European Commission

Economic and Financial Affairs

European Economic Forecast

Spring 2026

EUROPEAN ECONOMY

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European Commission
Directorate-General for Economic and Financial Affairs

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EUROPEAN ECONOMY

Institutional Paper 341

ABBREVIATIONS

Countries and regions

EU	European Union
EA	Euro area
BE	Belgium
BG	Bulgaria
CZ	Czechia
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden

BA	Bosnia and Herzegovina
BR	Brazil
CH	Switzerland
CN	China
IN	India
IS	Iceland
JP	Japan
MD	Moldova
NO	Norway
MX	Mexico
UA	Ukraine
UK	United Kingdom
US	United States of America

AE	Advanced economy
CEE	Central and Eastern European
EFTA	European Free Trade Association
EME	Emerging markets economy
EMU	Economic and Monetary Union
MENA	Middle East and North Africa
ROW	Rest of the World

Economic variables and institutions

CPI	Consumer Price Index
ECB	European Central Bank
EUI	Economic Uncertainty Indicator
ESI	Economic Sentiment Indicator
FAO	Food and Agriculture Organization of the United Nations
FED	Federal Reserve Bank
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
NEER	Nominal Effective Exchange Rate
OPEC	Organization of the Petroleum Exporting Countries
PMI	Purchasing Managers' Index

Other abbreviations

AF	Autumn Forecast
APP	ECB asset purchase programme
BCS	Joint Harmonised EU Programme of Business and Consumer Surveys
COFOG	Classification of the functions of government
COICOP	Classification of individual consumption by purpose
COVID-19	Coronavirus disease 2019
DSGE	Dynamic Stochastic General Equilibrium model
EUCAM	European Union Commonly Agreed Methodology
ETS	EU Emissions Trading System
GM	European Commission's Global Multi-country model
NACE	Statistical classification of economic activities in the European Community
NFC	Non-financial corporation
NGEU	NextGenerationEU
LNG	Liquefied Natural Gas
PPP	Purchasing power parity
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SF	Spring Forecast
SME	Small and medium-sized enterprise
S&P GSCI	Standard and Poor's Goldman Sachs Commodities Index
TFP	Total factor productivity
TTF	Title Transfer Facility
VAT	Value-added tax
WiF	Winter interim Forecast

Graphs/Tables/Units

bbl	Barrel
bcm	Billion cubic meters
bn	Billion
bp. /bps.	Basis point / points
EUR/MWh	Euro per megawatt hour
GW	Giga Watt
lhs	Left hand scale
mn	Million
Mtoe	Million tons of oil equivalent
pp. / pps.	Percentage point / points
pt. / pts.	Point / points
Q	Quarter
q-o-q%	Quarter-on-quarter percentage change

rhs	Right hand scale
tr	Trillion
USD/bbl	US dollar per barrel
y-o-y%	Year-on-year percentage change

Currencies

EUR	Euro
ALL	Albanian lek
BAM	Bosnian Mark
CZK	Czech koruna
DKK	Danish krone
GEL	Georgian Lari
GBP	Pound sterling
HUF	Hungarian forint
ISK	Icelandic krona
INR	Indian rupee
MDL	Moldovan Leu
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
RUB	Russian Ruble
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen
CNY	Chinese Yuan Renminbi
TRY	Turkish lira
UAH	Ukrainian hryvnia
USD	US dollar

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FOREWORD

The EU economy is facing a renewed energy shock—this time triggered by the conflict in the Middle East—which will again raise production costs and consumer prices, eroding households' disposable incomes and profits of many European firms and dampening demand amid weakening confidence and heightened uncertainty.

Still, in many respects this shock differs from the crisis triggered by Russia's full-scale invasion of Ukraine. The earlier shock resulted from the tightening of Russian gas supply to Europe at a time when the EU remained heavily dependent on pipeline imports and faced limited short-term substitution possibilities. The EU's subsequent effort to rapidly reduce dependence on Russian fossil fuels intensified short-term adjustment pressures. The current shock is transmitted through globally traded energy commodities and is therefore spread more evenly across the world economy.

The EU economy has also entered this episode from a different macroeconomic starting position: inflationary pressures were easing, labour markets had started to soften, fiscal policy was shifting towards consolidation, and financing conditions were considerably tighter.

Importantly, the EU economy has undergone significant structural adjustment in recent years. Energy consumption—especially of fossil fuels—has declined markedly, reflecting the rapid expansion of renewable energy generation and substantial energy efficiency gains across households and firms, alongside some contraction in energy-intensive industries.

If energy prices evolve broadly in line with current market expectations of a relatively swift, albeit partial, normalisation of supply conditions, the macroeconomic impact of this shock should be less severe than the previous energy crisis. Growth is expected to slow, but not stall, while inflation should resume its decline in 2027. However, if supply disruptions persist for longer than currently anticipated by markets, the outlook could prove significantly less favourable than projected in the baseline forecast.

The policy lessons from the previous crisis remain highly relevant. Fiscal policy measures can provide relief to households and firms facing high energy costs, but they cannot address the underlying shortfall in energy supply. When deployed on a broad scale, in an untargeted manner and for prolonged periods, they are extremely costly: between 2022 and 2024, the cumulative net budgetary cost of the discretionary measures in the EU reached 2.2% of GDP. Moreover, by sustaining energy demand in the face of constrained supply, they may add to inflationary pressures, rather than alleviating them. This could require tighter monetary conditions, weighing on investment—including in energy efficiency and renewable energy generation, which generally feature high upfront capital needs.

The path forward is clear. In the short term, limited mitigating measures may be warranted, but they should aim to provide rapid relief to the most affected households and firms without creating lasting fiscal costs—and, crucially, without distorting price signals. At the same time, strengthening resilience to future energy shocks requires further progress towards energy efficiency and reduced dependence on fossil fuels.

This is not a moment for policy reversal, but for accelerating the transition towards a more resilient and less fossil fuel-dependent economy.

Maarten Verwey

Director General
Economic and Financial Affairs

GROWTH SLOWS DOWN AS ENERGY SHOCK DRIVES UP INFLATION

EXECUTIVE SUMMARY

A new energy shock—the second in less than five years—reshapes the global and EU economic outlook

Before the outbreak of the conflict in the Middle East, the global economy was gaining momentum. A challenging geopolitical environment and US tariff uncertainty continued to weigh on growth, but easing inflation and a robust investment cycle related to the unfolding AI revolution provided important support. The EU economy was likewise strengthening while inflationary pressures were further abating. Weak competitiveness was a source of concern and public finances required attention, but the economy also showed resilience, including a robust labour market and solid private sector balance sheets.

The conflict materially changed this picture, delivering one of the most significant global energy supply disruptions in recent history—coming less than five years after the energy shock triggered by Russia's war of aggression against Ukraine. The virtual closure of the Strait of Hormuz has curtailed seaborne flows of oil and LNG by around 15% and 20%, respectively. Moreover, the targeting of energy infrastructure in the region has caused significant damage, including to regional refining capacity. The disruption to exports of refined petroleum products has thus been particularly pronounced, reflecting the Gulf's role as a major refining hub and the limited scope for rerouting fuel exports through alternative transport routes. Between 27 February—the eve of the US and Israeli attacks on Iran—and 29 April—the cut-off date for the

