asian countries were much less pronounced. Rather, the redirection of Chinese exports to these countries may have reflected efforts to reconfigure Chinese supply chains towards neighbouring countries.[5]

Chart D

Similarity between China's exports to the United States and its exports to other regions



Sources: Trade Data Monitor; Finger, J. M. and Kreinin, M. E., "A measure of export similarity' and its possible uses", *The Economic Journal*, Vol. 89, No 356, pp. 905-912, December 1979; and ECB staff calculations.
Notes: The chart shows the export similarity index (ESI) by Finger and Kreinin. The ESI values range from 0 to 100, indicating the degree of similarity of export structures. Higher values suggest greater similarity in the sectoral composition of exported goods. North America comprises Canada and Mexico, and South/South-East Asia comprises India, Indonesia, Thailand and Vietnam.

Empirical findings confirm that the euro area did not increase its exports to the United States. The gravity model is used to explore how US imports were reconfigured as restrictions on Chinese exports were imposed. Results from the gravity regression show that, as Chinese exports to the United States decreased, South and South-East Asian countries increased their exports to the United States as global supply chains shifted production to China's neighbours, confirming the findings in the previous paragraph. The gravity model shows that euro area exports to the United States did not increase significantly (Chart E). This result again reflects

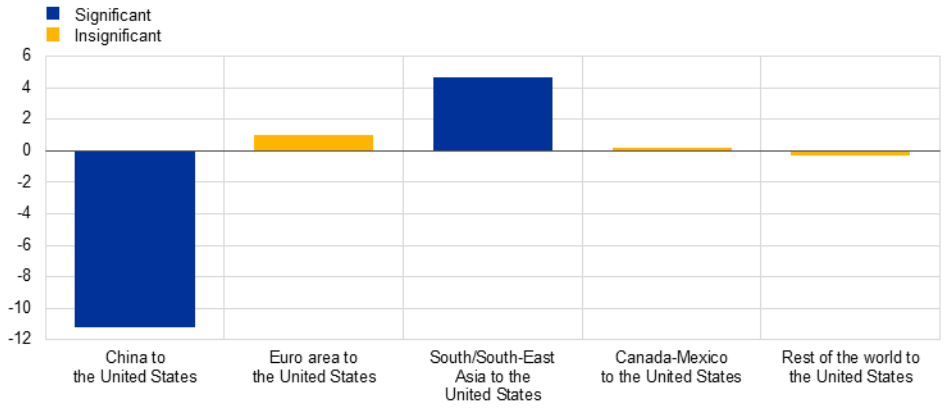
[5] See Freund, C., Mattoo, A., Mulabdic, A. and Ruta, M., op. cit. The paper finds that countries that have replaced China in the US market are also experiencing faster import growth from China. In Xue, S., Trade Wars with FDI Diversion, Princeton University, August 2024, the author finds that countries like Vietnam, which are more susceptible to trade diversion, exhibited relatively higher inward foreign direct investment stocks following the China-US trade war.

export similarities. In 2018 the composition of exports from South and South-East Asian countries to the United States was very similar to that of Chinese exports to the United States. Interestingly, as other South and South-East Asian countries replaced China in the United States, their export baskets became increasingly similar, confirming that these countries progressively substituted China as US trading partners. Conversely, among the United States' major trading partners, the composition of the euro area's export basket was the least similar to China's.

Chart E

Empirical evidence of the impact of restrictions on US imports from China

(effects, percentages)



Sources: UN Comtrade, ADB-MRIO, Global Trade Alert, Egger and Larch RTA database and ECB staff calculations.
Note: See notes to Chart C.

Trade barriers are being raised further, which has consequences for the euro area. A renewed period of trade tensions between the United States and China could have negative effects for euro area net trade and growth. However, any trade diversion effects will greatly depend on the configuration of US bilateral trade barriers and the responses to them. In addition, it is crucial to consider that trade structures have evolved over the past seven years, which could result in effects that differ from those observed in previous periods.

3 Who wants to work more? Revisiting the decline in average hours worked

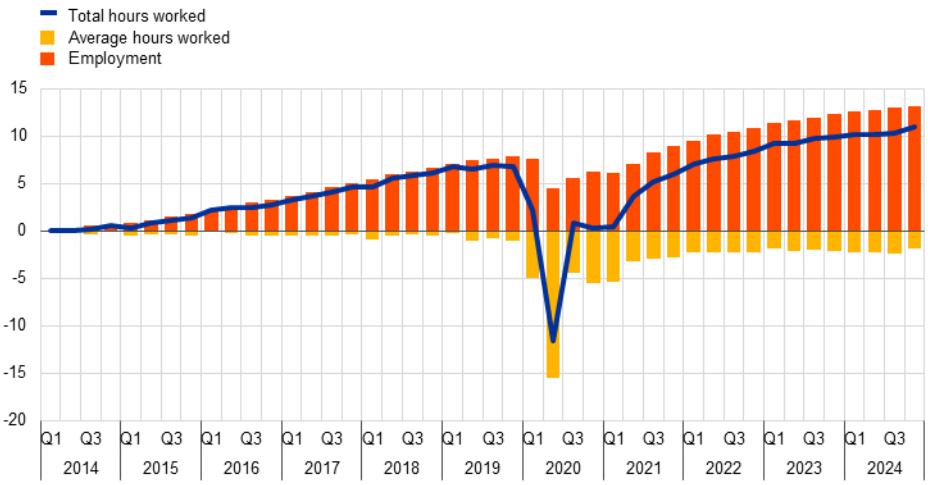
Prepared by Clémence Berson and Marco Weissler

In most euro area countries, average hours worked (AHW) per employee have been falling since 2020 and remain below their pre-pandemic levels. The decline was particularly strong in 2020 owing to policy measures to reduce the spread of COVID-19.[1] National accounts data show that, in the fourth quarter of 2024, AHW were still 1.8% lower than a decade before (Chart A) despite the proportion of part-time workers remaining broadly stable over the same period. This decline has been accompanied by rising employment. Over the past decade, employment across the euro area has grown by 13.1% – approximately 19.9 million people. Therefore, total hours worked increased despite the decrease in AHW per employee. In this box, we use data from the European Union Labour Force Survey (LFS) to assess the extent to which the fall in AHW was driven by workers working zero hours (e.g. because of holiday or sick leave) or long hours (e.g. because of overtime) during the reference week.[2]

Chart A

Contribution of average hours worked to change in total hours worked since 2014

(percentage changes)



Sources: Eurostat and national accounts.

1 See the article entitled "Hours worked in the euro area", *Economic Bulletin*, Issue 6, ECB, 2021.

2 The LFS asks "In total, during the week from Monday [date] to Sunday [date], how many hours did you actually work in your main job?" using a reference week for the date. If the employee was absent for the full week (because of holiday, sickness, maternity/paternity leave, etc.), the answer is set to 0. Owing to data concerns in Slovakia and Ireland, we dropped both countries from the euro area aggregate. We classify employees who worked zero hours or more than 49 hours during the reference week as employees with "zero hours" or "long hours" respectively. While these categories only accounted for around 12% and 4% of all employees in 2023, they have a strong impact on the AHW relative to that of employees working "core hours" (1-49 hours per week).

Labour supply and labour demand factors have both played a role in the decline of AHW. The economic cycle has a direct impact on hours worked. Before laying off employees, firms first use the intensive labour margin and reduce the number of hours worked by employees. Consequently, lower labour demand can lead to labour hoarding, whereby firms decide to retain their workforce even when the workforce is not working at full capacity, considering the demand drop to be transitory and firing and re-hiring to be too costly.[3] On the other hand, lower labour supply can reduce AHW, for example owing to changing working preferences or higher levels of sick leave and parental leave.[4] If these effects are particularly pronounced for certain demographics (e.g. younger or older employees) or in certain sectors of the economy, compositional effects could have an impact on AHW.

The decline in AHW has largely been driven by the reduced proportion of employees working long hours and the higher proportion working zero hours during the reference week.[5] Detailed data from the LFS up to 2023 confirm the decline in AHW (Chart B), while also highlighting significant differences across countries. Overall, in 2023 AHW (as measured by the LFS) remained 0.6 hours per week, or 1.8%, below their 2014 level. This gap is mainly attributable to a decline in the proportion of employees working long hours (defined as more than 49 hours per week) – from 6.5% to 3.7% of all employees. Although these employees represent only a small proportion of the total workforce, the sharp reduction in their working time has affected the euro area average.[6] Moreover, employees working zero hours had a large impact on AHW during the pandemic. While in 2022 around one-third of the decline in AHW was due to employees working zero hours, their contribution was broadly neutral in 2023, in line with the reduced rate of employees taking sick leave. If we exclude employees working long or zero hours, AHW were 0.1 hours higher in 2023 than in 2014, having remained broadly stable over that period.[7]

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3 See Baptista, P., Bates, C., Dias da Silva, A., Dossche, M. and Weissler, M., "Those who work less worry more: the effect of lower workloads on consumption", *The ECB Blog*, ECB, 20 February 2024.

4 See Arce, O., Consolo, A., Dias da Silva, A. and Mohr, M., "More jobs but fewer working hours," *The ECB Blog*, ECB, 7 June 2023, and Astinova, D., Duval, R., Hansen, N.-J., Park, B., Shibata, I. and Toscani, F., "Dissecting the Decline in Average Hours Worked in Europe", *IMF Working Papers*, No 2024/002, IMF, 12 January 2024.

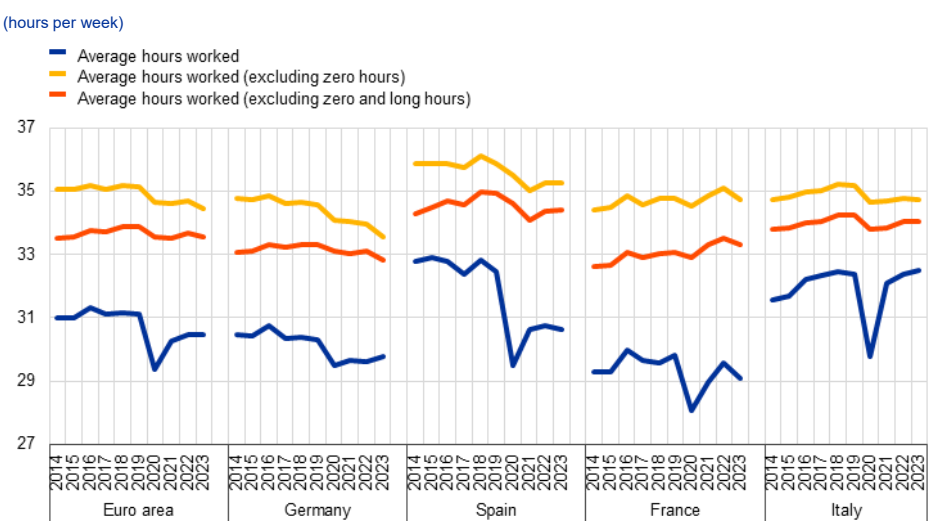
5 See the article entitled "Explaining the resilience of the euro area labour market between 2022 and 2024", *Economic Bulletin*, Issue 8, ECB, 2024.

6 On average, employees with long hours worked 57 hours per week in 2023 – well above the overall average of 31 hours.

7 Astinova et al., op. cit., show that AHW have tended to fall and converge across European countries. This convergence has mostly been driven by a decline in the proportion of employees working long hours. AHW for employees working less than 50 hours per week have not converged in recent years.

Chart B

Average hours worked of all employees and excluding employees working zero/long hours



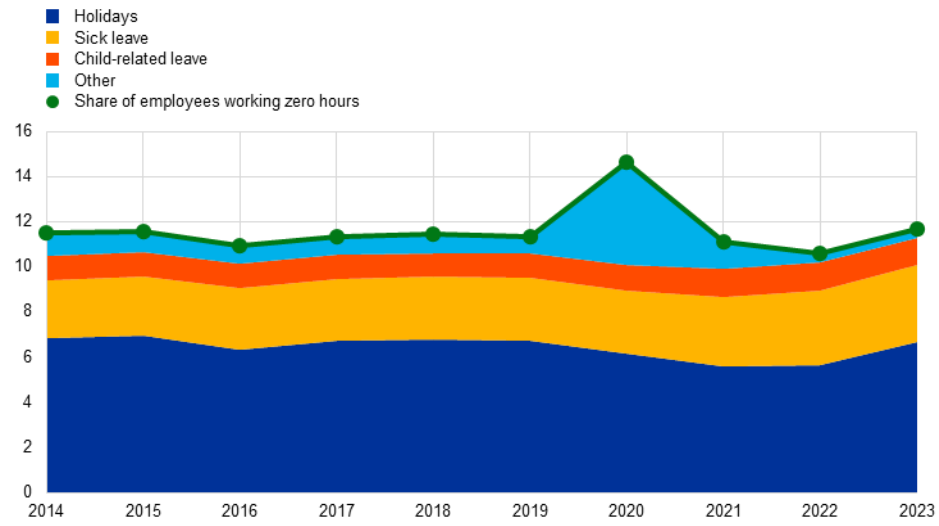
Sources: Eurostat and Labour Force Survey.
Notes: The data include employees aged 20-64. The lines show average hours worked during the reference week. "Long hours" is defined as more than 49 hours per week.

The proportion of employees working zero hours has mostly subsided from its pandemic peak. The proportion of employees who did not work during the reference week partially returned to its pre-pandemic level following the peak observed during the pandemic (Chart C). However, it remained elevated, mainly in Spain and France (4 and 1 percentage points higher respectively in 2023 than in 2014). Both countries saw changes in labour regulation, facilitating the entry of marginal employees through permanent seasonal contracts in Spain and apprenticeships in France. These employees more frequently work irregular hours (e.g. during the off-season or training periods) and therefore have more zero-hour working weeks. As previously mentioned, the proportion of employees working zero hours is also still being affected by slightly elevated rates of sick leave and parental leave.

Chart C

Proportion of employees working zero hours and main reason for working zero hours

(percentages and percentage point contributions)



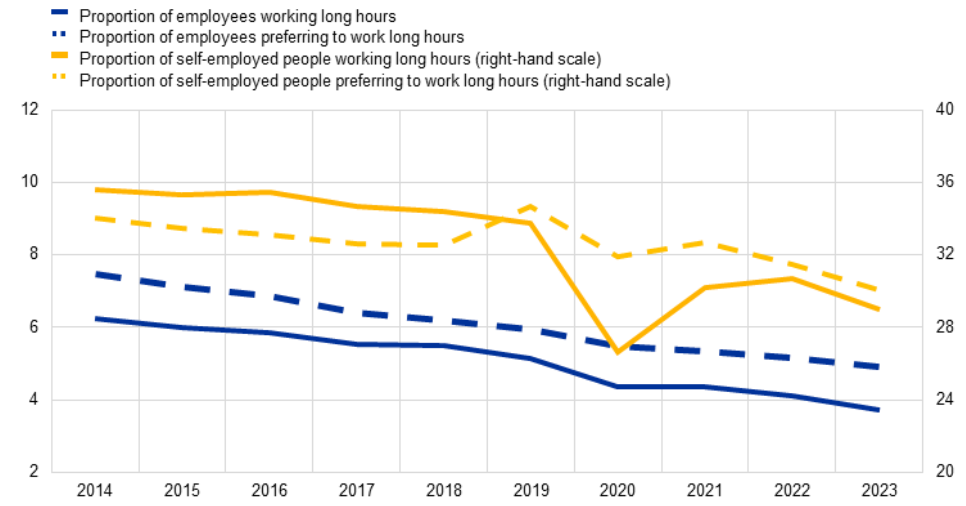
Sources: Eurostat and Labour Force Survey.
Note: The data include employees aged 20-64.

The proportion of people working long hours has continued its declining trend from before the pandemic and has recently fallen faster than the proportion preferring to work long hours. While some employees still aim to work significantly more hours than they actually work (e.g. part-time employees), the proportion of employees who prefer to work long hours is declining (Chart D).[4] This trend is largely consistent across euro area countries and also among self-employed workers. While around 29% of self-employed people are working long hours, less than 4% of employees do so.[8] Over the last decade these proportions have declined by 7 and 2 percentage points respectively. Preferences for working long hours have been falling broadly in line with actual long hours worked. This suggests that the fall in long hours worked is at least partly supply-driven and is likely persistent. However, the decline in this proportion after the pandemic was slightly stronger than that in the proportion of workers who prefer to work long hours. This suggests that the fall in AHW has not been entirely driven by reduced preferences for working long hours but may also have been partially affected by low labour demand, which might recover cyclically.

8 This proportion varies considerably across occupations. Among managers, the proportion of employees with long hours reached 14% in 2023 (down from 24% in 2014).

Chart D

Proportion of workers working long hours and preferring to work long hours



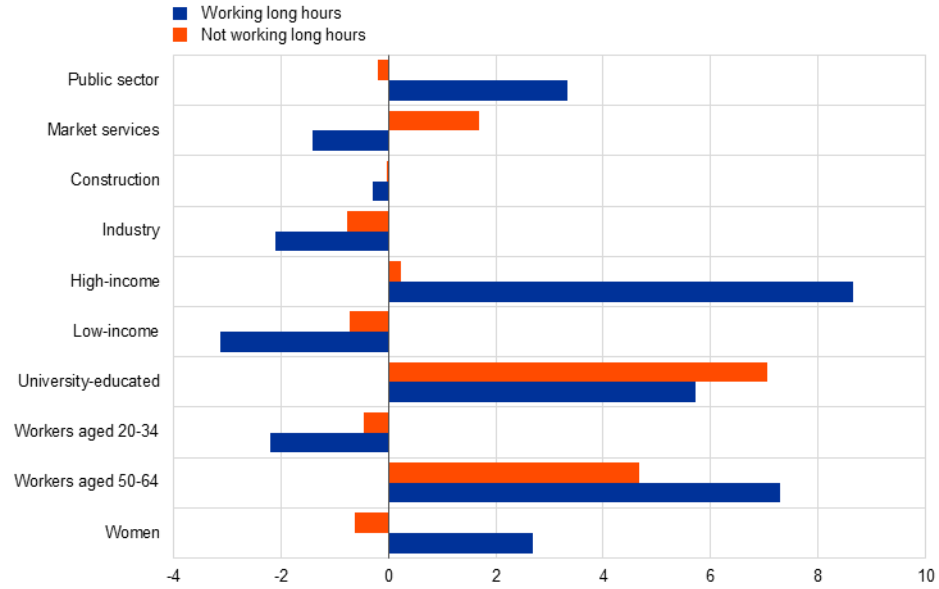
Source: Eurostat.
Note: The data include workers aged 20-64.

Relative to 2014, employees working long hours are more often working in the public sector and are less often university-educated than employees working non-long hours. The largest compositional shift was driven by the increase in the rate of high-income earners among employees working long hours. While 59% of all employees working long hours in 2014 were in the top three income deciles, this proportion increased to 68% in 2023 (Chart E). At the same time, a greater proportion of employees with high AHW are working in the public sector than a decade ago, while a smaller proportion are working in the trade and industry sectors. In addition, the proportion of university-educated employees increased among employees working long hours, but to a lesser extent than for the overall economy.

Chart E

Changes in proportion among all employees working/not working long hours since 2014

(percentage point changes)



Source: Eurostat and ECB staff calculations.
Notes: The data include employees aged 20-64. "Not working long hours" is defined as 0-49 hours per week. High- (low-) income employees are employees in the top (bottom) three income deciles. The bars show the change in the proportion of all employees working (not working) long hours who belong to each category. For instance, the proportion of employees working in the public sector increased by 3.3 percentage points for employees working long hours, while it decreased by 0.2 percentage points for employees not working long hours.

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

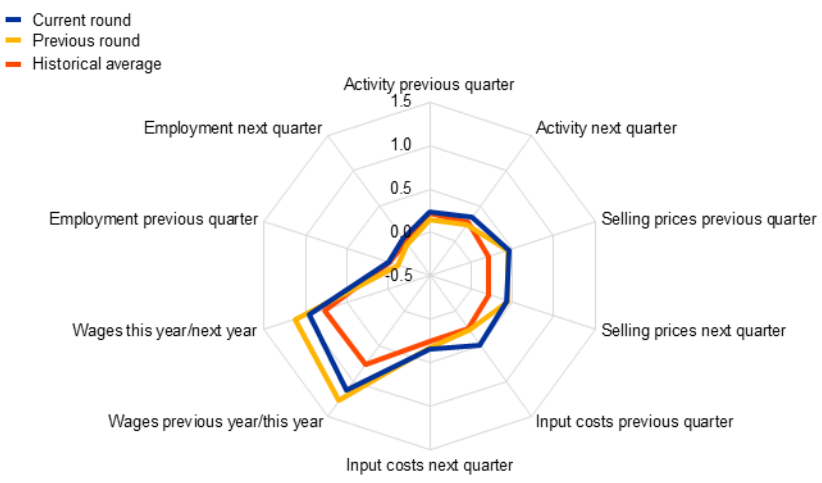
Prepared by Gabe de Bondt, Richard Morris and Moreno Roma

This box summarises the findings of recent contacts between ECB staff and representatives of 79 leading non-financial companies operating in the euro area. The exchanges took place between 17 and 26 March 2025, before the US tariff announcements on 26 March and 2 April.[1]

Contacts pointed to gradually improving business momentum, mainly reflecting an incipient recovery in the industrial sector (Chart A and Chart B). The feedback from contacts was consistent with small improvements in economic growth in both the first and second quarters. This reflected a relatively broad-based perception that manufacturing and construction output had reached – or passed – their troughs and that orders were either picking up or expected to do so over the course of 2025. Growth in services was holding fairly steady.

Chart A

Summary of views on activity, employment, prices and costs



Source: ECB.
Notes: The scores reflect the average of scores given by ECB staff in their assessment of what contacts said about quarter-on-quarter developments in activity (sales, production and orders), input costs (material, energy, transport, etc.) and selling prices, and about year-on-year wage developments. Scores range from -2 (significant decrease) to +2 (significant increase). A score of 0 would mean no change. For the current round, previous quarter and next quarter refer to the first and second quarters of 2025 respectively, while for the previous round these refer to the fourth quarter of 2024 and the first quarter of 2025. 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.

Reports on consumer spending continued to vary. Most contacts in the consumer goods industry reported good or recovering demand, which some attributed to the strong labour market and recovering purchasing power. Reports of improving demand for kitchen appliances and consumer electronics were particularly

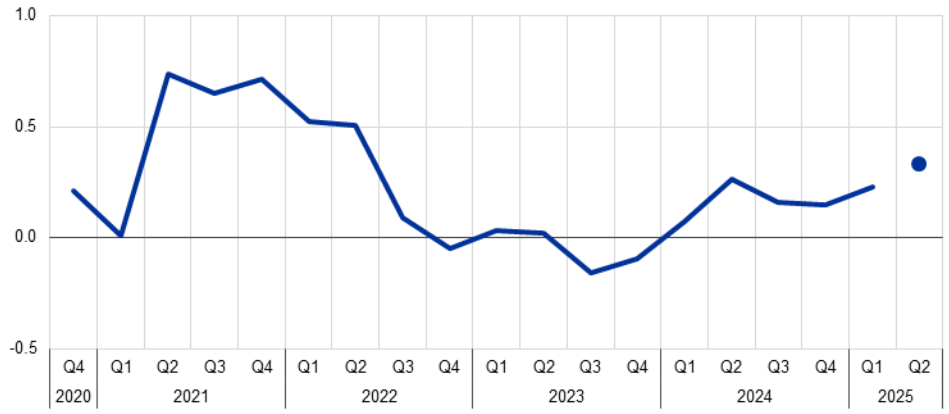
[1] For further information on the nature and purpose of these contacts, see the article entitled "The ECB's dialogue with non-financial companies", *Economic Bulletin*, Issue 1, ECB, 2021.

notable. Contacts in those industries said this partly reflected the replacement of devices bought during the pandemic. Most retailers, by contrast, reported relatively subdued activity. They ascribed this to the continuing effects of the past surge in inflation, perceived inflation being higher than actual inflation, and to uncertainty dampening consumer confidence. Moreover, while a few said that the shift in demand in recent years towards lower-priced items had partly unwound, many saw it as largely permanent. Contacts in the travel and tourism industry were broadly split between those seeing – and anticipating – still strong growth in demand and those for whom bookings were growing by less than expected.

Chart B

Views on developments in and the outlook for activity

(averages of ECB staff scores)



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

Despite high uncertainty, there were signs of recovering demand for machinery and equipment, and of construction activity turning the corner.

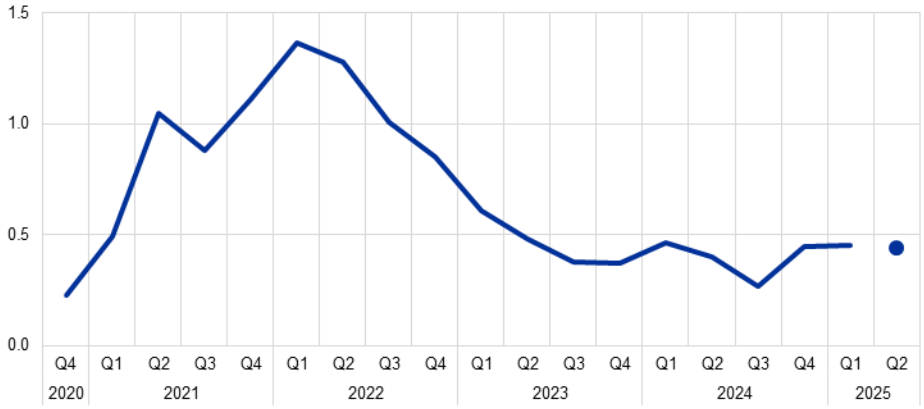
Most contacts in – or supplying – the machinery industry saw activity bottoming out, with early signs of orders recovering. Improving confidence was partly linked to recent announcements of increased (funding for) government spending on defence and infrastructure, which in the first instance would prompt (potential) suppliers to invest in adapting and expanding capacity. A majority of contacts in – or supplying – the construction sector also reported activity improving as declining interest rates began to have their effect. The continued focus of many firms on productivity and cost-cutting was driving demand for artificial intelligence and cloud computing, an important factor for growth in business services. However, several business service providers (including employment, IT and consultancy services) cited customers pausing large projects in view of the current uncertainty relating, for example, to tariffs. Demand for passenger vehicles was broadly flatlining and was expected to remain low or grow only modestly in the short term. By contrast, the heavy vehicle industry appeared to be preparing to expand production later this year, and producers of (and suppliers of equipment for) other transport equipment reported ongoing strong output growth to meet long order backlogs.

The employment outlook was improving slightly but remained relatively flat, as firms continued to focus on efficiency and productivity. Many firms maintained a conservative approach to workforce management, with a strong emphasis on cost control. Natural attrition, hiring freezes and early retirement rather than layoffs were the main tools for reducing headcount, even in the energy-intensive manufacturing industries and the automotive sector, which were adjusting to structurally lower activity levels. There were, however, increasing employment opportunities in the construction and defence sectors, and employment was growing, albeit modestly, in most services sectors. Hiring remained a challenge for many, but less so than in much of the recent past. Attrition rates remained low, and some reported an increased focus on monitoring costs related to absenteeism. Placement agencies continued to report falling temporary and permanent job placements, which now constituted an exceptionally long downturn by historical standards.

Chart C

Views on developments in and the outlook for prices

(averages of ECB staff scores)



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

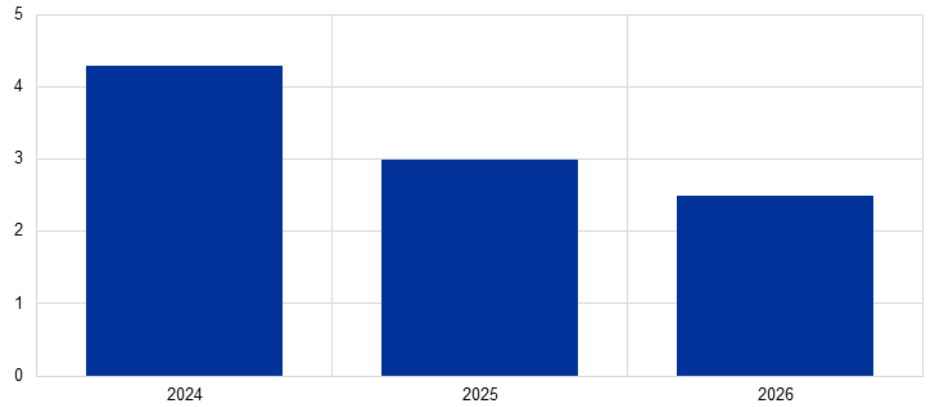
Contacts reported moderate price growth with no change in overall momentum or the short-term outlook (Chart A and Chart C). While price growth in the services sector still outpaced that in industry, contacts pointed to some convergence, with price rises picking up in manufacturing and waning slightly in services. Contacts in the capital and consumer goods sectors generally reported a “normal” pricing environment of modest increases and stable margins, while prices for many intermediate goods were bottoming out or starting to rise from recent troughs. Price growth across much of the services sector remained relatively robust. However, some contacts in travel and tourism pointed to more moderate price rises as demand growth weakened, as did contacts in some business services where customers were cost cutting or pausing investment. Price growth remained subdued across most of the retail sector in a context of strong competition for market share and price-conscious consumers.

Contacts were increasingly confident that wage growth was moderating (Chart D). A simple average of the quantitative indications provided would imply wage growth slowing, from 4.3% in 2024 to 3.0% in 2025 and 2.5% in 2026. The indication for 2025 was around half a percentage point lower than in earlier survey rounds. With few exceptions, contacts saw the wage outlook as now "normal", with increases likely to be in line with inflation and productivity gains.

Chart D

Quantitative assessment of wage growth

(percentages)



Source: ECB.
Notes: Averages of contacts' perceptions of wage growth in their sector in 2024 and their expectations for 2025 and 2026. The averages for 2024, 2025 and 2026 are based on indications provided by 70, 68 and 44 respondents respectively.

