



EUROPEAN CENTRAL BANK

EUROSYSTEM

# The euro area economy and monetary policy

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AIECE General Meeting, Spring 2026



Stockholm, 22 May 2026

**Fédéric Holm-Hadulla**  
Senior Adviser, Monetary Policy

*The views expressed here are my own and do not necessarily reflect those of the ECB*

*The Governing Council bases its monetary policy decisions (...) not only the most likely path for inflation and the economy but also surrounding risks and uncertainty, including through the appropriate use of scenario and sensitivity analyses.*

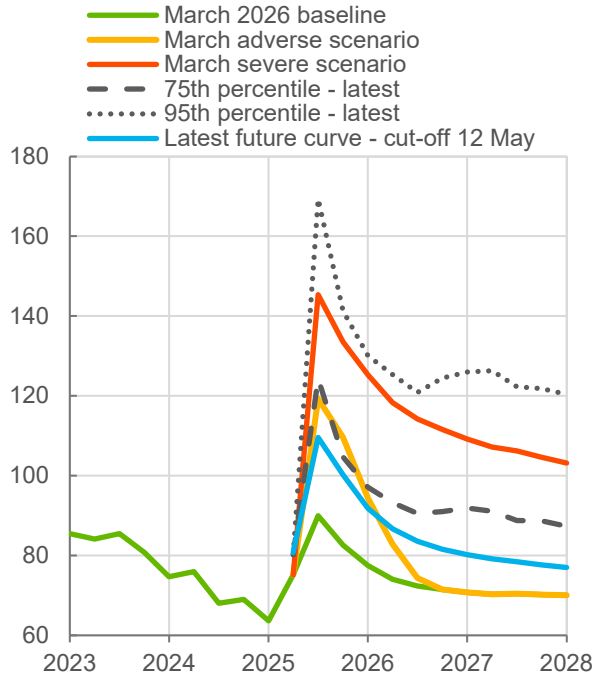
ECB Monetary Policy Strategy Statement, 2025

*The implications of the war [in the Middle East] for medium-term inflation and economic activity will depend on the intensity and duration of the energy price shock and the scale of its indirect and second-round effects.*

ECB Monetary Policy Statement, 30 April 2026

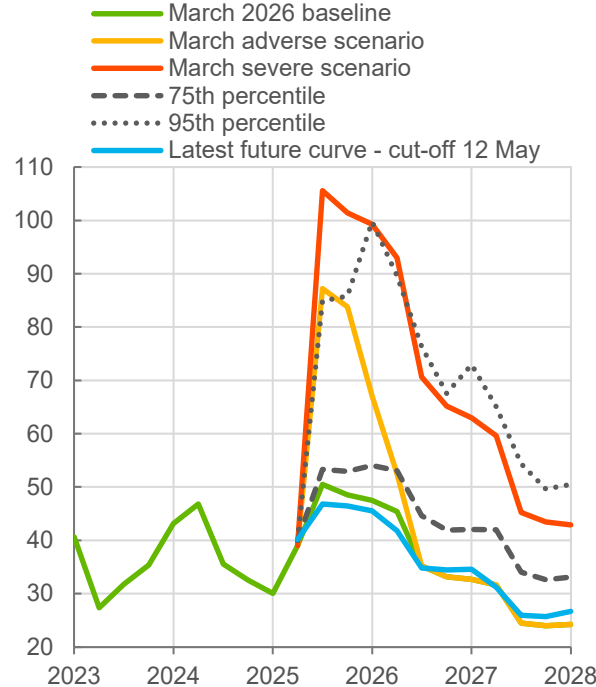
# Outlook and scenarios for energy commodity prices

## Oil prices (USD per barrel)



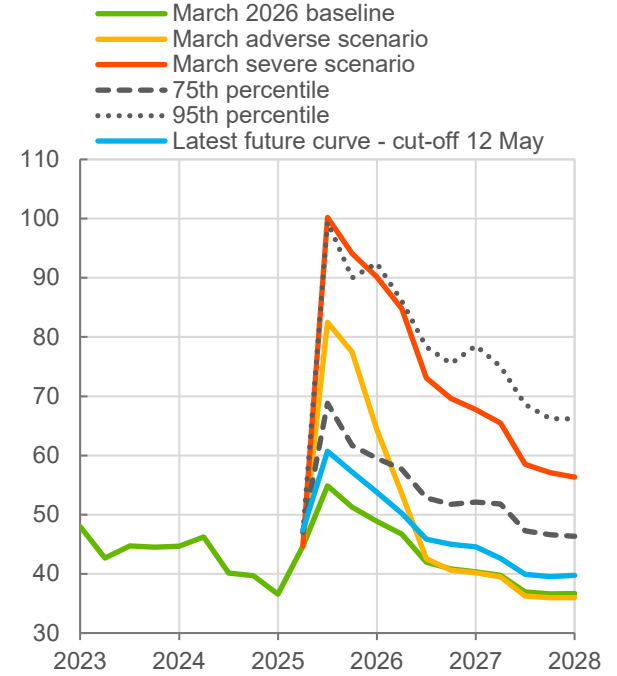
Sources: Refinitiv and ECB staff calculations.  
Notes: Projections also entail spot prices. Cut-off for the March 2026 baseline refers to 11 March 2026. Cut-off for the percentiles is 24 April 2026. The latest observations are for 12 May 2026.

## Gas prices (EUR/MWh)



Sources: Refinitiv and ECB staff calculations.  
Notes: Projections also entail spot prices. Cut-off for the March 2026 baseline refers to 11 March 2026. Cut-off for the percentiles is 24 April 2026. The latest observations are for 12 May 2026.

## Synthetic energy commodity price index (SECPI) (USD index)



Sources: Refinitiv and ECB staff calculations.  
Notes: SECPI (Synthetic Energy Commodity Price Index) is computed as a weighted average on joint draws of oil and gas option-implied probability density functions. Projections also entail spot prices. Cut-off for the March 2026 baseline refers to 11 March 2026. Cut-off for the percentiles is 24 April 2026. The latest observations are for 12 May 2026.

# Overview of March 2026 ECB staff projections

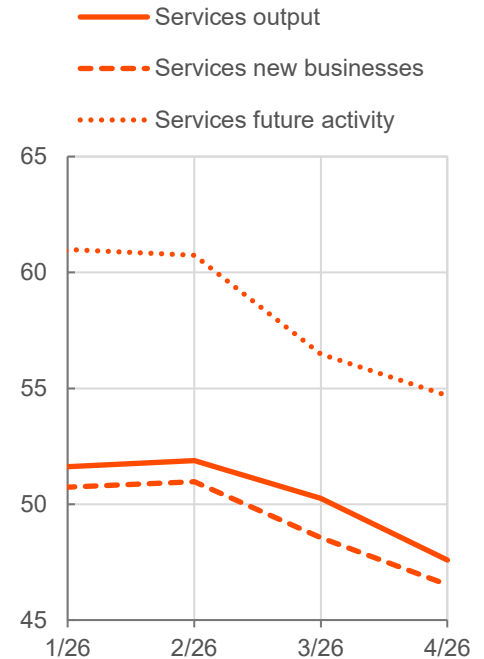
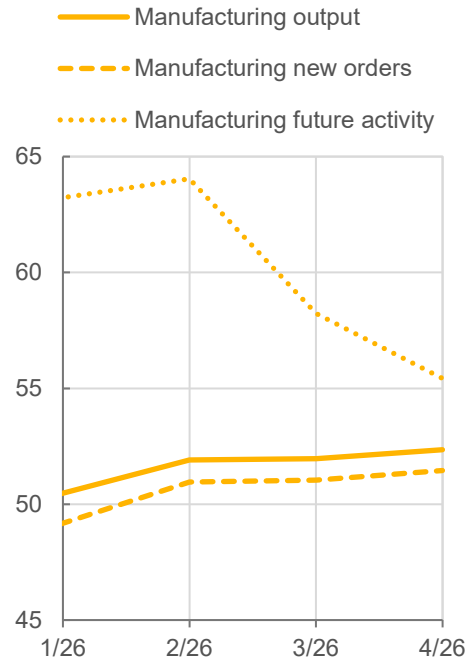
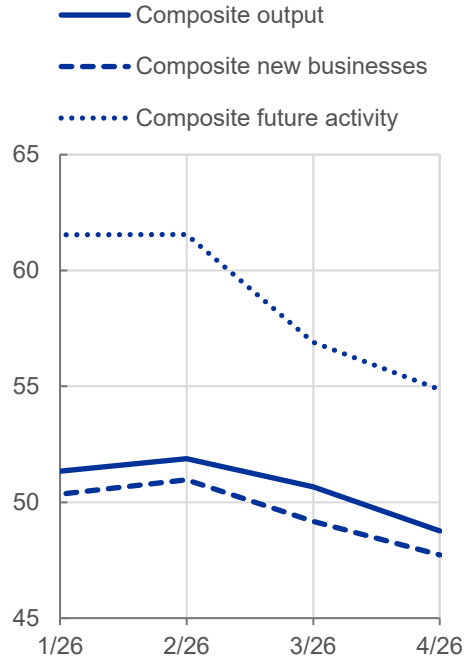
## Growth and inflation projections for the euro area

(annual percentage changes)

|   |      | December 2025<br>baseline | March 2026 – baseline projections and alternative scenarios |                     |                 |  |
|---|------|---------------------------|---|---------------------|-----------------|--|
|   |      |                           | Baseline  | Adverse<br>scenario | Severe scenario | Projections with<br>cut-off date of<br>4 March |
| <b>Real GDP</b>                           | 2025 | 1.4                       | 1.5   | 1.5                 | 1.5             | 1.5  |
|   | 2026 | 1.2                       | 0.9   | 0.6                 | 0.4             | 1.0  |
|   | 2027 | 1.4                       | 1.3   | 1.2                 | 0.9             | 1.4  |
|   | 2028 | 1.4                       | 1.4   | 1.6                 | 1.9             | 1.5  |
| <b>HICP</b>                               | 2025 | 2.1                       | 2.1   | 2.1                 | 2.1             | 2.1  |
|   | 2026 | 1.9                       | 2.6   | 3.5                 | 4.4             | 2.3  |
|   | 2027 | 1.8                       | 2.0   | 2.1                 | 4.8             | 1.9  |
|   | 2028 | 2.0                       | 2.1   | 1.6                 | 2.8             | 2.0  |
| <b>HICP excluding<br/>energy and food</b> | 2025 | 2.4                       | 2.4   | 2.4                 | 2.4             | 2.4  |
|   | 2026 | 2.2                       | 2.3   | 2.4                 | 2.6             | 2.2  |
|   | 2027 | 1.9                       | 2.2   | 2.7                 | 3.9             | 2.0  |
|   | 2028 | 2.0                       | 2.1   | 2.1                 | 2.9             | 2.1  |

Notes: Real GDP figures refer to annual averages of seasonally and working day-adjusted data. Historical data may differ from the latest Eurostat publications owing to data releases after the cut-off date for the projections. Data for the baseline projections are available for downloading, also at quarterly frequency, from the [Macroeconomic Projection Database on the ECB's website](#).