Table 1: **Spring 2026 Forecast - overview**

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Belgium	1.0	0.7	0.9	3.0	3.4	2.6	6.2	6.6	6.5	-2.3	-2.6	-2.6	-5.2	-5.2	-5.4
Bulgaria	3.1	2.5	2.2	3.5	4.2	2.6	3.5	3.7	3.9	-3.9	-5.0	-5.0	-3.5	-4.1	-4.3
Germany	0.2	0.6	0.9	2.3	2.9	2.7	3.8	4.0	3.9	4.7	3.5	3.1	-2.7	-3.7	-4.1
Estonia	0.6	1.6	1.7	4.8	4.4	2.9	7.5	7.1	6.8	-0.7	-2.8	-3.0	-2.0	-4.5	-4.8
Ireland	12.3	-1.2	3.4	2.1	3.5	2.6	4.7	4.8	4.9	8.1	7.9	7.3	1.8	1.4	1.2
Greece	2.1	1.8	1.6	2.9	3.7	2.4	8.9	8.3	7.9	-6.0	-7.1	-6.1	1.7	0.8	0.6
Spain	2.8	2.4	1.9	2.7	3.0	2.5	10.5	9.9	9.6	2.8	1.9	1.8	-2.4	-2.4	-2.0
France	0.8	0.8	1.1	0.9	2.4	1.8	7.7	8.3	8.7	-0.2	-0.4	-0.2	-5.1	-5.1	-5.7
Croatia	3.4	2.7	2.5	4.4	4.6	2.7	4.9	4.8	4.8	-2.6	-3.2	-3.2	-3.0	-2.9	-2.7
Italy	0.5	0.5	0.6	1.7	3.2	1.8	6.1	5.7	5.7	1.2	0.5	0.6	-3.1	-2.9	-2.9
Cyprus	3.8	2.3	2.7	0.8	3.6	2.2	4.4	4.2	4.2	-6.4	-7.2	-6.5	3.4	2.1	2.5
Latvia	2.1	1.4	1.6	3.8	3.6	2.2	6.9	6.8	6.7	-5.0	-5.8	-7.0	-2.5	-3.3	-4.3
Lithuania	2.9	3.0	2.1	3.4	4.4	2.7	6.9	6.7	6.7	1.6	-0.6	-0.3	-1.8	-2.2	-2.7
Luxembourg	0.6	1.6	2.0	2.5	2.7	1.8	6.5	6.6	6.5	-2.9	-2.8	-2.7	-2.0	-1.2	-1.5
Malta	4.0	3.7	3.6	2.4	2.7	2.3	3.1	3.0	3.1	8.3	6.3	6.1	-2.2	-2.2	-2.1
Netherlands	1.8	1.0	1.1	3.0	3.2	2.5	3.9	4.2	4.4	7.9	7.8	7.6	-1.6	-2.5	-1.9
Austria	0.6	0.6	0.9	3.6	3.0	2.5	5.7	5.8	5.6	1.1	0.7	1.3	-4.2	-4.1	-4.1
Portugal	1.9	1.7	1.8	2.2	3.0	2.3	6.0	5.9	5.8	1.0	0.1	0.2	0.7	-0.1	-0.4
Slovenia	1.1	1.9	2.3	2.5	3.5	2.5	3.9	3.8	3.8	3.7	2.4	2.3	-2.5	-3.3	-3.5
Slovakia	0.8	0.8	1.5	4.2	4.3	3.2	5.4	5.7	5.7	-2.8	-3.3	-2.9	-4.5	-4.6	-5.4
Finland	0.2	0.8	1.4	1.8	2.4	1.9	9.7	10.1	9.8	1.3	0.1	0.2	-3.4	-4.5	-4.6
Euro area (21)	1.4	0.9	1.2	2.1	3.0	2.3	6.3	6.4	6.4	2.5	1.7	1.7	-2.9	-3.3	-3.5
Czechia	2.6	1.8	2.4	2.3	2.7	2.8	2.8	3.1	3.2	1.7	0.4	0.8	-2.1	-2.8	-2.9
Denmark	2.9	1.9	1.8	1.8	1.8	1.9	6.4	6.5	6.5	12.5	11.4	11.1	2.9	0.9	0.5
Hungary	0.5	1.8	2.1	4.4	3.2	3.1	4.4	4.5	4.4	1.7	-0.2	0.5	-4.7	-6.2	-5.8
Poland	3.6	3.5	2.8	3.3	3.6	2.9	3.1	3.1	3.0	-0.7	-1.2	-1.2	-7.3	-6.5	-6.3
Romania	0.7	0.1	2.3	6.8	7.0	3.7	6.1	6.3	5.9	-7.9	-6.9	-6.4	-7.9	-6.2	-5.8
Sweden	1.5	1.8	2.2	2.6	1.5	1.8	8.8	8.5	7.9	5.2	4.2	3.9	-1.3	-2.8	-2.5
EU	**1.5**	**1.1**	**1.4**	**2.5**	**3.1**	**2.4**	**6.0**	**6.0**	**6.0**	**2.4**	**1.7**	**1.6**	**-3.1**	**-3.5**	**-3.6**

technical assumptions underpinning this forecast—gas prices increased by 50% and crude oil prices by 65%, while refining margins for key products such as diesel and jet fuel reached historically elevated levels.

Global inflationary pressures resurge, and growth weakens unevenly, as energy importers bear the brunt

Global growth (excluding the EU) is now projected at 3.1% in 2026 and 3.5% in 2027. For 2026, the small downgrade with respect to the Autumn 2025 Forecast (-0.3 pps.) must be considered in the context of a stronger-than-expected momentum in the run-up to the conflict. Moreover, the aggregate figure masks significant heterogeneity across countries and regions. The outlook for the US—a major net energy exporter—has strengthened, supported by the robust AI-related investment cycle and favourable terms-of-trade. In China, growth is expected to gradually moderate amid subdued consumption. By contrast, the outlook has weakened for most energy-importing economies, especially emerging markets in Asia, reflecting their high energy intensity. Growth prospects in the Middle East and North Africa region have also weakened markedly, owing to the more direct effects of the conflict.

The current energy shock differs markedly from the one that hit Europe in 2021-22…

From an EU perspective, both the nature of the current crisis and the economic context in which it is unfolding differ in important respects from those that prevailed following Russia's full-scale invasion of Ukraine. First, at the time, Europe was heavily reliant on pipeline gas from Russia, with limited scope for substitution and strong dependence on fixed infrastructure. The abrupt disruption of gas flows led to unprecedented price spikes of fifteen to twenty times compared to the autumn 2021 levels. By contrast, the current shock affects globally traded energy commodities—oil and liquified natural gas (LNG). These markets are highly fungible, allowing supply to be reallocated across regions, spreading price pressures more evenly across the global economy. As a result, although energy prices have risen rapidly, oil and especially gas prices remain below the peak levels reached in 2021–22. Second, the EU has significantly reduced its reliance on fossil fuels, both through the expansion of renewable energy, which is weakening the pass-through from gas to electricity prices (see Box I.6.1), and a sizeable reduction in energy use by industry and households (see Special Issue 1). Finally, the EU economy entered the current crisis in a more mature and stable phase of the business cycle than in 2021-22, when the post-pandemic recovery had fuelled inflation and labour market pressures.

…consequently, EU growth is weakened but not derailed while inflationary pressures are set to remain contained

After reaching 1.5% in 2025, EU GDP growth is now projected to slow down to 1.1% this year—0.3 pps. lower than in the Autumn 2025 Forecast—while inflation is expected to rise to 3.1%, an upward revision of a full percentage point compared to the Autumn 2025 Forecast. The impact of the energy shock is set to extend into 2027, with GDP growth picking up to a modest 1.4% and inflation easing to 2.4%—still some 0.3 pps. higher than projected in autumn 2025. The downward revision to growth in 2026 compared to autumn partly reflects slightly stronger-than-expected growth conditions at the beginning of 2026. Moreover, the inflation forecast for 2027 is influenced by the postponement of the roll-out of new EU Emissions Trading System (ETS2), which, in the previous forecast round, was estimated to add 0.2 to 0.3 pps. to inflation.

The high uncertainty surrounding the baseline forecast warrants scenario analysis

Futures energy prices—which underpin the technical assumptions to the forecast—point to a relatively swift, albeit partial, normalisation of supply conditions, with oil and gas prices expected to peak in the current quarter and decline to around 20% above pre-war levels by end 2027. Futures prices provide an objective and market-based benchmark for energy price assumptions in macroeconomic forecasting but are not perfect predictors of future spot prices, particularly when energy markets are affected by major disruptions and elevated uncertainty. In such circumstances, futures curves reflect not only expectations regarding future demand and supply but also changing risk premia, liquidity conditions and hedging requirements. Given the unusually high degree of uncertainty regarding the future path of energy commodity prices—and the narrowing window for a rapid normalisation of supply conditions—the baseline projections are complemented by a model-based analysis assessing the economic impact of a more severe and long-lasting disruption to energy supply. In such less favourable scenario, energy commodity prices are assumed to rise significantly above futures curves, peaking in late 2026 before gradually realigning with them by the end of 2027. Global growth and economic sentiment would be hit harder—further dampening the baseline's projected easing of inflation and wiping out the rebound in real GDP projected for 2027.

The surge in energy inflation is set to gradually pass through to other components

While the current shock differs in many respects from the 2022 energy crisis, it is expected to transmit through the economy along similar channels. Inflation data for March and April 2026 already point to a strong surge in energy prices. Energy inflation in the EU is expected to peak above 11% in the second quarter of 2026 and remain above 10% for the rest of the year, before declining in early 2027, and turning negative from the second quarter onwards. Price pressures are set to broaden progressively, as rising energy costs feed through the production chain and are partially passed through to consumers. Agriculture, distribution, and transport services are set to be hit first. Unprocessed food inflation is expected to increase quickly before easing in 2027. The progressive spread of input and transport cost increases is likely to push up prices across all inflation components, including the non-energy intensive services. This upward pressure will be reinforced by stronger-than-previously-expected wage pressures, as workers seek to preserve purchasing power. Inflation in Central and Eastern Europe is expected to remain higher, reflecting both the region's greater share of energy in consumption baskets and more dynamic nominal wage growth.

Financing conditions are tightening across the board…

In response to higher inflation, the ECB and most other EU central banks are expected to tighten their monetary policy stance or, at a minimum, delay previously anticipated easing measures. Long-term interest rates have risen, and risk premia have widened, as reflected in higher spreads on some sovereign bonds. The latest bank lending survey points to tightening credit standards in the first quarter of the year, particularly for firms. At the same time, credit demand from firms and consumers has weakened, with demand for mortgages stalling. At the cut-off date of this publication, EU equity indices had recouped most of the losses recorded following the outbreak of the Middle East conflict. However, the recovery has been driven by a limited number of sectors—particularly energy and defence—while most consumer-facing firms continue to underperform. This pattern is even more pronounced

in the US, where just a handful of advanced technology firms are driving a strong market rally.

...and together with rising uncertainty and depressed profit margins, they weigh on investment

Higher financing costs and weaker profits weigh on firms' capacity to finance investment, while elevated uncertainty prompts many to postpone or scale back investment plans. Despite a strong carryover from 2025, gross fixed capital formation is now expected to grow by only 2.2% in 2026 and 2.0% in 2027—a marked deceleration from the 2.8% increase in 2025, and a downward revision compared to the Autumn 2025 Forecast (–0.5 pps. in both years). The impact is uneven across asset classes. Equipment investment is set to be hit harder, while construction is expected to prove more resilient in the near term. Housing investment typically adjusts with a lag to higher interest rates and non-residential construction continues to be supported by RRF in 2026. Other investment—including software and R&D—is expected to remain relatively resilient, expanding at around 2%.