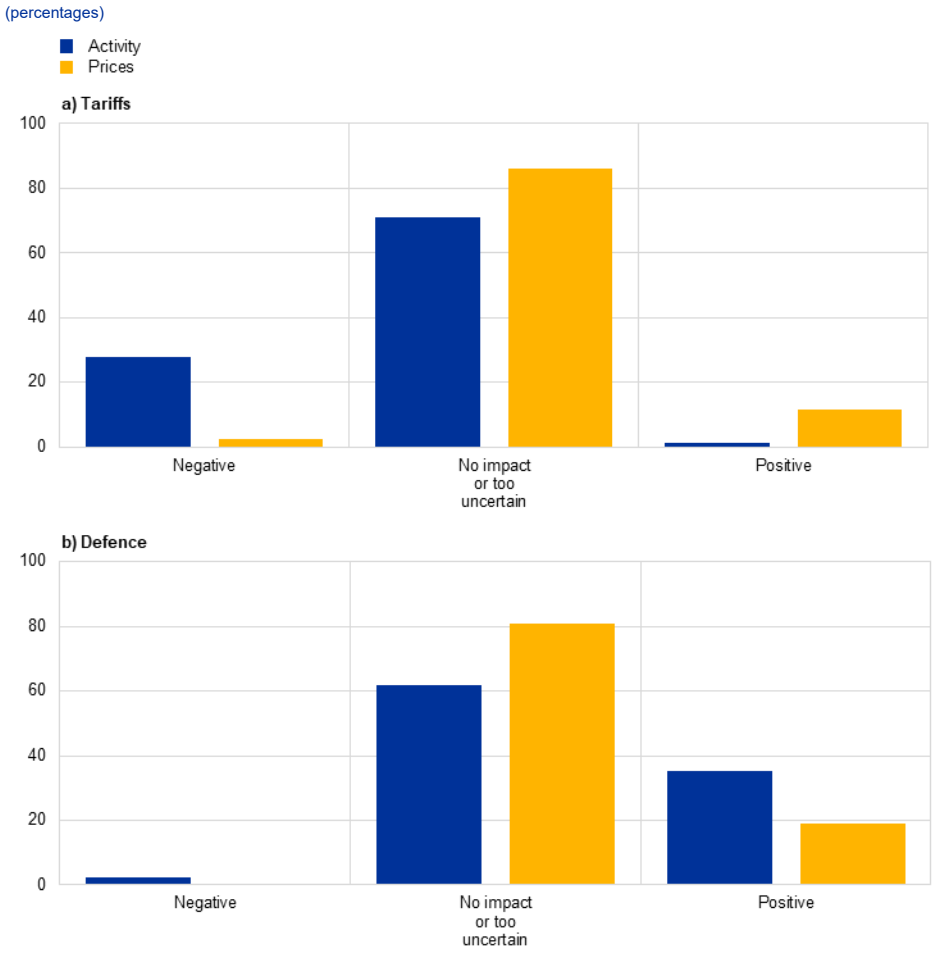
In this round contacts were asked whether announcements on tariffs and defence spending had led them to reassess the outlook for activity and/or prices. While most said that announcements (up to mid/end-March) had not led to any reassessment, slightly more contacts had reassessed positively than negatively, which was driven by the announcements on defence spending. Most contacts were still taking a "wait and see" approach to tariffs or remained sceptical about their introduction or duration, viewing them as a risk rather than part of the baseline. Scepticism on tariffs reflected the view that they would have negative effects for consumers in the United States and be unlikely to encourage greater investment there, as businesses would be reluctant to take long-term decisions in response to potentially transitory policy shifts. The main impact of the tariff announcements so far had been to prompt firms to pause some investments and reassess their dependence on inputs from the United States. Contacts who had reassessed their outlook in view of actual or anticipated tariffs expected lower activity and, on balance, higher prices (Chart E). The latter reflected an increasing expectation that levies imposed by the United States would result in countermeasures, including safeguards to mitigate trade diversion.

Plans for increased defence spending, including in the field of digital and cybersecurity, could start to support activity relatively quickly. The announced increases in (financing for) defence spending – to which many added infrastructure spending in Germany – were considered sufficiently large and certain to lift expectations of future demand for many goods and services (even if typically only

affecting a small part of the customer base). Many firms had plans to increase or adapt capacity that could be acted upon if it became clear that enough new spending would be directed to European firms, and this would be preceded by increasing demand for intermediate inputs. A few contacts did, however, express concerns about government spending being redirected away from other capital projects and/or rising debt and inflationary pressures translating into higher interest rates. Some expected increased defence spending to put upward pressure on prices via higher demand for inputs of materials, components and skilled labour.

Chart E

Impact of tariff and defence announcements on firms' outlook for activity and prices



Source: ECB.

5 Long-term inflation expectations of consumers: an overview

Prepared by Pedro Baptista, Colm Bates, Omiros Kouvavas, Justus Meyer and Katia Werkmeister

The measures of inflation expectations published in the ECB Consumer Expectations Survey (CES) have, starting with the April 2025 data release, been complemented with a new measure of five-year-ahead inflation expectations. Previously, going back to April 2020, the CES only set out monthly measures of consumers' short-term (one year ahead) and medium-term (three years ahead) inflation expectations. While expectations for inflation three years ahead are of particular importance for assessing medium-term inflation risks, starting in August 2022, the CES added a five-year-ahead expectations measure to augment the ECB's ability to monitor longer-term inflation expectations.[1,2] This box examines developments in these long-term (five years ahead) inflation expectations and their use for assessing the degree to which inflation expectations are anchored.

Despite the inflation surge in the euro area following the post-pandemic reopening of the economy and Russia's unjustified invasion of Ukraine, long-term inflation expectations have stayed close to the ECB's 2% target. The median expectations of the annual rate of inflation five years ahead have remained remarkably stable since 2022, at around 2.1%, having declined from initial highs of 2.3% in August 2022, when inflation stood at 9.1% (Chart A, panel a). A similar pattern can be observed for the mean expectations (Chart A, panel b).[3] The downward-sloping term structure of these indicators, in addition to stable five-year-ahead expectations, demonstrates that consumers have been clearly expecting the inflation rate to move closer to the ECB's target over time, thus showing that inflation expectations have remained well anchored.

1 See Bańkowska, K. et al., "ECB Consumer Expectations Survey: an overview and first evaluation", *Occasional Paper Series*, No 287, ECB, Frankfurt am Main, December 2021 and D'Acunto, F. et al., "Household inflation expectations: an overview of recent insights for monetary policy", *Discussion Paper Series*, No 24, ECB, Frankfurt am Main, 2024.

2 Respondents are asked, on the basis of the following options, what they think will happen to prices in the 12-month period five years ahead: "prices will increase (a little/a lot)", "prices will decrease (a little/a lot)" or "prices will remain exactly the same (0% change)". An open-ended question then asks respondents what percentage change they expect to see in prices. A "don't know" option is not provided to avoid selective non-response bias.

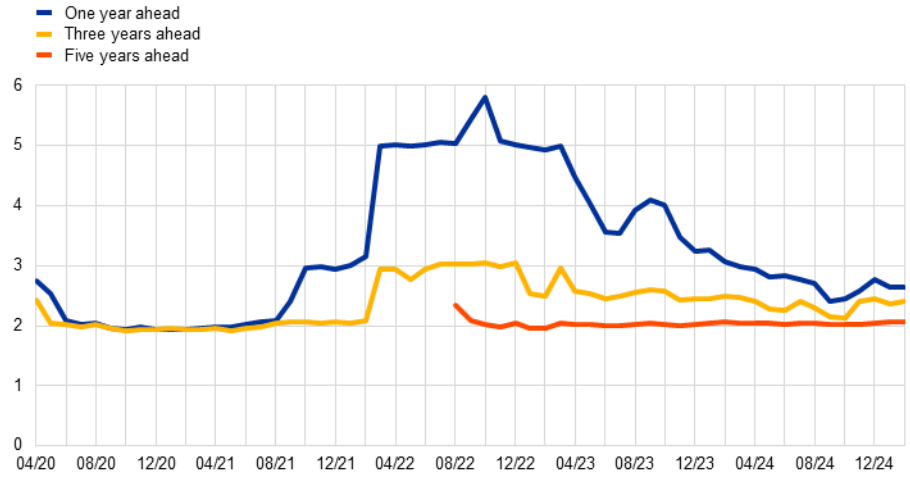
3 Consumers' quantitative inflation expectations tend to be right skewed (i.e. the mean is higher than the median), as relatively few respondents expect negative changes in prices and outliers tend to be positive.

Chart A

Consumers' long-term inflation expectations

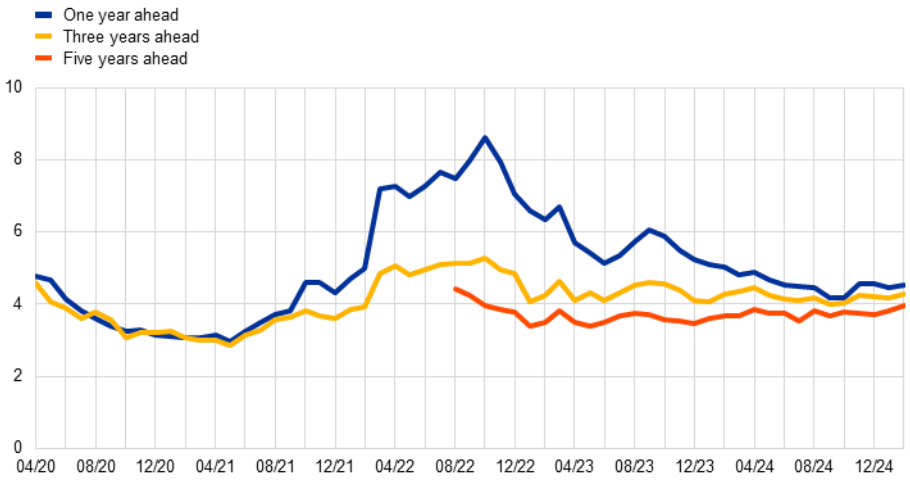
a) Median expectations

(percentage change, median)



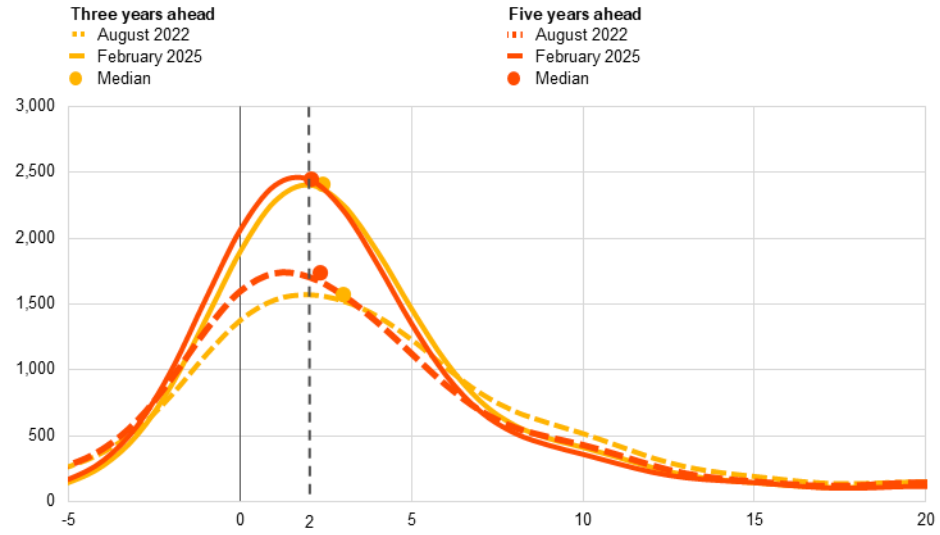
b) Mean expectations

(percentage change, mean)



c) Distribution of expectations

(percentage change, frequency)



Sources: CES and ECB staff calculations.
Notes: Population-weighted statistics. Expectations are winsorised at the country-wave level (2-98). The latest observations are for February 2025. In panel c), the grey dashed line indicates the 2% change level. The graph is based on the symmetric linearly interpolated distribution that addresses the bias from consumer rounding. For the visualisation, a bandwidth of 2 has been chosen.

Consumers' longer-term inflation expectations are more centred around the ECB's medium-term inflation target than shorter horizons. Comparing the entire distribution of inflation expectations across the three-year and five-year horizons (Chart A, panel c), a large share of respondents' longer-term expectations lies close to the ECB's 2% inflation target. However, a substantial share of consumers' longer-term expectations also lies below the target and displays a sizeable right tail (Chart A, panel c). Both distributions are centred around the 2% target, with their respective peaks becoming more pronounced as euro area inflation rates decreased between 2022 and 2024. Notably, in both August 2022 and February 2025, the concentration around the 2% target is higher for five-year-ahead inflation expectations than for three-year-ahead expectations. The lower median of five-year inflation expectations than of three-year expectations also reflects a slightly higher incidence of zero inflation expectations at the longer horizon.[4] As inflation receded, the share of longer-term inflation expectations around the target increased (Chart B, panel a).[5]

4 In February 2025, 21.3% of respondents expected "*no changes*" in prices for the five-year-ahead horizon, somewhat higher than for the three-year-ahead horizon (17.6%). Zero inflation expectations at longer horizons could reflect a mixture of uncertainty and beliefs about price stability that might be misreported as "*no changes*" in prices.

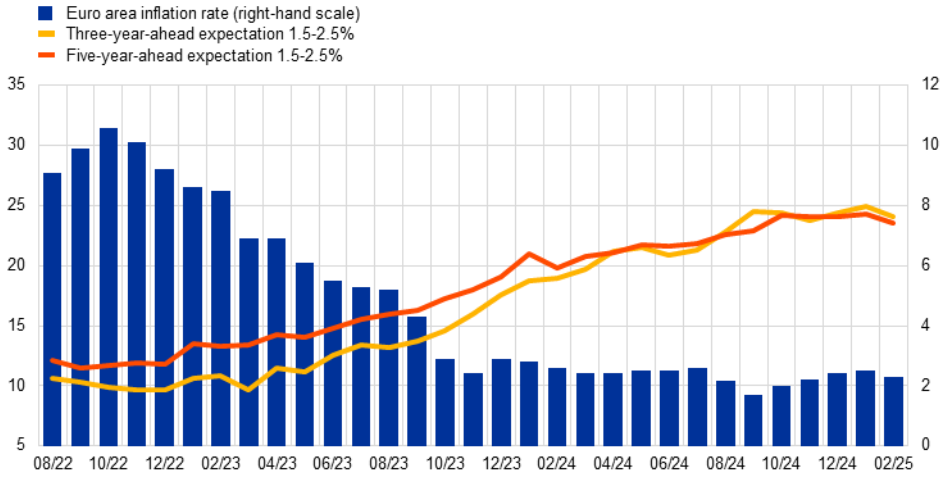
5 A considerable share of respondents hold beliefs far removed from the median, indicating a higher degree of dispersion in expectations among consumers compared with, for instance, professional forecasters.

Chart B

Consumers' long-term inflation expectations and the ECB's 2% target

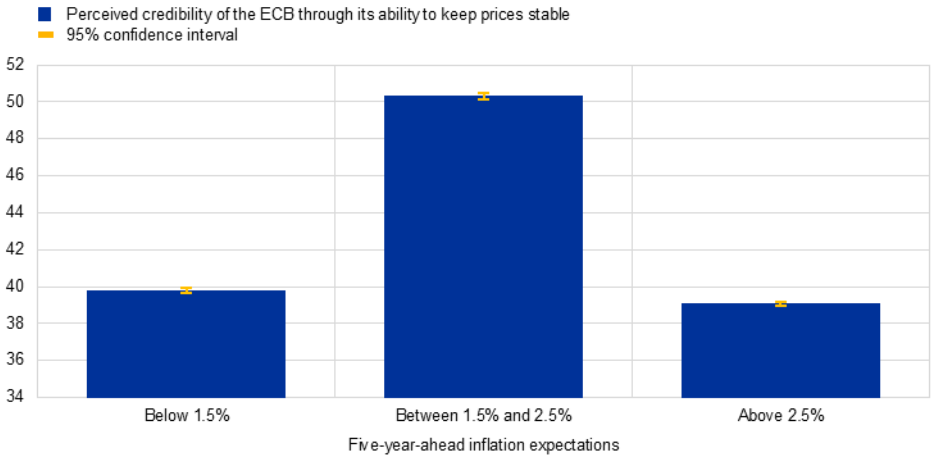
a) Expectations close to the target

(left-hand scale: percentage of consumers; right-hand scale: percentage change)



b) Five-year-ahead inflation expectations and probability of inflation around target

(mean probability, as a percentage)



Sources: CES and ECB staff calculations.
Notes: Population-weighted statistics. Expectations are winsorised at the country-wave level (2-98). The latest observations are for February 2025.

The CES also directly asks respondents about the likelihood of the ECB maintaining price stability over three-year and five-year horizons. This provides a quantitative measure of the ECB's credibility from a consumer perspective and helps to further evaluate the anchoring of longer-term expectations.[6] Chart B, panel b) compares the perceived probability of the ECB maintaining price stability over the next five years with the quantitative five-year-ahead expectations.[7] In addition, respondents with expectations nearer the ECB's target (between 1.5% and 2.5%)

6 See Ehrmann, M. et al., "Credibility gains from communicating with the public: evidence from the ECB's new monetary policy strategy", *Working Paper Series*, No 2785, ECB, Frankfurt am Main, February 2023.

7 The CES regularly elicits a measure of the perceived credibility of the ECB through its ability to keep prices stable: "*How likely do you think it is that the European Central Bank (ECB) will maintain price stability in the euro area economy over the next five years?*".

also show higher confidence in the ECB's ability to maintain price stability, with a mean likelihood of 48.5%. In contrast, long-term inflation expectations below 1.5% or above 2.5% point to lower mean perceived likelihoods, at 39.1% and 37.7%. This suggests that deviations of long-term inflation expectations from the 2% target correlate with reduced confidence in the ECB's ability to steer inflation in the medium term.[8] Chart C, panel a) shows the positive correlation between the probability of having five-year-ahead expectations at around the 2% target and the belief that the ECB will be able to maintain price stability over the next five years. The estimated coefficients increase linearly, indicating that, as respondents' belief in the ECB's ability to maintain price stability strengthens, the respondents are more likely to expect longer-term inflation to stay near the target.

Consumers' long-term inflation expectations show lower sensitivity to inflation surprises than their medium-term expectations. Inflation surprises are defined as the difference between an individual's short-term expectation of inflation one year ahead and their perception of past yearly inflation reported one year later. During the 2022-23 inflation surge, consumers adjusted their longer-term inflation expectations relatively less in response to these surprises compared with their expectations over the following 12 months, as shown by the decreasing coefficients of a regression depicted in Chart C, panel b). This suggests that consumers paid noticeably less attention to the signal from inflation surprises to form their long-term expectations.

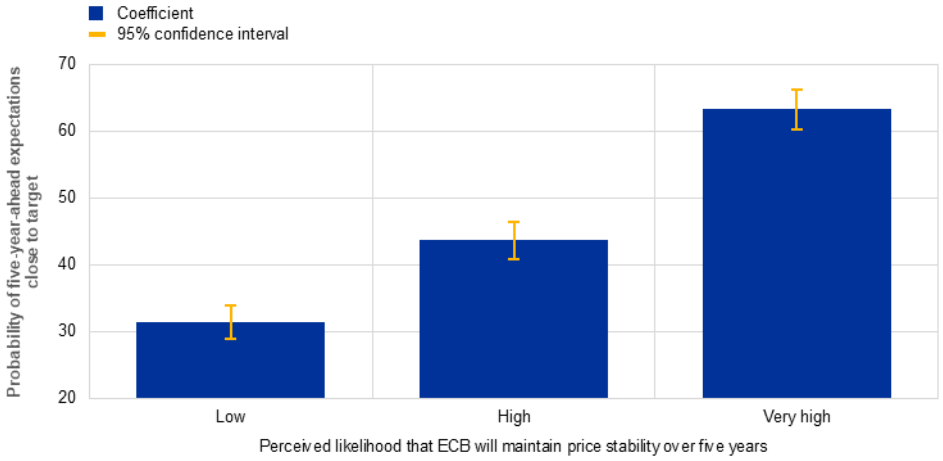
8 See Christelis, D. et al., "Trust in the central bank and inflation expectations", *International Journal of Central Banking*, Vol. 16(6), pp.1-37, December 2020.

Chart C

Consumers' long-term inflation expectations, the ECB's target and inflation surprises

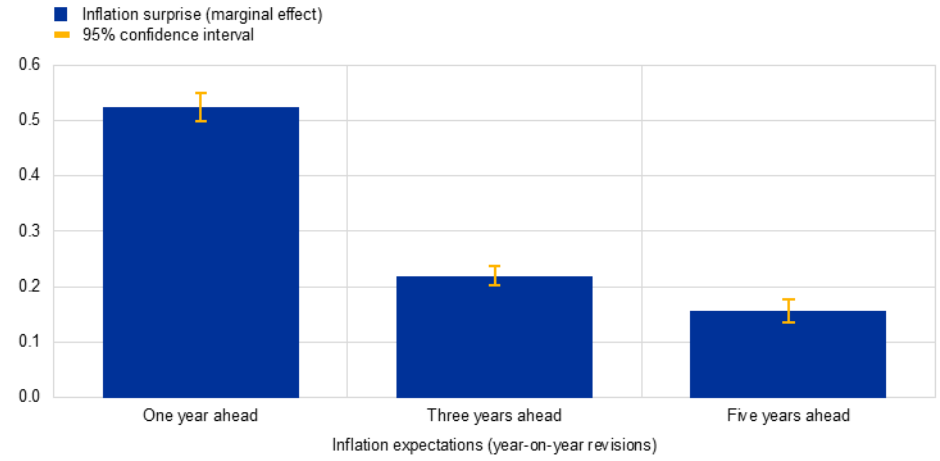
a) ECB credibility beliefs and the probability of having expectations close to the ECB's target

(percentages)



b) Sensitivity to inflation surprises

(percentage points)



Sources: CES and ECB staff calculations.
Notes: Population-weighted statistics. The latest observations are for February 2025. In panel a), the chart shows the coefficients of a probit regression with wave and country fixed effects. Five-year-ahead inflation expectations are defined as being close to the ECB's target if they are between 1.5% and 2.5%. In panel b), the chart reports the marginal effects of regressions of inflation surprises (an independent variable) on year-on-year revisions in inflation expectations (a dependent variable). Inflation surprises are winsorised at the country-wave level (5-95).

Looking ahead, monitoring inflation expectations across different horizons will enhance the understanding of the inflation outlook of consumers. Compared with shorter horizons, measuring five-year-ahead inflation expectations provides additional information about the degree of anchoring of consumer inflation expectations, particularly during times of large and persistent shocks to inflation. The latest CES data on consumers' longer-term inflation expectations may also further alleviate concerns that, as a legacy of the previous inflation surge, the euro area might risk permanently higher inflation rates through longer-term inflation expectations drifting away from the ECB's 2% target.

6 The 2021-24 inflation surge through the lens of the ECB-BASE model

Prepared by Elena Angelini, Matthieu Darracq Pariès and Srečko Zimic

The implications of Russia's war on Ukraine, which were not anticipated in the December 2021 Eurosystem staff macroeconomic projections for the euro area, led to large projection errors in 2022.[1] The error in HICP inflation vis-à-vis the December 2021 projection was close to 8 percentage points at the end of 2022, while the error in GDP growth was smaller – but also substantial –, standing at almost 1 percentage point (Chart A).

Economic models such as the ECB-BASE model similarly exhibited forecast errors, although it remains unclear whether these arose from model limitations or unpredictable shocks. Along these lines, forecasts generated by the ECB-BASE model using the same assumptions as the December 2021 Eurosystem staff Broad Macroeconomic Projection Exercise (BMPE) would also have resulted in significant errors (Chart A).[2] To investigate this, we compare two model-based forecasts from December 2021 – the actual real time forecast and a counterfactual forecast – in which we assume that the actual developments in HICP energy and food prices and other technical assumptions over the projection horizon from 2022 to 2024 were known at the time.[3] The deviation between the counterfactual inflation forecast and the actual inflation rate is therefore not related to unexpected developments in HICP energy or food prices or changes in the technical assumptions for fiscal policy, financial conditions – including monetary policy – and the external environment. If, having considered all these factors, a residual remains, it could reflect other unanticipated economic developments, measurement errors or model misspecifications.

1 Projection errors have been assessed in other Economic Bulletin articles. See for example: "The performance of Eurosystem/ECB staff projections for economic growth since the COVID-19 pandemic", *Economic Bulletin*, Issue 7, ECB, 2024; "The empirical performance of ECB/Eurosystem staff inflation projections since 2000", *Economic Bulletin*, Issue 5, ECB, 2024; "An update on the accuracy of recent Eurosystem/ECB staff projections for short-term inflation", *Economic Bulletin*, Issue 2, ECB, 2024; "An updated assessment of short-term inflation projections by Eurosystem and ECB staff", *Economic Bulletin*, Issue 1, ECB, 2023 and "What explains recent errors in the inflation projections of Eurosystem and ECB staff?", *Economic Bulletin*, Issue 3, ECB, 2022.

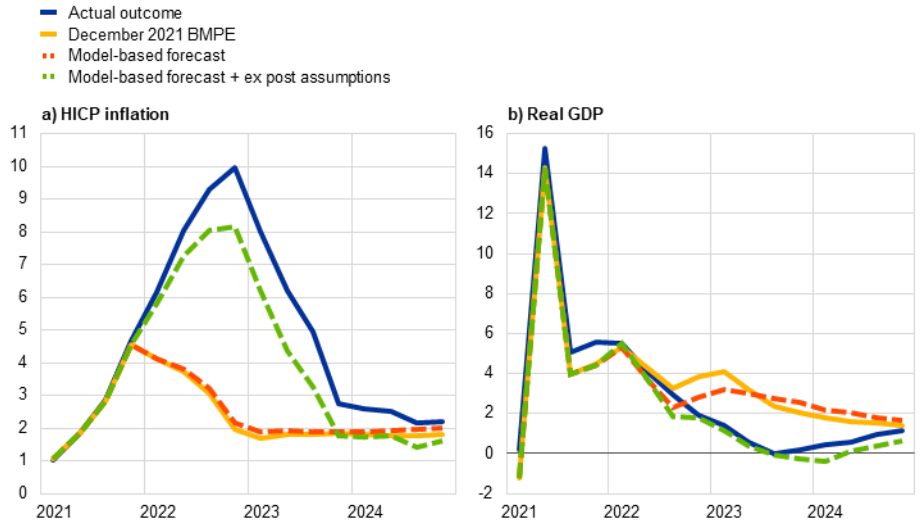
2 For further details see, Angelini et al., "Introducing ECB-BASE: The blueprint of the new ECB semi-structural model for the euro area", *Working Paper Series*, No 2315, ECB, September 2019. The ECB-BASE model is regularly used to cross-check baseline projections and to perform scenario analysis at the ECB.

3 Financial assumptions include short-term and long-term interest rates, lending rates and stock prices. Fiscal assumptions include government consumption, government investment, social transfers, direct taxes on households and firms as well as indirect taxes. External assumptions include foreign demand, competitors' prices and exchange rates, oil and gas prices (synthetic energy index). The counterfactual projections ignore any judgement that could have been included in the December 2021 staff projections.

Chart A

Counterfactual forecasts for euro area HICP inflation and GDP growth since the December 2021 BMPE using the ECB-BASE model

(annual percentage point changes)



Source: ECB staff calculations using the ECB-BASE model.
Notes: "Model-based forecasts + ex post assumptions" are simulated using the ECB-BASE forecasts from the December 2021 BMPE, but imposing the realised paths for HICP energy, HICP food and other technical assumptions, as well as conditioning on the short-term outlook. For further details see Section 4.3 in Angelini et al., op. cit.

Approximately 70% of HICP inflation forecast errors for the fourth quarter of 2022 can be attributed to unexpected developments in energy and food prices. In Chart B, we show a decomposition of the forecast errors into different factors. Initially, the modified assumptions for energy prices (dark blue and yellow bars) have the largest impact on both inflation and real GDP errors in 2022.[4] Food prices (red bars) become relatively more important in 2023, also reflecting the delayed response to energy prices and the effects of Russia's war on Ukraine. The unanticipated discretionary fiscal measures that were taken to alleviate the cost-of-living crisis following the increase in energy prices made a negative contribution to the forecast error for inflation in 2023. This was then reversed in early 2024 with the removal of some of these measures (dark green bars). The unexpected changes in external assumptions (light blue bars) over the 2022-24 horizon made a somewhat limited contribution to both inflation and output forecast errors. Tighter financial assumptions (light green bars; with a significantly higher short-term interest rate path) contributed substantially to the GDP forecast error in 2023, while the impact of financial assumptions on the inflation forecast error was minimal and delayed, largely because the exercise did not fully account for monetary policy transmission, as discussed below. Finally, the grey bars depict the remaining factors, including possible unanticipated economic developments, measurement errors and model misspecifications.

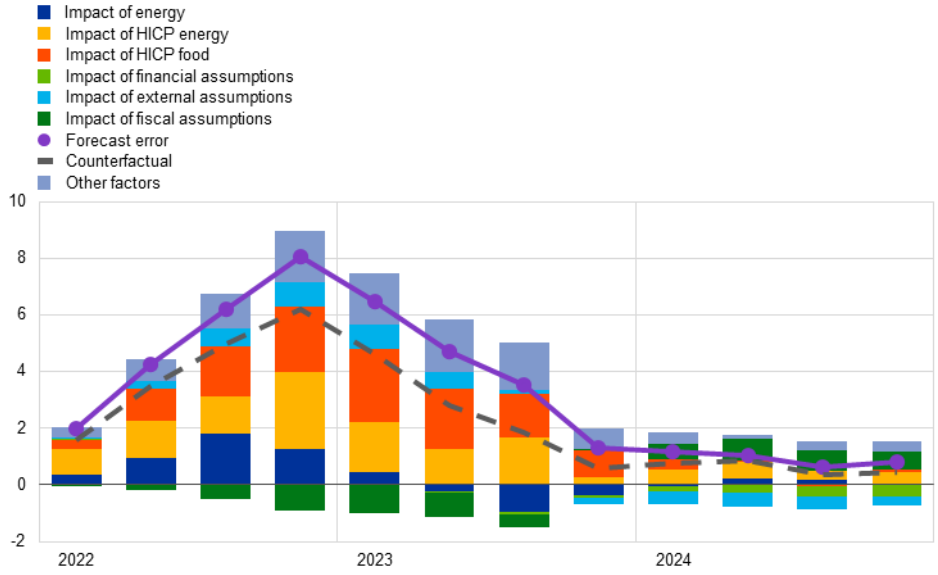
4 We split the contribution of HICP energy to the error in headline HICP inflation into two components: the impact of the energy price assumptions (dark blue bars) and the remaining effect stemming from the realised HICP energy index (yellow bars).

Chart B

Breakdown of counterfactual forecasts for euro area HICP inflation and GDP growth using the ECB-BASE model

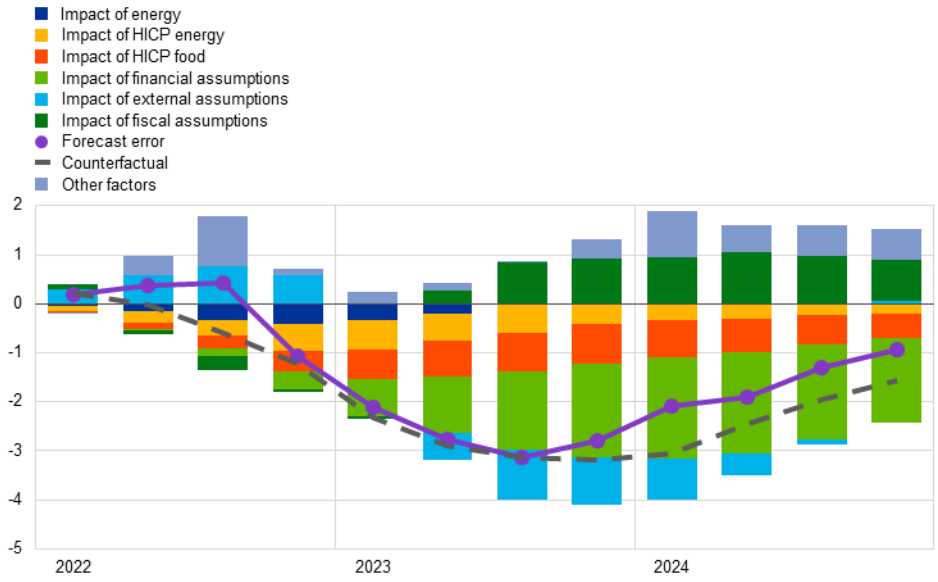
a) HICP inflation

(year-on-year percentage changes, percentage points)



b) Real GDP

(year-on-year percentage changes, percentage points)



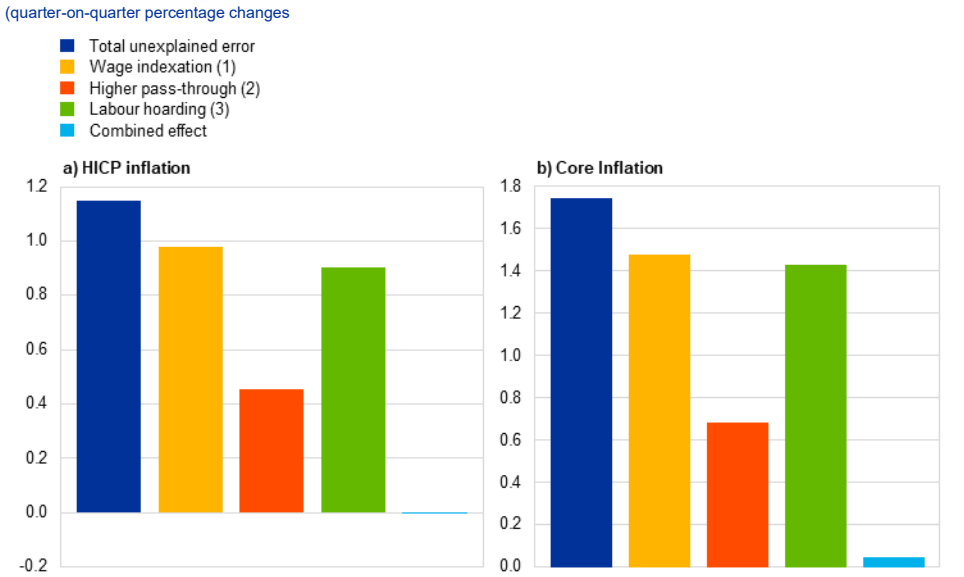
Source: ECB staff calculations and simulations using the ECB-BASE model.
Notes: "Forecast error" refers to the overall total forecast error using the ECB-BASE model; "Counterfactual" refers to the error explained by the model simulation.