## PMIs – euro area (diffusion indices)

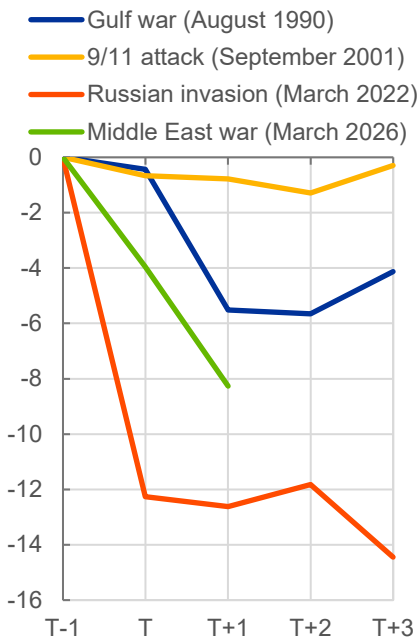


Source: S&P Global.  
Note: The latest observations are for April 2026.

# Private consumption

## Consumer confidence around conflicts

(adjusted percentage balances)

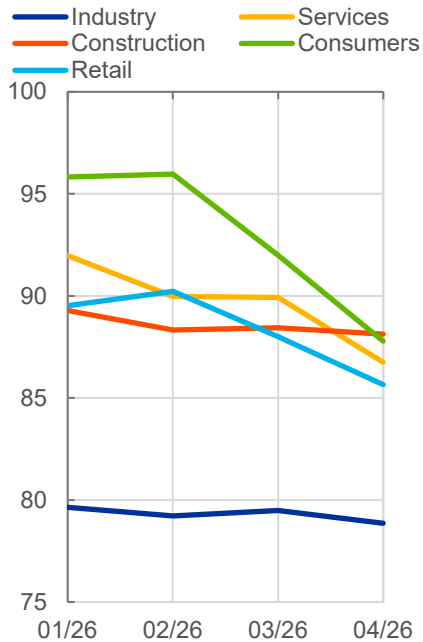


Sources: Eurostat, European Commission DG-ECFIN, ECB calculations.

Notes: Since the Russian invasion to Ukraine started on 24 February 2022, the relevant reference period is March 2022. The latest observations are for April 2026.

## Confidence across sectors

(percentage balances; index: February 2022 = 100)

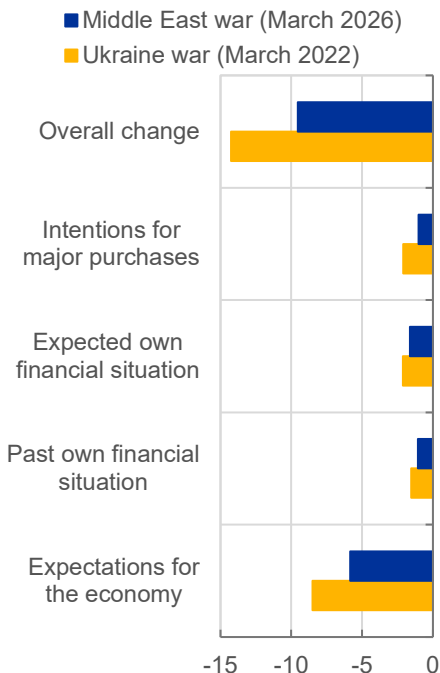


Sources: Eurostat, European Commission DG-ECFIN and ECB calculations.

Note: The latest observations are for April 2026.

## Consumer confidence and components

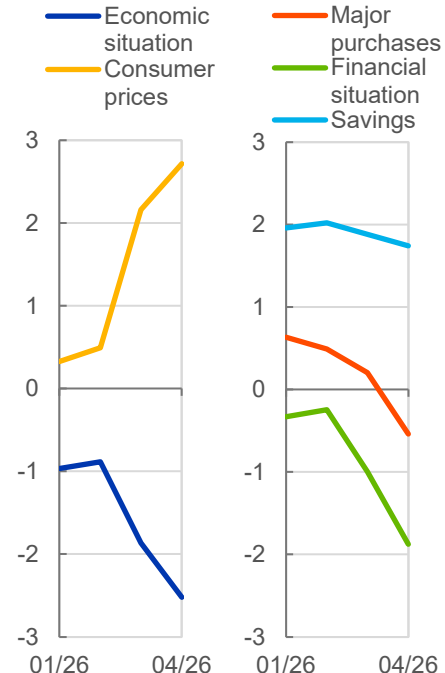
(change in scores)



Source: ECB Consumer Expectations Survey (CES). Notes: CES Consumer Confidence Indicator (CCI) calculated from individual survey responses. The aggregate CES CCI score is the weighted average across individuals. The indicator can be decomposed into its four contributing questions. The latest observations are for March 2026.

## Households' expectations

(standardised percentage balances)

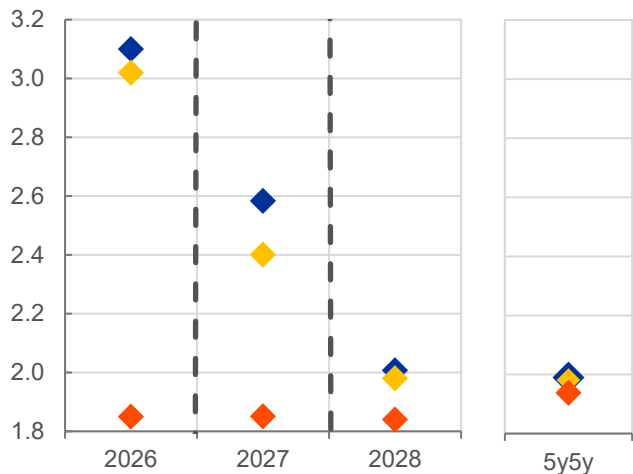


Sources: Eurostat, European Commission DG-ECFIN and ECB calculations.

Notes: Savings expectations refer to the qualitative European Commission consumer survey questions: "Over the next 12 months, how likely is it that you save any money?". The series are standardised over January 1999-April 2026. The latest observations are for April 2026.

## Euro area inflation path over the projection horizon and 5y5y forward (percentages per annum)

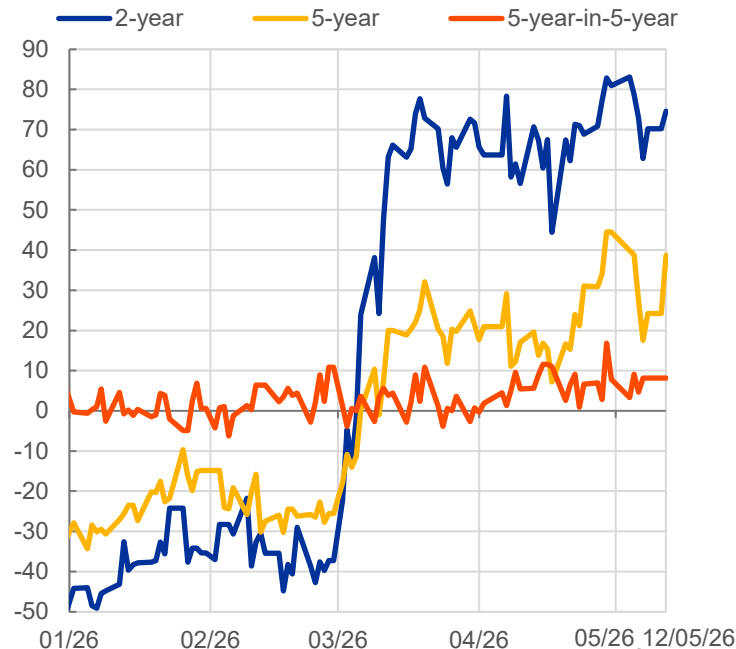
- ◆ Market-based expectation HICPxT (latest)
- ◆ Market-based expectation HICPxT (March Governing Council meeting)
- ◆ Market-based expectation HICPxT (pre-Middle East war)



Sources: Bloomberg, LSEG, and ECB calculations.

Notes: Calendar year forecasts are the average expectation component of three models: Joslin, Singleton and Zhu (JSZ); JSZ with bias-correction (see Burban et. al (2021) for both); Grønlund, Jørgensen and Schupp (2024); 5y5y is the average expectation component of the first two models. HICPxT refers to HICP excluding tobacco. "March Governing Council meeting" refers to 18 March 2026, "pre-Middle East war" to 27 February 2026. The latest observations are for 12 May 2026.

## Balance of risks to euro area inflation (percentage points)



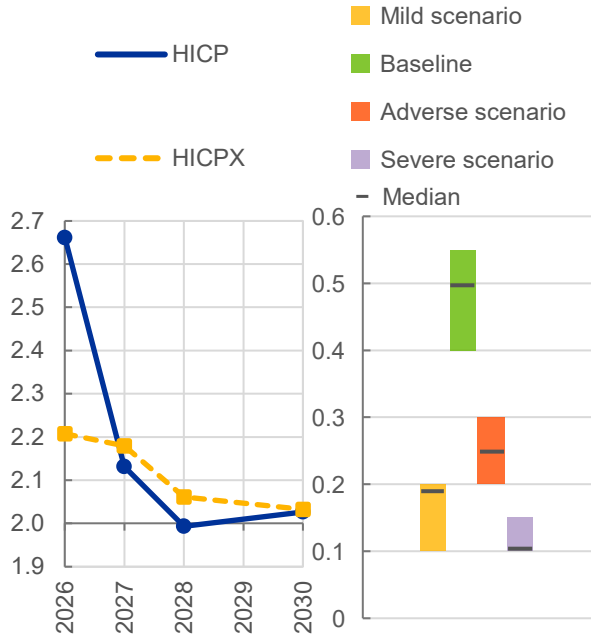
Sources: LSEG, Bloomberg, and ECB calculations.

Notes: As a synthetic market indicator of perceived risks to price stability, the balance of risks (BoR) is defined as the difference between the risk-neutral probability assigned to average inflation being above and below 2% (see Garcia et al. 2024a,b). The chart displays 5-days moving averages. The latest observations are for 12 May 2026.