The long-term decline in the unemployment rate is set to come to an end

Employment expanded by 0.5% in 2025, bringing the total number of jobs created since 2019 to around ten million. Employment growth was largely driven by rising labour market participation. However, labour market conditions had already begun to soften before the outbreak of the conflict in the Middle East (see Box I.5.1). With employment growth now projected to slow to 0.3% in 2026 and 0.4% in 2027, the unemployment rate is expected to stabilise at around 6%. Nominal wages are set to decelerate less than previously expected in 2026, and remain sustained, growing by around 3.5% in 2027, as they adjust with a lag to higher inflation. Productivity growth is expected to slow to 0.7% in 2026, as firms retain labour in a context of uncertain demand prospects, before recovering to 1% in 2027.

Consumption decelerates as real income growth weakens and the propensity to save rises

Labour income over the forecast horizon is only mildly affected in nominal terms, as stronger wage growth broadly offsets weaker employment expansion. However, the upward revision to the inflation forecast reduces growth of households' real disposable income by 1.4 pps. over the forecast horizon. Moreover, the previous inflation episode had shown that consumers are highly sensitive to price developments, with the pre-war disinflation failing to fully translate into lower perceived inflation by the time the conflict broke out. March and April survey data show that consumer confidence has deteriorated markedly, alongside a sharp increase in their inflation expectations. As a result, precautionary saving motives and the desire to protect the real value of financial buffers are expected to lead to a small increase in the saving rate in 2026. Against this backdrop, private consumption growth is projected to decelerate to 1.1% in 2026, before picking up to 1.3% in 2027—representing downward revisions of 0.4 pps. and 0.2 pps., respectively, compared with the Autumn 2025 Forecast.

Net trade exerts a drag on growth as cyclical and structural factors weigh on export performance

A strong starting position and early-year momentum—supported by AI-related investment and easing of trade restrictions, including lower US tariffs—underpin the global trade outlook in the short term. However, these favourable global dynamics are not expected to translate into proportional gains for EU firms, as much of the expansion in global trade remains concentrated among Asian economies. This divergence is closely linked to the weakening investment outlook within the EU, compounded by more structural factors. First, the EU's limited presence in fast-growing, trade-intensive AI-related sectors and, second, a gradual loss of competitiveness in key products and geographic

markets. Moreover, survey evidence confirms that EU firms are affected by the increasingly challenging external environment, with some responding by scaling back their presence in export markets or adjusting prices (see Box I.4.1). As a result, EU exports are expected to grow by only 0.9% in 2026, before accelerating to 2.1% in 2027. The significant downgrade with respect to autumn is largely due to weaker goods exports, while services remain resilient. Import growth is also revised down to 1.7% in 2026, less markedly than exports, as weaker domestic demand is partially offset by the stronger euro—a development that amplifies competitive pressures from trading partners, particularly China. As a result, trade is expected to detract around 0.4 pps. from domestic growth this year—slightly more than projected in autumn.

Negative terms of trade for goods, combined with market share losses, lead to a deterioration in the trade balance, with only a partial offset from the services sector. The merchandise balance is expected to decline to 1.2% of GDP in 2026 and 1.1% in 2027. Services remain more resilient, with the balance reaching around 2% of GDP. Overall, the current account surplus is projected to fall from 2.4% of GDP in 2025 to 1.7% in 2026 and 1.6% in 2027.

General government deficits and debts across the EU are expected to increase over the forecast horizon on average

The EU aggregate general government deficit is projected to gradually widen over the forecast horizon, rising from 3.1% of GDP in 2025 to 3.6% in 2027. This deterioration reflects a combination of subdued economic activity, higher interest expenditure, rising defence spending and new fiscal measures that aim to shield consumers and firms from high energy prices (see Box I.9.1). Meanwhile, public investment remains broadly stable at elevated levels. The EU debt-to-GDP ratio is also set to rise, from 82.8% of GDP at end-2025 to 85.3% at end-2027, driven mainly by higher primary deficits and an increasingly unfavourable interest-growth differential. Overall, fiscal policy is expected to be slightly expansionary in 2026—supported by the rising utilisation of EU funds as the RRF draws to a close—before turning broadly neutral in 2027.

Risks to the outlook inevitably linked to the conflict in the Middle East

Risks to the outlook are primarily linked to the evolution of the conflict in the Middle East and its implications for global energy markets. As shown in the scenario analysis, a prolonged conflict and more gradual supply normalisation than implied by futures markets would lead to stronger inflationary pressures and weaker growth. Moreover, a renewed period of high prices could lead households and firms to adjust consumption and investment more sharply, including through cutbacks in energy-intensive activities. Finally, while the risk of overall energy shortages appears contained, critical vulnerabilities remain for specific inputs. The Gulf region remains critically important in the production and supply of refined fuels, which are critical for transport and heating. Disruptions to the supply of helium and fertilisers could also generate knock-on effects across global production chains, including in the strategically important semiconductor industry, while weighing on food affordability.

Beyond the conflict, the outlook remains exposed to geopolitical, technological and climate-related risks. Continued uncertainty surrounding trade policies by main global players and the ensuing trade diversions, as well as the ongoing reconfiguration of geopolitical and trade relationships could disrupt crucial value chains, weighing on

industrial production and employment. By contrast, a just and lasting resolution of Russia's war of aggression against Ukraine would constitute a clear net positive for the EU and globally. Importantly, the recent softening of labour demand—evidenced by declining job vacancies and hiring rates—may prove a prelude to a sharper downturn in employment growth. The erosion of purchasing power by persistent high inflation could also put strain on social cohesion.

Climate-related shocks could further disrupt economic activity and put more pressure on food prices. Artificial intelligence represents both an upside opportunity and a source of disruption: productivity gains could support investment and growth, but job displacement could weigh on confidence (see Special Issue 2) and demand, and a significant correction of AI-related equity valuations in the US could reverberate in global financial markets.

Domestically, faster implementation of structural reforms addressing long-standing bottlenecks to EU competitiveness and growth remains the main upside risk to the outlook. Resolute progress in energy transition would further boost resilience.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

The conflict in the Middle East has triggered an unprecedented disruption to global energy markets. The near-closure of the Strait of Hormuz following the outbreak of hostilities in the Middle East has sharply reduced seaborne flows of oil and LNG, with declines estimated at around 15% for oil and 20% for LNG. For oil markets, this represents one of the most severe supply disruptions in modern history. The disruption to shipping has been compounded by significant damage to the region's energy infrastructure. Energy prices have responded rapidly to the tightening in supply conditions. The impact has been especially pronounced for refined petroleum products, reflecting the region's importance not only as a major crude exporter but also as a global refining hub, together with the limited ability of other regions to quickly replace lost refining capacity. North Sea Dated Brent, the main benchmark for internationally traded crude oil, rose by around 55 USD/bbl during March—its largest monthly increase on record—and peaked in early April at approximately 140 USD/bbl. Refining margins for key products such as diesel and jet fuel also remain elevated by historical standards. European gas prices reacted even more sharply in percentage terms, nearly doubling between the onset of the conflict on 28 February and their mid-March peak, reflecting tighter global LNG market balances and Europe's continued reliance on seaborne energy imports. By contrast, energy futures prices have risen more gradually, with smaller increases at longer delivery horizons. This suggests that markets expect the disruptions to ease before inventories are significantly depleted. Nevertheless, futures prices at the end of the forecast horizon remain well above pre-conflict levels, indicating expectations that, even if shipping flows recover, energy supply will continue to be affected by lasting damage to the region's infrastructure.

The energy price shock negatively impacts the terms of trade, transferring income abroad and leading to weaker real incomes, profits, and economic activity. The surge in energy prices raises production costs across the economy, weighing on firms' profit margins and output. Manufacturing—already weakened by cyclical and structural headwinds—is particularly exposed, as are energy-intensive services such as transport. As firms seek to pass higher input costs on to selling prices, price pressures are set to broaden over time, initially affecting goods such as food and gradually feeding into services. The extent of the pass-through depends on demand conditions and competitive pressures: where firms' pricing power is strong, inflation will prove more persistent; where it is limited, firms will absorb a larger share of the shock by squeezing profit margins, reducing their capacity to fund investment. Households, in turn, seek to protect real incomes through higher wage demands, while simultaneously curbing consumption, reinforcing the slowdown in activity. Ultimately, the burden of adjustment is shared between reduced profits and lower real disposable incomes, leaving the economy on a weaker growth path and with higher inflation.

The adverse impact of the shock is amplified by lower confidence and greater uncertainty. A deterioration in sentiment among households and firms is likely to exacerbate the downturn in consumption and investment. Greater concerns over the economic outlook may prompt consumers to increase precautionary saving. The recent inflation episode has shown that sentiment remains highly sensitive to price developments. Survey data also show that the pre-war disinflation had not yet fully translated into lower perceived inflation, with households still strongly influenced by past bouts of inflation. At the same time, heightened uncertainty increases the incentive for firms and households to postpone investment and consumption decisions.

Tightening financial conditions add to the economic strain. Stronger inflationary pressures may trigger a tightening of monetary policy, pushing up interest rates across maturities. At the same time, increased volatility and perceived risk raise risk premia, as investors demand greater compensation in an environment of heightened uncertainty. Credit supply conditions are likely to tighten in parallel. Together, these factors increase borrowing costs for firms and households, weighing on demand while constraining firms' capacity to expand production.

The shock's global reach weakens external demand, compounding the challenges of an already fragile trade environment. Higher energy prices are likely to dampen global activity and reduce demand for EU exports. Trade conditions remain fragile, with elevated policy uncertainty—particularly related to US measures—and increasing fragmentation linked to geopolitical realignments. The disruption of the key shipping route in the Strait of Hormuz also raises the risk of supply constraints for specific inputs. While transit through the Gulf is of limited importance for container trade, the region is a key exporter of helium—used in semiconductor production—and urea, a gas-intensive input for fertilisers. Disruptions to these supplies could generate knock-on effects along production chains and renew pressures on food prices.