Forecast errors in core inflation can best be reduced through capturing stronger second-round effects than those estimated in the model. The remaining errors in the headline HICP inflation forecast stem from the underprediction of core prices. This underprediction could be explained by the limited pass-through of energy prices to other prices in the model and may reflect non-

linearities, namely a change in the historical pass-through to other prices given the substantial size of the energy and food price shocks. Chart C (red bars) illustrates how the average forecast error in core inflation diminishes by about 60% when the energy pass-through is increased. In addition, part of the error in headline HICP inflation can be explained by mispredicted wage and employment growth. The model would have predicted a decrease in wages and employment because of the substantial real economic downturn following the deterioration in terms of trade resulting from higher energy and food prices and the impact of tightening financing conditions; nonetheless, nominal wages and employment showed a fairly strong increase. Additionally, accounting for tighter wage-price linkages and greater labour hoarding substantially improves the performance of the model forecasts (Chart C, light blue bars).

Chart C

Explaining the unexplained part of the forecast errors



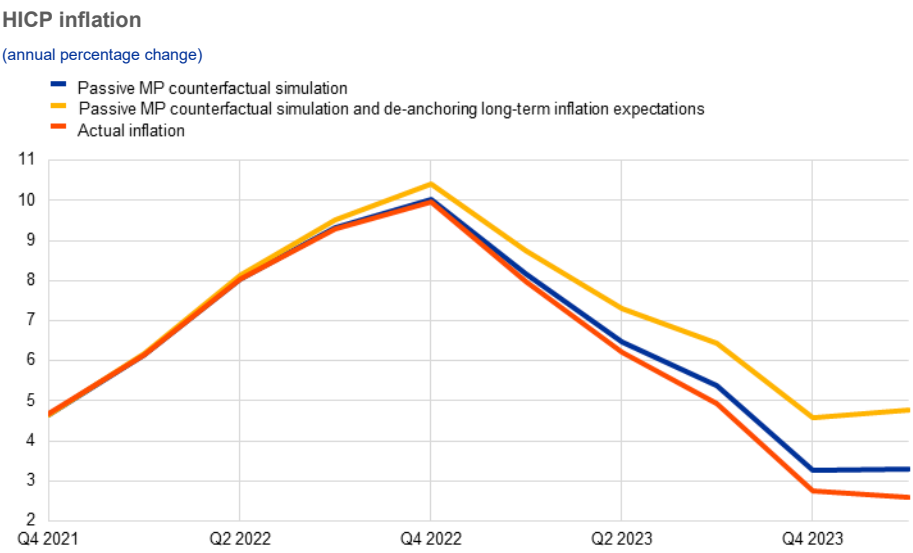
Source: ECB staff calculations and simulations using the ECB-BASE model.
Notes: Technical modifications explored in the model to address the remaining errors in Chart B include: (1) wage indexation adjustment: the coefficient that determines the impact of past consumer price inflation on wages was adjusted upwards by 25%, to better reflect the strong link observed between past inflation and wage adjustments during this period; (2) higher pass-through: a re-calibration of the Phillips curve parameters was carried out within the model to enhance the transmission from energy prices to marginal costs and the GDP deflator, aiming to achieve a more responsive pass-through mechanism; and (3) labour hoarding: a labour demand shock was implemented to break Okun's law and decouple labour demand from the observed fall in output, reflecting the unexpected resilience of the labour market. These adjustments improve the model's fit with respect to the economic behaviours seen during the period under review, particularly in relation to the responses of core prices, wages and employment to inflationary pressures. When all of these additional factors are included, the size of the grey bars in Chart B (other factors) decreases significantly.

When considering a more comprehensive set of propagation mechanisms, including the possible de-anchoring of long-term inflation expectations, monetary policy plays a crucial role in stabilising inflation in the medium term. From Chart B, it appears that changes in financial assumptions alone do not significantly contribute to lowering inflation. However, this analysis only considers the mechanical effects of changes in financial assumptions such as interest rates. It does not account for all endogenous propagation channels of monetary policy, for instance, the impact of interest rate changes on the exchange rate, as the exchange rate is treated as an external assumption in this type of analysis. We carried out a standard monetary policy counterfactual simulation, assuming that short-term rates

remained at the levels projected in the December 2021 BMPE, owing to monetary policy shocks, and that all the other responses are driven by the model's endogenous mechanisms.[5] As observed in Chart D, without monetary policy intervention, inflation could have been 0.7 percentage points higher at the end of 2024. Additionally, the strong monetary policy response played a key role in anchoring inflation expectations. Using de-anchored expectations – which are more influenced by past inflation than by the central bank's target – inflation would have been 2 percentage points higher in 2024 (Chart D), turning a transitory shock into a more persistent one.[6]

Chart D

ECB-BASE model counterfactuals to evaluate the impact of monetary policy



Source: ECB staff calculations and simulations using the ECB-BASE model.
Notes: "MP" stands for monetary policy. The red line represents actual inflation. The blue line shows counterfactual inflation assuming that interest rates remained at the levels projected in the December 2021 BMPE, reflecting a passive monetary policy. The yellow line illustrates counterfactual inflation in a scenario in which long-term inflation expectations become de-anchored, such as the episode of high inflation following the energy shocks in the United States in the 1970s.

5 The ECB-BASE model is characterised as having a weaker transmission of monetary policy shocks compared with other DSGE-type models. For a comparison of the range of responses to a period of monetary policy tightening, see the box entitled "A model-based assessment of the macroeconomic impact of the ECB's monetary policy tightening since December 2021", *Economic Bulletin*, Issue 3, ECB, 2023.

6 The de-anchoring of inflation is captured by modifying the expectation formation process within the model, where long-term expectations become more dependent on past inflation rather than the central bank's target. We use US data from the 1970s energy shock to estimate the process and parameters that imply much more de-anchored expectations in the simulation.

7 Introducing statistical in-house credit assessment systems (S-ICASs) as an additional source of credit assessments under the general collateral framework

Prepared by Cláudia Duarte, Janina Engel, Oleg Reichmann and Tomislav Džaja

The credit quality assessment of collateral assets for Eurosystem credit operations is based on the Eurosystem Credit Assessment Framework (ECAF).[1] Credit operations are a key element of the Eurosystem's monetary policy operations. The Eurosystem has a statutory requirement to lend to banks and other counterparties only against adequate collateral.[2] Currently, the ECAF builds on credit assessment information from three sources: the in-house credit assessment systems (ICASs) of national central banks (NCBs), external credit assessment institutions (ECAIs) and the internal ratings-based (IRB) systems of Eurosystem counterparties.[3]

The introduction of NCBs' statistical in-house credit assessment systems (S-ICASs) from 2026 as an additional ECAF-accepted source under the general collateral framework will strengthen the internal credit assessment capabilities of the Eurosystem and broaden the available set of potential collateral.[4,5] The Eurosystem's internal sources – ICASs and S-ICASs – assess the creditworthiness of non-financial corporations as debtors/guarantors of credit claims for collateralised credit operations. S-ICASs specifically target micro, small and medium-sized enterprises (SMEs), some of which might not be assessed by any other ECAF source.

The statistical systems of NCBs were accepted as part of the temporary collateral framework to broaden the set of available collateral mainly in response to the COVID-19 pandemic.[6] Five statistical systems were operated by NCBs during the pandemic, of which four were newly introduced at that time. The acceptance and expansion of NCBs' statistical systems proved to be an efficient way to increase the availability of collateral for monetary policy operations during the pandemic. Currently, four NCBs operate statistical systems under the temporary

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1 See "Eurosystem credit assessment framework (ECAF)" on the ECB's website.

2 See Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank.

3 See Auria, L. et al., "Overview of central banks' in-house credit assessment systems in the euro area", *Occasional Paper Series*, No 284, ECB, October 2021.

4 The general collateral framework is governed by Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (General Documentation Guideline) (ECB/2014/60) (recast) (OJ L 91, 2.4.2015, p. 3).

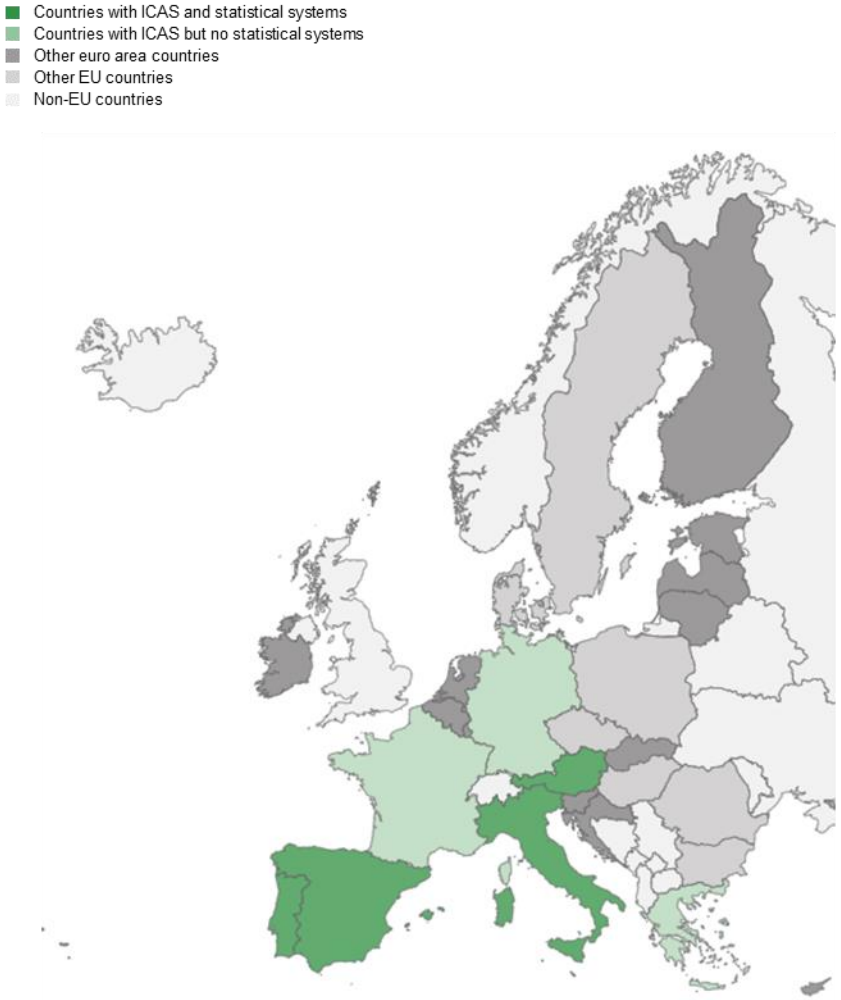
5 See "ECB announces changes to the Eurosystem collateral framework to foster greater harmonisation", *press release*, ECB, 29 November 2024; and "Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates) – January 2025", ECB, 31 January 2025.

6 The temporary collateral framework is governed by Guideline of the European Central Bank of 9 July 2014 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9 (ECB/2014/31) (2014/528/EU) (OJ L 240, 13.8.2014, p. 28).

framework: the Banca d'Italia, the Banco de España, the Banco de Portugal and the Oesterreichische Nationalbank (Figure A). To avoid disruptions and ensure a smooth transition to the new regime, NCBs will be allowed to continue using existing statistical systems under the current conditions until their acceptance under the general collateral framework is concluded.

Figure A

Countries with NCB ICASs and statistical systems currently in operation



The acceptance of S-ICASs under the general framework is based on a newly developed harmonised framework, which will enhance risk efficiency, address level-playing-field considerations and improve crisis preparedness. The harmonised framework builds on the existing framework for ICASs, complemented with the requirements and safeguards that are needed to ensure the good performance of quantitative systems with little or no expert assessment.[7] Quantitative information typically used in the assessment includes financial ratios

[7] S-ICASs rely mostly on quantitative approaches, while ICASs incorporate a qualitative assessment by an expert analyst on top of a quantitative approach. S-ICASs are therefore less resource-intensive than ICASs in their daily operations.

based on financial reports, indicators linked to the group structure, and payment behaviour. Expert assessment would entail, for instance, the analysis of public information and detailed reports from firms. The main features of the harmonised framework include: (i) the scope of firms to be rated (SMEs, excluding those with large exposures); (ii) methodological requirements for assessing the firms (including with regard to climate change considerations); (iii) strong governance of the systems in line with industry best practices; (iv) detailed monitoring of the systems by NCBs; and (v) robust validation procedures.[8] Furthermore, to ensure that sufficient and harmonised information is available for the credit assessments, only domestic firms with exposures reported to AnaCredit can be rated by an S-ICAS.[9] Guidelines have been established for sharing S-ICAS systems among NCBs, which could be an efficient way to expand the use of S-ICASs across the Eurosystem and to help avoid collateral shortages during crisis situations.

8 For details on best practices on governance and validation, see, for example, the European Banking Authority's Supervisory handbook on the validation of rating systems under the internal ratings based approach (EBA/REP/2023/29).

9 AnaCredit is a dataset containing detailed information on individual bank loans in the euro area. See Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13) (OJ L 144, 1.6.2016, p. 44).

8 The macroeconomic impact of euro area discretionary fiscal policy measures since the start of the pandemic

Prepared by Elena Angelini, Krzysztof Bańkowski, Cristina Checherita-Westphal, Philip Muggenthaler-Gerathewohl and Srečko Zimic

This box provides a model-based analysis of the macroeconomic impact of discretionary fiscal policy measures adopted by euro area governments since the start of the COVID-19 pandemic, as reflected in the March 2025 ECB staff projections for the euro area.[1] The analysis investigates the effects of these measures on real GDP growth and inflation, in comparison with a counterfactual scenario of no fiscal policy support as of 2020. It employs two quantitative tools that are regularly used for projections and policy simulations at the ECB: Basic Model Elasticities (BMEs) and the ECB-BASE model.[2] The focus is on the macroeconomic impact of the discretionary fiscal policy measures, which are proxied by the change in the discretionary fiscal policy impulse compared with 2019, the year prior to the pandemic.[3] The box also assesses the impact of support measures introduced by euro area governments since late 2021 in response to the energy crisis and high inflation.[4]

Fiscal policy provided substantial support to the euro area economy to mitigate the impact of the pandemic and the energy crisis. Supportive measures were particularly significant in 2020 and 2021 in response to the pandemic (Chart A, panel a). Governments started to partially withdraw these measures from 2022, which, all else equal, would have resulted in a tightening of fiscal policy. However, at the same time governments provided additional fiscal support in view of the start of the war in Ukraine and the emerging energy crisis (Chart A, panel b). Moreover, further spending was related to refugees, defence and aid to Ukraine. As a result, discretionary fiscal policy in 2022, as assessed by the measures undertaken, was broadly neutral. There was a shift to a fiscal tightening in 2023, as the pandemic

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1 For more details, see "ECB staff macroeconomic projections for the euro area, March 2025". The macroeconomic projections for the euro area, including projections of the fiscal stance, were finalised on 19 February 2025. As such, the baseline does not include the recent fiscal announcements by euro area governments or at the euro area level relating to higher defence and other public spending. For previous analyses of the impact of discretionary fiscal policy measures on growth and inflation, see the article entitled "Fiscal policy and high inflation", *Economic Bulletin*, Issue 2, ECB, 2023, and the box on "The impact of discretionary fiscal policy measures on real GDP growth from 2020 to 2022" in the article entitled "The role of supply and demand in the post-pandemic recovery in the euro area", *Economic Bulletin*, Issue 4, ECB, 2023.

2 For more details on BMEs, see Section 3.4 of "A guide to the Eurosystem/ECB staff macroeconomic projection exercises", ECB, Frankfurt am Main, July 2016, pp. 26-27. For further information on ECB-BASE, see Angelini, E. et al., "Introducing ECB-BASE: The blueprint of the new ECB semi-structural model for the euro area", *Working Paper Series,* No 2315, ECB, Frankfurt am Main, September 2019; and Bańkowski, K., "Fiscal policy in the semi-structural model ECB-BASE", *Working Paper Series,* No 2802, ECB, Frankfurt am Main, March 2023.

3 The indicator of "discretionary fiscal policy measures" for a given year is calculated taking into account measures on both the revenue side and the spending side. On the revenue side, it captures changes resulting from new (or revised) legislation. On the expenditure side, discretionary measures are computed as the deviation between primary spending growth and nominal potential output growth.

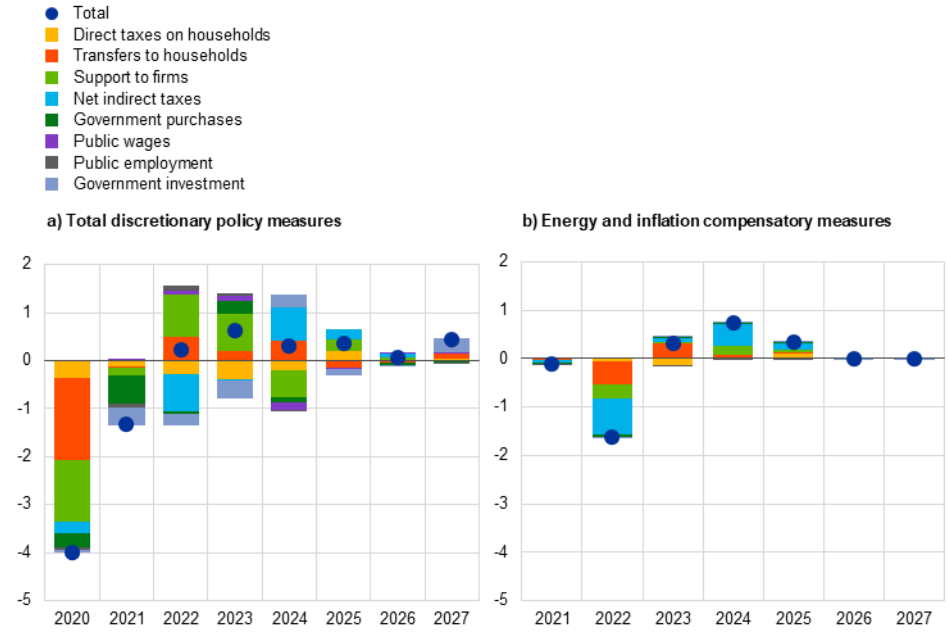
4 For a detailed description of these measures and the potential channels through which they affect inflation, see the box entitled "Update on euro area fiscal policy responses to the energy crisis and high inflation", *Economic Bulletin*, Issue 2, ECB, 2023.

support and part of the energy compensatory measures were further unwound. This more than offset a continued increase in public investment, which was mostly funded through the Next Generation EU (NGEU) programme, and a decrease in income taxation, including social security contributions. A further fiscal tightening in 2024 can be attributed primarily to the more substantial unwinding of the energy compensatory measures in that year, which counterbalanced the renewed expansion in government consumption (mainly through purchases of goods and services and transfers in kind). Having risen significantly during the years 2020-2021 to address the pandemic health crisis, government consumption actually fell somewhat over 2022-2023 before rising again in 2024.[5]

Chart A

Discretionary fiscal policy measures since the start of the pandemic and their composition by economic category

(annual changes; percentage of GDP)



Source: ECB/Eurosystem estimates as captured in the March 2025 ECB staff macroeconomic projections.
Notes: Negative (positive) figures denote fiscal loosening (tightening). Discretionary fiscal policy measures follow the "fiscal stance" concept and are expressed as annual changes. Annual measures are expressed as a percentage of nominal potential GDP in the previous year. The chart shows the composition of measures according to the economic channels used in model simulations, as described below.
(i) Subsidies recorded by Eurosystem staff under energy and inflation support are simulated to have a direct impact on energy inflation. Other subsidies are classified as "support to firms" and simulated to improve the operating surplus of companies.
(ii) Capital transfers, which are mainly classified as "support to firms", are simulated to improve the operating surplus of companies, apart from: (a) the (large) capital transfers funded by the NGEU programme, which support economy-wide investment and are simulated as public investment (see Bańkowski, K. et al., "Four years into NextGenerationEU: what impact on the euro area economy?", *Occasional Paper Series*, No 362, ECB, Frankfurt am Main, December 2024); (b) the Italian "Superbonus", which is simulated to mimic the sizeable, but cyclical (temporary), positive effects on growth stemming from housing investment found in other studies (see, for example, Accetturo, A. et al., "Incentives for dwelling renovations: evidence from a large fiscal programme", *Occasional Papers*, No 860, Banca d'Italia, Rome, June 2024, which calculates a fiscal multiplier between 0.7 – with direct effects only – and 0.9 – including indirect effects).

[5] The contribution of public employment and public wages to total fiscal support is limited throughout the period.

Overall fiscal support is anticipated to remain expansionary during the period 2020-2027, despite the expected scaling-back of discretionary fiscal policy measures over the next few years. Assumed discretionary measures over the projection horizon point to further fiscal tightening (0.9% for 2025-2027). However, when considering the full period 2020-2027, the estimates still point to a significant fiscal loosening (3.3 percentage points of GDP), reflecting the fact that the considerable support provided since the start of the pandemic has only been partially withdrawn. The sustained expansion is primarily attributable to multiple income tax relief measures and broad-based spending increases. This fiscal support has added to the euro area deficit and debt ratios, which are projected to remain well above their pre-pandemic levels in 2027.[6]

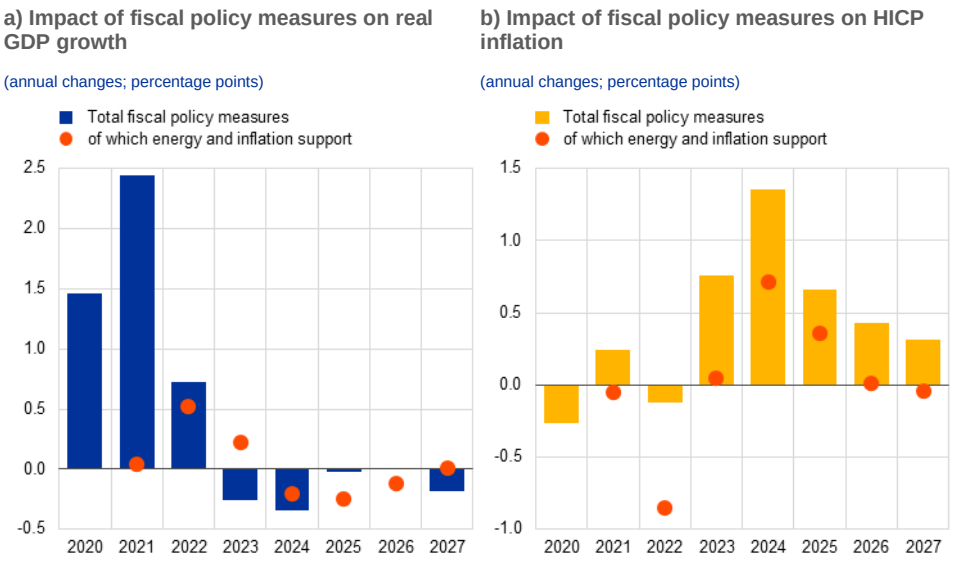
Model simulations point to sizeable macroeconomic effects of the discretionary fiscal policy measures since the start of the pandemic, compared with a counterfactual scenario in which these measures were not introduced. The total discretionary fiscal policy measures implemented since 2020 are estimated to have substantially supported real GDP growth over 2020-2022 and to have been broadly neutral or had a somewhat moderating impact on growth thereafter (Chart B, panel a). With regard to inflation as measured by the Harmonised Index of Consumer Prices (HICP), the simulations point to a dampening effect in 2022, mainly on account of the energy and inflation compensatory measures that helped to smooth the peak impact of the energy shock. However, they indicate an overall upward impact later on (Chart B, panel b), particularly during the years 2023-2024 when governments started to withdraw the energy price support granted in 2022 and there was a build-up of inflationary pressures resulting from the fiscal stimulus in previous years.[7]

6 According to the March 2025 ECB staff projections, the euro area deficit is estimated at 3.3% of GDP for 2027 versus 0.5% in 2019, while government debt is estimated at 89.8% for 2027 versus 83.6% in 2019.

7 As of 2022, given the nature and composition of the fiscal shock, its impact on HICP inflation first materialised through the energy component, with the demand stabilisation resulting from the stimulus having a partially offsetting effect.

Chart B

Impact of discretionary fiscal policy measures on euro area growth and inflation compared with a counterfactual scenario of no fiscal policy support over 2020-2027



Source: ECB calculations.
Notes: The fiscal "shocks" used in the simulations are as shown in Chart A. The effects on GDP growth and inflation are averages of the results from simulations performed using ECB-BASE and BMEs. Other policies (particularly monetary policy) and factors were kept unchanged in the simulations. More specifically, the ECB-BASE model was simulated with exogenous monetary policies, exchange rates and financial spreads. BME simulations were conducted at individual country level, with macro results aggregated at the euro area level. The standard simulation horizon for BMEs is four years after an initial shock (T+4). No persistency (of the effects on real GDP growth and inflation) is considered in the BME simulations after the year T+4 for a shock originating in year T.

The simulation results are subject to model and data uncertainty, including non-linear and heterogenous behavioural responses of households and firms to the range of fiscal support measures. Sensitivity analyses show that the estimated inflation effects depend strongly on assumptions about the propagation of various fiscal instruments, particularly subsidies, to the macroeconomy, and the extent to which they affect prices (either directly or via firms' profit margins). Finally, the results shown in this box omit any monetary policy reaction endogenous to the fiscal measures under consideration, in order to isolate the effects of fiscal policy.

Article

1 Medium-term fiscal-structural plans under the revised Stability and Growth Pact

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1 Introduction

The EU's new economic governance framework builds on the premise that fiscal sustainability, reforms and investments are mutually reinforcing and should be fostered as part of an integrated approach.[1] Following a comprehensive reform, the revised framework – notably including the revised Stability and Growth Pact (SGP) – entered into force on 30 April 2024, allowing its application as of 2025. The reformed SGP aims at ensuring sustainable fiscal positions, which are key for price stability and sustainable growth in a smoothly functioning Economic and Monetary Union. In addition, the SGP aims to balance fiscal adjustment needs with the need to enhance the implementation of productive investment and reforms, with a particular focus on strategically relevant areas such as the green and digital transitions and defence.

The submission and endorsement of the first set of national medium-term fiscal-structural plans (MFSPs) was a milestone in the implementation of the reformed economic governance framework. Last year EU Member States prepared the first set of MFSPs under the reformed economic governance framework. As a rule, such plans span four or five years, depending on the length of the national electoral cycle. In the plans, each EU Member State commits to a multi-year public net expenditure path and explains how it will deliver investments and reforms that respond to the main challenges identified in the context of the European Semester.[2] The EU's Economic and Financial Affairs Council (ECOFIN Council) endorsed the MFSPs of most Member States, issuing corresponding recommendations on 21 January 2025.[3]

In view of heightened geopolitical tensions and the need to step up defence capabilities in Europe, on 19 March 2025 the European Commission proposed a coordinated activation of the "national escape clause". This clause had

1 See the Opinion of the European Central Bank of 5 July 2023 on a proposal for economic governance reform in the Union (CON/2023/20) (OJ C 290, 18.8.2023, p. 17-25).

2 The European Semester is an annual exercise that coordinates the EU's economic and social policies. During the Semester, EU Member States align their budgetary and economic policies with the objectives and rules agreed upon at EU level.

3 Belgium and Bulgaria submitted their MFSPs to the European Commission on 19 March and 27 February 2025, respectively. Austria, Germany and Lithuania still need to submit their plans.

already been introduced as part of the reform of the SGP and will allow Member States to deviate – on grounds of higher defence expenditure – from the net expenditure paths set out in their MFSPs or from their corrective path under the excessive deficit procedure (EDP). If already endorsed by the ECOFIN Council, the MFSPs of the Member States will not need to be revised for additional defence spending. There is flexibility for such additional spending on defence, up to a limit of 1.5 percentage points of GDP per year over 2025-28 compared with existing fiscal commitments, in countries that choose to request the activation of the national escape clause. However, the SGP framework requires that deviations from the endorsed net expenditure paths do not endanger fiscal sustainability over the medium term. Countries which have not yet submitted plans, or the MFSP of which has not yet been endorsed, are expected to receive equivalent treatment to the other Member States when requesting activation of the national escape clause.

This article reviews the MFSPs to provide a first assessment both of the fiscal and economic implications of the reformed SGP over the short and medium term and of the implications of coordinated activation of the national escape clause. Section 2 recalls how the requirements of the reformed fiscal rules compare with the previous regime. Section 3 reviews the fiscal paths outlined in the MFSPs and assesses risks to the outlook for government debt (Box 1) as well as growth and inflation. Section 4 discusses the European Commission's proposal to provide flexibility for defence spending within the SGP. Section 5 aims to establish whether the revised SGP will trigger additional reforms and investment, and Section 6 concludes.

2 The new fiscal rules vis-à-vis the previous regime

The new risk-based surveillance approach under the reformed SGP builds on Debt Sustainability Analysis (DSA) to guide fiscal adjustment paths so that government debt is brought onto a plausibly declining path by the end of an adjustment period. This period can be either four years, or up to seven if an extension is granted.[4] This approach is complemented by so-called numerical safeguards for deficit and debt reduction as well as minimum requirements when a country is subject to an EDP.[5] In June last year each Member State with a debt ratio above 60% of GDP and/or a deficit ratio above 3% of GDP in 2024 received a "reference trajectory" from the European Commission as prior guidance. Those Member States with low deficit and debt ratios received technical information, if requested. A reference trajectory spells out fiscal adjustment requirements in terms

4 The new SGP framework distinguishes between (i) the *adjustment period* of four years or, in the case of an extension, four years plus an additional period of up to three years and (ii) the *planning period*, covering four or five years depending on the usual length of the legislative term of that Member State. Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance (OJ L, 2024/1263, 30.4.2024) envisages an extension of the *adjustment period* of *up to* three years. However, in practice only extensions to a seven-year adjustment period were chosen.