# Inflation expectations from surveys

## SPF: HICP, HICPX and probabilities attached to alternative scenarios

(left panel: annual percentage changes;  
right panel: probability in percentages)

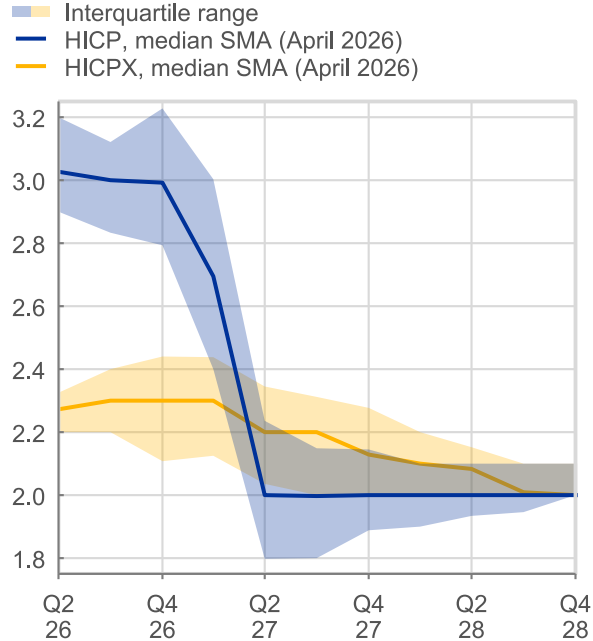


Sources: SPF, ECB, and ECB calculations.

Notes: Right panel: Box plots show the distribution of probabilities assigned by respondents to scenarios relative to their own baseline forecast. The box denotes the interquartile range. The latest observations are for the second quarter of 2026.

## SMA: HICP and HICPX expectations

(annual percentage changes)

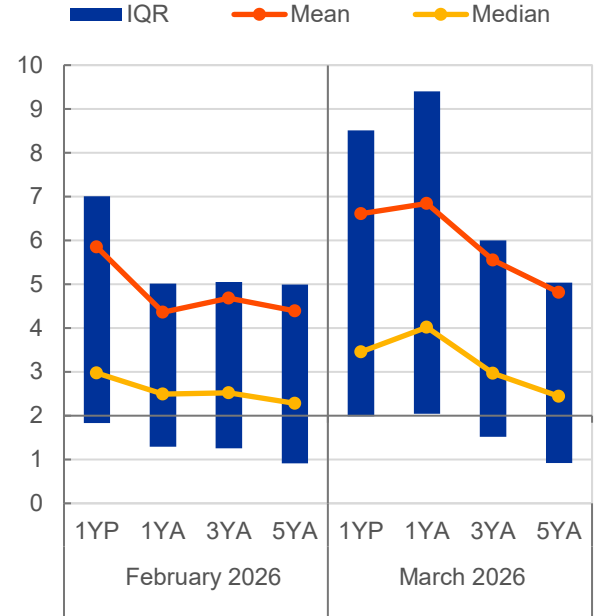


Sources: Survey of Monetary Analysts (SMA) and ECB.

Note: Interquartile range refers to point forecasts of respondents.

## Consumer inflation perceptions and expectations from ECB CES

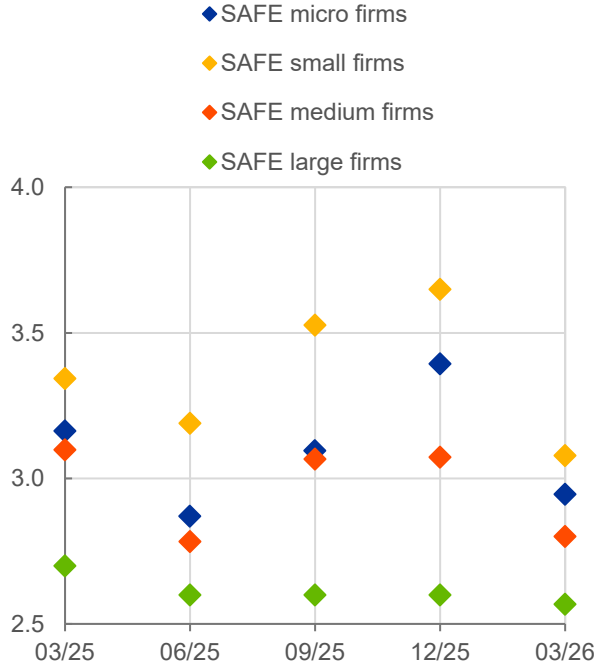
(annual percentage changes)



Sources: Consumer Expectations Survey (CES) and ECB staff calculations.

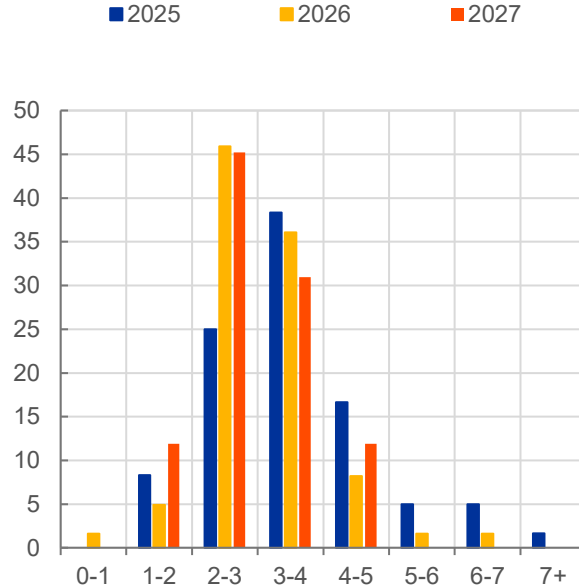
Notes: IQR stands for interquartile range. EA consumer inflation perceptions (annual or year-on-year inflation over the past year) and inflation expectations (expectations for inflation one, three- and five-years ahead) in February 2026 and March 2026. The latest observations are for March 2026.

## SAFE wage growth expectations (percentage changes over the next 12 months)



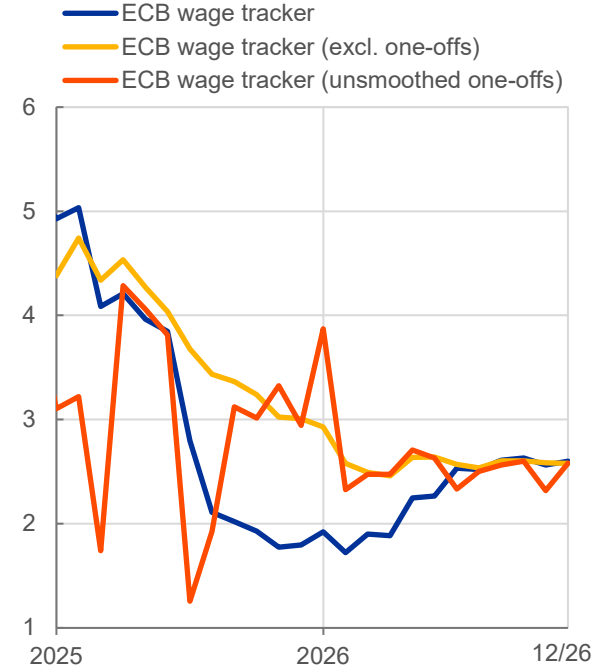
Source: Survey on the Access to Finance of Enterprises (SAFE).  
 Notes: The SAFE survey asks expectations of firms for the growth of wages of their employees over the next 12 months. The chart denotes annual percentage changes, by size class, for micro, small, medium and large firms. The latest observations are for March 2026.

## CTS distribution of wage growth expectations (percentages)



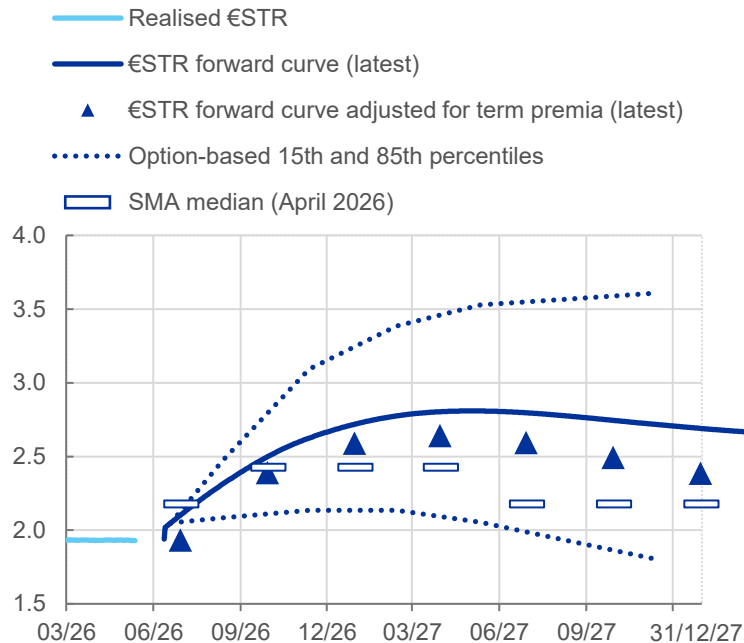
Source: ECB Corporate Telephone Survey (CTS).  
 Notes: The bars represent the past wage growth and future wage growth expectations of respondents in the January 2026 CTS. The latest observations are for April 2026.

## ECB wage tracker (annual percentage changes)



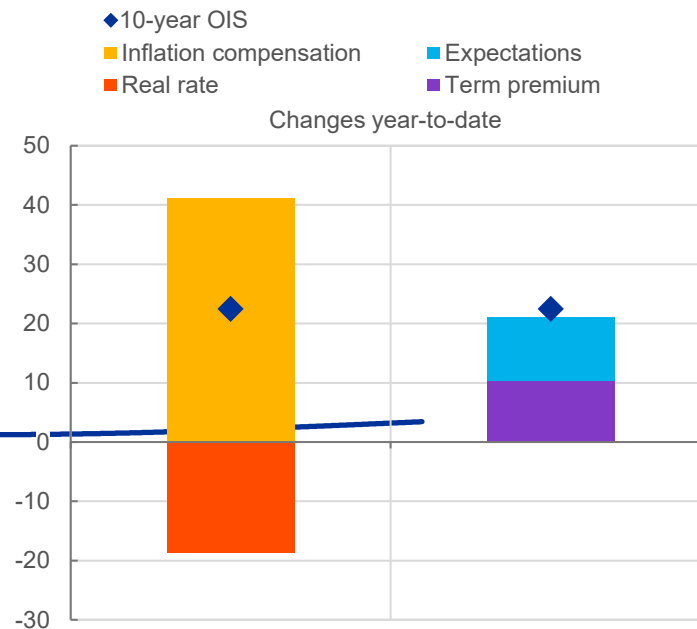
Source: For details on the sources of the ECB wage tracker see Chart 1 of the [ECB Wage tracker press release](#).  
 Note: The latest observations are for December 2026.

## €STR forward curve and survey expectations of the deposit facility rate (percentages per annum)



Sources: Bloomberg, Survey of Monetary Analysts (SMA) and ECB calculations.  
 Notes: Bars depict the median responses to the April SMA. Surveys are adjusted for €STR vs. DFR spread. Risk-neutral percentiles are derived from 3-month Euribor options. Premia-adjusted estimates are based on three models (two variations of Joslin, Singleton and Zhu (2011), with and without surveys, and one following Geiger and Schupp (2018)). The latest observations are for 12 May 2026.