Comparisons with the previous energy shock are instructive, but the nature of the shock and broader context differ. The tightening of Russian gas supply in the second half of 2021 was the first stage of the energy crisis that intensified following Russia's full-scale invasion of Ukraine in February 2022. At the time, the EU remained heavily dependent on Russian pipeline gas imports and had limited short-term substitution possibilities. The EU's subsequent efforts to rapidly reduce its reliance on Russian fossil fuels amplified the adjustment pressures. The increase in gas prices that followed was of a different magnitude than today's increase: while oil prices increased by 'only' 60-70%, gas prices rose from around 15–20 EUR/MWh in 2019 to peaks above 300 EUR/MWh in August 2022—a fifteen to twentyfold increase. Even after the peak subsided, average gas prices remained well above pre-crisis levels, exceeding 2019 averages by more than 100% over an extended period. By contrast, the current shock is transmitted through globally integrated oil and gas markets. The high fungibility of these markets ensures that the shock is spread globally. Moreover, direct trade and financial linkages between the EU and the countries most affected by the conflict remain limited, and risks of large-scale supply chain disruptions or migration flows appear contained. This allows the forecast to rely on standard technical assumptions derived from financial markets, rather than the ad hoc assumptions on the duration of the conflict that were required following Russia's full-scale invasion of Ukraine.

The tailwinds that cushioned the economy at the onset of the 2021-22 shock have largely dissipated. Households entered that crisis with substantial pandemic savings buffers, while labour markets were exceptionally tight, with both factors providing a cushion against income erosion. Today, the saving rate remains above pre-pandemic averages, but the real value of the accumulated savings has been eroded by inflation, leaving households more exposed to a downturn in economic activity. Meanwhile, labour markets—while still tight—are cooling rapidly, with falling vacancy rates and slowing hiring signalling a turn in the cycle. For firms, balance sheets have generally improved, with lower indebtedness in recent years, but the ample liquidity buffers built up during the pandemic crisis have thinned out. Furthermore, the environment for cost pass-through may be less favourable, as demand conditions are weaker than during the post-pandemic rebound.

Fiscal space to respond to the shock is narrower than in the previous episode, while monetary policy is likely not set for the abrupt tightening cycle that followed the 2021-22 energy price shock. Public finances in many EU Member States are still burdened by the legacy of measures adopted in response to the pandemic and the earlier energy crisis. At the same time, government budgets face rising expenditure needs related to defence and the competitiveness agenda. While past energy-related support measures helped shield households and firms from the immediate impact of higher prices, they were often implemented through untargeted price-based interventions. Such measures are costly, weaken price signals, delay adjustments in consumption and production, and complicate the disinflation process. Temporary and targeted fiscal support would provide a more efficient response to the current shock. Monetary policy also enters this episode from a different starting point. Inflationary pressures had already been easing before the latest energy shock, financing conditions are no longer exceptionally accommodative, and medium-term inflation expectations remain well anchored. As a result, monetary authorities can partly accommodate a temporary increase in inflation (see Box I.1.1).

At the same time, the experience of the previous energy shock points to adjustment capacity. Structural adjustments that followed the previous energy crisis have strengthened the

EU's resilience to energy shocks. Energy intensity has declined, supply sources have diversified, and the deployment of renewables has accelerated. Electricity prices are now less closely linked to fossil fuel fluctuations, reflecting a higher share of low-marginal-cost generation, which weakens the transmission of energy shocks to broader inflation. While progress varies across Member States, these changes are expected to mitigate the macroeconomic impact of the current shock.

Box I.1.1: **Balancing inflation, output and fiscal sustainability: policy responses to energy shocks**

A key issue in this forecast concerns the policy response of fiscal and monetary authorities to the current energy crisis. The macroeconomic policy response to supply shocks is inherently complex, as it involves trade-offs between the objectives of stabilising output and containing inflation, while also maintaining fiscal sustainability. The policy interactions can generate negative feedback loops. Namely, expansionary fiscal policy may stabilise output but also fuel inflationary pressures, requiring tighter monetary policy. This, in turn, may weigh on domestic demand and fiscal sustainability. The scope and effectiveness of policy responses depend critically on initial conditions, including the available fiscal and monetary policy space and the expected persistence of the shock. Fiscal constraints will be more binding when public debt is already high, or when the shock is expected to be long-lasting. On the monetary policy side, the degree to which inflation expectations remain anchored is pivotal: well-anchored expectations allow central banks to partly accommodate temporary deviations from their inflation targets and avoid an overly restrictive stance that—given the policy transmission lags—could stifle the recovery.

The 2022 energy price shock that followed Russia's full-scale invasion of Ukraine triggered a wave of significant fiscal policy support and sizeable monetary tightening. The General Escape Clause of the Stability and Growth Pact, which had been activated in 2020 to counter the negative economic impact of the COVID-19 pandemic, was extended through 2023 due to the heightened economic uncertainty. This allowed Member States to put in place sizeable fiscal support measures to mitigate the economic and social impact of surging energy prices. The cumulative net budgetary cost of these measures in the EU was high, at 2.2% of GDP between 2022-24, with untargeted support measures accounting for three quarters of this cost. The ECB responded strongly to rising inflationary pressures to preserve the anchoring of inflation expectations in a context of strong pent-up demand—further fuelled by fiscal stimulus—and the energy shock. After having ended net asset purchases on 1 July 2022, the ECB raised its policy rate by a total of 450 bps. between July 2022 and September 2023. Inflation began to gradually recede after peaking in late 2022, while the EU economy avoided an outright recession, although economic growth slowed considerably in 2023-24. At the same time, general government debt, which had decreased steadily until 2023 thanks to the favourable interest-growth rate differential, stabilised in 2024 and resumed its upward path in 2025.

Table 1: **Economic situation in the EU before the energy price shocks of 2022 and 2026**

	Early 2022	Early 2026
Output gap in preceding year (1)	-0.9%	-0.3%
Average real GDP growth expected in current and next year	3.4%	1.5%
Number of vacancies per 100 unemployed in preceding quarter (2)	28	20
Inflation in preceding year (HICP)	2.9%, rising	2.5%, decreasing
ECB policy rate (3)	-0.5%	2.0%
Yield of 10-year DE government bond (3)	0.1%	2.8%
Implicit interest rate on government debt in preceding year, EU average	1.6%	2.3%
Government debt ratio in preceding year, EU average (% of GDP)	86.7%, decreasing	82.8%, rising

(1) Output gap estimates based on the current forecast. (2) Excluding Italy due to data availability. (3) Average from 1 January until the onset of the shock (24 February 2022 and 28 February 2026, respectively).

The EU economy is at a more mature phase of the business cycle now than in early 2022, and inflationary pressures appear more contained. At the onset of the 2022 energy price shock, the EU economy was still recovering from the sharp recession caused by the COVID-19 pandemic. The output gap was significantly negative in 2021, but the European Commission's Winter 2022 Forecast expected real GDP to grow briskly, averaging 3.4% in 2022-23. The robust pick-up in demand, bolstered by fiscal support, was accompanied by supply-side bottlenecks, including a tightening labour market and supply chain disruptions. Additionally, energy commodity prices started to rise in autumn 2021, pushing EU inflation to an average of 2.9% in 2021. The Commission's Winter 2022 interim Forecast expected inflation to rise further to 3.9% in 2022. By contrast, output is currently estimated to be closer to its potential level. The Commission's Autumn 2025 Forecast expected real GDP growth to

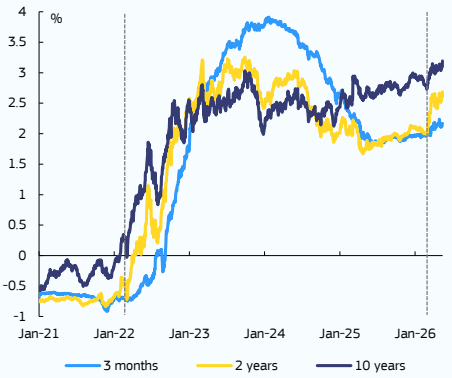
(Continued on the next page)

Box (continued)

remain steady at around 1.5% in 2026-27, close to its potential rate (see Table 1) [1]. Inflation was on a downward trajectory in the quarters leading up to the current conflict in the Middle East. The Autumn 2025 Forecast projected HICP inflation to decrease from 2.5% in 2025 to around 2% in 2026, supported by low imported (energy) inflation and slower wage growth, following the lagged recovery of purchasing power. While the unemployment rate has remained near its historic low, at 6% in 2025, the recent reduction in labour shortages highlights that labour market tightness has been easing (see Box I.5.1). At the same time, the recent memory of the 2022 energy shock could have kept households' inflation perceptions elevated.

Financing conditions are less accommodative today than in early 2022. In 2021, most central banks considered that inflation would rise only temporarily. As a result, policy rates remained near zero or in negative territory that year, while quantitative easing policies were kept in place. Accommodative monetary policy kept long-term bond yields at historic lows and compressed risk premia, creating favourable financing conditions for both governments and the private sector. From that starting position, monetary policy had significant room to tighten in 2022-23. As the inflationary shock progressively faded, the ECB started to lower its policy rate in June 2024, bringing it to 2% in June 2025. The policy rate has been kept at this level since then, with the ECB Governing Council continuously assessing the appropriateness of financing conditions to ensure that inflation stabilises around its target in a sustainable manner. With markets expecting the ECB policy rate to remain near 2% in the longer term ahead of the conflict in the Middle East, highly-rated long-term bond yields also stabilised around 3% in the euro area (see Graph 1).