5 For further details on the reformed Stability and Growth Pact framework see Haroutunian, S. et al, "The path to the reformed EU fiscal framework: a monetary perspective", *Occasional Paper Series*, No 349, ECB, May 2024.

of maximum growth rates for net expenditure.[6] These are derived from the changes in the structural primary balance that underlie the DSA. The net expenditure concept serves as the single operational indicator under the revised fiscal governance framework, replacing the previous surveillance approach that built on the structural budget balance, i.e. the cyclically adjusted balance net of temporary measures. A control account will monitor deviations from these net expenditure paths, possibly triggering a debt-based EDP if cumulated deviations exceed certain numerical thresholds. [7]

Compared with the previous regime, the risk-based surveillance approach implies more differentiated fiscal adjustment requirements (Chart 1). Under the previous SGP framework, Member States had to converge towards medium-term budgetary objectives, i.e. close-to-balance underlying fiscal positions. Annual adjustment requirements were calibrated based on a "matrix approach", accounting for cyclical conditions and the level of debt. Effectively, country differentiation was limited – despite large differences in the levels of government debt. The new approach rests on the projected evolution of public debt. Accordingly, it recognises that fiscal discipline is an intertemporal issue, implying higher adjustment requirements where debt challenges are more pronounced and/or where initial budgetary positions are less favourable. Chart 1 highlights the fact that several Member States with low indebtedness are facing very limited adjustment requirements under the revised fiscal framework – or even have room for stimulus. This holds for the requirements under the default four-year adjustment period as compared with the requirements which would have applied going forward if the previous SGP had remained in place. However, for several countries with elevated debt ratios the requirements lie mostly well above historical observed adjustments before the pandemic. In most cases the adjustments delivered were significantly lower than the average historical requirements, which were around 0.5% of GDP.

The option to extend the adjustment period from four years to seven years, in return for commitments to structural reforms and public investment, potentially provides sizeable room for fiscal manoeuvre.[8] The reformed framework recognises the medium-term benefits of productive public investment and productivity-enhancing structural reforms for fiscal sustainability. Such beneficial effects materialise via the denominator effect: higher economic growth translates into a lower debt-to-GDP ratio. Therefore, Member States can opt for an extended seven-year adjustment period if this is supported by respective policy commitments. Chart 1 shows that adjustment requirements can be reduced significantly by opting for an extended adjustment period (the blue bars indicate the average annual

6 Net expenditure is defined as government expenditure net of: interest expenditure; discretionary revenue measures; expenditure on EU programmes fully matched by revenue from EU funds; national expenditure on co-financing of EU-funded programmes; cyclical elements of unemployment benefit expenditure; and one-offs and other temporary measures.

7 According to Regulation (EU) 2024/1263 a "control account" means a record of the cumulated upward and downward deviations of the observed net expenditure of a Member State from the net expenditure path as set by the Council.

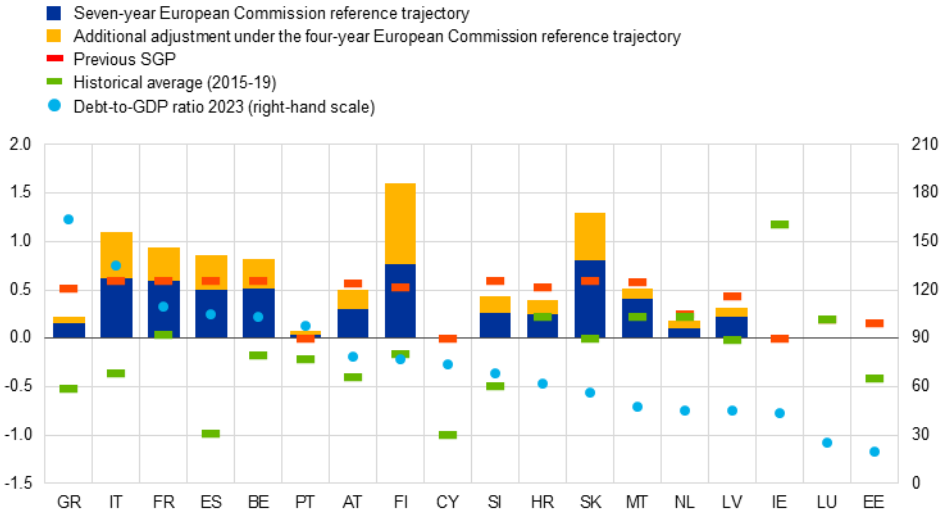
8 See Bouabdallah, O., Dorrucci, E., Hoendervangers, L. and Nerlich, C., "Mind the gap: Europe's strategic investment needs and how to support them", *The ECB Blog*, ECB, 27 June 2024.

adjustment with an extension, while the orange bars quantify the additional adjustment that would be required in the standard four-year scenario).

Chart 1

Average fiscal adjustment over the planning period: revised versus previous SGP

(change in the structural primary balance as a percentage of potential GDP and as a percentage of GDP)



Sources: AMECO database (the annual macro-economic database of the European Commission's Directorate General for Economic and Financial Affairs), ECB staff calculations, the four-year and seven-year reference trajectories as obtained from the European Commission prior guidance calculation sheets published on the European Commission website, the European Commission Autumn 2024 Economic Forecast and data from the Austrian Federal Ministry of Finance. The reference trajectories are only made public upon the release of the MFSPs. In the case of Austria the data were made public by the Member State itself (for Germany and Lithuania, not shown in the chart, these data are not publicly available).
Notes: Requirements under the previous framework are calculated for 2025-28 based on the latest European Commission forecast (autumn 2024) and indicate what the required fiscal adjustment would have been under the previous framework. The calculations assume Member States under a deficit-based EDP will deliver an annual consolidation effort of 0.6% of GDP until the excessive deficit is corrected. For Member States under the preventive arm of the SGP, consolidation needs are calculated using the matrix of adjustment requirements that takes into account the debt level (higher or lower than 60% of GDP) and cyclical conditions (the level of the output gap and its variation). The consolidation is assumed to continue until the medium-term objective, in terms of structural budget balance, is reached. For more details see the "code of conduct" for the previous SGP.

3 The fiscal paths contained in the MFSPs

On 21 January 2025 the ECOFIN Council adopted the Commission's recommendations to endorse 15 of the 16 MFSPs submitted by euro area Member States.[9] Belgium submitted its MFSP on 19 March and neither a Commission assessment nor an ECOFIN Council decision are available as yet. Three euro area countries have not yet submitted their plans, namely Germany, Lithuania and Austria.

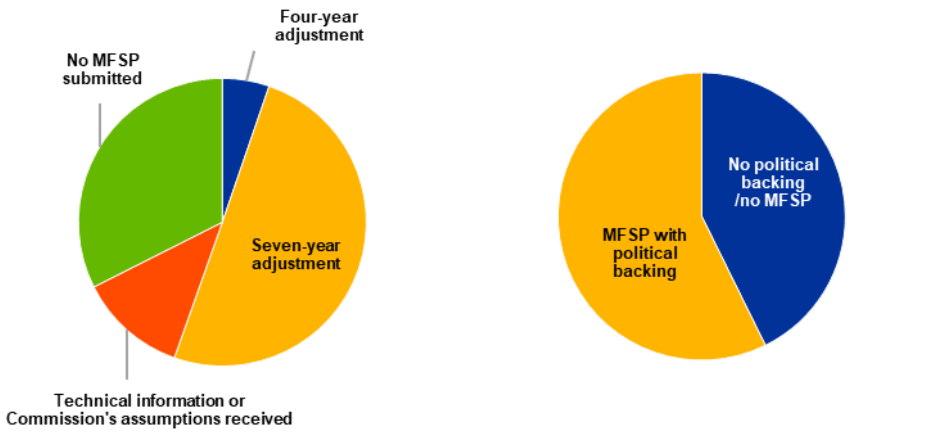
So far, only 5 of the 17 euro area countries that have submitted MFSPs have opted for an extended adjustment period by committing to reforms and investment – though these countries represent half of the euro area economy. Specifically, Belgium, Spain, France, Italy and Finland have opted to extend the adjustment period by three years and committed to a relevant set of reforms and investments (Chart 2, panel a).

A number of euro area countries accounting for over two-fifths of euro area GDP have either not submitted a plan or are considered to lack political backing for the submitted plan, posing risks to the near-term fiscal outlook (Chart 2, panel b). Spain has submitted its MFSP, but its Parliament has not been able to pass the draft budget for 2025. Germany, Lithuania and Austria have still to submit their plans.

[9] In its 2025 European Semester Autumn Package, released on 26 November 2024, the European Commission recommended endorsing 15 of the 16 plans it had received so far from euro area countries. Concerning these plans, the European Commission considered that the planned net expenditure growth for the Netherlands was not in line with the requirements of the revised fiscal framework, as it was projected to lead to breaches of the Treaty reference values: a deficit ratio above 3% in 2029 and a debt ratio above 60% in 2033. As a result, the Commission proposed that the Council recommend a net expenditure path consistent with the technical information the Commission had provided in June 2024.

Chart 2

Overview of euro area countries' MFSPs



Sources: AMECO database, information extracted from MFSPs as published on the European Commission website and ECB staff calculations.
Notes: The shares of euro area GDP are based on 2023 nominal GDP figures. Among the 17 euro area countries which have submitted their MFSPs, the following have received reference trajectories requiring them to improve their structural primary balance positions over 2025-28: Belgium, Greece, Spain, France, Italy, Malta, Portugal, Slovenia, Slovakia and Finland. Estonia and Cyprus also received reference trajectories from the European Commission, but which did not require any improvement in their structural primary balance positions. Croatia, Latvia and the Netherlands received "technical information" from the European Commission that also called for an improvement in their structural primary balance positions. This was called "technical information" and not a "reference trajectory" because the deficit-to-GDP and debt-to-GDP ratios of these countries did not exceed the respective Treaty reference values of 3% and 60%. As the deficit and debt ratios of Ireland and Luxembourg did not exceed the Treaty reference values either, these countries did not request technical information from the European Commission. The one country which is deemed not to have political backing for its plan is Spain, while Germany, Lithuania and Austria have still to submit their plans.

Several MFSPs deviate from the European Commission's prior fiscal guidance, mostly reflecting updated budgetary and macroeconomic information. The planned cumulative net expenditure growth rates are higher than those of the Commission's reference trajectories in most Member States, as indicated by values above the 45-degree line in Chart 3, panel a. The differences mainly relate to the fact that the initial Commission guidance had been provided to Member States on 21 June 2024, while MFSPs were only submitted later, in the autumn. By then more recent information was available on the fiscal positions in 2024 that served as the starting point for the DSA-based adjustment requirements. Updated macroeconomic assumptions were mostly assessed as duly justified by the Commission, but highlight how sensitive the new fiscal framework is to the assumptions made (see Box 1).

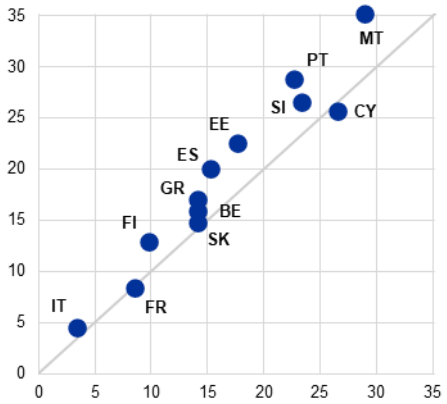
All Member States facing high debt sustainability risks have to plan for lower average net expenditure growth rates, also because their primary spending ratios are comparatively large. As shown in Chart 3, panel c, some of these countries record primary spending ratios of about 40% of GDP or above. Given that the net expenditure growth rates are derived from these ratios, the higher these are, the lower the expenditure growth ceilings must be to achieve the same amount of fiscal adjustment. Equally, where the fiscal efforts required are higher in terms of improvement in the structural primary balance ratio, this implies lower net expenditure growth, on average, in the MFSPs.

Chart 3

Net expenditure growth paths according to Member States' plans

a) Cumulative net expenditure growth 2024-28: MFSPs (y-axis) versus European Commission reference trajectories (x-axis)

(percentages)



b) Differences in assumptions between MFSPs and European Commission reference trajectories

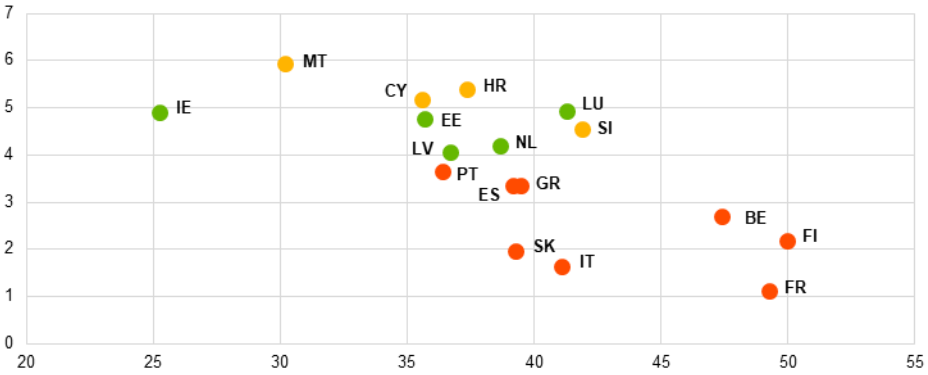
✓/x consistent/not consistent

+/-/≈ more (less) favorable/similar

	Potential growth	Starting position in 2024
EE	✓	+
GR	x	+
ES	✓	+
FR	x	–
IT	✓	+
CY	x	+
MT	✓	+
PT	✓	≈
SK	✓	≈
SI	✓	≈
FI	✓	+

c) Average net expenditure growth for 2025-28 in MFSPs and debt sustainability risks

(x-axis: 2023 primary expenditure-to-GDP ratio, y-axis: average net expenditure growth as a percentage)



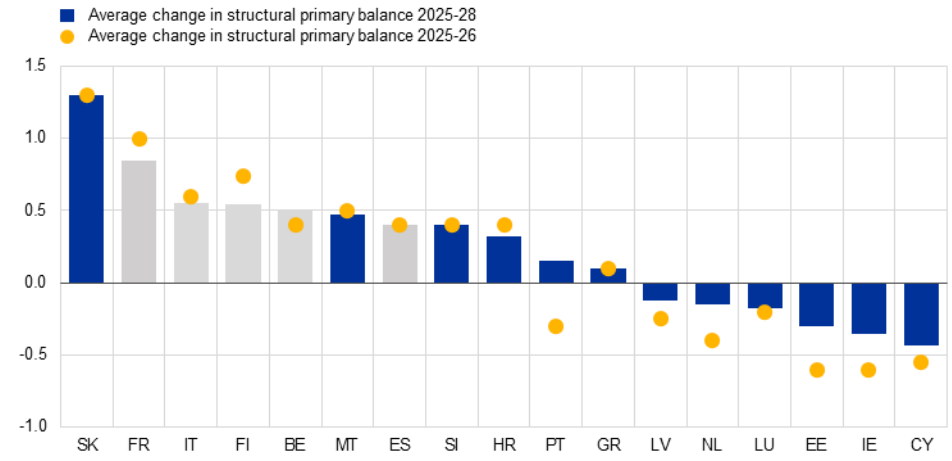
Sources: AMECO database, MFSPs and European Commission prior guidance and assessment of the MFSPs, as published on the European Commission website, and the European Commission Debt Sustainability Monitor 2023.
Notes: Panel a) shows Member States that received a reference trajectory from the Commission. Points above (below) the 45-degree line indicate countries where the cumulative net expenditure growth (from the base year 2023) in the MFSP is larger (smaller) than the corresponding cumulation of the Commission reference trajectory. Panel b) shows the differences in assumptions on the potential GDP growth rate, GDP deflator growth rate and the initial fiscal starting position for 2024. A tick indicates that the Commission concludes that the assumptions included in the MFSP are consistent with its own, while a cross indicates that the Commission's assessment considers that there are inconsistencies. The symbols "+", "-" and "≈" indicate whether the initial fiscal position for 2024 was more or less favourable in the MFSP than in the Commission's reference trajectories, or broadly in line. No Commission assessment of Belgium's MFSP was available as at the time of publication. Panel c) shows the euro area countries that have submitted an MFSP. The colour indicates the medium-term fiscal sustainability risk according to the Commission's 2023 Debt Sustainability Monitor. Red signifies "high", yellow "medium" and green "low" sustainability risk. For Ireland, the primary expenditure is calculated based on gross national income, which better reflects the state of the Irish economy.

The fiscal adjustment efforts in the MFSPs appear to be in line with the "no backloading" requirement in the revised economic governance framework.

Chart 4 shows that the average improvement in the structural primary balance position over the first two years of the plans (2025 and 2026) is, in the vast majority of cases, either equal to or greater than the average adjustment planned for 2025-28. This suggests that Member States do not plan to backload their fiscal adjustment to the years towards the end of the planning period.

Chart 4

Average changes in structural primary balances in the MFSPs



Source: MFSPs as published on the European Commission website.
Notes: The chart shows the 17 euro area countries which have submitted their MFSPs. Grey bars indicate Member States with a seven-year adjustment period.

The European Commission's Opinions on the 2025 draft budgetary plans of the euro area countries suggest, in some cases, fiscal gaps vis-à-vis the net expenditure paths contained in the MFSPs, resulting in debits on the control account. Box 1 highlights that such debits, if combined with a resetting of the account by a newly appointed government, can materially reduce the consolidation effort over the MFSP horizon. As shown above, such consolidation efforts already tend to be lower than figures derived from the Commission's reference trajectories and their underlying assumptions. Such deviations from the reference trajectory can have tangible adverse effects on the debt trajectory, in particular for countries with high debt ratios.

Finally, before the announcements on defence spending flexibility, Eurosystem staff assessed that consolidation efforts under the revised SGP would have limited adverse macroeconomic effects overall, particularly if productive public investment is at least maintained. The macroeconomic implications of the consolidation needs under the revised EU framework are relevant for a comprehensive assessment of the new SGP rules. A preliminary analysis in early 2024, before countries started submitting MFSPs, found that abiding fully by the SGP consolidation requirements would imply some short-term downside risks to growth at the euro area level and muted effects on inflation.[10] An updated analysis for the period 2025-27, as part of the 2024 December Eurosystem staff projections, takes into account the new information in the MFSPs and the 2025 draft budgetary plans. In particular, it incorporates the chosen adjustment periods and the planned

[10] See the box entitled "The reformed EU fiscal framework – potential macroeconomic implications for the euro area", *Economic Bulletin*, Issue 3, ECB, 2024. At the time the analysis assumed several scenarios. Depending on the length of the adjustment period (either four or seven-year periods were assumed for all countries), the scenarios based on full compliance with the new SGP requirements entailed additional consolidation needs of 0.4-0.6 percentage points of GDP, on average, over 2025-26 (and 0.3-0.5 percentage points in the scenarios adjusted for the measures already included in the ECB baseline at the time, i.e. in the March 2024 ECB staff projections).

structural efforts. It broadly confirms the previous assessment of limited adverse macroeconomic effects.[11] Some of the measures outlined in the government plans – those measures well specified – were included in the December baseline projections. Overall this induced slight revisions to the baseline growth and inflation projections.[12] The estimated macroeconomic and fiscal effects are surrounded by uncertainty. This is especially the case for those countries which have not yet submitted an MFSP or where the plan is already outdated. Another source of uncertainty is the potentially different composition of the consolidation ultimately implemented by governments. Moreover, in the absence of fiscal adjustment, confidence effects may play an important role – especially in the high-debt countries. Finally, the additional potential defence spending allowed under the rules in the context of heightened geopolitical tensions has increased the uncertainty surrounding the outlook for economic growth and inflation in the euro area. An increase in defence and infrastructure spending could add to growth and also raise inflation through its effect on aggregate demand.[13]

4 Flexibility for defence spending

Following the endorsement of the MFSPs of most EU Member States by the ECOFIN Council and in light of geopolitical developments, in March 2025 the European Commission proposed the coordinated activation of the national escape clause under the SGP. This was part of the European Commission's ReArm Europe Plan/Readiness 2030, as announced on 19 March 2025.[14] In early March EU leaders had welcomed the Commission's stated intention to recommend that the Council activate, in a coordinated manner, the national escape clause under the SGP. The Commission was also called on to explore further measures to facilitate significant defence spending at national level in all Member States while ensuring debt sustainability.[15] It provided greater detail on the implementation of the national escape clause in a Communication published on 19 March.

The Commission will activate the national escape clause in the SGP on grounds of exceptional circumstances outside the control of Member States, which has important implications for the implementation of the MFSPs. Specifically, Member States will need to submit their requests by the end of April. Activating the clause allows a Member State to deviate from its net expenditure path

11 The new analysis considers two scenarios in order to gauge the fiscal risks to the baseline of the December 2024 Eurosystem staff projections. An expert judgement-based scenario points to likely additional consolidation at the euro area level of 0.07 percentage points of GDP per year, on average, over 2025-27. Meanwhile a standardised scenario, considering the full consolidation efforts under governments' MFSPs, would suggest an additional 0.13 percentage points of GDP. The GDP growth impacts in these cases would be -0.03 percentage points and -0.07 percentage points per year on average respectively, over 2025-27. The inflation impact would be close to zero in both scenarios.

12 The December 2024 Eurosystem staff macroeconomic projections incorporate a total fiscal adjustment at the euro area level – as proxied by the change in the structural primary balance – of 0.16 percentage points of GDP per year, on average, over 2025-27.

13 See the March 2025 ECB staff macroeconomic projections for the euro area and the ECB's monetary policy statement of 6 March 2025.

14 "Commission unveils the White Paper for European Defence and the ReArm Europe Plan/Readiness 2030", *press release*, European Commission, 19 March 2025.

15 "European Council conclusions on European defence" of 6 March 2025.

as set by the ECOFIN Council or from the corrective path under the EDP, *provided that such deviation does not endanger fiscal sustainability over the medium term*. The budgetary flexibility for Member States activating this clause will be granted on two conditions. First, there will be a cap of 1.5% of GDP on additional spending per year for 2025-28 – for each Member State irrespective of its distance to/from NATO's 2% of GDP target for defence expenditure. Any increases beyond that cap will be subject to the usual assessments of compliance. Second, the additional fiscal space is to be used for extra defence expenditures and is to include both investment and current expenditure.[16] The increase in defence expenditure covered by flexibility under the national escape clause will be calculated relative to 2021 – the reference year. After 2028, Member States will have to sustain the higher spending level through gradual reprioritisation within their national budgets in order to safeguard fiscal sustainability.

Apart from the flexibility granted for defence spending, the fiscal framework should continue to operate normally. Concretely, the net expenditure growth ceilings of Member States as set out in their MFSPs remain valid. This implies that EU fiscal surveillance will monitor countries' compliance with the net expenditure paths included in the national plans and – where applicable – the EDP recommendations. The assessment of compliance with agreed spending ceilings is, however, to be conducted in a way that nets out the amount of defence spending subject to the escape clause. Therefore, in the absence of compensatory measures, debt trajectories would deviate from those projected at the time of endorsement. The implications of the triggering of national escape clauses for additional defence spending are analysed in Box 1.

Box 1
Flexibility in the reformed EU governance framework: implications for government debt

This box conducts a sensitivity analysis of the different sources of flexibility under the revised governance framework. It quantifies the associated risks for the evolution of government debt that may result from: (i) deviations of the macroeconomic assumptions underlying the MFSPs from the commonly agreed assumptions set out in the prior guidance from the European Commission; (ii) deviations from the fiscal path arising from "debits" accruing in the control account; and (iii) the possibility of a control account being reset if a new government is appointed.

Since the only reference trajectories publicly available from the European Commission are based on its Spring 2024 forecast, this analysis first includes ECB staff recalculations of adjustment requirements, using the Commission's Autumn 2024 forecast. The aim is to start the analysis from the latest projections and to assess the impact of the updated starting fiscal position (2024) and the macro-financial environment. Scenario 1 (S1) illustrates the debt implications of fully meeting these updated requirements. Scenario 2 (S2) presents the debt trajectories based on the fiscal path outlined in the MFSP, but using the S1 macroeconomic and financial assumptions. As the fiscal path outlined in the MFSP in most countries is derived from a different set of assumptions (see Section 3), the difference between S1 and S2 highlights the debt implication of such deviations. A third scenario (S3) assumes that the country deviates from the initial trajectory set in the MFSP but

[16] The application of the national escape clause will correspond to the entire statistical category of COFOG division 02 – Defence, which is a concept close to the aggregate used by NATO.

without breaching a maximum of 0.6 percentage points of GDP cumulatively over the expected term of each government. Breaching this maximum is referred to in the revised Regulation as the basis for enforcement action.[17] While the scenario does not incorporate any assessment of the likelihood of this, it aims to capture a lower bound to the adjustment path and its implications for debt. Compared with the baseline scenario (S1), the two alternative scenarios explore different fiscal paths over the selected adjustment period, aiming to quantify the impact of deviations from full compliance under revised assumptions. To ensure a meaningful comparison, all three scenarios incorporate one update of the adjustment plan after four years, as envisaged in the Regulation.

The simulations show that the more optimistic assumptions used by some governments in their MFSPs have a limited overall impact on debt dynamics (Chart A, blue and yellow lines). A closer examination of the underlying factors reveals that the safeguards in the new framework, which complement the fiscal requirements derived from the DSA, generally prevent significant reductions in fiscal requirements compared with the initial reference trajectory. However, debits accruing on the control account and/or a resetting of this account each time a new government is appointed could materially reduce the cumulated consolidation effort over the MFSP horizon (Chart A, red line).[18] For high-debt euro area economies, the adverse effects of deviating from the reference trajectory could be substantial. Assuming that the adjustment plans are updated in all three scenarios after four years, the simulations show that the deviation could lead to less favourable dynamics and higher debt ratios – up by more than ten percentage points over ten years in S3 – and potentially also higher financing costs. The impact on the low-debt countries is somewhat smaller; and the aggregate debt ratio would remain below the Treaty's 60% reference value under S3. The framework seems to prevent the accumulation of additional sovereign debt. However, the possibility of persistent deviations envisaged in the Regulation suggests that failure to fully implement the initial requirements in a timely manner will not necessarily require more substantial fiscal consolidation measures in the future. Rather, it would merely facilitate debt stabilisation at the current elevated levels, preventing a more significant reduction of the debt-to-GDP ratio.

17 Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6), Article 2.2, and Regulation (EU) 2024/1263, Articles 15.2 and 22.2.

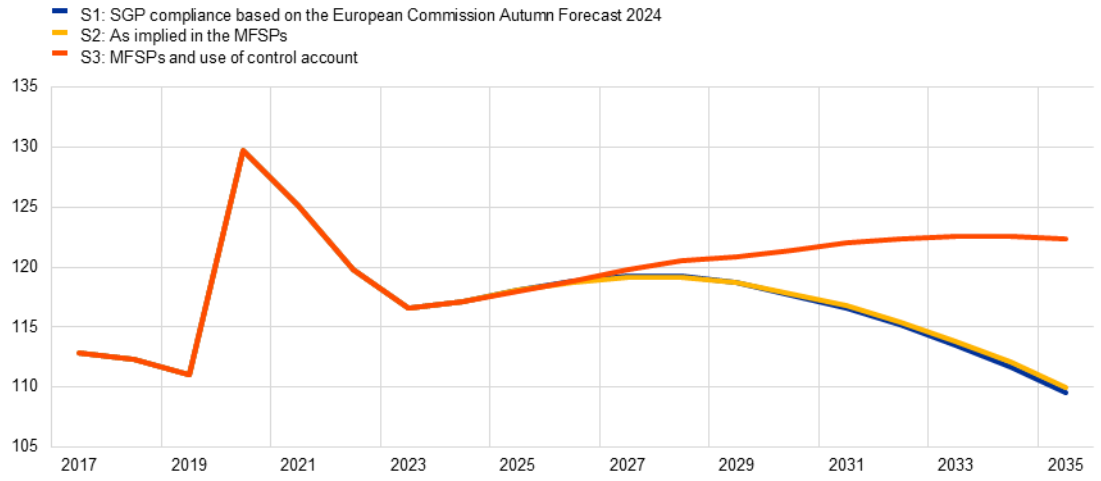
18 In the case of a revised MFSP, consolidation requirements will be influenced by two opposing factors: an *increase* due to the deviation from the initial plan and a *decrease* due to an improved starting position for the structural budget balance and a delay in the horizon over which debt stabilisation is required. The overall impact will depend on a country's specific circumstances.

Chart A

Debt outlook under different fiscal scenarios

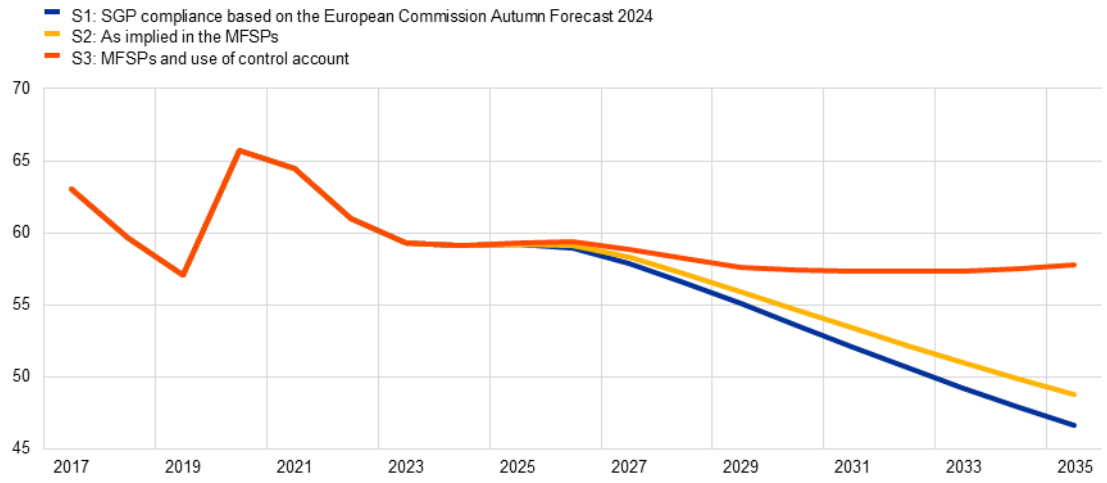
a) Aggregate for high-debt countries

(percentage of GDP)



b) Low-debt countries' aggregate

(percentage of GDP)



Sources: ECB staff calculations, based on the European Commission's 2024 Autumn Forecast.
Notes: Countries with government debt ratios higher than 90% in 2023 are included in the "high-debt" group (Belgium, Greece, Spain, France, Italy and Portugal). The updated reference trajectories assume an adjustment period for each Member State aligned with that chosen in its MFSP. For the Netherlands, in line with the Commission's recommendation, we use the required consolidation path as set out in the June 2024 reference trajectory. Among the countries that had not submitted a MFSP by the time this article was finalised (Germany, Lithuania and Austria), a seven-year adjustment period is assumed for Germany. The benchmark revisions of national accounts have on average made the requirements slightly more demanding compared with the June 2024 trajectories based on the Commission's Spring Forecast. S2 uses the fiscal adjustment paths outlined in the MFSPs along with the macroeconomic and financial assumptions from S1. S3 assumes, cumulatively, a deviation (from S2) of 0.6 percentage points of GDP over two consecutive years at the start of the adjustment period (2025 and 2026). It also assumes an additional deviation if a new election is scheduled during the adjustment period. After four years, the updated reference trajectories are updated, assuming full compliance over the second cycle for S1 and S2 and continuous deviation for S3.