## Decomposition of 10-year EA OIS changes in 2026 (basis points)

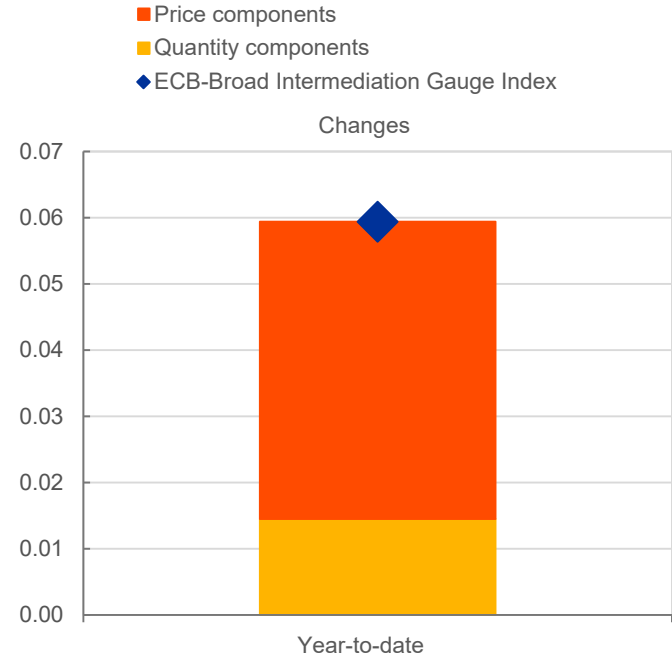


Sources: LSEG, Bloomberg and ECB calculations.  
 Notes: The real rate component is calculated by subtracting the inflation-linked swap rate from the nominal OIS rate. Estimates of term premia and expectations components are based on two affine term structure models, with and without survey information on rate expectations (both variations of Joslin, Singleton and Zhu (2011)), and a lower bound term structure model following Geiger and Schupp (2018) incorporating survey information on rate expectations. The latest observations are for 12 May 2026.

## Change of euro area financial conditions in 2026 (index)



## Change of euro area broad intermediation conditions in 2026 (index)



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

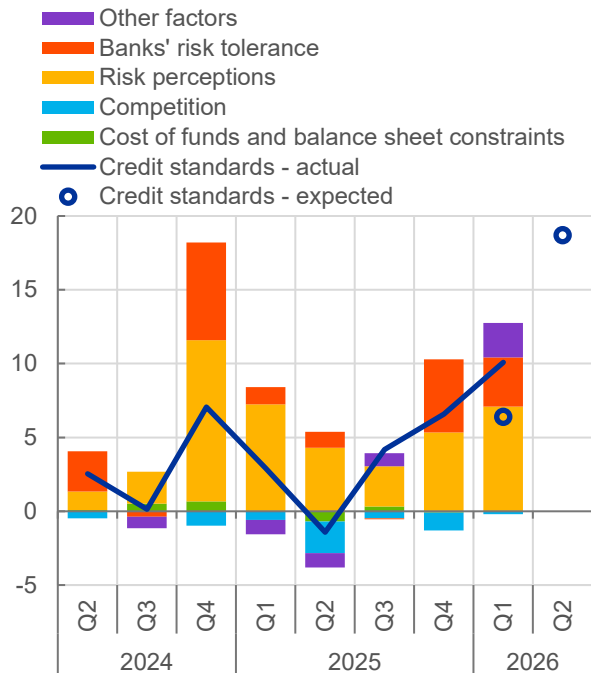
Notes: The chart shows the change of the Macro-Finance Financial Conditions Index (FCI) and its decomposition since the beginning of 2026. The more positive (negative) is the value of the index, the tighter (looser) the conditions are. The latest observations are for 12 May 2026.

Sources: ECB projections database and Allayioti, Di Casola and Magistretti (forthcoming).

Notes: The ECB-BIG index uses a BVAR model with mixed-frequency to derive a measure of credit conditions in the euro area. "Price components" include lending rates and the Macro-Finance FCI; "Quantity components" include credit volumes and BLS data. The more positive (negative) is the value of the index, the tighter (looser) the conditions. The latest observations are for April 2026.

## Changes in credit standards for loans to firms

(net percentages of banks reporting a tightening)

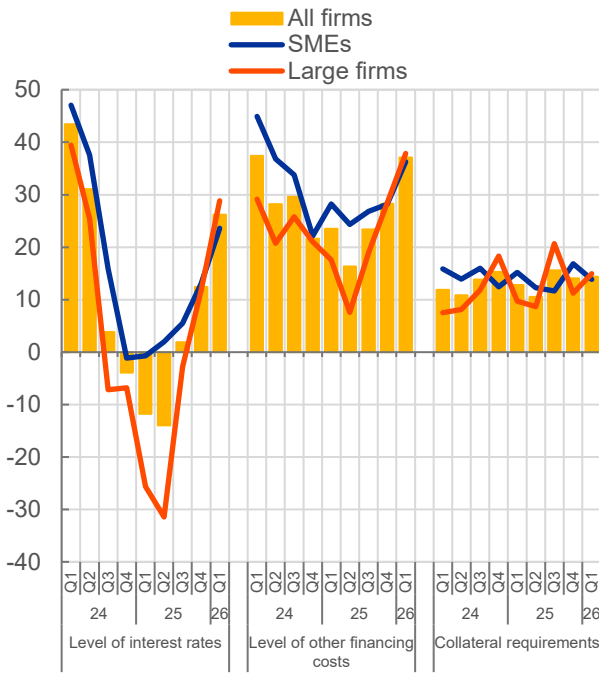


Source: ECB Bank Lending Survey (BLS).

Notes: "Other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards. The latest observations are for the first quarter of 2026 (past) and the second quarter of 2026 (expected).

## Changes in terms and conditions of bank financing for EA firms

(net percentages of firms)

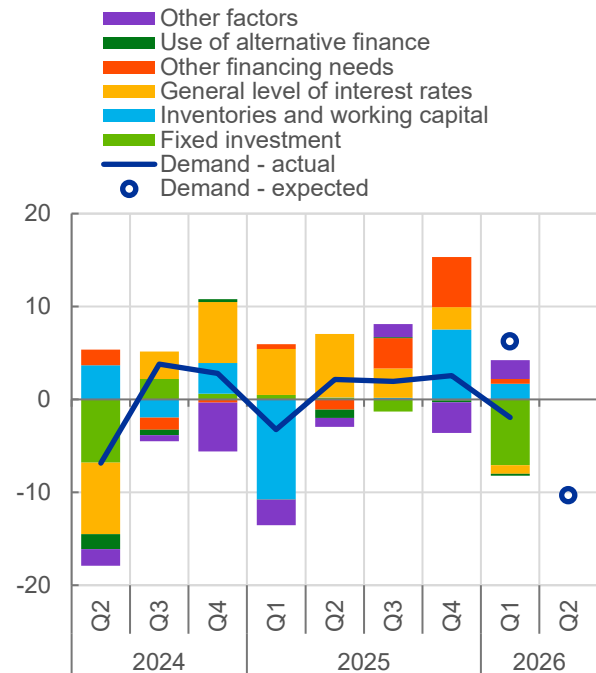


Sources: ECB (SAFE) and ECB calculations.

Notes: Survey-weighted net percentages are the difference between the percentage of enterprises reporting an increase for a given item and the percentage reporting a decrease. The chart covers firms that had applied for bank loans (including subsidised bank loans) or credit lines. The latest observations are for January – March 2026.

## Changes in demand for loans to firms

(net percentages of banks reporting an increase)

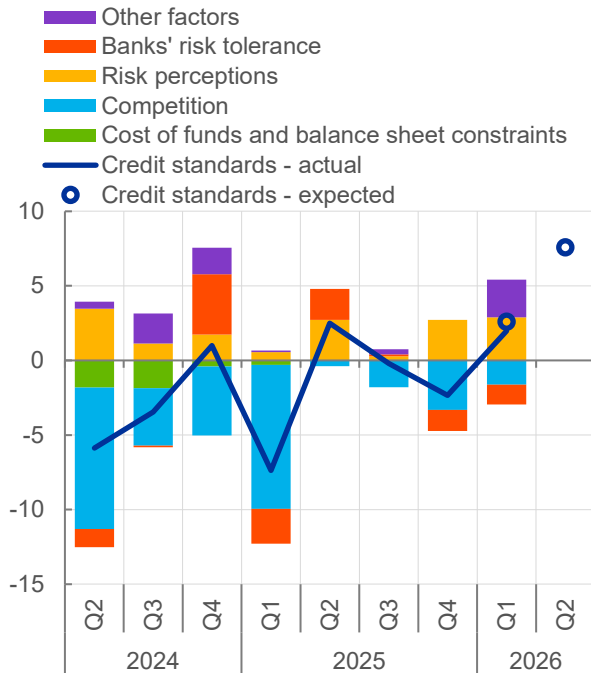


Source: ECB Bank Lending Survey (BLS).

Notes: "Other financing needs" is the average of "M&A and corporate restructuring" and "debt refinancing/restructuring and renegotiation". "Use of alternative finance" is the average of "internal financing", "loans from other banks", "loans from non-banks", "issuance/redemption of debt securities" and "issuance/redemption of equity". The latest observations are for the first quarter of 2026 (past) and the second quarter of 2026 (expected).

## Changes in credit standards for housing loans

(net percentages of banks reporting a tightening)

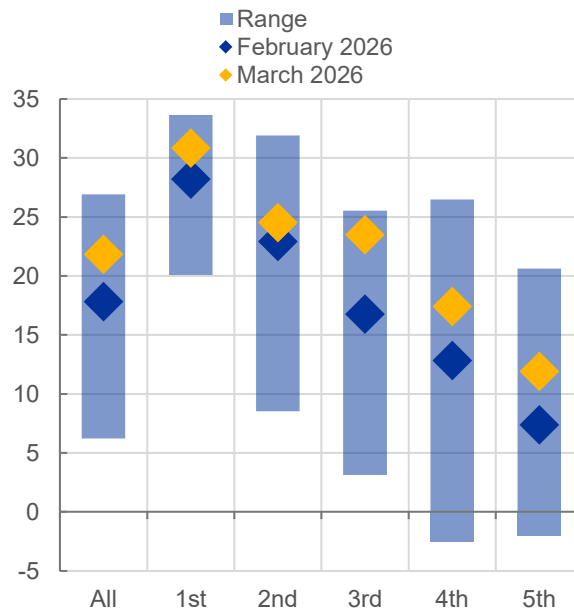


Source: ECB Bank Lending Survey (BLS).

Notes: "Other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards. The latest observations are for the first quarter of 2026 (past) and the second quarter of 2026 (expected).