Graph 1: **Euro area interest rate expectations**



Zero-coupon yields over different horizons based on AAA-rated euro area government bonds. Vertical lines indicate Russia's full-scale invasion of Ukraine (24 February 2022) and the beginning of the current conflict in the Middle East (28 February 2026)
Source: ECB.

Fiscal policy space has shrunk considerably since early 2022. In 2022, fiscal measures to shield consumers and firms from the impact of high energy prices were introduced in an environment of decreasing government debt and favourable financing conditions. The Fiscal Sustainability Report 2021 baseline scenario expected EU general government debt to continue decreasing over the following five years. This debt reduction was supported by the launch of NextGenerationEU, which contributed to the financing of public investment and supported economic activity. Since then, a less favourable interest-growth differential has worsened the debt outlook. The implicit interest rate on government debt in EU countries rose from 1.6% in 2021 to 2.3% in 2025, and government financing costs have also become more sensitive to fiscal conditions [2]. At the same time, the expected rate of potential growth over the next 10 years decreased from 1.4% in the Fiscal Sustainability Report to 1.1% in the Debt Sustainability Monitor 2025. According to the baseline scenario of the latter, government debt in the EU is expected to increase in the medium term [3].

New spending needs put further pressures on debt dynamics in the coming years. In 2025, Member States committed to sustaining higher defence spending in the medium and long term. The flexibility of the national escape clause—based on the increase in defence spending—allows Member States for which it is activated to deviate from the recommended net expenditure paths (up to 1.5%

(1) See: European Economic Forecast, Autumn 2021, Winter 2022 and Autumn 2025.
(2) Böninghausen, B. and A. L. Vladu (2026). "Sloping up: the repricing of euro area yields in 2025". The ECB Blog, January 16.
(3) See European Commission (2022): Fiscal Sustainability Report 2021, and European Commission (2026): Debt Sustainability Monitor 2025. The debt sustainability analyses in these reports were based on the macroeconomic projections of the European Economic Forecast, Autumn 2021 and Autumn 2025, respectively.

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Box (continued)

of GDP in 2025-28), but will require further fiscal adjustment in the medium term[4]. Sizeable investments are also needed to enhance the resilience and the competitiveness of the EU economy. The Draghi Report suggests an additional annual investment requirement of around EUR 800 bn (more than 4.5% of EU GDP) between 2025 and 2030, which would require support from national budgets through fiscal incentives and higher public investment. Finally, ageing-related expenditure is expected to increase in the coming years, posing significant challenges for fiscal sustainability.

Against this background, room for fiscal support is more limited than in 2022, while markets also expect only a limited monetary tightening. The successive shocks in recent years—from the COVID-19 pandemic to the 2022-23 energy crisis triggered by Russia's full-scale invasion of Ukraine—have strained public finances across a number of EU Member States. Fiscal consolidation was already needed before the current energy crisis in several Member States to put debt on a declining path in the medium term and to make room for emerging spending priorities. However, the available fiscal space differs between Member States. These differences could contribute to cross-country variations in the size of policy support to address the current energy price shock (see Box I.9.1). At the same time, longer-term inflation expectations remain well anchored, with markets currently pricing in only a limited monetary policy reaction of 50 to 75 bps. over the forecast horizon. Such a monetary policy tightening would be more limited than the one recorded in 2022-23. Still, this has been accompanied by a tightening of financing conditions, with long-term interest rates of more indebted Member States rising by around 40-60 bps. since the beginning of the conflict in the Middle East.

[4] See European Commission (2025): 2026 European Macroeconomic Report, Chapter 4 (Macroeconomic impacts of defence spending), and Assessment of the Fiscal Sustainability Condition for Member States Requesting the Activation of the National Escape Clause.

2. INTERNATIONAL ENVIRONMENT

The global growth momentum remains strong, but economic sentiment—especially in services—has weakened following the outbreak of the conflict in the Middle East. Global growth is estimated to have reached 3.4% in 2025, higher than previously expected. It was supported by booming investments in the technology sector and strong private consumption in the US, while economic activity in many emerging market economies (EMEs) benefited from accommodative global financial conditions and resilient trade flows. The momentum remained strong at the beginning of 2026, with the global composite PMIs hovering above 52 points in the first two months. The conflict in the Middle East led to a deterioration in sentiment, with global composite PMIs falling from 53.3 in February to 51.8 in April, with sharper declines seen in services and among EMEs.

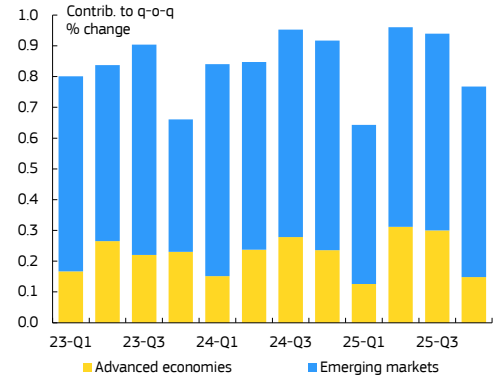
Table I.2.1: **International environment**

(Annual percentage change)					Spring 2026 Forecast			Autumn 2025 Forecast		
	(a)	2022	2023	2024	2025	2026	2027	2025	2026	2027
					Real GDP growth					
Japan	3.3	1.3	0.7	-0.2	**1.2**	**0.6**	**0.6**	1.1	0.7	0.7
United Kingdom	2.2	5.1	0.3	1.1	**1.4**	**0.7**	**1.2**	1.4	1.2	1.4
United States	14.6	2.5	2.9	2.8	**2.1**	**2.2**	**2.1**	1.8	1.9	2.1
Emerging and developing Asia	35.6	4.7	5.4	5.4	**5.5**	**4.6**	**4.9**	5.1	4.9	4.9
- China	19.6	3.1	5.4	5.0	**4.9**	**4.5**	**4.4**	4.8	4.6	4.4
- India	8.2	7.6	7.2	7.1	**7.6**	**6.1**	**6.4**	6.8	6.5	6.4
Latin America	4.7	4.1	2.2	2.2	**2.3**	**2.1**	**2.2**	2.2	2.0	2.3
- Brazil	2.4	3.0	3.2	3.4	**2.3**	**2.0**	**1.8**	2.2	1.8	2.0
MENA	5.7	7.0	2.5	2.6	**3.1**	**0.9**	**4.4**	3.2	3.6	3.6
Eastern Neighbourhood and Central Asia	1.1	3.6	5.0	5.2	**5.4**	**4.1**	**4.0**	4.9	4.1	3.9
Russia	3.4	-1.4	4.1	4.9	**1.0**	**1.3**	**1.1**	0.8	1.1	1.2
Sub-Saharan Africa	3.7	4.1	2.6	3.6	**4.2**	**4.1**	**4.3**	3.8	4.1	4.5
Candidate Countries	2.4	-1.3	4.9	3.4	**3.3**	**2.8**	**4.0**	3.1	3.1	4.0
World excluding EU	85.8	3.7	3.7	3.8	**3.7**	**3.1**	**3.5**	3.4	3.4	3.5
World	100.0	3.7	3.2	3.4	**3.4**	**2.8**	**3.2**	3.1	3.1	3.2
					Trade of goods and services, volumes					
World excluding EU		5.1	1.8	5.0	**4.8**	**2.4**	**3.4**	3.0	2.1	2.8
World		5.9	0.9	3.7	**4.3**	**2.1**	**3.0**	2.8	2.1	2.7
					Trade of goods, volumes					
World excluding EU		2.4	-0.4	4.1	**5.3**	**2.3**	**3.5**	2.9	1.9	2.8
World		3.1	-1.1	2.8	**4.7**	**2.0**	**3.1**	2.8	1.8	2.7
					Trade of services, volumes					
World excluding EU		18.7	10.9	8.7	**3.4**	**2.6**	**3.1**	3.2	3.0	2.9
World		17.1	8.2	6.6	**3.0**	**2.4**	**2.9**	2.9	2.7	2.8

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2025.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

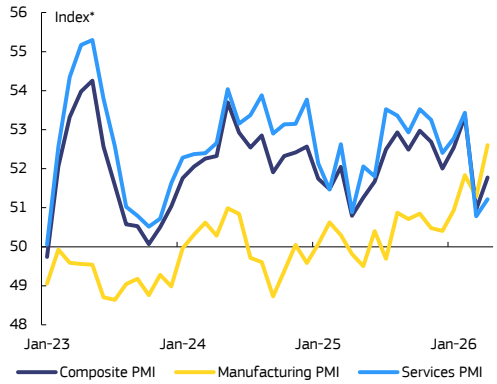
Global inflation continued to moderate through 2025 and early 2026, but price pressures have since re-emerged. Headline inflation declined across most G20 economies during 2025 and early 2026, supported by easing price growth for goods and stable energy prices. However, escalating tensions in Iran and the closure of the Strait of Hormuz quickly led to severe upward pressures on energy and transport prices. In advanced economies—such as the US, the euro area, and the UK—inflation rose from 2.4% in January to 3.1% in March, driven primarily by rising gasoline prices, but also sustained by persistent services inflation. In Asia, energy-importing advanced economies such as Japan and South Korea have seen upward price pressures despite new fiscal measures to mitigate the impact of the energy price pressures on households and firms. Among EMEs, inflation increased from around 2.9% in January to 3.7% in March, with continued regional divergence. Inflation remained relatively low in parts of Asia, including China and Indonesia, while Latin American economies such as Brazil and Mexico continued to experience high price levels despite ongoing disinflation trends. Overall, although global inflation remains below the peaks observed at the end of 2022, tensions on energy markets are reigniting inflationary pressures and delaying a return to target rates.