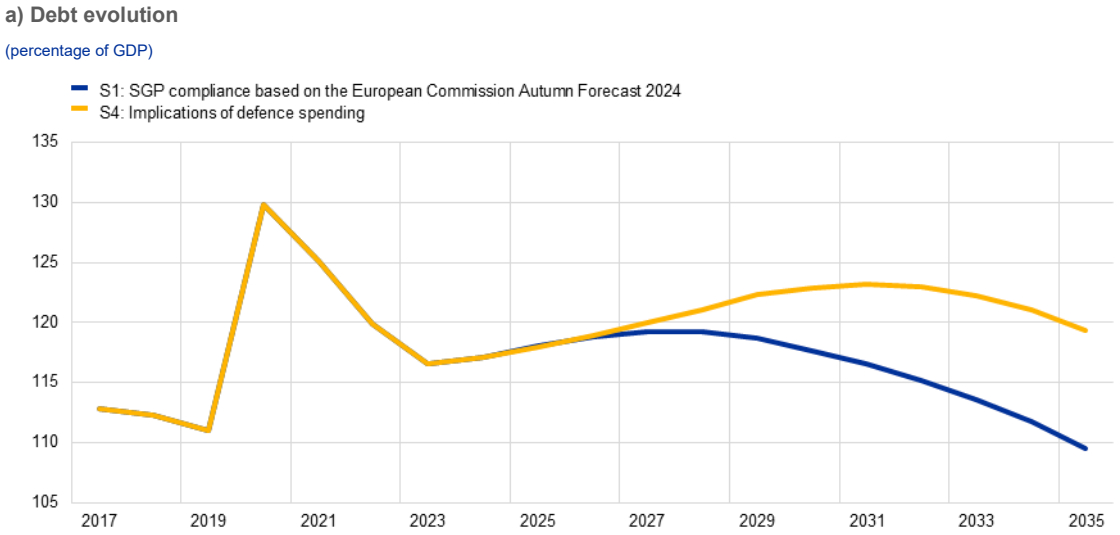
Turning to the impact of activating the national escape clause on the debt outlook, we assume that the clause is activated in a coordinated manner. It thereby allows each Member State to gradually increase defence spending by 1.5% of GDP, the maximum allowed, over a period of four years. In addition, Member States for which the debt and deficit safeguards were binding when defining the consolidation requirements will be exempted from this clause and can therefore further increase their spending beyond the standard 1.5% ceiling. Although flexibility on defence spending operates alongside the control account, and both mechanisms can contribute to additional fiscal space, this analysis focuses solely on the impact of the national escape clause on debt accumulation. As with

the control account assessment, we reflect on the Commission's update of fiscal requirements at the end of the first planning period. We therefore quantify the likely increase in consolidation requirements to offset the initial increase in spending.

Chart B illustrates the aggregate impact on high-debt countries, showing how the national escape clause could affect their debt trajectory. Scenario 4 (S4) is the activation of the national escape clause for four years, with additional spending phased in gradually and linearly to reach the 1.5% of GDP ceiling by the end of the period for all countries. This would reduce the overall fiscal adjustment for high-debt countries by about 1.7 percentage points compared with the agreed medium-term fiscal plans. This would lead, initially, to a worsening of debt dynamics. Even if the escape clause were to be fully utilised, the envisaged full compliance with the requirements of the SGP in the second planning period, starting in 2029, would ensure that debt returns to a declining path (Chart B, panel a). This would shift the sizeable fiscal adjustment from the first to the second planning period (Chart B, panel b). Importantly, this scenario and its debt implications remain purely illustrative, as they rest on two strong assumptions. First, they assume a coordinated activation of the national escape clause and the gradual and linear financing of additional defence spending of 1.5% of GDP over 2025-28. Second, they assume all financing takes place through national debt issuance.[19]

Chart B

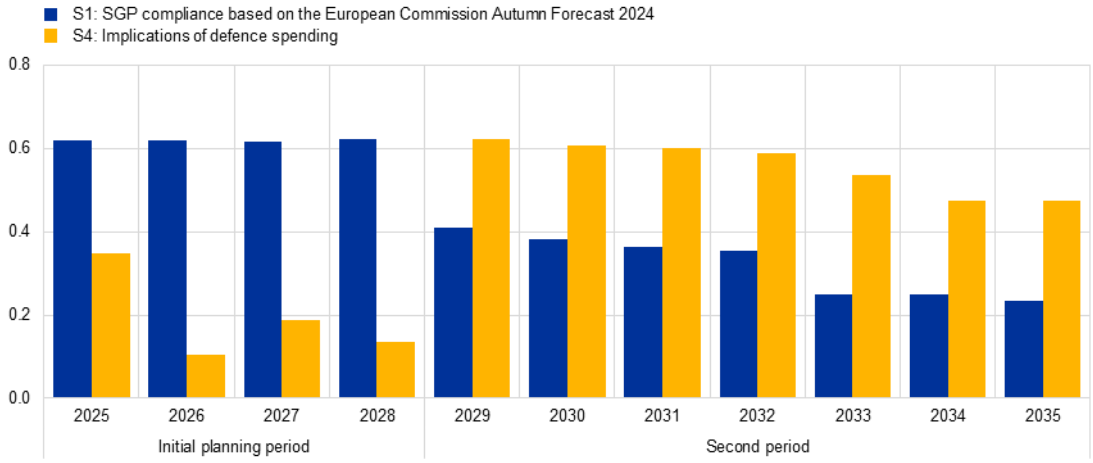
Implications of maximum SGP flexibility for defence spending in high-debt countries



[19] The potential use of the loan facility offered by the Security Action For Europe (SAFE) instrument, up to an amount of €150 billion at EU level, is not factored into this simulation. Other options are also explored: repurposing cohesion funds, an increased role for the European Investment Bank (EIB) or mobilising private capital by deepening the Savings and Investments Union. As mentioned in the previous section, there is also a lot of uncertainty about the macroeconomic effects of the defence spending. In the debt simulations shown, a standard fiscal multiplier of 0.75, according to the Commission's debt sustainability framework, is used for the positive growth impact of this additional fiscal stimulus.

b) Required fiscal adjustment

(percentage of GDP)



Sources: ECB staff calculations, based on the European Commission's 2024 Autumn Forecast.
Notes: Countries with government debt ratios higher than 90% in 2023 are included in the "high-debt" group (Belgium, Greece, Spain, France, Italy and Portugal). The updated reference trajectories assume an adjustment period for each Member State aligned with that chosen in its MFSP. For the Netherlands, in line with the Commission's recommendation, we use the required consolidation path as set out in the June reference trajectory. Among the countries that had not yet submitted an MFSP (Germany, Lithuania and Austria), a seven-year adjustment period is assumed for Germany. S4 assumes, cumulatively, a deviation (from S1) of 1.5% of GDP over four consecutive years (2025-28) and an additional deviation resulting from the exemption for the debt and deficit safeguard. After four years, the reference trajectories are updated, assuming full compliance over the second cycle for both S1 and S4.

5 Public investment and structural reform commitments

Another key design feature of the revised governance framework is its aim of fostering productive investment and growth-enhancing reforms.[20] Member States opting for an extension need to make sure that the planned level of nationally financed public investment is no lower during the MFSP period than its previous medium-term level. The European Commission operationalises this by comparing the average ratio to GDP of nationally financed public investment over the planning period with the average level over the period covered by the respective Recovery and Resilience Plan (RRP), i.e. 2021/22 to 2026. In its assessments of the MFSPs, the Commission finds that four euro area countries that have opted for an extension of the adjustment period so far meet the condition (Spain, France, Italy and Finland).[21] The revised rules require that countries seeking an extension of their fiscal adjustment period commit to a set of adequate reforms, thereby increasing reform incentives. These reforms should respond to the main policy challenges identified in the context of the European Semester. Ultimately, the reforms in the national plans should lead to higher potential output growth and thereby reduce fiscal adjustment needs.

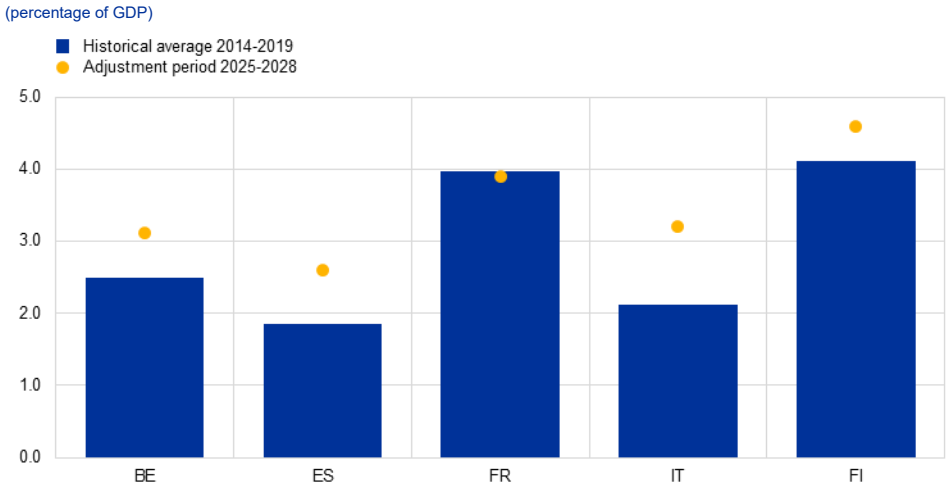
20 Estimates from empirical studies tend to find a positive relationship between public investment and growth, but the results are heterogeneous. A meta-analysis (see Bom, P.R.D. and Ligthart, J.E., "What have we learned from three decades of research on the productivity of public capital?", *Journal of Economic Surveys*, Vol. 28, No 5, 2014, pp. 889-916) shows that most empirical studies find a positive effect of the share of productive government investment on economic growth. This is particularly the case if public investment creates public capital that is complementary to private capital or that would otherwise be undersupplied in an economy.

21 In the case of Belgium, which submitted its MFSP in March 2025 and which has also opted for an extended adjustment period, a Commission assessment is still pending.

Nationally financed public investment is planned to remain at or above average pre-pandemic levels in all five euro area countries that opted for an extended adjustment period. Chart 5 compares nationally financed government investments as a percentage of GDP over 2025-28 with the average for 2014-19. This average can provide additional insights relative to the Commission's operationalisation, because the period concerned was not affected by the large investments foreseen in the RRPs. The national plans for Belgium, Spain, Italy and Finland aim at reaching a level of nationally financed government investment that is, on average, significantly above the 2014-19 average. Only the French plan maintains nationally financed government investment broadly at the levels observed in 2014-19. Public investment commitments in the MFSPs appear to mostly overlap or complement existing measures included in the RRPs. In line with the revised economic governance framework, the Commission assesses these as addressing the common priorities of the EU, including the green and digital transitions.

Chart 5

Average nationally financed government investment according to the MFSPs for 2025-28 versus 2014-19



Sources: AMECO database and European Commission assessments of the MFSPs, as published on the European Commission website. The European Commission's assessment of the Belgian MFSP was not yet available, therefore the average nationally financed government investment figure is the one reported in the MFSP.
Notes: The chart focuses on the four euro area countries which have requested an extension of the adjustment period from four to seven years. For 2014-19 the nationally financed government investments are defined as the gross fixed capital formation series from which EU capital transfers are deducted.

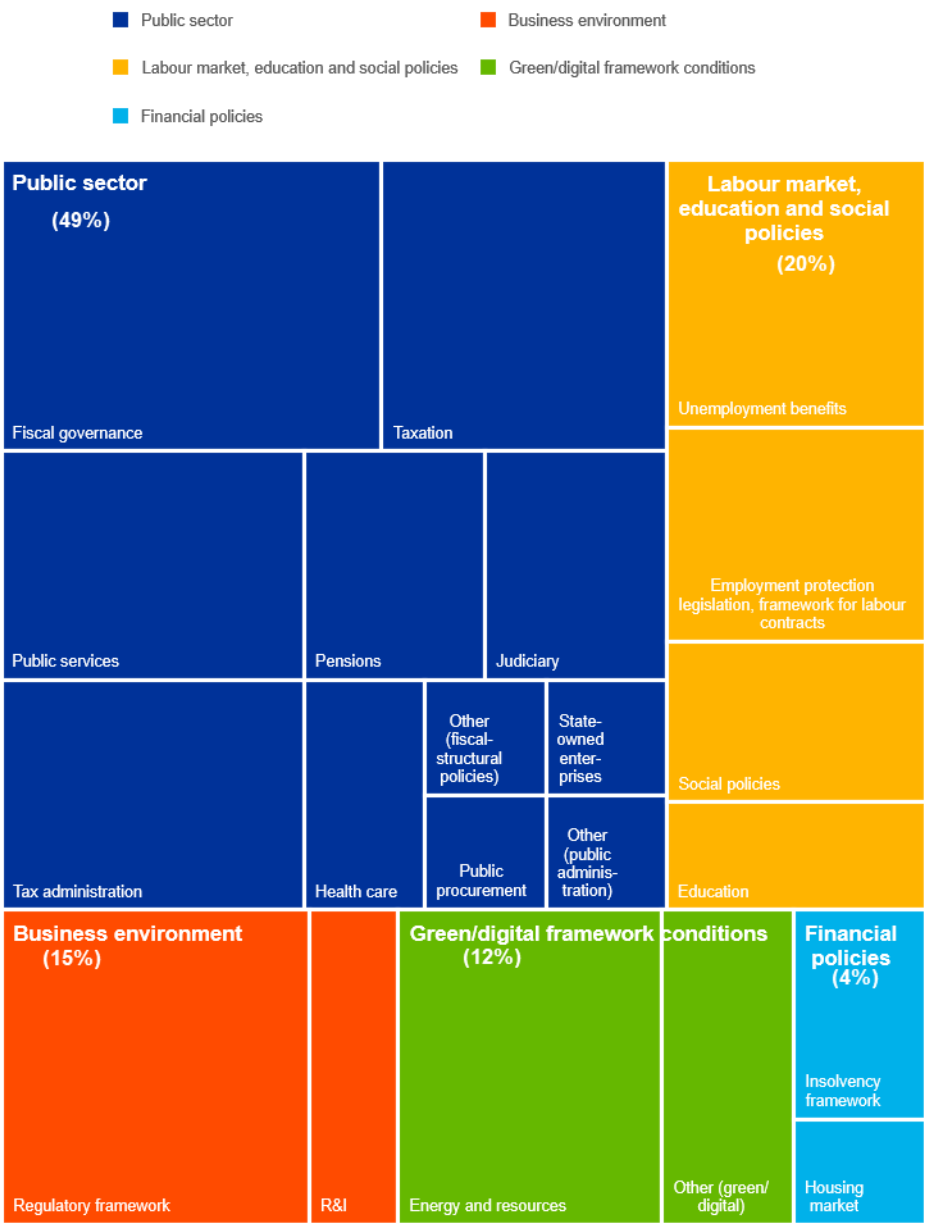
The reforms supporting an extension of the adjustment period focus mainly on the public sector. The plans of the five euro area countries seeking an extension of the adjustment period include 71 extension-related reforms. Half of them can be broadly categorised as public sector reforms, for instance aiming to enhance tax administration or the judiciary (Chart 6). Labour market, education and social policies account for around one-fifth of all planned reforms. The categories "business environment" and "green/digital framework conditions" account for 15% and 12%, respectively. The remaining reforms are related to financial policies (4%), most notably insolvency frameworks and the housing market. With its focus on public

sector reforms, the reform mix in the fiscal-structural plans is therefore comparable to that envisaged by the RRPs.[22]

Chart 6

Reforms in countries seeking an extension of the adjustment period: policy areas

(percentage of overall number of reforms)



Source: ECB aggregation based on MFSPs.
Notes: Includes the five euro area countries seeking an extension of the adjustment period (i.e. Belgium, Spain, France, Italy and Finland). The classification is based on an ECB staff assessment and only covers the reforms underpinning the requested extension. "R&I" stands for research and innovation.

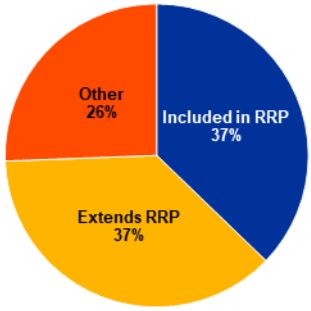
22 See the article entitled "Four years into the Next Generation EU programme: an updated preliminary evaluation of its economic impact", *Economic Bulletin*, Issue 8, ECB, 2024.

Most of the planned reforms are either already included in the RRPs or designed to complement them. While the Recovery and Resilience Facility (RRF) is in operation, the revised governance framework allows Member States to include in their MFSPs reforms that have already been implemented or planned in the context of the RRPs. Some 37% of the reforms underpinning an extension of the adjustment period fall into this category (Chart 7). Another 37% of the relevant reforms are designed to complement or extend those set out in the RRPs. The remaining 26% can be seen as new, stand-alone reforms without a direct connection to the RRPs, such as the planned streamlining and improvement of the efficiency of state-owned enterprises in Italy.

Chart 7

Reforms in countries seeking an extension of the adjustment period: RRP links

(percentage of overall number of reforms)



Source: ECB aggregation based on MFSPs.
Notes: The classification is based on the European Commission's assessment and only covers the reforms underpinning the requested extension. It includes the euro area countries seeking an extension of the adjustment period, except Belgium, for which no European Commission assessment was available as at the cut-off date for this publication.

The growth impact of the suggested reforms is difficult to assess. First, there is no agreed methodology for determining the potential quantitative impact of reforms on the fiscal adjustment required under the new rules.[23] Among the five euro area countries seeking an extension of the adjustment period, only Spain and Italy provide comprehensive estimates of the expected growth impact that, though not comparable, are based on specific models or comparisons with baseline scenarios. Second, so far the reforms are only public commitments – important parameters concerning the design and implementation of the reforms are still to be decided. Therefore, the overall impact on potential output growth is hard to quantify.

[23] See Darvas, Z., Welslau, L. and Zettelmeyer, J., "Incorporating the impact of social investments and reforms in the European Union's new fiscal framework", *Working Papers*, No 7, 2024, Bruegel.

6 Conclusion

The implementation of the reformed economic governance framework is surrounded by significant uncertainty. Although fiscal surveillance under the SGP framework is envisaged to continue to operate normally, it needs to take into account a coordinated activation of the national escape clause of the SGP. Such activation also follows a prolonged period (2020-23) in which the general escape clause of the SGP had already been activated, implying a de facto suspension of the European fiscal rules. In addition to challenges related to the escape clause, the uncertainty relates to the fact that some countries have yet to submit a plan or their plan lacks political backing. Moreover, future plans will need to rest on prior guidance from the European Commission based on more recent forecasts, factoring in recent shifts in the political and economic context. Overall, the course of fiscal policy in the euro area in 2025 and beyond remains surrounded by high uncertainty, not least as Member States still have to spell out their plans regarding defence.

In view of high uncertainty, full implementation of the commitments undertaken in Member States' MFSPs is crucial. As the SGP rules continue to be implemented, Member States should fully implement their fiscal and structural commitments as this will also help limit the deficit and debt-increasing impact of additional spending on defence. Fiscal consolidation measures need to be well-designed, and accompanied by growth-enhancing reforms and public investment, to limit adverse macroeconomic effects through aggregate demand. And the latter would in part be offset by confidence effects, notably in high-debt countries.

The national escape clause needs to be implemented in a targeted way, that ensures a rise in defence spending while preserving medium-term fiscal sustainability in line with the requirements of the SGP. In this context, it is essential that flexibility to deviate from an endorsed net expenditure path is only used for the necessary additional defence spending, as envisaged by the Commission in its Communication. This will be important to preserve the credibility of the recently reformed EU fiscal framework, thus achieving the defence spending goals without endangering medium-term fiscal sustainability. Deviations from the net expenditure paths should continue to be recorded in order to ensure normal surveillance of compliance with the commitments in the plans.

Appropriate surveillance and monitoring of fiscal adjustment, reform and investment commitments will be crucial to ensure that the objectives of the revised fiscal and economic governance framework are met. The framework builds on the premise that fiscal sustainability, reforms and investment are mutually reinforcing and should therefore be fostered as part of an integrated approach. ECB staff estimates suggest that gaps in the fiscal adjustment vis-à-vis the net expenditure ceilings of the MFSPs could emerge in the near term. Such gaps – if sizeable and persistent – may interfere with the objective of the new framework, namely putting debt on a plausibly declining path over the medium term, especially in view of the need for additional spending on defence. It is important that Member States do not use the flexibility offered by the control account ex ante, this being intended to be used to monitor deviations from agreed consolidation paths rather

than provide additional fiscal space. Going forward, proper surveillance of the implementation of the plans will be crucial to ensure that the comprehensive new governance framework gains credibility and delivers on its stated objectives from the start.

Finally, the plan's reform and investment initiatives will need to be implemented effectively. It will be essential to sustain national public investment, in line with the commitments contained in the MFSPs, in order to also address challenges in strategic areas other than defence, such as the green and digital transitions. Member States' plans also contain important reform initiatives, which significantly overlap with or complement existing commitments under the Next Generation EU programme. The reforms and investments, if well implemented, can raise potential growth, thereby providing an important contribution to the sustainability of public finances. If anything, the most recent challenges that Europe has been confronted with have strengthened the case for stepping up efforts to bring about sustainably higher economic growth.

Statistics

Contents

Further information

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

Conventions used in the tables

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

1 External environment

1.1 Main trading partners, GDP and CPI

	GDP [1] (period-on-period percentage changes)						CPI (annual percentage changes)						
							OECD countries						
	G20	United States	United Kingdom	Japan	China	Memo item: euro area	Total	excluding food and energy	United States	United Kingdom (HICP)	Japan	China	Memo item: euro area [2] (HICP)
	1	2	3	4	5	6	7	8	9	10	11	12	13
2022	3.4	2.5	4.8	0.9	3.0	3.5	9.5	6.8	8.0	9.1	2.5	2.0	8.4
2023	3.4	2.9	0.4	1.5	5.2	0.4	6.8	7.0	4.1	7.4	3.2	0.2	5.4
2024	3.2	2.9	1.1	0.1	5.0	0.9	5.2	5.7	2.9	2.5	2.7	0.2	2.4
2024 Q2	0.7	0.7	0.5	0.8	0.9	0.2	5.8	6.1	3.2	2.1	2.7	0.3	2.5
Q3	0.9	0.8	0.0	0.4	1.3	0.4	4.9	5.3	2.6	2.0	2.8	0.5	2.2
Q4	0.9	0.6	0.1	0.6	1.6	0.2	4.6	5.0	2.7	2.5	2.9	0.2	2.2
2025 Q1	.	.	.	.	.	.	.	.	2.7	2.8	.	.	2.3
2024 Oct.	-	-	-	-	-	-	4.6	5.1	2.6	2.3	2.3	0.3	2.0
Nov.	-	-	-	-	-	-	4.7	5.0	2.7	2.6	2.9	0.2	2.2
Dec.	-	-	-	-	-	-	4.7	4.9	2.9	2.5	3.6	0.1	2.4
2025 Jan.	-	-	-	-	-	-	4.7	4.8	3.0	3.0	4.0	0.5	2.5
Feb.	-	-	-	-	-	-	4.5	4.7	2.8	2.8	3.7	.	2.3
Mar.	-	-	-	-	-	-	.	.	2.4	2.6	.	.	2.2

Sources: Eurostat (col. 6, 13); BIS (col. 9, 10, 11, 12); OECD (col. 1, 2, 3, 4, 5, 7, 8).
1) Quarterly data seasonally adjusted; annual data unadjusted.
2) Data refer to the changing composition of the euro area.

1.2 Main trading partners, Purchasing Managers' Index and world trade

	Purchasing Managers' Surveys (diffusion indices; s.a.)									Merchandise imports [1]		
	Composite Purchasing Managers' Index						Global Purchasing Managers' Index [2]					
	Global [2]	United States	United Kingdom	Japan	China	Memo item: euro area	Manufacturing	Services	New export orders	Global	Advanced economies	Emerging market economies
	1	2	3	4	5	6	7	8	9	10	11	12
2022	-	-	-	-	-	-	-	-	-	3.1	4.6	1.8
2023	-	-	-	-	-	-	-	-	-	-0.6	-3.9	2.6
2024	52.9	53.7	52.5	51.3	52.1	50.1	50.7	53.1	49.0	2.6	3.5	1.8
2024 Q2	53.2	53.5	53.1	51.5	53.2	51.6	52.1	53.3	50.1	1.3	1.9	0.7
Q3	52.9	54.3	53.1	52.5	50.9	50.3	49.8	53.4	48.4	1.2	1.9	0.6
Q4	53.0	54.8	50.9	50.1	51.8	49.3	49.9	53.3	48.4	1.0	0.5	1.4
2025 Q1	52.0	52.6	50.8	50.6	51.5	50.4	.	52.1	.	.	.	.
2024 Oct.	52.8	54.1	51.8	49.6	51.9	50.0	50.1	53.1	48.3	1.4	1.2	1.6
Nov.	53.2	54.9	50.5	50.1	52.2	48.3	50.4	53.1	48.6	0.7	0.6	0.8
Dec.	53.2	55.4	50.4	50.5	51.4	49.6	49.2	53.8	48.2	1.0	0.5	1.4
2025 Jan.	52.0	52.7	50.6	51.1	51.1	50.2	50.7	52.2	49.4	.	.	.
Feb.	51.7	51.6	50.5	52.0	51.5	50.2	51.5	51.5	49.6	.	.	.
Mar.	52.3	53.5	51.5	48.9	51.8	50.9	.	52.7	.	.	.	.

Sources: S&P Global Market Intelligence (col. 1-9); CPB Netherlands Bureau for Economic Policy Analysis and ECB calculations (col. 10-12)
1) Global and advanced economies exclude the euro area. Annual and quarterly data are period-on-period percentages; monthly data are 3-month-on-3-month percentages. All data are seasonally adjusted.
2) Excluding 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)												
2022	13,724.4	13,448.1	7,232.5	2,943.7	3,015.6	1,557.3	867.7	584.2	256.4	-276.2	7,403.4	7,127.1
2023	14,599.7	14,077.2	7,730.5	3,092.9	3,195.1	1,643.5	923.9	621.4	58.8	-522.5	7,382.0	6,859.5
2024	15,155.6	14,481.3	8,007.3	3,272.2	3,197.8	1,652.0	910.9	628.2	3.9	-674.3	7,513.9	6,839.6
2024 Q1	3,740.6	3,568.6	1,982.3	799.5	801.3	413.8	227.5	158.4	-14.4	-172.0	1,854.6	1,682.6
Q2	3,765.8	3,581.1	1,990.9	813.4	783.2	410.6	229.1	141.8	-6.4	-184.7	1,897.0	1,712.3
Q3	3,802.3	3,643.3	2,008.3	825.8	801.7	411.0	225.9	163.1	7.5	-159.0	1,875.7	1,716.7
Q4	3,844.9	3,687.8	2,026.4	833.6	812.8	416.8	229.4	164.9	14.9	-157.2	1,889.7	1,732.5
as percentage of GDP												
2024	100.0	95.6	52.8	21.6	21.1	10.9	6.0	4.1	0.0	-4.4	-	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2024 Q1	0.3	-0.3	0.5	0.3	-1.9	-0.2	-0.5	-7.9	-	-	1.1	-0.2
Q2	0.2	-0.1	0.0	1.1	-2.5	-0.8	0.5	-11.3	-	-	1.5	1.1
Q3	0.4	1.4	0.6	0.9	1.8	-0.4	-2.2	14.8	-	-	-1.3	0.5
Q4	0.2	0.3	0.4	0.5	0.7	0.7	1.0	-0.1	-	-	0.0	0.1
annual percentage changes												
2022	3.5	3.8	5.0	1.1	2.0	-0.1	3.5	5.1	-	-	7.4	8.4
2023	0.4	0.1	0.5	1.4	1.7	0.7	2.2	3.6	-	-	-0.8	-1.4
2024	0.9	0.5	1.1	2.7	-1.8	-1.4	-2.6	-1.8	-	-	1.1	0.3
2024 Q1	0.5	0.0	1.0	2.1	-0.9	-2.0	-2.6	4.4	-	-	-0.6	-1.6
Q2	0.5	-0.6	0.6	2.9	-3.2	-2.0	-1.8	-8.7	-	-	1.9	-0.4
Q3	1.0	1.0	1.1	3.0	-1.5	-1.9	-4.4	3.8	-	-	1.6	1.7
Q4	1.2	1.3	1.5	2.7	-2.0	-0.6	-1.3	-6.3	-	-	1.3	1.5
contributions to quarter-on-quarter percentage changes in GDP; percentage points												
2024 Q1	0.3	-0.3	0.3	0.1	-0.4	0.0	0.0	-0.4	-0.2	0.6	-	-
Q2	0.2	-0.1	0.0	0.2	-0.5	-0.1	0.0	-0.5	0.2	0.2	-	-
Q3	0.4	1.3	0.3	0.2	0.4	0.0	-0.1	0.6	0.5	-0.9	-	-
Q4	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.0	-0.2	0.0	-	-
contributions to annual percentage changes in GDP; percentage points												
2022	3.5	3.8	2.6	0.3	0.4	0.0	0.2	0.2	0.5	-0.2	-	-
2023	0.4	0.1	0.3	0.3	0.4	0.1	0.1	0.2	-0.9	0.3	-	-
2024	0.9	0.4	0.6	0.6	-0.4	-0.2	-0.2	-0.1	-0.3	0.4	-	-
2024 Q1	0.5	0.0	0.5	0.4	-0.2	-0.2	-0.2	0.2	-0.7	0.4	-	-
Q2	0.5	-0.6	0.3	0.6	-0.7	-0.2	-0.1	-0.4	-0.8	1.1	-	-
Q3	1.0	1.0	0.6	0.6	-0.3	-0.2	-0.3	0.2	0.1	0.0	-	-
Q4	1.2	1.2	0.8	0.6	-0.4	-0.1	-0.1	-0.3	0.3	0.0	-	-

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)												
2022	12,339.8	217.9	2,422.4	646.3	2,342.4	633.1	544.6	1,340.7	1,490.5	2,324.6	377.3	1,384.6
2023	13,205.2	225.6	2,607.1	720.2	2,437.9	678.4	601.6	1,467.1	1,600.2	2,459.3	408.0	1,394.6
2024	13,641.1	229.5	2,535.8	738.7	2,528.8	720.4	632.7	1,538.2	1,680.8	2,607.3	428.8	1,514.5
2024 Q1	3,370.0	56.6	630.7	184.6	625.0	177.0	155.9	382.2	413.2	639.3	105.5	370.6
Q2	3,392.0	56.9	627.1	184.6	630.6	178.4	157.9	384.3	418.2	647.0	107.0	373.8
Q3	3,420.2	57.2	632.8	184.2	632.9	180.8	159.2	384.8	423.1	657.2	108.2	382.1
Q4	3,456.8	58.7	642.9	185.5	640.3	184.2	159.7	387.0	426.5	663.9	108.2	388.1
as percentage of value added												
2024	100.0	1.7	18.6	5.4	18.5	5.3	4.6	11.3	12.3	19.1	3.1	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2024 Q1	0.1	0.9	-1.5	0.1	0.7	1.0	1.1	0.9	0.1	0.3	0.8	2.2
Q2	0.2	-1.6	-0.1	-1.0	0.2	0.4	0.1	0.3	0.7	0.3	0.4	0.2
Q3	0.3	-0.5	0.1	-0.6	0.0	1.2	0.1	0.1	0.4	0.7	1.1	1.9
Q4	0.2	0.5	-0.2	0.2	0.4	1.4	-1.0	0.4	0.0	0.5	-1.0	0.5
annual percentage changes												
2022	3.9	-0.9	0.5	0.0	8.1	5.6	-1.8	2.8	6.3	2.9	16.1	0.7
2023	0.7	0.3	-1.3	1.3	-0.1	4.6	-1.3	1.7	1.5	1.1	3.9	-1.9
2024	0.9	-0.6	-1.0	-1.6	0.8	3.9	0.5	1.9	1.9	1.6	1.2	0.8
2024 Q1	0.7	0.6	-1.4	-1.6	0.5	4.1	0.3	1.8	2.1	1.1	1.4	-1.4
Q2	0.7	-1.5	-1.3	-2.1	0.6	3.2	0.2	2.0	2.3	1.5	1.0	-0.9
Q3	1.0	-0.9	-0.2	-2.0	0.6	3.8	0.6	2.0	2.0	1.7	1.0	0.7
Q4	0.8	-0.7	-1.6	-1.3	1.3	4.1	0.3	1.7	1.2	1.8	1.3	4.9
contributions to quarter-on-quarter percentage changes in value added; percentage points												
2024 Q1	0.1	0.0	-0.3	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	-
Q2	0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0	-
Q3	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	-
Q4	0.2	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	-
contributions to annual percentage changes in value added; percentage points												
2022	3.9	0.0	0.1	0.0	1.5	0.3	-0.1	0.3	0.8	0.6	0.5	-
2023	0.7	0.0	-0.2	0.1	0.0	0.2	-0.1	0.2	0.2	0.2	0.1	-
2024	0.9	0.0	-0.2	-0.1	0.1	0.2	0.0	0.2	0.2	0.3	0.0	-
2024 Q1	0.7	0.0	-0.3	-0.1	0.1	0.2	0.0	0.2	0.2	0.2	0.0	-
Q2	0.7	0.0	-0.3	-0.1	0.1	0.2	0.0	0.2	0.3	0.3	0.0	-
Q3	1.0	0.0	0.0	-0.1	0.1	0.2	0.0	0.2	0.2	0.3	0.0	-
Q4	0.8	0.0	-0.3	-0.1	0.2	0.2	0.0	0.2	0.1	0.3	0.0	-

Sources: Eurostat and ECB calculations.