## Household expected perceived access to credit by income

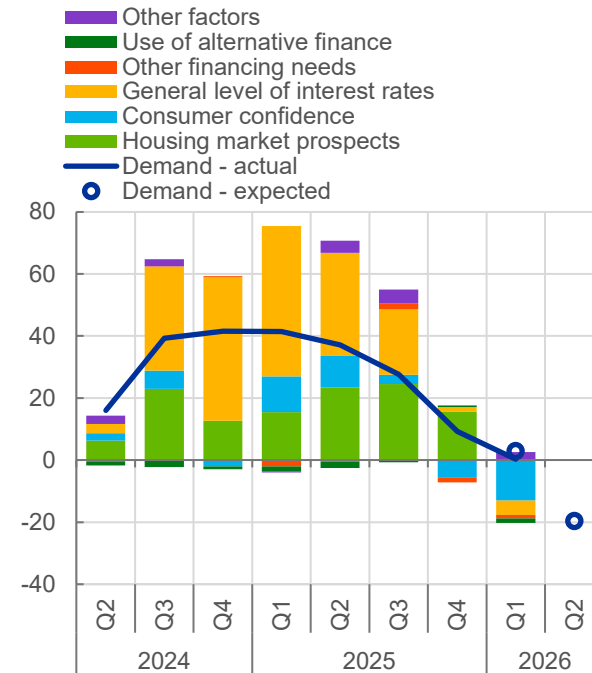
(net percentage of respondents expecting a tightening)



Source: ECB (CES). Notes: The chart plots the differences between the percentage of respondents who expect credit access to be harder in the next 12 months and those who expect it to become easier. Statistics are reported by quintiles of income. Income quintiles are computed over the weighted distributions of the variable at the country level and by wave. Ranges are computed over the full history of the survey. The latest observations are for March 2026.

## Changes in demand for housing loans

(net percentages of banks reporting an increase)



Source: ECB Bank Lending Survey (BLS).

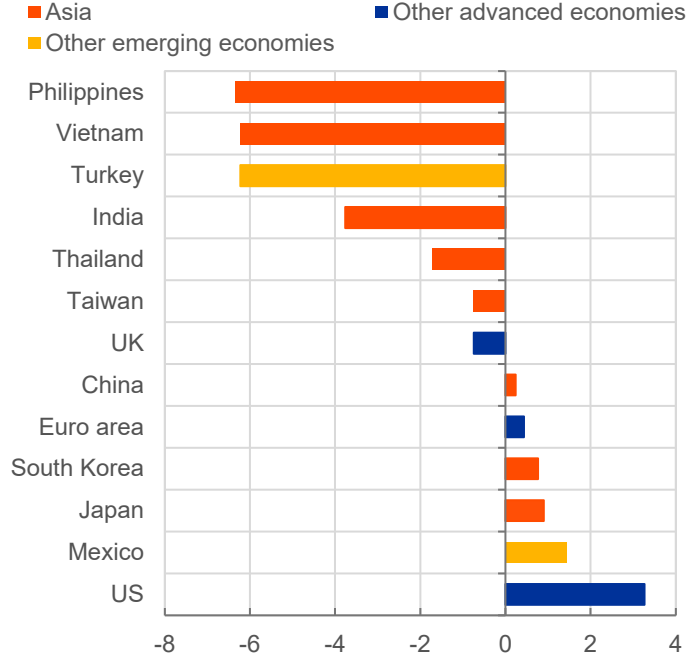
Notes: "Other financing needs" is the average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets". "Use of alternative finance" is the average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance". The latest observations are for the first quarter of 2026 (past) and the second quarter of 2026 (expected).

# Background

# PMI output and indicators for supply bottlenecks

## Manufacturing PMI output

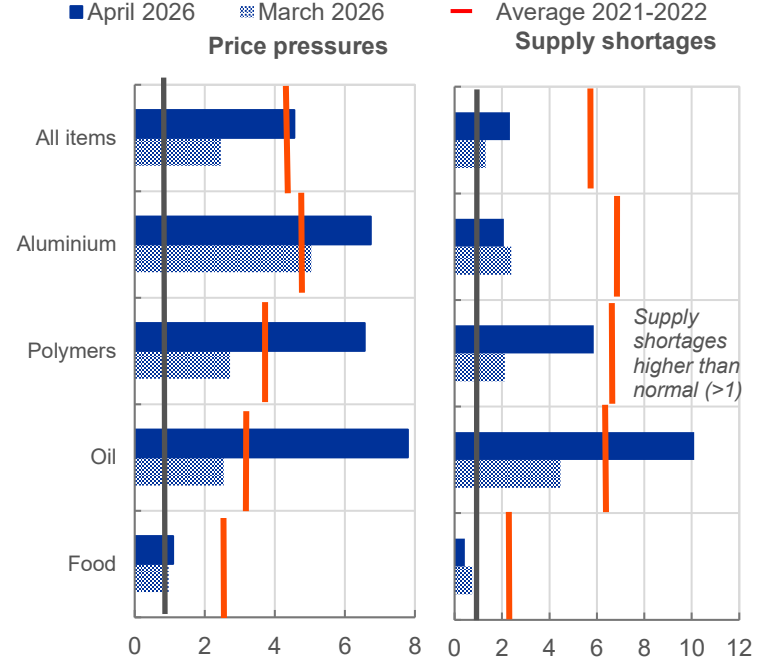
(diffusion indices, deviation in April from February)



Sources: S&P Global, Haver Analytics and ECB staff calculation.  
 Note: The latest observations are for April 2026.

## PMI supply bottlenecks

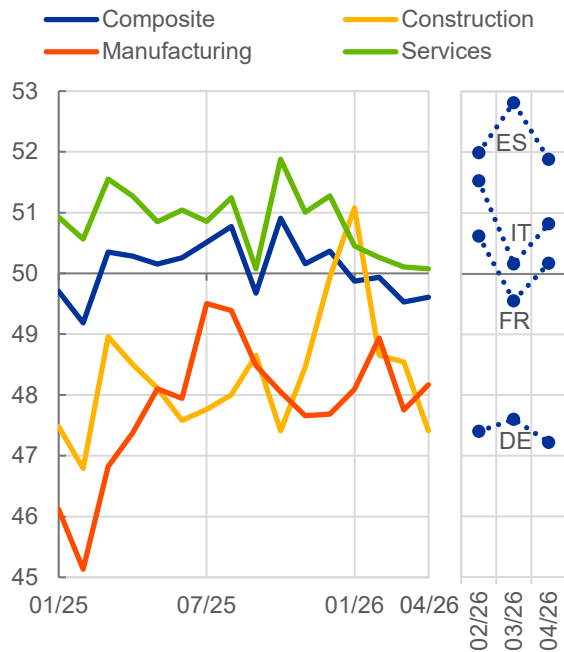
(indices, left panel: price pressures; right panel: supply shortages)



Sources: S&P Global, Haver Analytics and ECB staff calculations.  
 Notes: The chart shows indices normalised to 1 at their long-run averages. The latest observations are for April 2026.

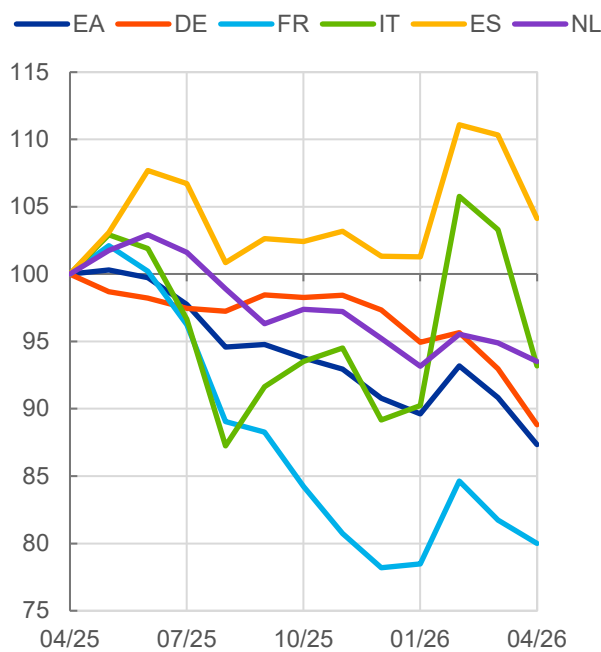
# Labour market developments

## PMI (diffusion index)



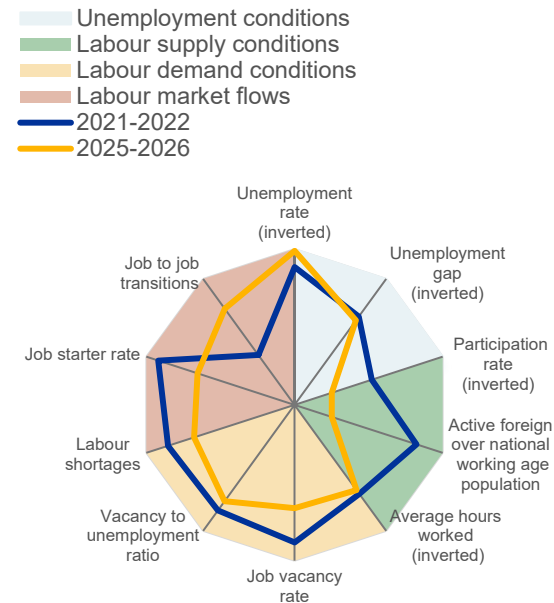
Source: S&P Global.  
Note: The latest observations are for April 2026.

## Indeed job postings (April 2025 = 100)



Source: Indeed.  
Note: The latest observations are for April 2026.

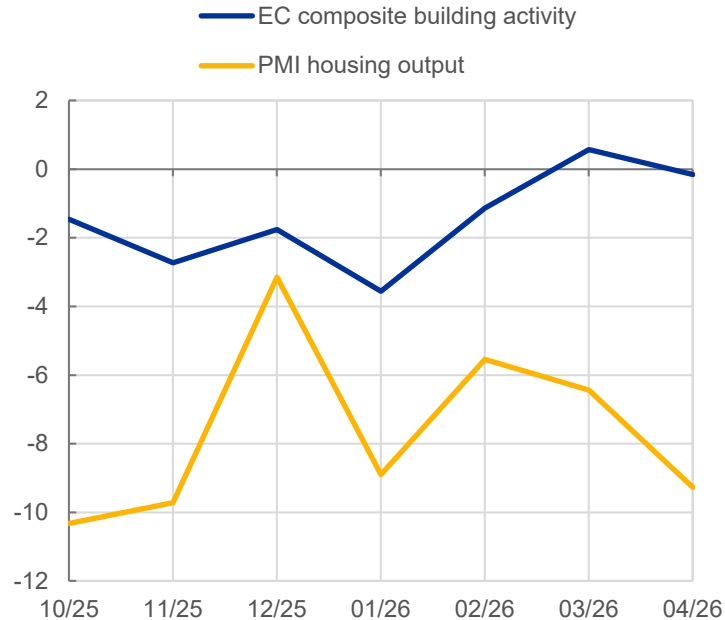
## Labour Market tightness conditions (indices)



Sources: Eurostat, European Commission, Consumer expectations survey (CES) and ECB staff calculations.  
Notes: All indicators have been scaled such that the outer circle of the radar chart corresponds to the "tightest" and the inner circle corresponds to the "least tight" outcome of each indicator. The job-to-job transition rate has been computed on the basis of the CES and smoothed as a four-quarter-average.