Graph I.2.1: **Global GDP growth**



Source: National sources, Eurostat, OECD, WB, IMF, own calculations.

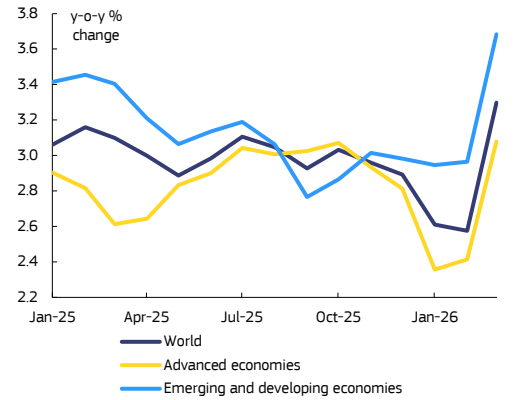
Graph I.2.2: **World PMI indicators**



Source: S&P Global.

Global financial conditions have tightened since the end of February, amid heightened volatility. The US dollar (USD) appreciated by about 3% in March—compared to some 8% depreciation in 2025—bolstered by the US's position as the world's top oil producer and the USD's role as the currency for global oil trade. However, these gains were all lost in April in response to de-escalation in the Middle East. Global equity markets initially slumped in early March, notably in EMEs such as the Gulf states, Pakistan, and India, and in major Asian economies like South Korea and Japan, reflecting their high dependency on energy imports. However, equity markets rebounded strongly in April, especially in the United States and Japan, supported by the rally in AI-related stocks and expectations that the conflict could be nearing an end. At the same time, US 10-year government bond yields increased by about 40 bps. amid rising inflation expectations, and despite increased flight to safety. Bond yields in other advanced economies and EMEs also rose, indicating rising inflationary pressures and the expected end of the global monetary policy easing cycle. Even before the conflict in Iran, private credit markets in the US had been showing further signs of strain, and concerns remain about the valuation of AI-exposed firms.

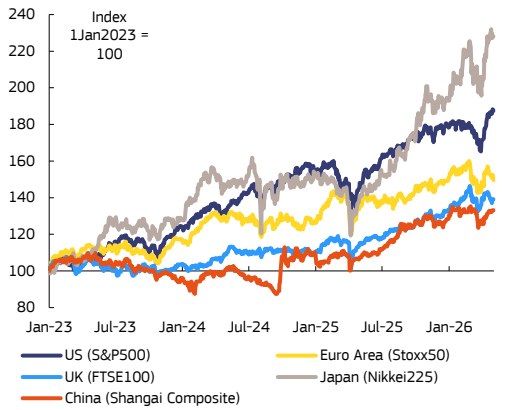
Graph I.2.3: **Global inflation**



Inflation calculated as the median of available headline inflation data for 162 countries (50 advanced, 112 emerging).

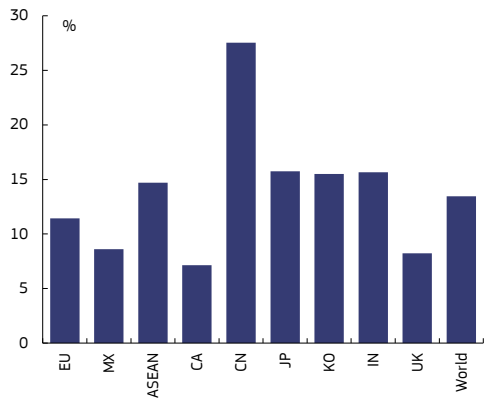
Source: Own calculation based on data from national sources.

Graph I.2.4: **Global equity markets**



Sources: S&P Global, STOXX Limited, FTSE Russell, Nikkei Inc and Shenzen Stock Exchange.

Graph I.2.5: **Trade weighted average tariff rate on major US trading partners on 30 April 2026**



Countries and regions are ranked by their share in total US goods imports of 2025.

Sources: World Trade Organization, Tariff & Trade Data.

Average US tariff rates declined following the US Supreme Court's February ruling, easing some of the drag on global trade. In its judgement of 20 February 2026, the US Supreme Court struck down the tariffs imposed under the International Emergency Economic Powers Act (IEEPA) in 2025. In response, the US administration introduced a 10% 'global tariff' under a new legal basis (Section 122 of the Trade Act of 1974), which allows for across-the-board import restrictions for up to 150 days. As a result, the trade-weighted average US tariff rate on imports declined from 16.8% to 13.5% (according to WTO data). The reduction was most pronounced for countries that had been subject to the highest IEEPA-based tariffs. The trade-weighted average tariff rate faced by Chinese exports to the US saw the steepest decline—from 38.1% to a still high 27.5%—while Brazil, India and ASEAN countries also recorded sizeable reductions, improving their relative market access to the US vis-à-vis other US trading partners, including the EU. Tariff changes for most other major US partners remain limited, partly because sector-specific exemptions and provisions under the United States-Mexico-Canada Agreement (USMCA) continue to apply.

Trade policy uncertainty remains elevated. While the post-ruling trade framework reduces some of the highest tariffs on imports from key US trading partners, it maintains a relatively high level of trade protection. It also leaves considerable policy uncertainty, given the temporary nature of the new global tariff. The US administration has reiterated its intention to raise the rate from 10% to up to 15%, the statutory ceiling under Section 122 of the Trade Act. At the same time, US announcements up to the cut-off date of this forecast point to renewed tariff escalation on a bilateral basis, including through the threat to raise tariffs on EU automobile imports to 25%, exceeding the 15% level envisaged under the 2025 EU–US trade framework. This highlights the discretionary and still unpredictable nature of US trade policy. In line with the standard no-policy-change assumption underpinning the forecast, this forecast is based on the technical assumption that the current US tariff rates stay unchanged over the forecast horizon and that the existing bilateral agreements, including the EU-US trade deal, continue to hold.

US economic growth is projected to remain solid over the forecast horizon, supported by resilient household consumption, continued surge in technology investment and loose fiscal policy. As a net energy exporter, the US economy is relatively insulated from the adverse effects of the conflict in the Middle East compared to other advanced economies. Nonetheless, higher oil prices at the pump are expected to weigh on household consumption, which will only be partially offset by higher energy exports. Investment is set to remain an important driver of growth, underpinned by sizeable investment commitments from major technology firms. In addition, economic activity in 2026 will be supported by the tax cuts under the One Big Beautiful Bill Act (OBBBA) and some rebound, concentrated in 2026-Q1, following the government shutdown in late 2025. Overall, US real GDP growth is forecast to strengthen from 2.1% in 2025 to 2.2% in 2026. The upward revision to growth in 2026 by 0.3 pps. compared to the Autumn 2025 Forecast is due to stronger-than-expected growth in the second half of 2025 and a positive contribution from net exports, as the surge in imports driven by frontloading ahead of tariff increases in 2025 unwinds. Economic growth is expected at 2.1% in 2027, amid ongoing substantial tailwinds from AI investment and the waning impact of the oil price shock.

The US labour market is set to remain resilient, against the backdrop of higher consumer prices. Although employment growth decelerated noticeably over 2025—mainly due to lower immigration—the labour market is expected to remain balanced with a limited rise in the unemployment rate. The absence of significant wage pressures so far suggests that the slowdown

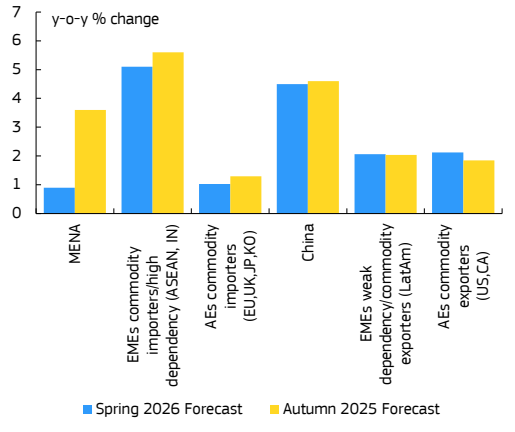
in labour supply is matched by weaker labour demand, which could partly reflect firms' increasing adoption of labour-saving technologies. Higher energy prices are projected to temporarily lift headline consumer price inflation, but as the impact of tariffs wanes and energy prices begin to moderate in the second half of 2026, inflation is also forecast to ease. At the last FOMC meeting in April 2026, the Fed kept its policy rate unchanged for the third time in a row, in a divided decision. However, as high energy prices persist, market expectations have shifted towards a later start of monetary easing, with cuts now expected only from 2027.

Economic activity in major oil-importing advanced economies is set to moderate, despite additional fiscal support. Japan and South Korea remain particularly vulnerable to energy supply disruptions due to their high dependence on imported energy commodities. The measures adopted by the governments of both countries in response to the crisis—including the release of emergency oil reserves, energy price caps, and targeted fiscal support—are expected to cushion the impact of the energy shock. As a result, Japan's growth is expected to remain subdued at 0.6% in both 2026 and 2027, as renewed energy-driven price pressures weigh on domestic demand. By contrast, growth in South Korea is set to remain strong at 2.3% in 2026 and 1.9% in 2027, as robust tech exports outweigh weakness in domestic demand. Meanwhile, UK growth is expected to remain subdued at 0.7% in 2026, before accelerating to 1.2% in 2027, reflecting the economy's significant exposure to the energy price shock and the government's commitment to fiscal consolidation.

China's economy grew by 5.0% in 2025, meeting its official target for the second consecutive year. Domestic demand was weak throughout the year, with household consumption growing only modestly and high-frequency investment indicators pointing to a contraction for the first time on record, reflecting broad-based private sector weakness. Net exports provided an important offset, with the trade surplus reaching a record high. Growth in the first quarter of 2026 exceeded expectations, at 5.0% y-o-y. However, available demand indicators appear to be inconsistent with the headline figure, suggesting growth remained concentrated in advanced manufacturing and services.