2 Economic activity

2.3 Employment [1)]

(quarterly data seasonally adjusted; annual data unadjusted)

	Total	By employment status		By economic activity									
		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													
2022	100.0	86.0	14.0	2.9	14.2	6.4	24.2	3.3	2.3	1.1	14.2	24.9	6.6
2023	100.0	86.1	13.9	2.8	14.1	6.4	24.4	3.4	2.3	1.1	14.2	24.8	6.6
2024	100.0	86.1	13.9	2.8	14.0	6.4	24.4	3.4	2.3	1.0	14.2	25.0	6.5
annual percentage changes													
2022	2.4	2.5	1.9	-0.7	1.2	3.7	3.3	6.1	0.1	3.3	3.8	1.5	1.3
2023	1.4	1.5	0.7	-2.1	0.9	1.3	2.0	3.6	0.5	1.8	1.7	1.3	1.4
2024	1.0	1.0	0.6	0.0	0.2	1.1	1.0	1.7	0.7	-0.8	0.5	1.7	0.5
2024 Q1	1.1	1.2	0.9	0.5	0.2	1.6	1.4	2.6	0.7	0.5	0.8	1.6	0.5
Q2	1.0	1.0	0.7	0.5	0.5	1.2	0.7	1.7	0.7	-1.3	0.6	1.9	0.7
Q3	1.0	1.0	0.8	0.2	0.3	0.8	1.0	1.4	0.8	-1.9	0.8	1.8	0.7
Q4	0.7	0.8	0.1	-1.0	0.0	0.8	1.1	1.3	0.8	-0.3	-0.1	1.6	0.0
Hours worked													
as a percentage of total hours worked													
2022	100.0	81.7	18.3	3.8	14.7	7.4	25.1	3.6	2.4	1.1	14.1	22.0	5.9
2023	100.0	81.9	18.1	3.7	14.6	7.3	25.2	3.6	2.4	1.1	14.2	22.0	5.9
2024	100.0	82.0	18.0	3.6	14.5	7.3	25.2	3.7	2.4	1.1	14.2	22.2	5.9
annual percentage changes													
2022	3.6	3.6	3.3	-1.3	1.2	4.2	7.4	6.4	-0.7	5.3	4.4	0.8	4.8
2023	1.3	1.6	0.2	-2.2	0.6	0.9	1.8	3.4	0.1	1.4	1.7	1.5	1.8
2024	1.0	1.2	0.4	-0.5	0.3	1.1	1.0	2.0	0.5	-1.2	1.2	1.8	0.8
2024 Q1	0.8	0.8	0.5	-1.3	-0.4	1.1	1.0	2.2	0.1	-1.1	1.2	1.3	0.1
Q2	0.9	1.0	0.4	0.0	0.4	0.7	0.4	1.8	0.4	-2.1	1.0	1.8	1.0
Q3	0.6	0.8	-0.1	-0.7	-0.1	0.3	0.6	1.2	0.5	-2.4	0.9	1.3	0.5
Q4	1.0	1.3	0.0	-0.9	0.2	1.1	1.2	1.7	0.2	0.1	0.8	1.9	0.9
Hours worked per person employed													
annual percentage changes													
2022	1.1	1.1	1.4	-0.6	-0.1	0.6	4.0	0.3	-0.8	1.9	0.6	-0.7	3.5
2023	-0.1	0.0	-0.6	0.0	-0.3	-0.4	-0.2	-0.2	-0.4	-0.4	0.0	0.2	0.4
2024	0.1	0.2	-0.2	-0.6	0.1	0.0	0.0	0.3	-0.2	-0.5	0.6	0.0	0.3
2024 Q1	-0.4	-0.3	-0.4	-1.7	-0.6	-0.4	-0.4	-0.3	-0.6	-1.5	0.4	-0.3	-0.4
Q2	-0.1	-0.1	-0.3	-0.5	-0.1	-0.5	-0.2	0.0	-0.3	-0.9	0.4	-0.1	0.3
Q3	-0.4	-0.3	-0.9	-1.0	-0.4	-0.5	-0.4	-0.1	-0.2	-0.5	0.0	-0.5	-0.2
Q4	0.3	0.4	-0.1	0.1	0.3	0.3	0.1	0.4	-0.6	0.4	0.9	0.3	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 2020			100.0			80.1		19.9		51.3		48.7			
2022	167.966	3.1	11.400	6.8	2.7	9.148	6.0	2.252	14.6	5.734	6.4	5.666	7.2		3.2
2023	170.280	2.9	11.183	6.6	2.4	8.886	5.8	2.297	14.5	5.651	6.2	5.531	6.9		3.0
2024	171.876	2.8	10.938	6.4	2.1	8.610	5.5	2.328	14.6	5.605	6.1	5.334	6.6		2.6
2024 Q1	171.641	2.9	11.251	6.6	2.3	8.914	5.7	2.336	14.6	5.686	6.2	5.565	6.9		2.9
Q2	171.794	2.8	11.034	6.4	2.1	8.691	5.6	2.342	14.7	5.619	6.2	5.415	6.7		2.6
Q3	171.945	2.8	10.865	6.3	1.9	8.499	5.4	2.366	14.8	5.654	6.2	5.211	6.5		2.5
Q4	172.125	2.8	10.605	6.2	2.0	8.335	5.4	2.269	14.4	5.461	6.0	5.144	6.4		2.5
2024 Sep.	-	-	10.837	6.3	-	8.485	5.4	2.352	14.7	5.607	6.1	5.230	6.5		-
Oct.	-	-	10.730	6.2	-	8.421	5.4	2.309	14.5	5.526	6.0	5.204	6.5		-
Nov.	-	-	10.631	6.2	-	8.344	5.3	2.287	14.4	5.477	6.0	5.154	6.4		-
Dec.	-	-	10.680	6.2	-	8.427	5.4	2.253	14.2	5.492	6.0	5.187	6.4		-
2025 Jan.	-	-	10.650	6.2	-	8.390	5.3	2.259	14.2	5.482	6.0	5.168	6.4		-
Feb.	-	-	10.580	6.1	-	8.308	5.3	2.272	14.2	5.440	5.9	5.140	6.4		-

Sources: Eurostat and ECB calculations.
1) Where annual and quarterly Labour Force Survey data have not yet been published, they are estimated as simple averages of the monthly data. There is a break in series from the first quarter of 2021 due to the implementation of the Integrated European Social Statistics Regulation. Owing to technical issues with the introduction of the new German system of integrated household surveys, including the Labour Force Survey, the figures for the euro area include data from Germany, starting in the first quarter of 2020, which are not direct estimates from Labour Force Survey microdata, but based on a larger sample including data from other integrated household surveys.
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												
2022	1.8	2.5	-1.3	3.7	5.9	-3.4	2.1	1.1	-2.7	3.4	4.5	9.9	-4.3
2023	-1.6	-1.2	-6.2	3.2	-1.0	-5.0	1.9	-1.9	-2.6	-1.0	-1.7	2.3	14.6
2024	-3.0	-3.3	-3.9	-5.0	-0.1	-0.2	-0.9	1.2	0.5	1.7	0.5	1.6	-0.1
2024 Q1	-4.7	-5.0	-4.0	-5.5	-5.7	-1.3	-0.1	0.1	-0.1	0.3	-0.8	2.1	5.0
Q2	-4.0	-4.3	-5.4	-6.5	0.6	-0.4	-1.7	0.3	0.3	0.4	0.1	1.4	2.3
Q3	-1.8	-2.0	-3.7	-3.8	2.5	1.0	-2.2	2.1	0.8	2.8	2.1	0.9	-8.6
Q4	-1.6	-1.9	-2.5	-4.2	2.5	-0.1	0.3	2.1	1.0	3.0	0.3	2.1	-1.3
2024 Sep.	-2.2	-2.5	-4.1	-6.0	4.7	1.7	-2.3	3.3	0.4	5.6	2.0	0.9	-6.1
Oct.	-1.1	-1.3	-3.0	-2.3	2.6	-0.7	-0.9	2.3	1.2	3.2	0.9	2.0	-3.7
Nov.	-2.0	-2.2	-2.3	-3.1	-0.7	-0.3	0.5	1.8	1.1	2.2	0.7	2.6	0.6
Dec.	-1.8	-2.1	-2.1	-7.3	6.0	0.7	0.8	2.2	0.9	3.6	-0.6	1.7	-0.7
2025 Jan.	-0.5	-0.3	-1.3	-3.2	5.3	-1.4	0.0	1.8	1.4	2.8	-0.5	2.9	-3.0
Feb.	1.2	0.7	-2.7	-1.8	8.3	1.4	.	2.3	1.9	2.5	0.7	.	1.8
	month-on-month percentage changes (s.a.)												
2024 Sep.	-1.4	-1.3	-1.4	-3.6	2.0	-0.9	-0.4	0.6	-0.4	1.1	-0.7	-0.2	4.1
Oct.	0.3	0.2	0.3	1.6	-2.0	-1.2	0.3	-0.3	0.0	-0.6	-0.5	0.7	-0.3
Nov.	0.4	0.4	0.5	0.3	-0.3	2.0	1.0	0.0	0.0	-0.1	1.0	0.3	3.9
Dec.	-0.9	-1.3	-1.6	-1.9	5.5	1.4	0.4	0.0	-0.4	0.4	-0.5	-0.2	-1.8
2025 Jan.	0.6	1.0	1.4	0.0	-2.3	-1.1	0.2	0.0	0.5	-0.2	0.0	0.4	-1.2
Feb.	1.1	1.2	0.3	0.8	2.3	-0.2	.	0.3	0.3	0.3	0.2	.	3.4

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)								Purchasing Managers' Surveys (diffusion indices)			
	Economic sentiment indicator (long-term average = 100)	Manufacturing industry		Consumer confidence indicator	Construction confidence indicator	Retail trade confidence indicator	Service industries		Purchasing Managers' Index (PMI) for manufacturing	Manufacturing output	Business activity for services	Composite output
		Industrial confidence indicator	Capacity utilisation (%)				Services confidence indicator	Capacity utilisation (%)				
	1	2	3	4	5	6	7	8	9	10	11	12
1999-20	99.7	-4.2	80.1	-11.0	-12.6	-6.7	6.4	.	-	-	-	-
2022	102.3	5.0	82.4	-21.9	5.2	-3.6	9.3	89.9	-	-	-	-
2023	96.2	-6.1	80.7	-17.4	-1.3	-4.2	6.7	90.4	-	-	-	-
2024	95.7	-11.0	78.4	-14.0	-4.5	-6.9	6.3	90.1	45.9	46.2	51.5	50.1
2024 Q2	95.8	-10.7	78.9	-14.2	-5.2	-7.2	6.8	89.9	46.2	47.6	53.1	51.6
Q3	96.1	-11.0	78.2	-13.0	-5.0	-8.7	6.1	90.2	45.5	45.4	52.1	50.3
Q4	95.2	-12.6	77.4	-13.4	-3.7	-5.6	5.8	90.4	45.4	45.1	50.9	49.3
2025 Q1	95.6	-11.3	77.2	-14.1	-3.2	-5.7	4.4	90.3	47.6	48.8	51.0	50.4
2024 Oct.	96.2	-12.5	77.4	-12.3	-3.8	-7.6	7.0	90.4	46.0	45.8	51.6	50.0
Nov.	95.9	-11.1	.	-13.6	-3.7	-4.8	5.0	.	45.2	45.1	49.5	48.3
Dec.	93.6	-14.2	.	-14.3	-3.8	-4.6	5.4	.	45.1	44.3	51.6	49.6
2025 Jan.	95.3	-12.3	77.2	-14.1	-2.9	-5.2	5.7	90.3	46.6	47.1	51.3	50.2
Feb.	96.3	-11.0	.	-13.6	-3.3	-5.1	5.1	.	47.6	48.9	50.6	50.2
Mar.	95.2	-10.6	.	-14.5	-3.4	-6.8	2.4	.	48.6	50.5	51.0	50.9

Sources: European Commission (Directorate-General for Economic and Financial Affairs) (col. 1-8) and S&P Global Market Intelligence (col. 9-12).

2.7 Summary accounts for households and non-financial corporations
(current prices, unless otherwise indicated; not seasonally adjusted)

	Households							Non-financial corporations					
	Saving rate (gross)	Debt ratio	Real gross disposable income	Financial investment	Non-financial investment (gross)	Net worth [2]	Housing wealth	Profit rate [3]	Saving rate (gross)	Debt ratio [4]	Financial investment	Non-financial investment (gross)	Financing
	Percentage of gross disposable income (adjusted) [1]		Annual percentage changes					Percentage of gross value added		Percentage of GDP	Annual percentage changes		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2022	13.6	91.1	0.5	2.2	12.5	2.1	7.7	37.5	5.0	72.9	4.9	9.7	3.4
2023	14.2	85.0	1.2	1.8	3.5	3.9	1.6	35.7	5.1	68.8	1.7	2.2	0.8
2024	15.4	81.9	2.3	2.4	-1.8	4.4	3.4	33.3	3.0	67.3	1.8	-2.7	0.9
2024 Q1	14.6	83.8	2.6	1.9	-3.1	3.7	1.7	34.9	4.5	68.0	1.9	-5.9	0.9
Q2	15.0	83.2	1.8	2.2	-1.7	3.8	2.4	34.2	3.9	68.0	2.0	-8.4	1.0
Q3	15.2	82.6	2.3	2.3	-0.9	5.7	2.9	33.7	3.6	67.7	2.2	2.8	1.1
Q4	15.4	81.9	2.4	2.4	-1.5	4.4	3.4	33.3	3.0	67.3	1.8	1.0	0.9

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
2024 Q1	1,442.4	1,333.5	108.9	705.9	600.7	369.6	335.3	320.7	316.8	46.2	80.7	20.4	32.5
Q2	1,491.9	1,358.5	133.4	713.8	616.3	390.5	338.5	341.2	313.1	46.4	90.6	24.4	22.2
Q3	1,470.6	1,380.5	90.1	704.4	620.3	376.9	341.4	339.1	325.9	50.1	92.9	21.3	16.5
Q4	1,488.3	1,405.1	83.2	708.7	624.4	384.8	338.8	341.7	338.4	53.1	103.4	34.4	23.0
2024 Sep.	486.7	454.4	32.3	233.8	206.3	122.8	112.3	113.8	105.3	16.4	30.5	5.2	5.7
Oct.	488.4	463.0	25.4	231.0	204.8	125.4	110.3	114.8	114.9	17.1	32.9	7.5	4.7
Nov.	495.7	474.1	21.6	239.2	209.4	126.8	114.9	112.7	117.5	17.1	32.3	6.6	5.2
Dec.	504.3	468.0	36.2	238.5	210.2	132.6	113.6	114.3	106.0	18.9	38.2	20.3	13.1
2025 Jan.	506.6	466.3	40.3	248.0	206.3	132.3	120.5	111.1	110.8	15.2	28.7	12.4	11.9
Feb.	515.4	481.1	34.3	253.5	219.7	136.1	122.0	110.1	113.4	15.7	26.0	11.5	10.3
12-month cumulated transactions													
2025 Feb.	5,952.5	5,541.5	411.0	2,864.4	2,493.7	1,542.2	1,372.8	1,350.0	1,304.8	195.9	370.1	114.7	94.7
12-month cumulated transactions as a percentage of GDP													
2025 Feb.	39.3	36.6	2.7	18.9	16.5	10.2	9.1	8.9	8.6	1.3	2.4	0.8	0.6

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)													
2024 Q1	-2.8	-11.8	712.5	336.6	143.1	219.4	588.7	655.1	371.3	106.6	159.0	468.1	75.7
Q2	1.7	-4.4	716.8	338.5	137.4	224.2	592.7	672.4	384.9	109.7	162.8	481.1	78.9
Q3	2.2	0.4	711.2	338.7	136.8	218.8	590.2	675.8	381.3	112.1	165.2	490.9	75.0
Q4	1.1	2.1	715.3	335.8	138.7	223.3	593.5	683.0	379.7	111.1	170.7	492.8	70.3
2024 Aug.	-2.7	-1.6	237.4	113.4	45.3	73.8	197.0	228.2	128.3	37.4	55.8	165.0	26.0
Sep.	0.2	-1.0	236.8	112.4	46.2	71.6	197.5	223.4	125.4	37.1	55.0	163.9	22.3
Oct.	2.4	3.3	233.7	110.9	44.4	73.4	195.3	227.4	127.4	36.4	57.1	165.3	23.9
Nov.	-1.7	-0.4	241.0	112.5	47.5	74.5	199.2	229.2	127.5	37.6	56.8	165.1	23.3
Dec.	2.9	3.6	240.6	112.4	46.8	75.4	199.0	226.4	124.8	37.1	56.9	162.4	23.1
2025 Jan.	3.0	7.6	245.6	.	.	.	200.1	231.6	.	.	.	162.3	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2024 Q1	-3.6	-6.6	97.1	90.6	97.1	107.4	97.0	97.6	94.3	94.0	103.7	96.9	129.6
Q2	-1.1	-4.2	95.7	89.7	92.1	108.2	95.5	98.6	95.0	96.9	104.7	98.2	133.2
Q3	-0.5	-0.9	94.5	88.8	90.6	106.2	94.6	98.8	94.8	99.0	105.5	99.8	129.8
Q4	-2.4	1.4	93.7	86.9	89.9	107.5	94.0	99.7	94.9	96.1	109.3	99.9	133.2
2024 July	5.4	0.9	93.8	89.0	89.4	105.3	93.5	97.9	94.1	98.3	103.5	98.4	127.5
Aug.	-5.1	-3.5	95.7	89.1	90.5	109.4	96.0	99.8	95.6	99.9	107.3	100.9	132.8
Sep.	-2.1	-0.1	94.0	88.3	91.9	104.0	94.3	98.9	94.8	98.7	105.7	100.2	129.2
Oct.	-0.5	4.2	92.5	87.0	88.1	104.9	93.2	100.0	95.9	94.8	109.2	100.8	132.1
Nov.	-4.9	-0.9	95.0	87.4	92.2	108.4	95.1	100.2	95.5	97.0	108.0	99.7	134.6
Dec.	-1.7	0.8	93.6	86.4	89.4	109.4	93.7	99.0	93.2	96.5	110.8	99.3	132.9

Sources: ECB and Eurostat.
1) Differences between ECB's b.o.p. goods (Table 2.8) and Eurostat's trade in goods (Table 2.9) are mainly due to different definitions.
2) Product groups as classified in the Broad Economic Categories.

3 Prices and costs

3.1 Harmonised Index of Consumer Prices [1)]

(annual percentage changes, unless otherwise indicated)

	Total					Total (s.a.; percentage change vis-à-vis previous period) [2)]						Administered prices	
	Index: 2015 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total	Total excluding food and energy										
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2024	100.0	100.0	70.6	55.1	44.9	100.0	15.1	4.3	25.7	9.9	44.9	88.5	11.5
2022	116.8	8.4	3.9	11.9	3.5	-	-	-	-	-	-	8.5	7.8
2023	123.2	5.4	4.9	5.7	4.9	-	-	-	-	-	-	5.5	4.9
2024	126.1	2.4	2.8	1.1	4.0	-	-	-	-	-	-	2.3	3.3
2024 Q2	126.3	2.5	2.8	1.3	4.0	0.5	0.4	-0.4	0.0	-0.5	1.2	2.5	2.8
Q3	126.6	2.2	2.8	0.6	4.0	0.5	0.8	0.9	0.3	-1.4	1.0	1.9	4.0
Q4	126.9	2.2	2.7	0.8	3.9	0.5	0.8	1.7	0.1	-0.6	0.7	2.0	4.3
2025 Q1	127.3	2.3	2.6	1.2	3.7	0.8	0.5	0.5	0.2	2.9	0.8	2.2	3.7
2024 Oct.	127.0	2.0	2.7	0.4	4.0	0.3	0.4	1.3	0.0	0.4	0.3	1.7	4.1
Nov.	126.6	2.2	2.7	0.9	3.9	0.1	0.2	0.1	0.1	0.5	0.1	2.0	4.3
Dec.	127.1	2.4	2.7	1.2	4.0	0.2	0.1	-0.3	0.0	0.6	0.3	2.2	4.4
2025 Jan.	126.7	2.5	2.7	1.4	3.9	0.5	0.2	0.1	0.1	3.0	0.3	2.3	4.4
Feb.	127.3	2.3	2.6	1.2	3.7	0.2	0.2	0.4	0.1	-0.3	0.3	2.2	3.3
Mar.	128.0	2.2	2.4	1.1	3.5	0.1	0.1	0.8	0.0	-1.4	0.3	2.0	3.5

	Goods						Services					
	Food (including alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal care	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Total	Rents				
	14	15	16	17	18	19	20	21	22	23	24	25
% of total in 2024	19.5	15.1	4.3	35.6	25.7	9.9	9.6	5.6	7.4	2.2	16.4	9.3
2022	9.0	8.6	10.4	13.6	4.6	37.0	2.4	1.7	4.4	-0.2	6.1	2.1
2023	10.9	11.4	9.1	2.9	5.0	-2.0	3.6	2.7	5.2	0.2	6.9	4.0
2024	2.9	3.2	1.9	0.0	0.8	-2.2	3.3	2.9	4.2	-0.9	4.9	4.0
2024 Q2	2.6	2.9	1.4	0.6	0.7	0.0	3.3	2.8	3.7	-0.5	5.1	4.0
Q3	2.3	2.7	1.2	-0.3	0.5	-2.7	3.3	3.0	4.5	-0.9	4.8	4.0
Q4	2.7	2.8	2.3	-0.2	0.6	-2.2	3.3	3.0	5.0	-2.2	4.6	4.0
2025 Q1	2.6	2.6	2.9	0.5	0.6	0.4	3.3	2.9	3.9	-1.9	4.2	4.1
2024 Oct.	2.9	2.8	3.0	-0.9	0.5	-4.6	3.3	3.0	4.8	-2.2	4.7	4.0
Nov.	2.7	2.8	2.3	-0.1	0.6	-2.0	3.4	3.1	5.0	-1.9	4.5	4.0
Dec.	2.6	2.9	1.6	0.4	0.5	0.1	3.3	3.0	5.1	-2.4	4.7	4.0
2025 Jan.	2.3	2.6	1.4	0.9	0.5	1.9	3.3	2.9	4.4	-1.9	4.6	4.1
Feb.	2.7	2.6	3.0	0.4	0.6	0.2	3.3	2.9	3.9	-2.2	4.3	4.1
Mar.	2.9	2.6	4.2	0.2	0.6	-1.0	3.3	2.9	3.4	-1.7	3.8	4.2

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

3 Prices and costs

3.2 Industry, construction and property prices

(annual percentage changes, unless otherwise indicated)

	Industrial producer prices excluding construction [1]										Construction [2]	Residential property prices	Experimental indicator of commercial property prices [3]
		Total		Industry excluding construction and energy						Energy			
							Consumer goods						
	Total (index: 2021 = 100)	Total	Manufacturing	Total	Intermediate goods	Capital goods	Total	Food, beverages and tobacco	Non-food				
	1	2	3	4	5	6	7	8	9	10	11	12	13
% of total in 2021	100.0	100.0	77.8	72.3	30.9	19.3	22.2	15.7	6.5	27.7			
2022	132.7	32.7	17.0	13.8	19.8	7.1	12.2	16.6	6.8	81.1	11.9	7.1	0.6
2023	130.0	-2.1	1.9	3.7	-0.2	4.8	8.3	8.4	5.6	-13.3	6.9	-1.2	-8.2
2024	124.6	-4.2	-0.6	-0.1	-2.4	1.6	1.6	0.3	1.2	-12.2	2.2	2.0	.
2024 Q1	124.9	-7.9	-1.6	-1.3	-5.3	2.1	1.6	-0.2	1.5	-20.5	3.6	-0.3	-8.0
Q2	122.8	-4.4	-0.2	-0.4	-3.1	1.6	1.1	-0.4	1.1	-12.2	2.5	1.4	-6.5
Q3	124.4	-2.7	-0.6	0.4	-0.9	1.3	1.5	0.5	1.1	-8.9	1.8	2.7	-8.0
Q4	126.2	-1.5	-0.2	0.9	-0.3	1.4	2.1	1.5	1.2	-6.0	0.8	4.2	.
2024 Sep.	124.1	-3.5	-1.5	0.6	-0.8	1.3	1.7	0.9	1.1	-11.6	-	-	-
Oct.	124.6	-3.3	-0.9	0.8	-0.5	1.3	2.1	1.3	1.3	-11.2	-	-	-
Nov.	126.7	-1.2	-0.1	0.9	-0.3	1.4	2.1	1.6	1.1	-5.0	-	-	-
Dec.	127.3	0.1	0.5	1.0	0.0	1.5	2.1	1.5	1.2	-1.6	-	-	-
2025 Jan.	128.2	1.7	1.0	1.3	0.5	1.7	2.2	1.4	1.6	3.4	-	-	-
Feb.	128.5	3.0	0.8	1.4	0.9	1.6	2.1	1.5	1.5	7.4	-	-	-

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).

3.3 Commodity prices and GDP deflators

(annual percentage changes, unless otherwise indicated)

	GDP deflators								Oil prices (EUR per barrel)	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
2022	107.3	5.1	7.0	6.7	4.5	8.2	12.8	17.4	95.0	18.3	28.8	9.6	19.3	27.7	10.9
2023	113.7	6.0	4.6	6.4	3.6	4.2	0.6	-2.3	76.4	-12.8	-11.6	-14.0	-13.7	-12.5	-15.0
2024	117.1	2.9	2.4	2.5	3.0	1.9	0.7	-0.6	77.8	9.4	13.6	5.1	9.2	12.2	5.5
2024 Q2	116.6	2.9	2.7	2.7	3.2	1.8	0.8	-0.1	85.0	13.0	16.5	9.4	11.4	13.1	9.4
Q3	117.3	2.7	2.2	2.1	2.9	1.9	1.3	0.1	.	10.0	11.6	8.2	10.9	12.4	9.1
Q4	118.3	2.5	2.0	1.9	2.4	2.0	1.6	0.5	.	17.7	23.5	11.8	17.8	22.0	12.8
2025 Q1	.	.	.	.	.	.	.	.	.	19.5	27.2	11.4	18.9	24.3	12.2
2024 Oct.	-	-	-	-	-	-	-	-	.	13.5	14.7	12.2	13.0	13.1	12.9
Nov.	-	-	-	-	-	-	-	-	.	17.6	23.2	12.0	17.9	21.8	13.2
Dec.	-	-	-	-	-	-	-	-	.	22.0	32.7	11.2	22.6	31.3	12.3
2025 Jan.	-	-	-	-	-	-	-	-	.	23.8	36.6	10.7	24.1	34.6	11.6
Feb.	-	-	-	-	-	-	-	-	.	22.4	31.2	13.0	21.0	26.8	13.8
Mar.	-	-	-	-	-	-	-	-	.	12.7	14.9	10.3	12.0	12.5	11.3

Sources: Eurostat, ECB calculations and Bloomberg (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)					Purchasing Managers' Surveys (diffusion indices)			
	Selling price expectations (for next three months)				Consumer price trends over past 12 months	Input prices		Prices charged	
	Manu-facturing	Retail trade	Services	Construction		Manu-facturing	Services	Manu-facturing	Services
	1	2	3	4	5	6	7	8	9
1999-20	4.7	5.8	4.0	-3.3	29.0	-	-	-	-
2022	48.5	53.1	27.4	42.1	71.6	-	-	-	-
2023	9.1	28.8	19.6	14.8	74.5	-	-	-	-
2024	6.0	14.5	15.2	4.5	55.1	49.0	59.7	48.8	54.2
2024 Q2	5.9	14.1	15.0	4.3	56.7	49.9	60.5	48.6	54.6
Q3	6.5	13.5	13.8	2.8	50.4	52.0	57.9	50.1	53.0
Q4	7.4	13.9	14.7	4.9	48.8	49.1	58.0	48.2	53.3
2025 Q1	10.6	16.9	14.7	4.7	50.3	52.2	60.1	50.0	54.1
2024 Oct.	6.9	12.8	15.0	2.9	46.8	48.2	56.5	48.2	52.8
Nov.	7.4	14.5	13.8	5.1	49.4	49.3	57.9	47.9	53.3
Dec.	7.9	14.3	15.4	6.6	50.3	50.0	59.6	48.6	53.9
2025 Jan.	10.1	17.3	16.7	6.8	51.6	52.0	60.8	50.0	53.9
Feb.	10.2	16.6	13.9	4.1	49.8	52.2	60.8	49.8	54.7
Mar.	11.4	16.7	13.6	3.2	49.5	52.4	58.7	50.4	53.6

Sources: European Commission (Directorate-General for Economic and Financial Affairs) and S&P Global Market Intelligence.