## Housing investment: short-term indicators

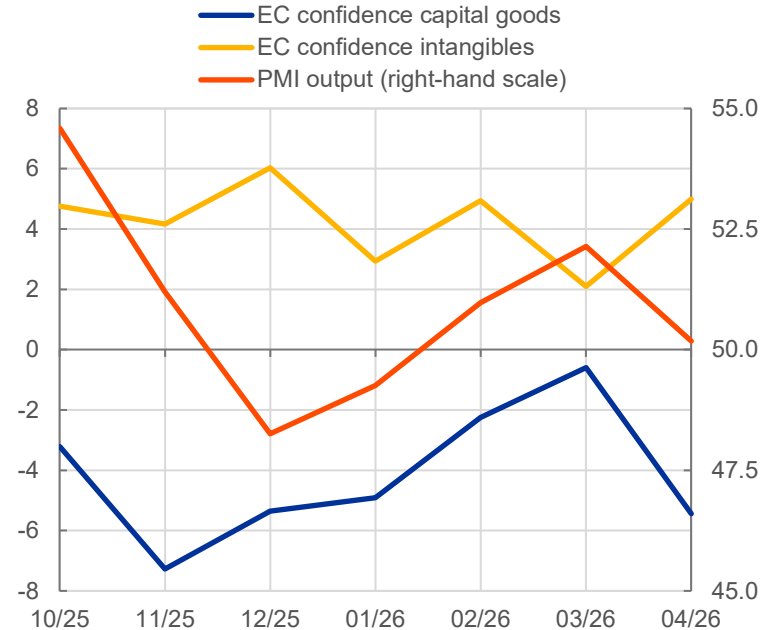
(percentage balances and PMI - 50)



Sources: European Commission DG-ECFIN, S&P Global and ECB calculations.  
Note: The latest observations are for April 2026.

## Business investment: short-term indicators

(left-hand scale: percentage balances;  
right-hand scale: diffusion index)

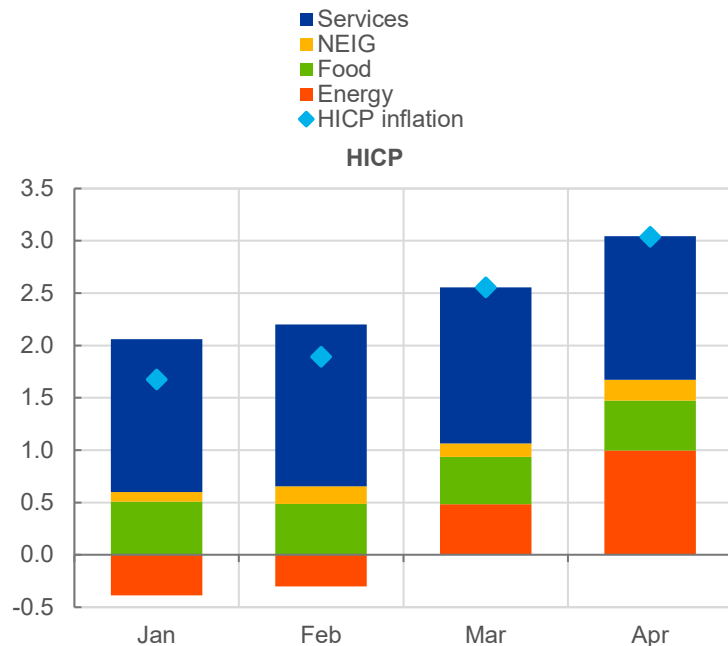


Sources: European Commission DG-ECFIN and S&P Global.  
Notes: European Commission (EC) confidence indicator for intangible services refer to a weighted average of publishing activities (J58), computer programming, consultancy and related activities (J62) and information service activities (J63). The latest observations are for April 2026.

# Inflation developments and outlook

## Headline inflation and main components

(annual percentage changes and point percentage contributions)

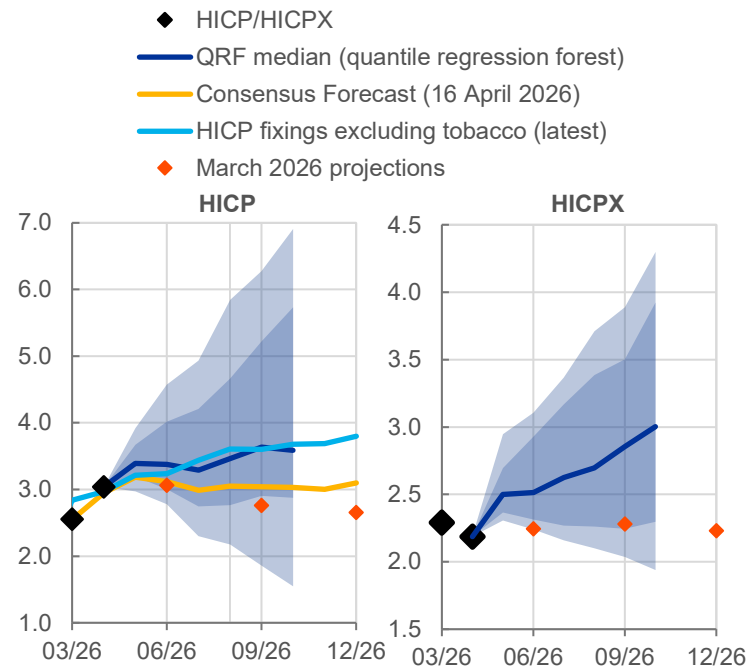


Sources: Eurostat and ECB calculations.

Note: The latest observations are for April (flash estimate) 2026.

## Short-term forecasts for HICP and HICPX

(annual percentage changes)



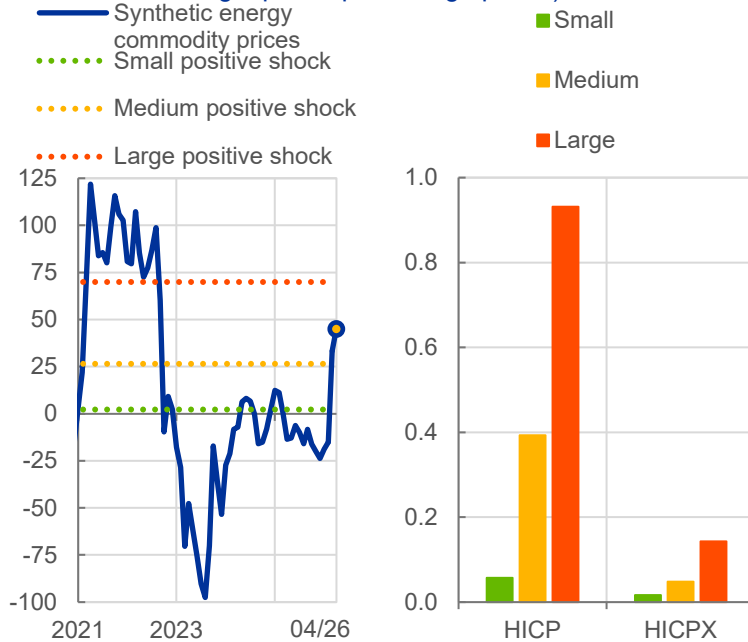
Sources: Eurostat, March 2026 ECB staff macroeconomic projections and ECB calculations.

Notes: QRF estimates from Lenza et al. (2025), with 39% of April data available. The light (dark) shaded area denotes the QRF 5-95 (16-84) range. March 2026 projections technical assumptions cut-off is March 11. Cut-off for fixings excl. tobacco is May 12. The latest observations are for April (flash estimate) 2026.

# The transmission of energy shocks to inflation

## Synthetic energy price indicator and non-linear, inflationary effects

(left panel: annual percentage changes;  
right panel: percentage points)

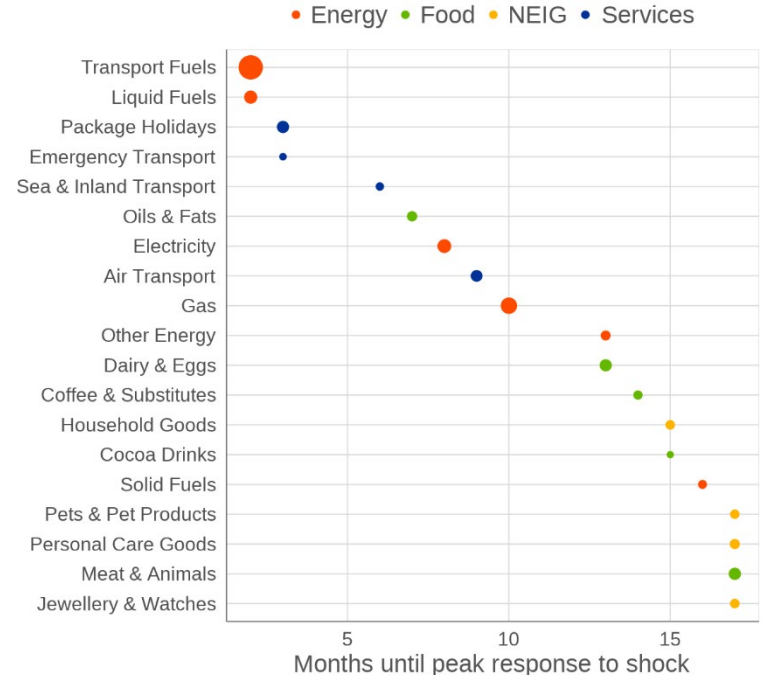


Sources: ECB staff calculations & [Bobeica, Holton, Huber and Martínez Hernández \(2025\)](#).

Notes: Left panel: synthetic indicator of energy prices, combining oil and gas prices using euro area's energy import shares (in annual log diffs). Red, yellow, and green dotted lines mark thresholds for small, medium, and large energy shocks. Right panel: Non-linear effects of small, medium and large shocks on HICP and HICPX inflation. The latest observations are for April 2026.