The outlook for China points to gradual moderation, with growth forecast at 4.5% in 2026 and 4.4% in 2027. Consumption is expected to remain weak, weighed down by slow income growth, weak labour market outcomes, high precautionary savings and negative wealth effects stemming from the depressed property market. The trade outlook remains highly uncertain, with export momentum facing headwinds from the conflict in the Middle East and growing protectionist pressures against Chinese manufactured goods. China lowered its 2026 growth target to a range of 4.5-5%, and the fiscal stance is only marginally more expansionary than in 2025, suggesting limited appetite for large-scale stimulus.

Graph I.2.6: **Real GDP growth forecast for 2026, SF26 and AF25**



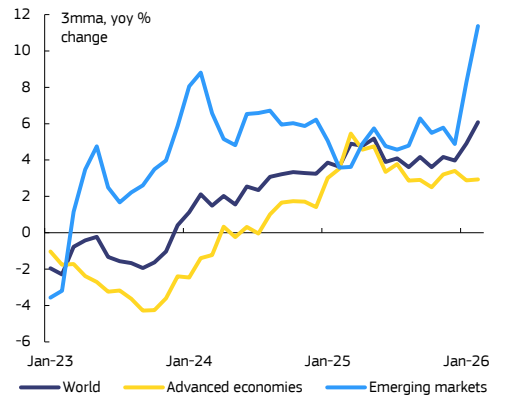
The outlook for EMEs, particularly in MENA and Asia, has deteriorated. The conflict has inflicted substantial economic damage on the MENA region, reflecting disruptions to oil production, trade, and remittances, as well as weaker confidence and financial volatility. Growth in India and ASEAN countries is expected to moderate, reflecting high exposure to energy imports, while the ASEAN region also suffers from disrupted tourism inflows. Sub-Saharan Africa faces pressures from higher energy and fertiliser prices, while governments largely lack the fiscal space to offset the cost-of-living impact. By contrast, as energy exporters, Latin America's major economies are expected to benefit from improved terms of trade, though Brazil remains exposed due to its dependence on fertiliser imports. Meanwhile, other oil-exporting countries, such as Russia, are expected to gain from higher

oil prices, which improve their fiscal situation and will likely have some spill-over effects supporting broader domestic demand.

Global trade is forecast to continue growing over the forecast horizon, albeit at a slowing pace. Despite the steep rise in US tariffs, exceptionally high trade policy uncertainty, and geopolitical tensions, global trade expanded strongly by 4.3% in 2025. This was supported by strong technology-related trade, frontloading of US imports, and the continued robust expansion of services-related trade—a structural trend reflecting the rising share of services in global trade. Following several years of subdued performance, many major advanced economies, including the EU, UK and Japan, experienced some recovery in merchandise trade in 2025. While these underlying drivers are expected to continue supporting global trade—particularly the strong momentum in technology trade—the negative base effect from the 2025 frontloading is set to dampen annual growth in 2026. Moreover, the spillover effects of the conflict in the Middle East on energy trade flows, supply-chains, and higher shipping costs will further weigh on global trade in 2026. As a result, global trade growth is expected to moderate to 2.1% in 2026, returning broadly to its recent trend of expanding slightly below global GDP growth. With global economic activity forecast to strengthen in 2027, global trade growth is projected to accelerate to 3%.

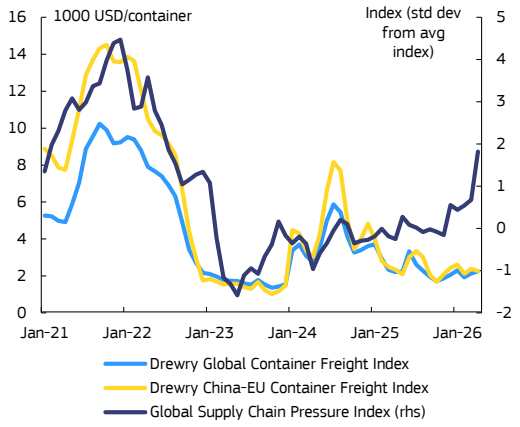
The conflict in the Middle East creates operational challenges for maritime shipping and amplifies supply chain pressures. The Strait of Hormuz normally handles 3% of global container shipping capacity. In early March around 0.5-1% of total global capacity was tied up in vessels awaiting passage through the strait, while much of the remaining traffic is being re-routed to alternative ports or shifted to intermodal transport networks. This diversion has contributed to growing port congestion across South and South-East Asia. However, the biggest impact of the conflict on the container shipping industry has stemmed from the surge in bunker fuel cost and reduced availability, as supply at Asian hubs has tightened and prices have risen sharply. Against this backdrop, the Federal Reserve Bank of New York's Global Supply Chain Pressure Index (GSCPI) surged in April to levels (1.82) last seen in the autumn of 2022, and supplier delivery times in PMIs deteriorated markedly—falling to 44.9 in April from 49.1 in January.

Graph I.2.7: **Growth in global goods trade**



Source: CPB.

Graph I.2.8: **Container shipping costs and supply-chain pressure index**



Sources: Drewry and New York Fed.

Shipping rates have surged, though increases have been uneven across routes. Carriers have introduced several types of emergency surcharges to account for fuel costs, route diversions, and war risk. Nonetheless, the rise in container rates has not been uniform, hitting Asia-Gulf routes the hardest. In contrast, transpacific, transatlantic, and Asia-Europe trade lanes have experienced more modest increases, below the peaks seen during the trade frontloading wave in spring 2025. Moreover, the global container shipping index had returned to pre-conflict levels by mid-April. Air cargo has faced more severe disruptions and rate increases, as airspace closures have led to steep capacity cuts for major East-West operators.

Overall, the projections for global GDP growth are lower compared to the Autumn 2025 Forecast, reflecting the differentiated regional impact of the conflict in the Middle East on the global economy. After a strong outcome of 3.4% in 2025, global real GDP growth is expected to slow down to 2.8% in 2026, reflecting the negative impact of the conflict in Iran on the global economy. The impact has been particularly pronounced in the Middle East, emerging economies in Asia and Africa, and some advanced economies—such as the UK—where high dependence on energy imports has exacerbated vulnerabilities. Global economic activity is expected to recover slowly to 3.2% in 2027, reflecting continued boost from the AI sector. Excluding the EU, global growth is forecast to slow down from 3.7% in 2025 to 3.1% in 2026, before rebounding to 3.5% in 2027. Projections for global trade (ex-EU) in 2026 are stronger than they were in autumn, mainly reflecting positive carryover from the higher trade growth in 2025, the robust technology-related trade flows, and China's strong trade performance.

The conflict in the Middle East is causing the largest oil supply shock in recent history. Global oil markets entered 2026 in a state of oversupply. The closure of the Strait of Hormuz, a chokepoint controlling around 20% of the global oil supply, and attacks on oil infrastructure in the broader region, have drastically changed the picture. Some oil flows were redirected via pipeline to the Red Sea or to Fujairah, but it is estimated that roughly 16-17 million barrels per day—or around 15-16% of global oil supply—have been cut off from the market. As a reaction, global oil production fell materially by 4% q-o-q in the first quarter of 2026. The International Energy Agency expects further reductions in the second quarter of 2026, before production resumes.

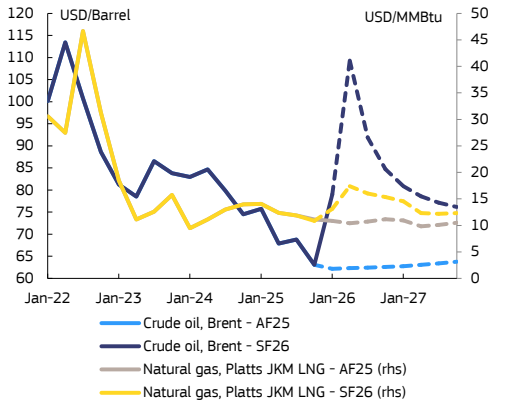
Oil prices have increased sharply since the end of February, with futures pointing to gradual easing ahead, although the entire futures curve has shifted upwards. The widely quoted 'financial' Brent spot price on the Intercontinental Exchange increased by 43% m-o-m in March, to 99 USD/bbl, before climbing by a further 4% in April, to 103 USD/bbl. However, a disconnect has emerged between short-term market tightness and medium-term expectations, leading to a divergence between the 'financial' Brent spot price and the price for physical deliveries, captured by Dated Brent (see Box I.10.2). The Dated Brent price was quoted with a premium of 4 USD/bbl compared to the 'financial' Brent in March and 16 USD/bbl in April. Futures indicate that Brent will stay at around 109 USD/bbl in the second quarter of 2026, before prices start dropping quickly to 85 USD/bbl at the end of 2026, as traders price in a gradual normalisation of oil markets. For 2027, futures continue decreasing and, in the last quarter of 2027, prices are at 76 USD/bbl, 20% higher compared to the Autumn 2025 Forecast, indicating that markets expect some long-term frictions to arise from the conflict. Overall, Brent prices are 46% higher in 2026 and 24% higher in 2027 compared to the price assumptions underpinning the Autumn 2025 Forecast.

The disruption has had an even larger impact on refined petroleum products than on crude oil itself. Over the past decade, Gulf countries have invested heavily in refining capacity and today account for a significant share of global exports of diesel, jet fuel and other refined petroleum products. Damage to refining infrastructure and the limited scope for pipeline transport imply that these products are more directly affected by the closure of the Strait. Replacing lost refining output is challenging, as refineries are highly specialised facilities with limited scope to rapidly expand production or alter product yields. Consistent with these constraints, refining margins (crack spreads) for key products such as diesel and jet fuel have widened substantially and remain elevated by historical standards, indicating persistent tightness in refined-product markets. This suggests that refining capacity, rather than crude oil availability alone, has become a key bottleneck in global energy markets.