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	
2022	105.7	4.5	3.7	7.0	5.1	3.3	2.9
2023	110.7	4.7	4.6	4.9	5.0	4.0	4.4
2024	115.8	4.6	4.6	4.5	4.6	4.6	4.5
2024 Q1	108.4	5.2	5.4	4.9	5.0	5.7	4.8
Q2	119.9	5.1	4.9	5.6	5.0	5.3	3.6
Q3	112.1	4.5	4.3	5.1	4.7	4.2	5.4
Q4	122.8	3.7	4.1	2.6	3.9	3.3	4.1

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												
2022	103.0	3.4	4.2	4.6	8.1	1.4	2.9	5.1	5.7	3.3	2.1	-5.7
2023	109.6	6.4	3.8	7.7	4.9	7.9	4.0	7.4	4.0	6.4	5.0	2.5
2024	114.7	4.7	5.0	5.7	6.7	4.6	2.0	5.2	0.9	3.4	4.9	4.1
2024 Q1	113.2	5.5	4.2	6.5	7.1	5.0	2.4	5.6	2.7	3.9	5.8	5.2
Q2	114.1	5.2	6.1	6.6	6.9	4.9	2.5	6.3	0.2	3.1	5.4	4.6
Q3	114.9	4.5	5.5	4.6	7.2	4.9	1.7	5.2	-0.5	3.5	4.8	3.7
Q4	115.9	3.7	4.6	5.7	6.1	3.8	1.8	4.0	1.3	3.2	3.8	2.9
Compensation per employee												
2022	109.0	4.5	4.0	3.9	4.2	6.1	2.5	3.1	5.2	5.7	3.4	8.1
2023	114.8	5.3	6.4	5.4	4.8	5.7	5.0	5.4	3.8	6.3	4.8	5.0
2024	120.0	4.5	4.4	4.4	3.9	4.4	4.2	4.9	3.6	4.8	4.8	4.8
2024 Q1	118.4	4.8	4.3	4.8	3.7	4.1	3.9	5.2	4.0	5.2	5.3	6.1
Q2	119.5	4.8	4.0	4.7	3.5	4.9	4.0	5.9	3.5	4.8	5.0	5.0
Q3	120.6	4.5	4.4	4.1	4.2	4.5	4.1	5.0	3.4	4.7	4.8	4.1
Q4	121.8	4.1	4.9	4.0	3.9	4.0	4.6	3.5	3.4	4.6	4.1	4.3
Labour productivity per person employed												
2022	105.8	1.1	-0.2	-0.7	-3.6	4.6	-0.4	-1.9	-0.5	2.4	1.4	14.7
2023	104.8	-1.0	2.5	-2.1	0.0	-2.1	1.0	-1.8	-0.1	-0.2	-0.2	2.4
2024	104.6	-0.1	-0.6	-1.2	-2.6	-0.2	2.1	-0.3	2.6	1.4	-0.2	0.7
2024 Q1	104.6	-0.7	0.1	-1.6	-3.1	-0.8	1.5	-0.4	1.3	1.2	-0.5	0.9
Q2	104.6	-0.4	-2.0	-1.8	-3.2	0.0	1.5	-0.4	3.3	1.7	-0.4	0.4
Q3	104.8	0.0	-1.1	-0.5	-2.8	-0.3	2.4	-0.1	3.9	1.2	-0.1	0.3
Q4	105.0	0.4	0.3	-1.6	-2.1	0.2	2.8	-0.5	2.0	1.3	0.2	1.3
Compensation per hour worked												
2022	103.6	3.4	5.4	4.0	4.0	2.0	2.5	3.8	3.8	4.6	4.2	5.0
2023	109.1	5.3	6.0	5.7	5.1	5.7	5.1	5.8	4.6	6.0	4.6	4.3
2024	113.8	4.4	3.9	4.3	4.0	4.2	3.8	4.9	3.5	4.0	4.8	4.6
2024 Q1	112.1	5.1	5.8	5.4	4.2	4.5	4.3	5.6	4.5	4.8	5.6	6.7
Q2	113.0	4.8	3.4	4.7	4.2	5.1	3.8	6.0	4.0	4.2	5.1	4.7
Q3	114.1	4.7	3.6	4.6	4.5	4.7	4.2	5.1	2.7	4.5	5.3	4.2
Q4	114.7	3.7	3.3	3.7	3.7	3.5	4.1	3.7	3.6	3.6	3.7	3.7
Hourly labour productivity												
2022	100.1	0.0	0.4	-0.6	-4.1	0.6	-0.7	-1.1	-2.4	1.8	2.1	10.8
2023	99.2	-0.9	2.5	-1.9	0.4	-1.9	1.2	-1.4	0.2	-0.2	-0.4	2.0
2024	99.0	-0.2	0.0	-1.3	-2.6	-0.2	1.8	-0.1	3.1	0.7	-0.2	0.4
2024 Q1	98.8	-0.3	1.8	-1.0	-2.7	-0.5	1.9	0.2	2.9	0.9	-0.2	1.3
Q2	98.8	-0.3	-1.6	-1.7	-2.8	0.2	1.4	-0.1	4.2	1.3	-0.3	0.1
Q3	99.1	0.4	-0.1	-0.1	-2.3	0.0	2.6	0.1	4.4	1.1	0.5	0.5
Q4	98.8	0.1	0.2	-1.9	-2.3	0.1	2.4	0.1	1.6	0.4	-0.1	0.4

Sources: Eurostat and ECB calculations.

4 Financial market developments

4.1 Money market interest rates
(percentages per annum, period averages)

	Euro area [1]					United States	Japan
	Euro short-term rate (€STR)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposity (EURIBOR)	Secured overnight financing rate (SOFR)	Tokyo overnight average rate (TONAR)
	1	2	3	4	5	6	7
2022	-0.01	0.09	0.35	0.68	1.10	1.63	-0.03
2023	3.21	3.25	3.43	3.69	3.86	5.00	-0.04
2024	3.64	3.56	3.57	3.48	3.27	5.15	0.12
2024 Oct.	3.34	3.21	3.17	3.00	2.69	4.85	0.23
Nov.	3.16	3.07	3.01	2.79	2.51	4.66	0.23
Dec.	3.06	2.89	2.82	2.63	2.44	4.53	0.23
2025 Jan.	2.92	2.80	2.70	2.61	2.52	4.32	0.29
Feb.	2.69	2.61	2.52	2.46	2.41	4.34	0.48
Mar.	2.50	2.40	2.44	2.39	2.40	4.33	0.48

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	United Kingdom	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
2022	1.71	2.46	2.57	2.45	2.56	0.09	-0.84	-0.24	2.85	2.48	2.47	2.76
2023	3.78	3.05	2.44	1.88	2.08	-0.96	-0.92	-1.20	2.25	1.54	1.76	2.64
2024	2.58	2.18	2.01	2.13	2.45	0.27	0.41	-0.06	1.86	1.89	2.50	2.91
2024 Oct.	2.88	2.47	2.24	2.25	2.52	0.05	0.00	-0.19	2.10	2.00	2.52	2.96
Nov.	2.73	2.18	1.91	1.92	2.19	0.00	-0.12	-0.26	1.72	1.65	2.20	2.59
Dec.	2.58	2.18	2.01	2.13	2.45	0.27	0.41	-0.06	1.86	1.89	2.50	2.91
2025 Jan.	2.45	2.17	2.06	2.21	2.53	0.37	0.38	0.11	1.94	2.00	2.59	3.01
Feb.	2.24	2.06	1.97	2.11	2.47	0.41	0.11	0.53	1.90	1.91	2.50	3.03
Mar.	2.18	2.03	1.99	2.27	2.78	0.75	0.18	0.61	1.92	2.03	2.88	3.52

Source: ECB calculations.
1) Data refer to the changing composition of the euro area.
2) ECB calculations based on underlying data provided by Euro MTS Ltd and ratings provided by Fitch Ratings.

4.3 Stock market indices
(index levels in points; period averages)

	Dow Jones EURO STOXX Indices												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2022	414.6	3,757.0	937.3	253.4	171.3	110.0	160.6	731.7	748.4	353.4	283.2	825.8	4,098.5	27,257.8
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
2024 Oct.	511.2	4,948.4	1,000.1	285.2	164.7	123.6	244.9	977.8	1,036.0	402.4	327.0	840.7	5,792.3	38,843.8
Nov.	497.5	4,795.1	939.9	271.5	155.5	121.6	241.8	975.3	997.8	386.1	328.9	816.8	5,929.9	38,617.4
Dec.	507.4	4,918.3	932.6	283.1	151.7	118.8	245.5	996.6	1,065.8	381.4	331.4	816.9	6,012.2	39,297.0
2025 Jan.	523.1	5,098.1	939.9	292.0	149.6	123.8	258.2	1,024.4	1,103.1	380.9	334.7	859.5	5,979.5	39,298.0
Feb.	553.7	5,420.0	1,008.0	305.6	155.4	128.1	282.1	1,084.2	1,154.8	387.0	364.1	901.7	6,038.7	38,735.3
Mar.	559.1	5,417.7	1,028.5	283.6	160.4	127.6	306.0	1,133.6	1,078.3	407.9	372.4	885.3	5,684.0	37,311.8

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
2024 Mar.	0.39	1.72	3.18	2.91	8.19	16.96	8.03	7.79	8.53	5.15	4.80	3.99	3.57	3.44	4.05	3.80
Apr.	0.39	1.73	3.13	2.89	8.14	16.98	8.03	7.85	8.57	5.20	4.84	3.98	3.59	3.42	4.05	3.81
May	0.39	1.73	3.10	2.81	8.21	17.04	7.65	7.94	8.68	5.26	4.81	3.96	3.62	3.42	4.04	3.81
June	0.38	1.74	3.03	2.84	8.18	17.01	7.41	7.71	8.45	5.15	4.80	3.95	3.63	3.39	4.03	3.78
July	0.38	1.74	3.01	2.77	8.15	17.00	7.55	7.79	8.49	5.03	4.75	3.93	3.64	3.38	4.00	3.75
Aug.	0.38	1.75	2.97	2.69	8.16	16.99	7.85	7.82	8.60	5.03	4.69	3.87	3.62	3.37	3.99	3.73
Sep.	0.37	1.75	3.00	2.73	8.23	17.04	7.55	7.76	8.53	4.89	4.58	3.79	3.55	3.28	3.89	3.64
Oct.	0.36	1.74	2.73	2.63	8.06	16.89	7.24	7.71	8.46	4.65	4.37	3.69	3.47	3.22	3.79	3.55
Nov.	0.35	1.74	2.61	2.52	7.96	16.84	6.52	7.69	8.41	4.58	4.27	3.62	3.43	3.16	3.72	3.47
Dec.	0.35	1.74	2.45	2.51	7.91	16.84	6.77	7.48	8.26	4.36	4.16	3.57	3.36	3.09	3.65	3.39
2025 Jan.	0.34	1.72	2.33	2.42	7.80	16.76	7.15	7.69	8.50	4.40	4.06	3.49	2.88	2.97	3.41	3.25
Feb.	0.32	1.53	2.20	2.36	7.74	16.34	6.70	7.66	8.38	4.45	4.00	3.53	3.37	3.09	3.61	3.33

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
2024 Mar.	0.91	3.68	3.60	5.37	5.47	5.73	5.52	5.44	5.18	4.33	5.18	5.17	4.15	5.20
Apr.	0.91	3.67	3.34	5.37	5.31	5.64	5.62	5.38	5.11	4.30	5.20	5.01	4.14	5.20
May	0.91	3.65	3.61	5.33	5.37	5.77	5.68	5.40	5.09	4.29	4.99	4.96	4.19	5.12
June	0.87	3.54	3.54	5.25	5.33	5.69	5.67	5.24	4.99	4.22	5.02	5.05	4.14	5.08
July	0.87	3.48	3.28	5.21	5.13	5.44	5.50	5.27	4.93	4.17	5.08	4.99	4.12	5.07
Aug.	0.89	3.42	3.12	5.18	5.14	5.40	5.47	5.17	4.85	4.11	5.03	4.78	4.06	5.01
Sep.	0.88	3.28	2.97	5.12	5.03	5.29	5.49	5.02	4.64	4.04	4.73	4.47	3.85	4.79
Oct.	0.82	3.06	2.96	4.89	4.82	5.10	5.29	4.80	4.39	3.92	4.64	4.29	3.85	4.67
Nov.	0.81	2.92	2.65	4.80	4.80	4.99	5.29	4.62	4.26	3.85	4.42	4.20	3.70	4.52
Dec.	0.77	2.80	2.80	4.64	4.63	4.79	5.08	4.48	4.14	3.76	4.31	4.06	3.62	4.36
2025 Jan.	0.76	2.66	2.60	4.48	4.35	4.60	4.82	4.34	4.02	3.75	4.19	3.88	3.65	4.25
Feb.	0.72	2.50	2.74	4.34	4.37	4.54	4.79	4.22	3.81	3.70	3.92	3.77	3.58	4.10

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														
2022	1,386.4	483.3	141.1	51.0	95.1	667.0	621.7	480.2	179.9	115.8	48.3	50.6	133.9	97.1
2023	1,570.4	619.7	162.4	65.1	86.6	701.8	659.1	502.5	211.8	114.1	39.4	49.1	127.5	103.8
2024	1,561.9	564.5	185.0	68.8	71.0	741.4	674.7	470.4	179.7	116.7	44.3	39.3	134.7	108.2
2024 Oct.	1,560.5	573.2	184.1	63.7	84.8	718.3	656.0	472.3	157.2	128.4	43.6	39.6	147.0	126.5
Nov.	1,567.3	573.6	188.8	67.5	80.1	724.8	665.7	490.9	187.1	132.1	48.1	31.9	139.8	125.8
Dec.	1,561.9	564.5	185.0	68.8	71.0	741.4	674.7	449.6	173.2	127.8	51.2	28.9	119.8	91.5
2025 Jan.	1,545.3	582.1	179.0	67.1	79.4	704.8	636.1	596.0	266.5	145.4	54.9	41.7	142.5	116.6
Feb.	1,538.8	577.9	184.5	66.8	83.5	692.8	628.8	523.8	231.4	138.1	53.8	36.7	117.7	97.0
Mar.	1,546.2	595.5	179.0	64.5	77.3	694.4	630.7	517.7	221.5	130.2	51.3	35.3	130.7	108.8
Long-term														
2022	17,690.6	3,895.6	3,101.3	1,320.5	1,420.8	9,272.9	8,560.9	292.0	76.5	68.0	28.1	17.1	130.4	121.0
2023	19,322.0	4,438.0	3,241.8	1,315.5	1,536.0	10,106.1	9,366.3	320.3	92.9	67.6	25.6	21.4	138.4	129.9
2024	20,466.1	4,768.6	3,545.4	1,349.4	1,640.7	10,511.5	9,739.7	349.0	89.4	87.0	24.3	26.8	145.9	135.2
2024 Oct.	20,334.0	4,746.6	3,464.2	1,324.3	1,623.6	10,499.7	9,722.4	364.9	88.4	95.7	27.0	25.0	155.8	145.6
Nov.	20,669.9	4,793.1	3,526.3	1,339.7	1,654.3	10,696.2	9,915.5	317.2	68.2	94.9	32.4	27.5	126.6	119.9
Dec.	20,466.1	4,768.6	3,545.4	1,349.4	1,640.7	10,511.5	9,739.7	253.2	69.0	96.5	31.4	16.9	70.8	64.7
2025 Jan.	20,675.5	4,834.0	3,553.0	1,337.8	1,653.1	10,635.5	9,853.1	488.4	163.8	80.7	20.7	29.5	214.4	190.7
Feb.	20,887.2	4,865.3	3,589.5	1,341.2	1,662.7	10,769.7	9,976.4	395.1	97.4	83.6	21.0	23.0	191.1	175.3
Mar.	20,655.7	4,819.6	3,588.8	1,352.9	1,645.6	10,601.6	9,816.6	390.8	97.0	94.9	38.1	31.1	167.8	151.5

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											
2022	19,077.0	4,378.8	3,242.4	1,371.5	1,515.9	9,939.9	9,182.6	8,703.4	525.2	1,288.3	6,889.2
2023	20,892.4	5,057.7	3,404.2	1,380.6	1,622.6	10,807.9	10,025.4	9,684.2	619.8	1,416.2	7,647.7
2024	22,027.9	5,333.1	3,730.3	1,418.1	1,711.6	11,252.9	10,414.4	10,179.5	751.3	1,590.7	7,837.0
2024 Oct.	21,894.5	5,319.8	3,648.3	1,388.0	1,708.4	11,218.0	10,378.4	10,104.6	750.1	1,555.1	7,799.0
Nov.	22,237.2	5,366.7	3,715.1	1,407.2	1,734.3	11,421.1	10,581.2	10,183.6	722.0	1,587.3	7,873.9
Dec.	22,027.9	5,333.1	3,730.3	1,418.1	1,711.6	11,252.9	10,414.4	10,179.5	751.3	1,590.7	7,837.0
2025 Jan.	22,220.9	5,416.1	3,732.0	1,404.9	1,732.5	11,340.3	10,489.2	10,864.7	829.9	1,684.5	8,349.9
Feb.	22,426.0	5,443.2	3,774.0	1,408.0	1,746.2	11,462.6	10,605.2	11,126.3	934.1	1,745.4	8,446.4
Mar.	22,201.8	5,415.1	3,767.7	1,417.3	1,722.9	11,296.0	10,447.4	10,633.4	937.1	1,721.7	7,974.2
Growth rate [1]											
2024 Aug.	4.6	5.1	4.3	-1.7	3.5	4.5	4.4	-0.2	-3.4	-0.7	0.1
Sep.	4.6	6.0	4.4	-1.2	3.6	4.2	4.0	-0.1	-2.1	-0.6	0.2
Oct.	4.7	5.5	3.9	-1.6	3.7	4.7	4.5	0.3	-2.2	-0.6	0.7
Nov.	4.5	4.3	5.2	0.3	3.4	4.5	4.4	0.2	-1.9	-0.7	0.6
Dec.	4.3	3.8	5.9	0.8	2.8	4.2	4.1	0.1	-2.5	-0.6	0.5
2025 Jan.	4.2	3.3	4.3	-0.8	3.2	4.8	4.6	0.1	-2.3	-0.6	0.5
Feb.	4.1	2.8	4.8	-0.1	3.2	4.6	4.6	0.1	-2.0	-0.6	0.4
Mar.	3.8	2.2	5.7	0.8	3.1	4.1	4.0	0.0	-1.8	-0.7	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-19						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2022	95.3	90.8	93.3	84.3	64.4	82.8	116.1	90.9
2023	98.1	94.0	97.8	89.0	66.9	86.6	121.8	94.7
2024	98.4	94.4	97.9	89.6	67.4	87.7	124.1	95.1
2024 Q2	98.7	94.6	98.2	89.7	67.9	88.0	124.1	95.2
Q3	99.0	95.0	98.5	90.1	67.3	88.2	125.1	95.6
Q4	97.6	93.7	97.0	89.1	66.1	87.0	123.6	94.2
2025 Q1	97.1	93.2	96.2	.	.	.	122.9	93.5
2024 Oct.	98.2	94.3	97.7	-	-	-	124.4	95.0
Nov.	97.5	93.6	96.9	-	-	-	123.5	94.2
Dec.	96.9	93.0	96.4	-	-	-	122.7	93.5
2025 Jan.	96.7	92.9	95.8	-	-	-	122.3	93.2
Feb.	96.3	92.4	95.4	-	-	-	121.8	92.7
Mar.	98.3	94.3	97.3	-	-	-	124.5	94.6
Percentage change versus previous month								
2025 Mar.	2.0	2.0	2.0	-	-	-	2.2	2.1
Percentage change versus previous year								
2025 Mar.	-0.5	-0.6	-1.1	-	-	-	0.2	-1.0

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

4.9 Bilateral exchange rates

(period averages; units of national currency per euro)

	Chinese renminbi	Croatian kuna	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	12
2022	7.079	7.535	24.566	7.440	391.286	138.027	4.686	0.853	4.9313	10.630	1.005	1.053
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
2024 Q2	7.797	.	24.959	7.460	391.332	167.773	4.300	0.853	4.9750	11.504	0.974	1.077
Q3	7.870	.	25.195	7.461	394.101	163.952	4.283	0.845	4.9746	11.451	0.952	1.098
Q4	7.675	.	25.248	7.459	407.465	162.549	4.307	0.832	4.9754	11.494	0.936	1.068
2025 Q1	7.655	.	25.082	7.460	405.023	160.453	4.201	0.836	4.9763	11.235	0.946	1.052
2024 Oct.	7.728	.	25.298	7.459	401.901	163.197	4.317	0.835	4.9750	11.405	0.939	1.090
Nov.	7.662	.	25.301	7.458	409.251	163.234	4.332	0.834	4.9762	11.583	0.936	1.063
Dec.	7.630	.	25.136	7.459	411.986	161.083	4.270	0.828	4.9749	11.504	0.934	1.048
2025 Jan.	7.556	.	25.163	7.461	411.725	161.921	4.247	0.839	4.9752	11.480	0.941	1.035
Feb.	7.575	.	25.077	7.459	403.128	158.087	4.172	0.831	4.9770	11.247	0.941	1.041
Mar.	7.835	.	25.001	7.460	399.805	161.167	4.182	0.837	4.9768	10.968	0.955	1.081
Percentage change versus previous month												
2025 Mar.	3.4	.	-0.3	0.0	-0.8	1.9	0.2	0.8	0.0	-2.5	1.4	3.8
Percentage change versus previous year												
2025 Mar.	0.1	.	-1.1	0.0	1.2	-1.0	-2.9	-2.1	0.1	-3.0	-1.1	-0.6

Source: ECB.

4 Financial market developments

4.10 Euro area balance of payments, financial account

(EUR billions, unless otherwise indicated; outstanding amounts at end of period; transactions during period)

	Total [1]			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets	Memo: Gross external debt
	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities		
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts (international investment position)												
2024 Q1	33,779.6	33,098.8	680.8	12,402.7	9,938.6	13,176.7	15,307.8	-19.9	7,005.0	7,852.3	1,215.1	16,680.2
Q2	34,353.6	33,249.9	1,103.7	12,418.9	9,849.1	13,599.4	15,603.0	-12.8	7,080.5	7,797.9	1,267.7	16,629.3
Q3	34,680.1	33,430.0	1,250.1	12,222.3	9,681.6	13,913.4	15,953.4	-22.3	7,247.6	7,795.1	1,319.1	16,698.1
Q4	35,826.3	34,169.3	1,656.9	12,620.2	9,956.9	14,652.6	16,504.8	-20.3	7,179.7	7,707.7	1,394.2	16,699.0
Outstanding amounts as percentage of GDP												
2024 Q4	236.4	225.5	10.9	83.3	65.7	96.7	108.9	-0.1	47.4	50.9	9.2	110.2
Transactions												
2024 Q1	575.4	459.1	116.3	135.4	35.5	173.7	191.4	16.3	248.8	232.2	1.2	-
Q2	184.8	54.0	130.8	-26.1	-124.3	175.6	276.7	16.7	14.8	-98.3	3.7	-
Q3	451.4	301.3	150.0	21.1	-9.0	177.2	231.5	-4.6	261.7	78.9	-4.0	-
Q4	22.2	-72.4	94.7	66.1	48.8	207.5	148.8	18.9	-274.0	-270.1	3.7	-
2024 Sep.	210.6	131.0	79.6	6.0	1.1	79.6	99.4	4.6	118.3	30.6	2.2	-
Oct.	47.2	24.3	22.9	18.6	-16.6	67.4	40.1	16.9	-55.4	0.9	-0.3	-
Nov.	163.5	129.0	34.6	13.0	-12.8	73.2	65.1	-3.4	79.4	76.7	1.3	-
Dec.	-188.5	-225.7	37.2	34.5	78.3	66.9	43.6	5.5	-298.1	-347.6	2.7	-
2025 Jan.	303.4	295.0	8.4	23.5	-8.7	79.5	62.2	6.2	195.7	241.4	-1.5	-
Feb.	213.0	162.2	50.8	11.9	8.8	42.5	38.2	-0.2	157.4	115.3	1.3	-
12-month cumulated transactions												
2025 Feb.	1,366.0	861.1	505.0	171.9	-48.3	737.6	799.8	26.3	427.4	109.5	2.8	-
12-month cumulated transactions as percentage of GDP												
2025 Feb.	9.0	5.7	3.3	1.1	-0.3	4.9	5.3	0.2	2.8	0.7	0.0	-

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												
2022	1,538.9	9,758.1	11,297.0	1,366.9	2,565.3	3,932.2	15,229.2	123.0	646.6	49.4	819.0	16,048.2
2023	1,536.2	8,809.4	10,345.6	2,294.1	2,460.4	4,754.6	15,100.2	184.9	740.0	70.5	995.3	16,095.5
2024	1,556.9	9,021.5	10,578.4	2,528.2	2,469.1	4,997.3	15,575.7	253.4	885.5	27.9	1,166.7	16,742.4
2024 Q1	1,526.2	8,740.0	10,266.3	2,440.0	2,427.5	4,867.6	15,133.8	193.9	786.0	73.8	1,053.8	16,187.6
Q2	1,533.9	8,796.3	10,330.3	2,536.0	2,422.7	4,958.7	15,288.9	211.2	814.9	60.3	1,086.3	16,375.2
Q3	1,541.7	8,842.5	10,384.2	2,590.7	2,424.8	5,015.5	15,399.8	238.1	858.4	47.6	1,144.2	16,543.9
Q4 (p)	1,556.9	9,021.5	10,578.4	2,528.2	2,469.1	4,997.3	15,575.7	253.4	885.5	27.9	1,166.7	16,742.4
2024 Sep.	1,541.7	8,842.5	10,384.2	2,590.7	2,424.8	5,015.5	15,399.8	238.1	858.4	47.6	1,144.2	16,543.9
Oct.	1,545.6	8,892.8	10,438.3	2,555.8	2,427.7	4,983.5	15,421.8	249.7	857.9	47.9	1,155.5	16,577.4
Nov.	1,550.9	8,996.8	10,547.7	2,560.0	2,433.8	4,993.7	15,541.4	245.6	867.7	37.1	1,150.4	16,691.8
Dec.	1,556.9	9,021.5	10,578.4	2,528.2	2,469.1	4,997.3	15,575.7	253.4	885.5	27.9	1,166.7	16,742.4
2025 Jan.	1,555.8	9,040.8	10,596.6	2,511.5	2,472.0	4,983.6	15,580.2	267.7	887.7	47.1	1,202.5	16,782.7
Feb. (p)	1,559.5	9,101.6	10,661.2	2,491.2	2,475.0	4,966.1	15,627.3	275.2	922.8	33.4	1,231.4	16,858.7
Transactions												
2022	69.9	-57.3	12.6	425.5	55.6	481.1	493.7	3.6	2.5	76.7	82.8	576.5
2023	-4.1	-969.2	-973.3	920.6	-99.5	821.2	-152.1	40.3	93.8	23.5	157.6	5.5
2024	21.3	167.9	189.2	201.1	9.0	210.1	399.2	75.7	136.4	-38.2	174.0	573.3
2024 Q1	-9.3	-75.0	-84.3	144.2	-32.4	111.8	27.4	11.0	45.8	8.5	65.3	92.8
Q2	7.7	55.5	63.2	71.5	-4.8	66.8	130.0	16.9	25.8	-13.3	29.4	159.3
Q3	7.8	24.5	32.3	59.4	2.1	61.5	93.8	28.2	39.6	-11.7	56.1	149.9
Q4 (p)	15.2	162.8	178.0	-74.0	44.0	-29.9	148.0	19.7	25.2	-21.7	23.2	171.2
2024 Sep.	3.0	50.7	53.7	33.3	1.0	34.3	88.0	-4.7	18.1	-4.1	9.3	97.3
Oct.	3.9	44.4	48.3	-38.5	2.8	-35.7	12.6	10.6	-1.6	0.5	9.5	22.1
Nov.	5.3	97.6	102.9	-1.6	6.0	4.3	107.2	-5.4	8.9	-13.7	-10.1	97.1
Dec.	6.0	20.8	26.8	-33.9	35.3	1.4	28.2	14.5	17.9	-8.5	23.8	52.0
2025 Jan.	-1.1	20.2	19.1	-16.4	1.9	-14.5	4.6	18.8	1.0	13.7	33.5	38.2
Feb. (p)	3.7	60.8	64.5	-20.5	2.9	-17.6	47.0	7.5	32.6	-13.5	26.6	73.6
Growth rates												
2022	4.8	-0.6	0.1	45.9	2.2	14.0	3.4	2.9	0.4	459.5	11.1	3.7
2023	-0.3	-9.9	-8.6	67.0	-3.9	20.9	-1.0	32.7	14.5	44.7	19.3	0.0
2024	1.4	1.9	1.8	8.8	0.4	4.4	2.6	41.3	18.4	-58.5	17.5	3.6
2024 Q1	-1.1	-7.6	-6.7	49.9	-4.7	16.6	-0.3	69.6	18.1	-16.3	20.8	0.9
Q2	-0.1	-4.0	-3.4	34.8	-3.6	12.7	1.2	62.8	17.0	-28.9	18.9	2.3
Q3	0.5	-1.6	-1.3	22.9	-1.7	9.6	2.0	61.6	19.3	-34.0	21.8	3.2
Q4 (p)	1.4	1.9	1.8	8.8	0.4	4.4	2.6	41.3	18.4	-58.5	17.5	3.6
2024 Sep.	0.5	-1.6	-1.3	22.9	-1.7	9.6	2.0	61.6	19.3	-34.0	21.8	3.2
Oct.	0.7	0.1	0.2	16.8	-1.1	7.3	2.4	55.6	18.8	-39.1	20.2	3.4
Nov.	1.1	1.5	1.5	13.3	-0.6	6.1	2.9	39.3	18.7	-50.1	17.7	3.8
Dec.	1.4	1.9	1.8	8.8	0.4	4.4	2.6	41.3	18.4	-58.5	17.5	3.6
2025 Jan.	1.5	2.9	2.7	5.7	1.1	3.3	2.9	51.3	16.1	-49.4	17.3	3.8
Feb. (p)	1.7	3.8	3.5	2.3	1.7	2.0	3.0	57.8	18.7	-60.3	19.8	4.0