## Granular transmission of oil shocks to inflation

(bubble size: percentage points peak effect x weight in HICP)



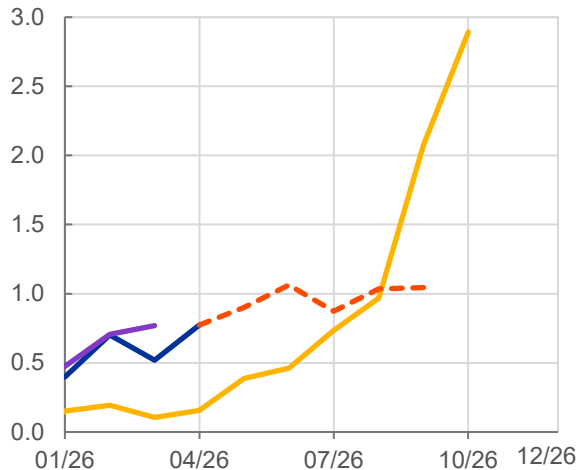
Sources: Eurostat, SDW, ECB staff calculations, and [Bańbura, Bobeica and Martínez Hernández \(2023\)](#).

Notes: Items sensitive to energy shocks, selecting the most sensitive within each category. The size of the bubble depicts the magnitude at the peak effect multiplied by its corresponding weight in the 2026 HICP.

## Non-energy industrial goods (NEIG) inflation and forecast

(annual percentage changes)

- NEIG
- PMI input prices
- - - QRF median
- PCCI NEIG



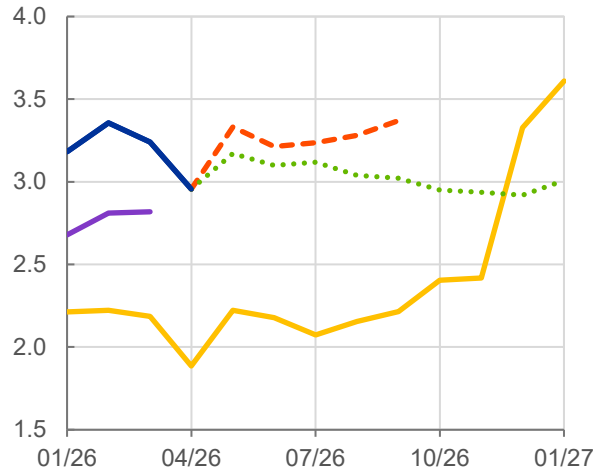
Sources: Eurostat, S&P Global, and ECB calculations.

Notes: QRF forecast applies the model and dataset as in [Lenza et al. \(2025\)](#), which is also used for headline and core inflation. The short-term update is from April 22, with cut-off date on April 21. PMI input prices rescaled to match mean and standard deviation of NEIG inflation and they are shifted by 6 months. The latest observations are for April (flash estimate) 2026.

## Services inflation and forecast

(annual percentage changes)

- Services
- PMI input prices
- - - QRF median
- PCCI Services
- STIP services

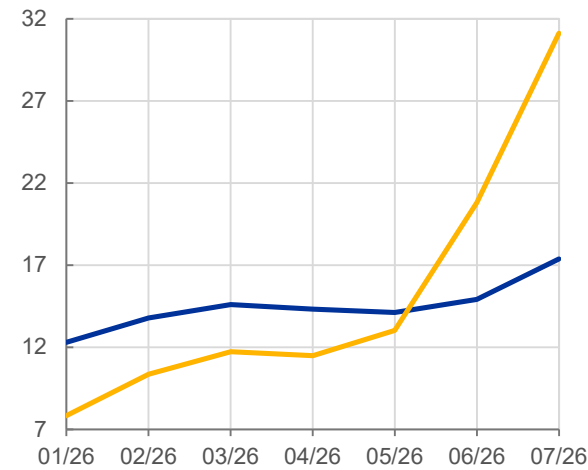


Sources: Eurostat, S&P Global, and ECB calculations. Notes: QRF forecast applies the model and dataset as in [Lenza et al. \(2025\)](#), which is also used for headline and core inflation. Experimental STIP services from Durero et. al. (forthcoming). The short-term update is from April 22, with cut-off date on April 21. PMI input prices are rescaled to match mean and standard deviation of services inflation and are shifted by 9 months, to reflect the lead of the indicators. The latest observations are for April (flash estimate) 2026.

## Selling price expectations

(percentage balances)

- Services
- Industry

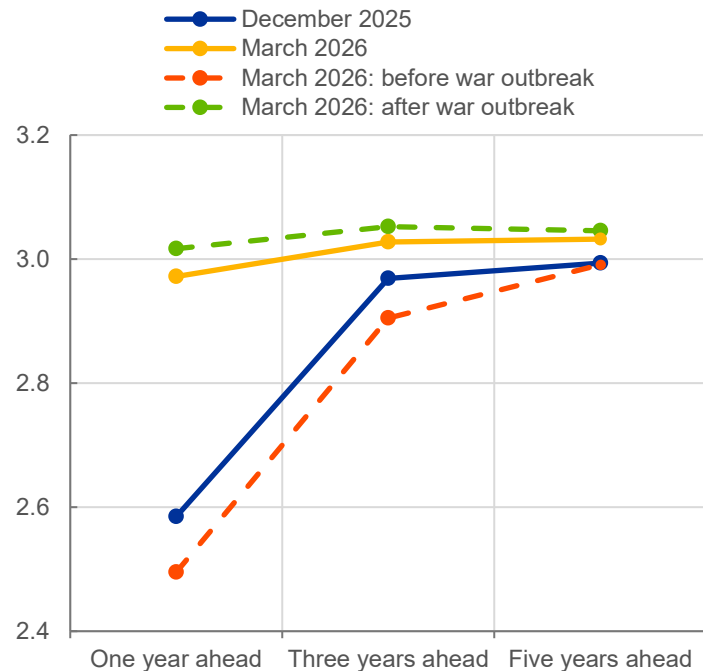


Sources: European Commission and ECB calculations.

Notes: Selling price expectations are expressed as percentage balances and are shifted by 3 months. The latest observations are for April 2026.

## Inflation expectations around outbreak of the Middle East war

(annual percentages)

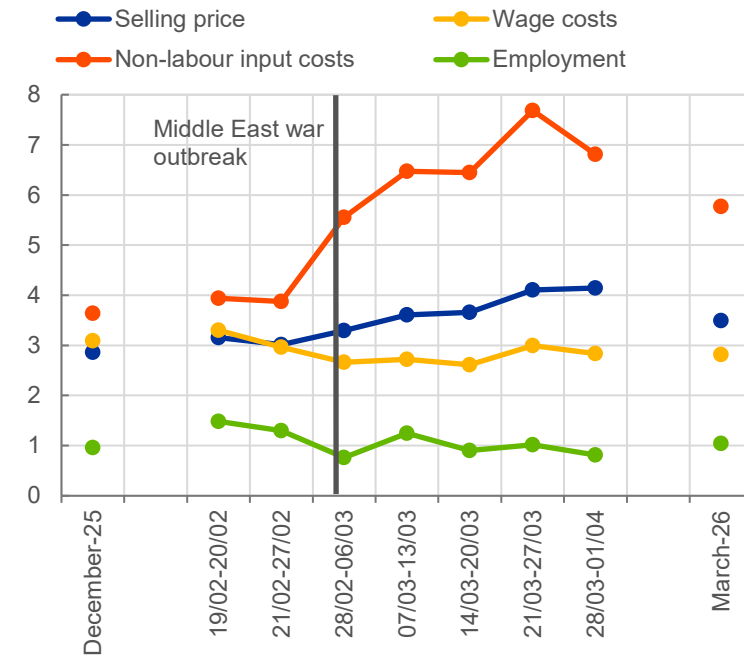


Source: Survey on the Access to Finance of Enterprises (SAFE).

Notes: The chart shows survey-weighted median inflation expectations one – five years ahead. “Before war outbreak” refers to survey results from the first quarter of 2026 round collected between 19 February – 27 February 2026, “After war outbreak” between 28 February – 1 April 2026. The latest observations are for March 2026.

## Expectations for selling prices, wages and input costs over Middle East war period

(percentage changes over the next 12 months)

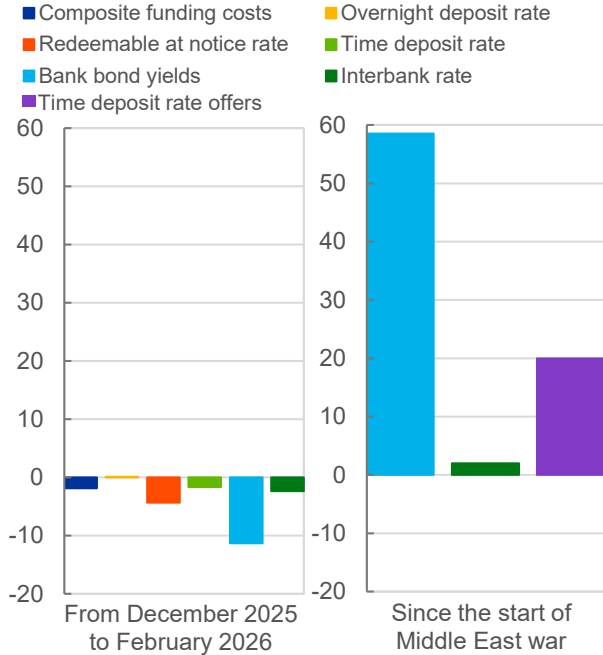


Source: Survey on the Access to Finance of Enterprises (SAFE).

Notes: The chart shows survey-weighted average expectations one-year ahead before and after the outbreak of the Middle East war. Survey results over the first quarter of 2026 collection period are aggregated weekly. “December-25” and “March-26” refer to overall averages for the fourth quarter of 2025 and first quarter of 2026 survey waves, respectively. The vertical line refers to 28 February 2026. The latest observations are for March 2026.

# Bank funding costs and lending rates for firms and households

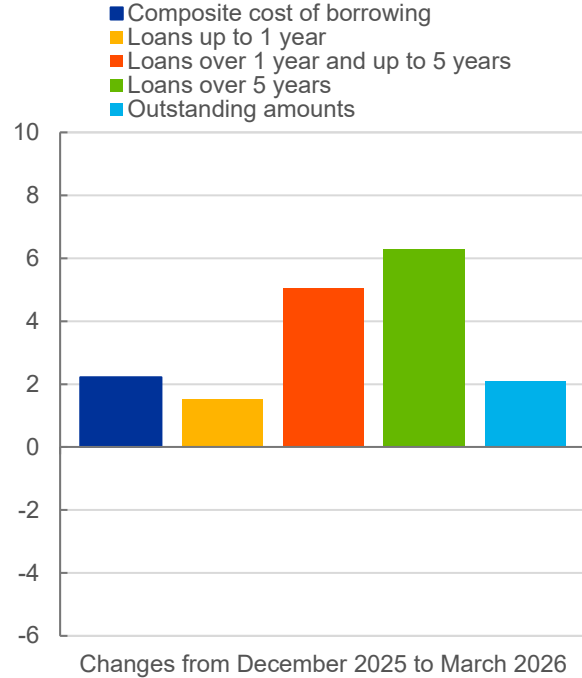
## Changes in bank funding costs (basis points)



Sources: ECB (BSI, MIR, CSDB, MMSR), IHS Markit iBoxx, Verivox, Confrontaconti, Rankia and ECB calculations.