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													
2022	3,361.5	2,721.2	499.5	134.7	6.2	8,374.2	5,542.6	437.9	2,392.9	0.9	1,282.8	231.5	563.3
2023	3,334.1	2,419.5	771.8	131.3	11.6	8,421.5	5,110.8	1,015.9	2,293.3	1.4	1,223.9	227.0	542.3
2024	3,430.7	2,500.8	791.9	133.7	4.3	8,756.4	5,199.1	1,254.3	2,301.5	1.5	1,304.8	232.1	548.2
2024 Q1	3,337.5	2,381.4	817.7	127.5	10.9	8,455.8	5,056.9	1,133.0	2,264.9	1.0	1,244.8	223.0	540.4
Q2	3,381.9	2,410.2	833.8	127.1	10.8	8,529.1	5,062.8	1,203.4	2,261.6	1.3	1,299.7	221.8	533.8
Q3	3,364.9	2,404.7	823.6	125.6	11.0	8,618.7	5,091.3	1,260.2	2,266.2	1.0	1,331.7	230.1	550.8
Q4 (p)	3,430.7	2,500.8	791.9	133.7	4.3	8,756.4	5,199.1	1,254.3	2,301.5	1.5	1,304.8	232.1	548.2
2024 Sep.	3,364.9	2,404.7	823.6	125.6	11.0	8,618.7	5,091.3	1,260.2	2,266.2	1.0	1,331.7	230.1	550.8
Oct.	3,378.3	2,422.3	815.9	127.5	12.7	8,658.5	5,122.5	1,267.6	2,267.3	0.9	1,319.9	220.5	548.7
Nov.	3,408.8	2,453.8	812.1	129.8	13.2	8,699.3	5,165.8	1,261.5	2,271.2	0.8	1,335.1	229.4	563.5
Dec.	3,430.7	2,500.8	791.9	133.7	4.3	8,756.4	5,199.1	1,254.3	2,301.5	1.5	1,304.8	232.1	548.2
2025 Jan.	3,430.8	2,472.9	809.0	136.0	12.8	8,751.7	5,203.1	1,245.4	2,301.9	1.3	1,330.8	230.0	548.8
Feb. (p)	3,447.1	2,479.5	811.0	136.3	20.3	8,772.0	5,235.7	1,230.3	2,304.9	1.2	1,347.9	232.8	543.3
Transactions													
2022	122.9	-89.2	207.7	5.9	-1.5	295.8	166.8	74.9	54.0	0.1	-10.2	6.2	12.5
2023	-31.6	-306.8	271.1	-1.4	5.6	18.9	-459.8	572.6	-94.5	0.6	-64.2	-3.0	-27.8
2024	94.5	75.9	15.6	2.9	0.1	297.5	55.7	233.6	8.2	0.1	54.5	4.0	3.2
2024 Q1	2.1	-40.1	45.1	-3.2	0.3	31.5	-54.8	115.1	-28.4	-0.4	20.6	-4.6	-1.9
Q2	42.0	28.9	13.6	-0.3	-0.2	72.6	5.6	70.0	-3.3	0.2	34.0	-1.5	-8.0
Q3	-11.0	-1.7	-8.1	-1.7	0.4	60.5	-1.9	57.9	4.7	-0.3	38.9	9.3	16.5
Q4 (p)	61.4	88.9	-35.1	8.1	-0.5	132.9	106.7	-9.6	35.2	0.5	-39.0	0.7	-3.4
2024 Sep.	1.8	9.0	-8.0	-0.5	1.3	30.5	1.0	27.7	1.8	0.0	28.5	12.6	6.8
Oct.	9.5	15.0	-9.0	1.9	1.6	37.5	29.7	6.8	1.1	0.0	-14.9	-10.0	-2.6
Nov.	26.3	29.0	-5.2	2.3	0.3	38.7	43.7	-8.7	3.8	-0.2	8.7	8.3	14.5
Dec.	25.6	44.9	-20.9	3.9	-2.3	56.8	33.4	-7.7	30.3	0.8	-32.7	2.3	-15.3
2025 Jan.	0.2	-27.8	17.1	2.3	8.5	-5.7	4.0	-8.9	-0.6	-0.2	31.4	-2.1	0.7
Feb. (p)	16.3	6.6	1.9	0.3	7.4	20.0	32.3	-15.1	3.0	-0.2	17.4	2.9	-5.8
Growth rates													
2022	3.8	-3.2	70.3	4.6	-17.5	3.7	3.1	20.6	2.3	19.9	-0.5	2.8	2.3
2023	-0.9	-11.2	54.2	-1.1	90.8	0.2	-8.3	129.3	-4.0	67.7	-4.9	-1.3	-4.9
2024	2.8	3.1	2.0	2.2	1.8	3.5	1.1	23.0	0.4	6.1	4.4	1.8	0.6
2024 Q1	0.1	-8.3	36.4	-3.4	38.9	0.8	-7.1	101.7	-4.7	11.9	1.3	-2.2	-6.0
Q2	1.8	-3.3	21.4	-3.0	-8.9	2.0	-4.8	71.5	-3.6	48.4	6.8	-2.1	-5.5
Q3	1.6	-1.0	11.5	-4.2	-15.0	2.8	-2.7	47.9	-1.4	21.7	6.9	10.0	-1.6
Q4 (p)	2.8	3.1	2.0	2.2	1.8	3.5	1.1	23.0	0.4	6.1	4.4	1.8	0.6
2024 Sep.	1.6	-1.0	11.5	-4.2	-15.0	2.8	-2.7	47.9	-1.4	21.7	6.9	10.0	-1.6
Oct.	1.7	0.5	5.9	-2.5	17.5	3.3	-1.2	39.1	-0.9	25.2	7.9	3.6	0.2
Nov.	2.3	1.8	4.5	-1.0	-4.1	3.5	0.2	30.1	-0.4	-3.1	7.8	1.6	4.6
Dec.	2.8	3.1	2.0	2.2	1.8	3.5	1.1	23.0	0.4	6.1	4.4	1.8	0.6
2025 Jan.	3.0	3.5	0.3	6.2	188.4	3.3	1.7	16.4	0.8	19.1	8.1	3.0	3.0
Feb. (p)	3.5	4.1	-0.6	6.6	323.5	3.4	2.7	10.8	1.4	15.7	9.3	4.3	-0.1

Sources: ECB.
1) Data refer to the changing composition of the euro area.
2) In accordance with the ESA 2010, in December 2014 holding companies of non-financial groups were reclassified from the non-financial corporations sector to the financial corporations sector. These entities are included in MFI balance sheet statistics with financial corporations other than MFIs and insurance corporations and pension funds (ICPFs).
3) Including non-profit institutions serving households.
4) Refers to the general government sector excluding central government.

5 Financing conditions and credit developments

5.3 Credit to euro area residents [1)]

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

	Credit to general government			Credit to other euro area residents								
	Total	Loans	Debt securities	Total	Loans						Debt securities	Equity and non-money market fund investment fund shares
					Total		To non-financial corporations [3)]	To households [4)]	To financial coprorations other than MFIs and ICPFs [3)]	To insurance corporations and pension funds		
					Total	Adjusted loans [2)]						
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2022	6,352.0	1,001.3	5,325.7	15,389.8	12,987.5	13,174.9	5,126.5	6,631.8	1,082.5	146.7	1,565.9	836.4
2023	6,305.3	990.6	5,289.3	15,492.9	13,033.8	13,253.1	5,123.2	6,648.1	1,124.5	138.0	1,560.7	898.4
2024	6,259.1	988.5	5,244.7	15,778.6	13,246.4	13,501.8	5,183.1	6,677.1	1,246.2	140.0	1,578.5	953.7
2024 Q1	6,219.2	976.6	5,217.1	15,546.1	13,046.8	13,278.2	5,116.5	6,641.9	1,151.2	137.2	1,569.2	930.1
Q2	6,195.6	978.6	5,191.2	15,572.4	13,101.2	13,339.7	5,130.7	6,644.8	1,194.9	130.9	1,553.8	917.3
Q3	6,255.2	975.4	5,254.1	15,633.3	13,143.6	13,377.8	5,140.2	6,661.4	1,209.2	132.8	1,561.0	928.7
Q4	6,259.1	988.5	5,244.7	15,778.6	13,246.4	13,501.8	5,183.1	6,677.1	1,246.2	140.0	1,578.5	953.7
2024 Sep.	6,255.2	975.4	5,254.1	15,633.3	13,143.6	13,377.8	5,140.2	6,661.4	1,209.2	132.8	1,561.0	928.7
Oct.	6,246.0	986.6	5,233.6	15,669.3	13,166.0	13,415.8	5,144.3	6,660.6	1,225.4	135.7	1,573.0	930.4
Nov.	6,276.4	990.4	5,260.2	15,693.9	13,179.3	13,419.7	5,149.8	6,673.8	1,221.2	134.5	1,576.0	938.6
Dec.	6,259.1	988.5	5,244.7	15,778.6	13,246.4	13,501.8	5,183.1	6,677.1	1,246.2	140.0	1,578.5	953.7
2025 Jan.	6,305.4	996.4	5,283.1	15,832.4	13,280.8	13,526.6	5,192.9	6,696.5	1,254.5	136.8	1,576.4	975.3
Feb.	6,299.6	1,001.5	5,272.1	15,892.4	13,338.1	13,575.8	5,205.7	6,711.1	1,284.9	136.3	1,572.7	981.7
Transactions												
2022	173.8	8.5	163.8	636.4	623.8	680.5	269.0	241.8	126.3	-13.3	18.6	-5.9
2023	-161.1	-17.4	-144.0	65.2	24.5	72.3	-5.7	7.7	30.7	-8.2	-4.6	45.4
2024	-63.1	-1.4	-62.2	285.7	228.7	271.0	76.6	44.7	105.6	1.8	9.1	47.9
2024 Q1	-61.8	-11.6	-50.4	61.6	31.1	44.6	-2.2	-2.7	36.8	-0.8	8.6	22.0
Q2	-2.8	2.4	-5.4	18.2	37.6	47.8	16.3	5.2	22.5	-6.5	-15.1	-4.3
Q3	-4.4	-3.2	-1.2	68.3	59.8	53.5	18.7	20.0	19.0	2.1	3.7	4.8
Q4	5.9	11.0	-5.2	137.7	100.3	125.2	43.8	22.3	27.3	6.9	12.0	25.4
2024 Sep.	-5.1	-1.6	-3.6	21.3	15.5	14.6	5.4	7.7	2.8	-0.4	3.7	2.0
Oct.	6.9	8.6	-1.7	37.3	22.2	41.1	5.9	-0.1	13.6	2.8	11.5	3.6
Nov.	-6.5	4.8	-11.3	12.4	6.3	-3.1	3.4	14.0	-9.9	-1.2	-1.5	7.6
Dec.	5.6	-2.4	7.9	87.9	71.9	87.2	34.5	8.4	23.5	5.4	2.0	14.1
2025 Jan.	50.1	7.9	42.2	49.8	39.7	29.9	13.9	21.1	7.9	-3.2	-2.7	12.8
Feb.	-14.5	5.1	-19.6	62.1	58.2	51.4	15.4	14.4	29.4	-1.0	-5.1	9.0
Growth rates												
2022	2.7	0.9	3.0	4.3	5.0	5.4	5.5	3.8	13.4	-7.9	1.2	-0.6
2023	-2.5	-1.7	-2.7	0.4	0.2	0.5	-0.1	0.1	2.8	-5.5	-0.3	5.3
2024	-1.0	-0.1	-1.2	1.8	1.8	2.0	1.5	0.7	9.4	1.3	0.6	5.3
2024 Q1	-2.6	-1.6	-2.8	0.8	0.4	0.8	-0.2	-0.2	6.6	-1.3	1.1	7.0
Q2	-1.4	-0.4	-1.6	0.9	0.9	1.1	0.3	0.3	8.4	-8.5	-1.1	4.6
Q3	-1.2	-0.9	-1.2	1.2	1.3	1.6	0.8	0.6	8.5	-3.7	-1.5	4.2
Q4	-1.0	-0.1	-1.2	1.8	1.8	2.0	1.5	0.7	9.4	1.3	0.6	5.3
2024 Sep.	-1.2	-0.9	-1.2	1.2	1.3	1.6	0.8	0.6	8.5	-3.7	-1.5	4.2
Oct.	-0.8	-0.1	-1.0	1.2	1.2	1.7	0.8	0.5	7.9	0.2	-0.1	3.8
Nov.	-0.7	0.6	-1.0	1.3	1.2	1.5	1.0	0.5	6.3	0.0	0.2	5.6
Dec.	-1.0	-0.1	-1.2	1.8	1.8	2.0	1.5	0.7	9.4	1.3	0.6	5.3
2025 Jan.	0.3	1.2	0.2	2.1	2.2	2.3	2.0	1.2	9.5	1.7	-1.0	5.9
Feb.	0.4	1.9	0.1	2.3	2.4	2.5	2.2	1.4	9.9	-0.2	-1.2	6.3

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										
2022	5,126.5	5,126.4	960.0	1,076.9	3,089.6	6,631.8	6,832.5	715.1	5,214.2	702.6
2023	5,123.2	5,138.3	907.2	1,090.3	3,125.8	6,648.1	6,866.2	731.3	5,228.8	688.0
2024	5,183.1	5,203.9	921.7	1,099.0	3,162.3	6,677.1	6,928.6	745.0	5,255.2	676.8
2024 Q1	5,116.5	5,132.7	885.4	1,089.6	3,141.5	6,641.9	6,873.4	738.9	5,221.4	681.6
Q2	5,130.7	5,148.1	902.5	1,088.0	3,140.2	6,644.8	6,880.6	737.5	5,227.1	680.1
Q3	5,140.2	5,162.3	912.5	1,090.1	3,137.7	6,661.4	6,899.1	742.3	5,245.1	674.0
Q4	5,183.1	5,203.9	921.7	1,099.0	3,162.3	6,677.1	6,928.6	745.0	5,255.2	676.8
2024 Sep.	5,140.2	5,162.3	912.5	1,090.1	3,137.7	6,661.4	6,899.1	742.3	5,245.1	674.0
Oct.	5,144.3	5,162.7	920.8	1,088.3	3,135.3	6,660.6	6,907.1	741.8	5,240.6	678.2
Nov.	5,149.8	5,166.1	919.2	1,087.3	3,143.3	6,673.8	6,918.6	741.3	5,250.4	682.1
Dec.	5,183.1	5,203.9	921.7	1,099.0	3,162.3	6,677.1	6,928.6	745.0	5,255.2	676.8
2025 Jan.	5,192.9	5,206.3	924.6	1,102.0	3,166.3	6,696.5	6,941.8	747.5	5,272.3	676.8
Feb.	5,205.7	5,217.0	929.4	1,104.6	3,171.7	6,711.1	6,956.1	747.5	5,285.8	677.8
Transactions										
2022	269.0	308.3	78.0	77.3	113.7	241.8	250.0	23.2	217.7	0.9
2023	-5.7	24.2	-44.0	10.3	27.9	7.7	26.5	18.9	10.1	-21.3
2024	76.6	87.8	21.1	14.3	41.1	44.7	77.0	26.6	28.3	-10.1
2024 Q1	-2.2	0.9	-16.6	-0.6	14.9	-2.7	9.2	8.4	-6.1	-5.0
Q2	16.3	19.0	17.1	-0.6	-0.2	5.2	10.9	0.4	5.9	-1.1
Q3	18.7	22.7	13.6	4.5	0.6	20.0	20.7	7.1	17.9	-5.1
Q4	43.8	45.2	7.0	11.0	25.8	22.3	36.3	10.7	10.5	1.0
2024 Sep.	5.4	19.1	6.5	4.5	-5.6	7.7	9.1	1.8	5.9	0.0
Oct.	5.9	4.8	6.5	-1.2	0.7	-0.1	9.3	3.4	-3.1	-0.4
Nov.	3.4	1.0	-2.7	-1.0	7.1	14.0	12.2	1.9	9.1	3.0
Dec.	34.5	39.3	3.2	13.3	18.0	8.4	14.7	5.4	4.6	-1.6
2025 Jan.	13.9	5.8	2.8	4.8	6.3	21.1	15.2	3.0	17.5	0.7
Feb.	15.4	13.6	4.9	3.8	6.6	14.4	15.0	1.0	13.6	-0.2
Growth rates										
2022	5.5	6.4	8.8	7.7	3.8	3.8	3.8	3.3	4.4	0.1
2023	-0.1	0.5	-4.6	1.0	0.9	0.1	0.4	2.6	0.2	-3.0
2024	1.5	1.7	2.4	1.3	1.3	0.7	1.1	3.7	0.5	-1.5
2024 Q1	-0.2	0.3	-4.1	-0.2	1.0	-0.2	0.2	3.3	-0.2	-3.1
Q2	0.3	0.7	-0.8	0.0	0.7	0.3	0.3	2.7	0.4	-2.5
Q3	0.8	1.3	2.0	0.7	0.4	0.6	0.6	2.7	0.6	-2.2
Q4	1.5	1.7	2.4	1.3	1.3	0.7	1.1	3.7	0.5	-1.5
2024 Sep.	0.8	1.3	2.0	0.7	0.4	0.6	0.6	2.7	0.6	-2.2
Oct.	0.8	1.4	2.7	0.3	0.4	0.5	0.8	3.1	0.4	-1.9
Nov.	1.0	1.2	2.4	0.4	0.7	0.5	0.9	3.2	0.4	-1.5
Dec.	1.5	1.7	2.4	1.3	1.3	0.7	1.1	3.7	0.5	-1.5
2025 Jan.	2.0	2.0	4.3	1.6	1.4	1.2	1.3	3.9	1.1	-1.1
Feb.	2.2	2.2	4.9	2.1	1.5	1.4	1.5	3.7	1.3	-0.8

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

5 Financing conditions and credit developments

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

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

	MFI liabilities						MFI assets			
		Longer-term financial liabilities vis-à-vis other euro area residents						Other		
	Central government holdings [2)]	Total	Deposits with an agreed maturity of over 2 years	Deposits redeemable at notice of over 3 months	Debt securities with a maturity of over 2 years	Capital and reserves	Net external assets	Total	Repos with central counter-parties [3)]	Reverse repos to central counter-parties [3)]
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2022	639.4	6,731.2	1,783.0	45.7	2,109.0	2,793.4	1,332.5	344.5	137.2	147.2
2023	447.4	7,327.2	1,827.5	90.2	2,413.8	2,995.6	1,858.1	213.8	152.1	152.6
2024	377.9	7,836.6	1,843.9	116.5	2,588.3	3,288.0	2,688.6	230.7	140.4	135.9
2024 Q1	395.4	7,457.0	1,829.0	103.9	2,488.6	3,035.6	2,051.2	223.5	178.0	174.2
Q2	410.5	7,526.1	1,828.2	109.9	2,526.1	3,061.9	2,243.8	300.1	182.6	176.5
Q3	402.8	7,679.4	1,833.1	114.3	2,541.1	3,190.9	2,490.4	247.2	184.9	188.5
Q4 [p]	377.9	7,836.6	1,843.9	116.5	2,588.3	3,288.0	2,688.6	230.7	140.4	135.9
2024 Sep.	402.8	7,679.4	1,833.1	114.3	2,541.1	3,190.9	2,490.4	247.2	184.9	188.5
Oct.	445.4	7,753.4	1,832.3	115.7	2,561.1	3,244.3	2,599.6	261.2	169.6	172.2
Nov.	424.2	7,805.9	1,839.8	115.9	2,575.6	3,274.6	2,641.7	309.9	176.8	164.0
Dec.	377.9	7,836.6	1,843.9	116.5	2,588.3	3,288.0	2,688.6	230.7	140.4	135.9
2025 Jan.	404.5	7,924.8	1,839.9	117.4	2,592.0	3,375.6	2,764.0	210.3	163.2	146.6
Feb. [p]	425.5	7,954.0	1,841.5	118.5	2,599.6	3,394.4	2,828.6	217.6	196.1	159.7
Transactions										
2022	-93.4	51.9	-88.8	-4.6	13.2	132.2	-69.0	-206.2	10.4	18.0
2023	-198.2	324.3	25.2	40.0	227.0	32.1	457.2	-229.7	17.1	9.0
2024	-69.1	286.8	16.3	26.2	164.2	80.1	564.8	3.6	-11.7	-16.7
2024 Q1	-51.7	109.9	4.1	13.6	88.4	3.7	137.2	13.9	25.9	21.5
Q2	15.7	42.8	-0.8	6.0	31.8	5.8	149.4	53.0	4.6	2.3
Q3	-7.7	64.1	7.5	4.4	38.2	14.0	173.8	-31.3	2.4	12.0
Q4 [p]	-25.4	70.1	5.5	2.2	5.7	56.7	104.3	-32.0	-44.5	-52.6
2024 Sep.	-16.4	31.9	11.1	1.6	12.8	6.4	61.6	35.0	-8.3	17.8
Oct.	42.5	11.3	-3.0	1.4	5.2	7.6	42.1	-10.4	-15.3	-16.3
Nov.	-21.5	5.4	5.5	0.2	-0.5	0.2	10.5	64.6	7.2	-8.2
Dec.	-46.5	53.5	3.0	0.6	1.0	48.8	51.7	-86.2	-36.3	-28.1
2025 Jan.	26.5	22.7	-3.9	1.8	5.7	19.1	1.1	-13.6	22.8	10.6
Feb. [p]	21.2	7.7	1.4	1.1	6.4	-1.3	33.8	21.1	32.9	13.2
Growth rates										
2022	-12.7	0.8	-4.8	-13.0	0.5	4.6	-	-	7.8	12.7
2023	-30.8	4.7	1.4	80.3	10.7	1.1	-	-	12.4	6.0
2024	-15.5	3.9	0.9	29.1	6.8	2.5	-	-	-7.7	-10.9
2024 Q1	-31.8	5.0	1.4	89.7	11.7	0.6	-	-	18.6	7.1
Q2	-16.1	4.4	0.7	78.5	9.8	0.9	-	-	9.6	4.3
Q3	-11.2	3.8	0.0	54.7	9.2	0.6	-	-	20.5	15.4
Q4 [p]	-15.5	3.9	0.9	29.1	6.8	2.5	-	-	-7.7	-10.9
2024 Sep.	-11.2	3.8	0.0	54.7	9.2	0.6	-	-	20.5	15.4
Oct.	0.6	3.6	0.1	47.0	8.3	0.8	-	-	5.5	13.7
Nov.	0.2	3.4	0.7	37.4	7.6	0.8	-	-	5.7	1.2
Dec.	-15.5	3.9	0.9	29.1	6.8	2.5	-	-	-7.7	-10.9
2025 Jan.	-10.0	3.2	0.6	23.5	5.4	2.3	-	-	0.0	-8.2
Feb. [p]	-1.0	3.1	0.6	19.0	5.0	2.5	-	-	18.5	-7.9

Sources: ECB.
1) Data refer to the changing composition of the euro area.
2) Comprises central government holdings of deposits with the MFI sector and of securities issued by the MFI sector.
3) Not adjusted for seasonal effects.

6 Fiscal developments

6.1 Deficit/surplus

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

	Deficit (-)/surplus (+)					Memo item:
	Total	Central government	State government	Local government	Social security funds	Primary deficit (-)/ surplus (+)
	1	2	3	4	5	6
2020	-7.0	-5.7	-0.4	0.0	-0.9	-5.5
2021	-5.1	-5.1	0.0	0.0	0.0	-3.7
2022	-3.5	-3.7	0.0	0.0	0.3	-1.8
2023	-3.6	-3.6	-0.2	-0.2	0.4	-1.8
2023 Q4	-3.6	.	.	.	.	-1.8
2024 Q1	-3.6	.	.	.	.	-1.8
Q2	-3.5	.	.	.	.	-1.6
Q3	-3.2	.	.	.	.	-1.4

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
2020	46.6	46.1	12.7	12.9	15.4	0.5	53.6	48.9	10.7	6.0	1.5	25.1	4.7
2021	46.9	46.2	13.0	13.2	15.0	0.8	52.0	46.9	10.3	6.0	1.4	23.7	5.1
2022	46.5	45.8	13.3	12.9	14.6	0.8	50.0	44.8	9.8	5.9	1.7	22.4	5.2
2023	46.0	45.1	13.2	12.3	14.6	0.8	49.5	44.2	9.8	5.9	1.7	22.3	5.3
2023 Q4	46.0	45.1	13.2	12.3	14.6	0.8	49.5	44.2	9.8	5.9	1.7	22.3	5.3
2024 Q1	46.0	45.2	13.2	12.3	14.6	0.8	49.5	44.2	9.8	5.9	1.8	22.4	5.3
Q2	46.2	45.4	13.3	12.3	14.7	0.8	49.6	44.4	9.9	5.9	1.8	22.6	5.3
Q3	46.4	45.5	13.3	12.4	14.7	0.8	49.6	44.5	9.9	6.0	1.9	22.7	5.1

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
2020	96.5	3.1	14.5	78.8	53.9	38.8	42.6	11.1	85.4	18.7	30.7	47.1	94.8	1.6
2021	93.8	2.9	13.8	77.1	54.4	40.9	39.4	9.8	84.1	17.3	29.8	46.8	92.4	1.4
2022	89.5	2.6	13.1	73.7	52.5	39.6	37.0	8.7	80.8	16.0	28.4	45.2	88.5	1.0
2023	87.4	2.4	12.2	72.8	49.3	35.9	38.1	7.9	79.5	15.0	28.1	44.3	86.6	0.8
2023 Q4	87.4	2.4	12.2	72.8	.	.	.	.	.	.	.	.	.	.
2024 Q1	87.9	2.3	12.0	73.6	.	.	.	.	.	.	.	.	.	.
Q2	88.2	2.2	11.9	74.0	.	.	.	.	.	.	.	.	.	.
Q3	88.2	2.2	11.8	74.1	.	.	.	.	.	.	.	.	.	.

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
2020	12.9	5.5	2.2	2.5	2.0	0.5	-0.1	0.1	-0.3	0.0	5.2	9.5
2021	-2.7	3.7	-0.1	0.6	0.4	0.1	0.0	0.1	-0.1	-0.7	-6.2	5.0
2022	-4.3	1.8	-0.2	-0.2	-0.7	0.3	0.1	0.1	0.6	-0.6	-5.9	2.7
2023	-2.1	1.8	-0.4	-0.4	-0.5	-0.2	0.1	0.1	0.6	-0.5	-3.6	2.6
2023 Q4	-2.1	1.8	-0.4	-0.4	-0.5	-0.2	0.1	0.1	0.6	-0.5	-3.6	2.6
2024 Q1	-1.4	1.8	-0.5	-0.7	-0.8	-0.1	0.1	0.1	0.4	-0.3	-2.6	2.6
Q2	-0.6	1.6	-0.3	-0.5	-0.6	-0.1	0.1	0.1	0.3	-0.1	-2.0	2.8
Q3	-0.2	1.4	0.0	-0.3	-0.4	0.0	0.1	0.1	0.3	0.0	-1.6	3.0

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
2022	12.8	11.7	4.1	1.2	0.3	8.0	1.6	1.2	0.4	1.9	2.0	1.1	0.5
2023	12.9	11.6	4.1	1.4	0.3	8.1	2.0	1.2	1.9	2.0	1.6	3.6	1.9
2024	12.9	11.5	4.2	1.4	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
2024 Q1	12.8	11.4	3.8	1.3	0.3	8.3	2.0	1.3	2.1	2.1	1.5	3.7	2.5
Q2	13.0	11.6	3.6	1.4	0.4	8.3	2.1	1.3	2.1	2.1	1.6	3.8	2.8
Q3	13.0	11.5	3.9	1.4	0.4	8.2	2.1	1.3	2.3	2.1	1.6	3.7	2.9
Q4	12.9	11.5	4.2	1.4	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
2024 Sep.	13.0	11.5	3.9	1.4	0.4	8.2	2.1	1.3	2.3	2.1	1.6	3.7	2.9
Oct.	13.2	11.7	3.8	1.4	0.4	8.2	2.1	1.3	2.0	2.1	1.8	3.6	2.9
Nov.	13.0	11.6	3.7	1.4	0.4	8.2	2.1	1.3	2.0	2.1	1.8	3.6	2.9
Dec.	12.9	11.5	4.2	1.4	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
2025 Jan.	12.9	11.5	4.1	1.5	0.4	8.2	2.1	1.3	1.9	2.2	1.9	3.5	2.9
Feb.	13.1	11.6	4.3	1.5	0.4	8.3	2.1	1.2	1.9	2.2	1.9	3.4	2.9

Source: ECB.
1) At face value and not consolidated within the general government sector.
2) Excludes future payments on debt securities not yet outstanding and early redemptions.
3) Residual maturity at the end of the period.
4) Outstanding amounts at the end of the period; transactions as 12-month average.

6 Fiscal developments

6.6 Fiscal developments in euro area countries

(as a percentage of GDP; flows during one-year period and outstanding amounts at end of period)

	Belgium	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus
	1	2	3	4	5	6	7	8	9	10
	Government deficit (-)/surplus (+)									
2020	-9.0	-4.4	-5.4	-4.9	-9.6	-9.9	-8.9	-7.2	-9.4	-5.6
2021	-5.4	-3.2	-2.6	-1.4	-6.9	-6.7	-6.6	-2.6	-8.9	-1.6
2022	-3.6	-2.1	-1.1	1.7	-2.5	-4.6	-4.7	0.1	-8.1	2.6
2023	-4.2	-2.6	-2.8	1.5	-1.3	-3.5	-5.5	-0.9	-7.2	2.0
2023 Q4	-4.2	-2.6	-2.8	1.5	-1.3	-3.5	-5.5	-0.9	-7.2	2.0
2024 Q1	-4.1	-2.7	-3.0	1.4	-0.6	-3.7	-5.6	-0.8	-6.6	3.7
Q2	-4.2	-2.6	-3.5	1.9	0.3	-3.3	-5.7	-1.7	-6.1	4.3
Q3	-4.5	-2.6	-3.1	5.0	1.1	-3.2	-6.0	-2.0	-5.1	4.2
	Government debt									
2020	111.2	68.0	19.1	57.0	209.4	119.3	114.8	86.5	154.3	113.6
2021	108.4	68.1	18.4	52.6	197.3	115.7	112.7	78.2	145.7	96.5
2022	102.6	65.0	19.1	43.1	177.0	109.5	111.2	68.5	138.3	81.0
2023	103.1	62.9	20.2	43.3	163.9	105.1	109.9	61.8	134.8	73.6
2023 Q4	103.1	62.9	20.2	43.3	163.9	105.1	110.0	61.8	134.8	73.6
2024 Q1	106.6	62.6	24.1	42.5	161.8	106.3	110.8	62.0	135.2	72.6
Q2	106.6	61.9	23.8	42.7	160.0	105.3	112.4	60.0	136.9	70.5
Q3	105.6	62.4	24.0	42.2	158.2	104.3	113.8	59.7	136.3	69.7

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Austria	Portugal	Slovenia	Slovakia	Finland
	11	12	13	14	15	16	17	18	19	20
	Government deficit (-)/surplus (+)									
2020	-4.1	-6.3	-3.1	-8.7	-3.6	-8.2	-5.8	-7.7	-5.3	-5.5
2021	-7.2	-1.1	1.0	-7.0	-2.2	-5.7	-2.8	-4.6	-5.1	-2.7
2022	-4.9	-0.7	0.2	-5.2	0.0	-3.3	-0.3	-3.0	-1.7	-0.2
2023	-2.4	-0.7	-0.7	-4.5	-0.4	-2.6	1.2	-2.6	-5.2	-3.0
2023 Q4	-2.4	-0.7	-0.8	-4.6	-0.4	-2.6	1.2	-2.6	-5.2	-3.0
2024 Q1	-1.9	-0.6	-0.1	-3.8	-0.3	-2.8	0.9	-2.0	-5.1	-3.5
Q2	-1.8	-0.9	-0.1	-3.5	-0.4	-3.3	1.2	-2.0	-5.5	-4.1
Q3	-1.1	-1.4	0.0	-2.9	-0.3	-3.7	1.0	-1.8	-4.6	-4.7
	Government debt									
2020	44.0	45.9	24.5	48.7	53.3	83.2	134.1	80.2	58.4	75.4
2021	45.9	43.3	24.4	49.6	50.4	82.4	123.9	74.8	60.2	73.2
2022	44.4	38.1	24.6	49.4	48.3	78.4	111.2	72.7	57.7	74.0
2023	45.0	37.3	25.5	47.4	45.1	78.6	97.9	68.4	56.1	77.1
2023 Q4	45.0	37.3	25.6	47.7	45.2	78.6	97.9	68.4	56.1	77.3
2024 Q1	46.3	39.1	27.1	47.3	44.0	80.9	99.4	70.0	60.6	78.1
Q2	46.4	37.4	26.8	46.4	43.3	82.9	100.7	69.5	60.4	80.1
Q3	47.7	38.4	26.6	45.3	42.2	83.2	97.5	66.9	60.3	81.5

Source: Eurostat.

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

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