Notes: Marginal funding costs are computed by weighting rates on new business costs of each component by outstanding amounts. Time deposit rate offers refer to the median rate of online offers. The latest observations are for February 2026 for monthly data, 11 May for weekly data and 12 May for daily data.

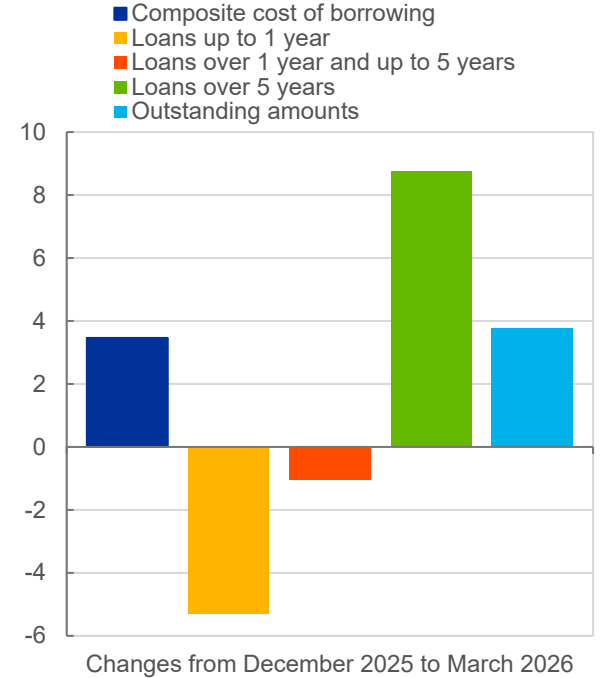
## Changes in bank lending rates to firms (basis points)



Source: ECB (MFI Interest Rates (MIR)).

Notes: The indicator for the composite cost of borrowing is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes. The latest observations are for March 2026.

## Changes in bank lending rates to households for house purchase (basis points)



Source: ECB (MFI Interest Rates (MIR)).

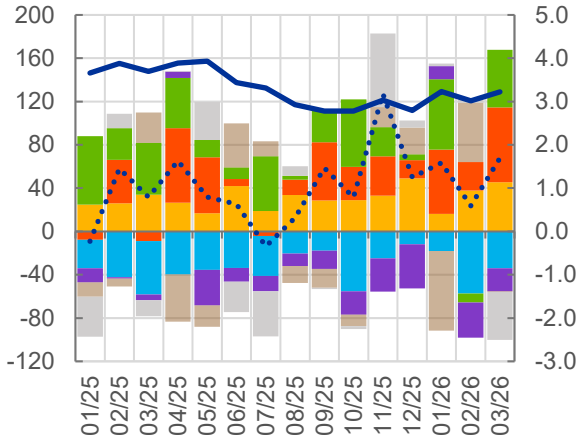
Notes: The indicator for the composite cost of borrowing is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes. The latest observations are for March 2026.

# Money creation and debt financing

## Sources of money creation

(left-hand scale: monthly flows in EUR bn;  
right-hand scale: percentage changes)

- Other counterparts
- Decline in central government deposits
- Bank long-term liabilities (-)
- Bank credit to general government
- Eurosystem net purchases
- Net external monetary flows
- Loans to firms and households
- M3 flow
- M3 annual growth rate (rhs)

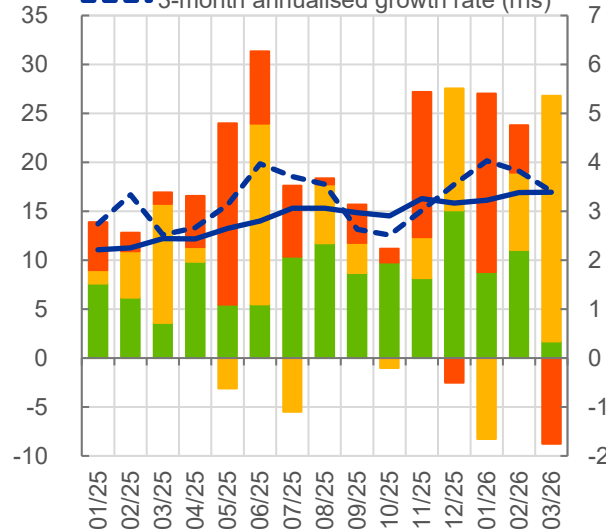


Sources: ECB (Balance Sheet Items (BSI) and ECB calculations.  
Note: The latest observations are for March 2026.

## Debt financing of euro area firms

(left-hand scale: monthly flows in EUR bn;  
right-hand scale: percentage changes)

- Net issuance of debt securities
- Bank loans to firms up to 5 years
- Bank loans to firms over 5 years
- Annual growth rate (rhs)
- 3-month annualised growth rate (rhs)

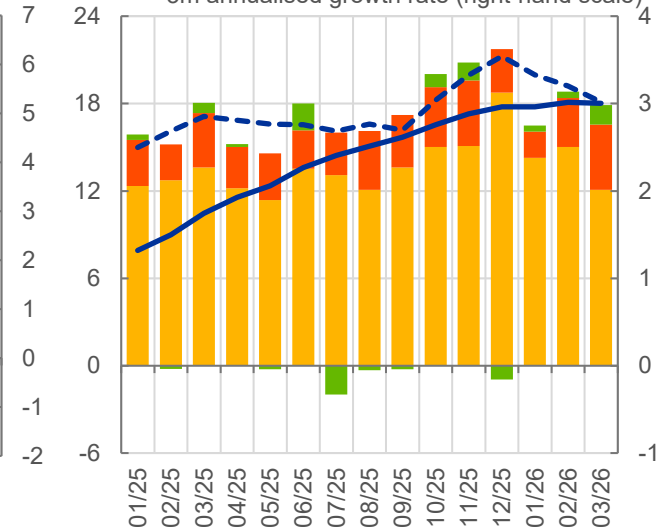


Sources: ECB (Balance Sheet Items (BSI), Securities Issues Statistics (CSEC) and ECB calculations. Notes: The seasonally adjusted series for 'Net issuance of debt securities' is not part of the official CSEC release, whereas the seasonally adjusted series for 'Borrowing from banks' is part of the official BSI release. In addition, 'Borrowing from banks' is also adjusted for sales, securitisation, and cash pooling. The latest observations are for March 2026.

## Bank loans to households by purpose

(left-hand scale: monthly flows in EUR bn;  
right-hand scale: percentage changes)

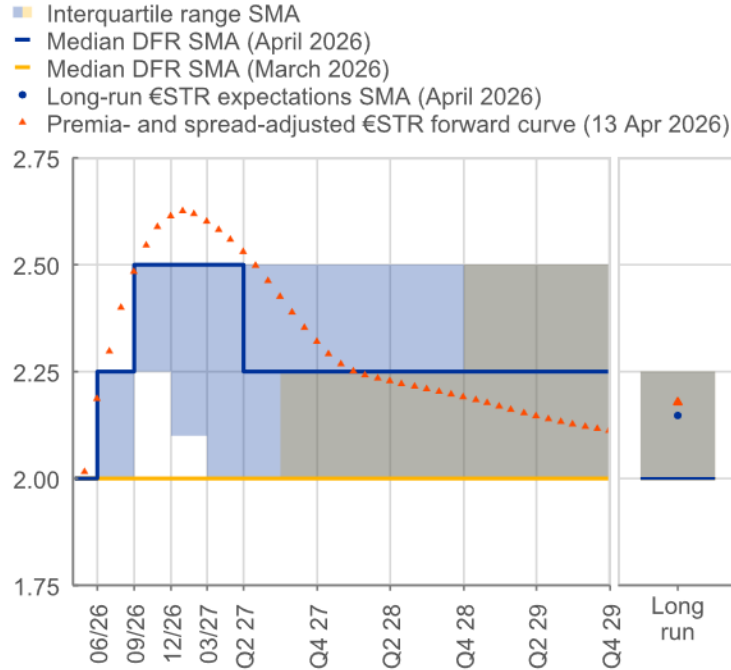
- Other lending
- Credit for consumption
- Loans for house purchase
- Annual growth rate (right-hand scale)
- 3m annualised growth rate (right-hand scale)



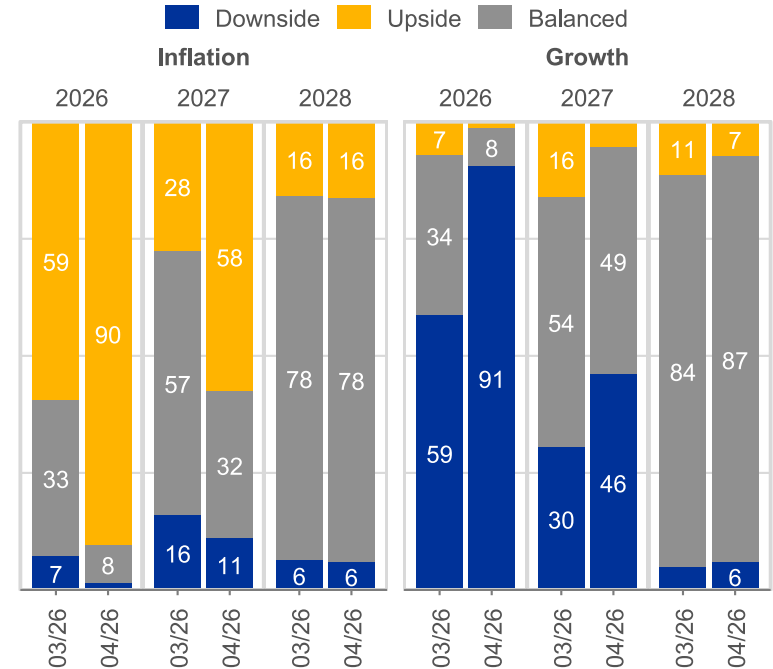
Sources: ECB (Balance Sheet Items (BSI) and ECB calculations.  
Notes: Bank loans are seasonally adjusted and adjusted for sales and securitisation. The latest observations are for March 2026.

# Survey of Monetary Analysts – DFR expectations and balance of risks

## SMA – DFR expectations (percentage per annum)



## Balance of risk surrounding the euro area inflation and growth outlook (percentage of respondents)



Sources: SMA, Bloomberg and ECB calculations.

Notes: The premia and spread adjusted €STR forward curve refers to the €STR forward curve adjusted for term premia and the 7 bps spread between the DFR with reference date 13 April 2026. Responses are at GovC frequency until March 2027 and at quarterly frequency thereafter. Interquartile range refers to point forecasts of respondents.

Source: Survey of Monetary Analysts (SMA).

Note: Percentages may not add up to 100 due to rounding.