Global LNG prices have also seen drastic price increases, with futures steeply tilted downward after the second quarter of 2026. Given that LNG has no alternative way to bypass the Strait of Hormuz—and with parts of the production infrastructure in the region destroyed—markets reacted sharply. On average, prices of the international benchmark Platts JKM LNG rose to 18 USD/MMbtu in March, or by 67% compared to February, and remained there in April. For the second quarter of 2026, futures indicate prices to stay around 17 USD/MMbtu before starting to drop below 13 USD/MMbtu in the last quarter of 2027. The spread between the futures

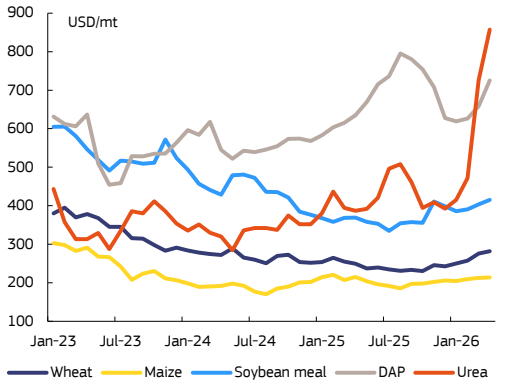
curves of the Asian JKM and European TTF widens in the near term, indicating that markets project Asian demand for gas to outpace European demand. This gap is projected to close again in 2026-Q4 as tensions in the Middle East are expected to ease.

Graph I.2.9: **Global energy prices, including assumptions for 2026 and 2027**



Sources: Historical spot prices from CRB, EIA and NYMEX. Price assumptions for 2026 and 2027 are based on futures from ICE (crude oil) and NYMEX (LNG).

Graph I.2.10: **Global food and fertiliser prices**



Source: World Bank.

Linked to global LNG price pressures, European TTF gas prices have surged, but the futures curve is one of a steep reversal. Gas prices peaked at around 62 EUR/MWh in mid-March but reverted to around 43 EUR/MWh by the end of April. Futures prices for the second quarter of 2026 are almost 60% higher than in the Autumn 2025 Forecast, before trending lower thereafter and settling around 22% higher than by the end of 2027. On average, TTF futures are 47% and 32% higher in 2026 and 2027, respectively, compared with the last forecast. The transmission of high gas prices to wholesale electricity prices has nonetheless been relatively weak, confirming the increasing decoupling between the two. The average futures price for the biggest EU markets for the second quarter stood only 12% higher than in autumn and even declined compared to the first quarter (see Box I.6.1).

Both precious and industrial metals prices dropped at the onset of the conflict in the Middle East. Prices of precious metals had rallied in 2025, driven by safe-haven demand and speculative investment flows, and continued to do so in early 2026 before reversing course after the onset of the conflict. At the end of April, prices of industrial metals remained 10% higher than a year earlier, with aluminium and copper posting particularly strong gains. The price of copper—often seen as a barometer of global industrial demand—fell sharply in March, but had fully recovered by the end of April, driven by supply concerns, but also increasing demand linked to data centre and electricity grid expansion. Overall, futures and broader market expectations still point to persistently elevated prices for precious metals, mainly due to geopolitical risks, whereas the outlook for industrial metals remains more linked to supply and demand fundamentals.

Global food prices resumed their upward trend in early 2026 after a period of gradual decline. The FAO Food Price Index averaged 128.5 points in March 2026, up 2.4% from February and 1.0% above its level a year earlier. The increase was broad-based, with higher prices recorded for sugar, vegetable oils, dairy products and meat, while cereal prices also edged up overall despite a decline in rice prices. The rebound in food prices was driven in part by rising energy and fertiliser costs linked to the escalation of the conflict in the Middle East. Higher energy prices supported vegetable oil and sugar prices through their connection to biofuel markets, while elevated fertiliser costs added to broader agricultural production pressures. Looking ahead, food commodity futures remain tilted to the upside through mid-2027, reflecting continued concerns over global supply chains and input costs. Thereafter, prices—particularly for cereals and vegetable oils—are expected to ease gradually as supply conditions normalise.

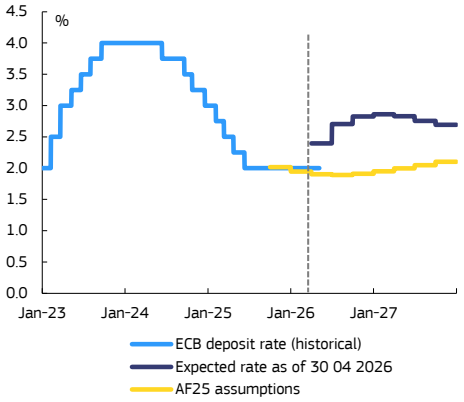
3. FINANCIAL CONDITIONS IN THE EU

The ECB is expected to cautiously tighten its monetary policy stance over the coming months. Before the conflict in the Middle East, euro area inflation was gradually converging towards the ECB target of 2%. Following the outbreak, inflation expectations increased sharply, initially only at the short-term horizons and later, more moderately, over the medium term (see Graph I.3.1). At its latest monetary policy meeting at the end of April, the ECB Governing Council kept its main policy rate—the deposit facility rate—unchanged at 2%. Financial markets have nonetheless reassessed the expected path of monetary policy. At the cut-off date of this forecast, they were pricing-in policy rates of around 2.6% in the first quarter of 2027, implying two or possibly three additional 25-basis-point increases over the coming year (see Graph I.3.2). The expected monetary policy tightening is less pronounced than the response triggered by the inflation surge during the previous energy shock in 2022. This reflects the more contained macroeconomic impact anticipated from the current shock, including a smaller and more temporary rise in inflation. Moreover, the current shock came at a time when inflation was on a declining path towards target, whereas the previous energy shock exacerbated pre-existing inflationary pressures from the post-pandemic demand rebound. Importantly, financing conditions are less accommodative now than in 2021–22.

Graph I.3.1: **Inflation expectations derived from implied forward inflation-linked swap rates**

Source: Bloomberg.

Graph I.3.2: **Short term interest rates and interest rate expectations**



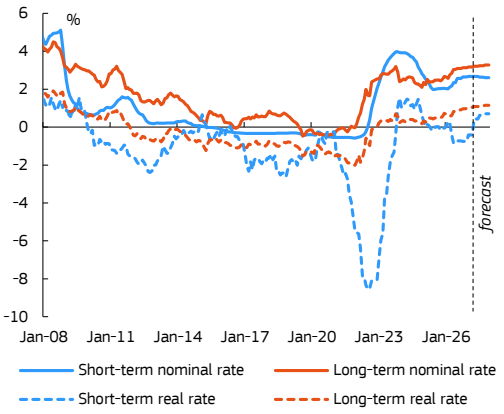
Expectations based on future contracts for 3 months Euribor.

Sources: S&P Global, LSEG, Bloomberg, ECB.

Outside the euro area, monetary policy developments have been more mixed. Before 28 February, inflation was also declining in non-euro area Member States, including in Central and Eastern European economies that had previously recorded higher inflation rates. Since autumn, the central banks of Poland and Hungary have continued to ease monetary policy, cutting rates by 50 and 25 basis points, respectively, while most other EU central banks have kept policy rates unchanged. Looking ahead, markets expect either policy tightening or pauses in easing cycles in most countries. Hungary remains an exception, as policy rates are still expected to decline further, while in Poland they are expected to remain broadly unchanged.

Long-term yields in the euro area have also increased since autumn, with a particularly sharp upturn in March. The German 10-year bund yield stood at around 3.0% at the beginning of May, up from 2.7% before the outbreak of the conflict in Iran and 2.65% at the cut-off date of the Autumn 2025 Forecast. This increase reflects higher inflation expectations following the spike in energy prices, but also a term premium, which reflects greater inflation uncertainty. As such, real long-term rates have only marginally increased but are expected to trend upwards over the forecast horizon (see Graph I.3.3). For short-term maturities, real rates are expected to increase in 2027 after turning slightly negative in 2026 due to the expected sharp pickup in inflation that outweighs the increase in nominal interest rates.

Graph I.3.3: **Euro area benchmark interest rates**

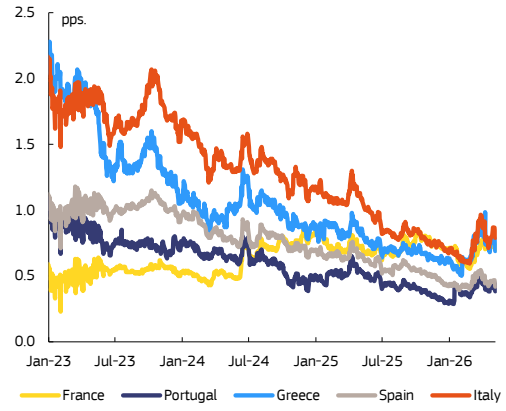


Short term rate: 3M Euribor; Long term rate: 10Y interest rate swap; Real rates are derived from the respective short or long-term rate minus annual HICP inflation and average future inflation inferred from 10Y inflation swaps, respectively. Short-term nominal forecasts (derived from forward short-term rates) are deflated by ECFIN inflation forecasts. Long-term nominal forecasts (derived from forward long-term swap rates) are deflated by their respective forward inflation swaps (i.e. 1Y 10Y and 2Y 10Y forward inflation swap rates).

Sources: Bloomberg, ECB.

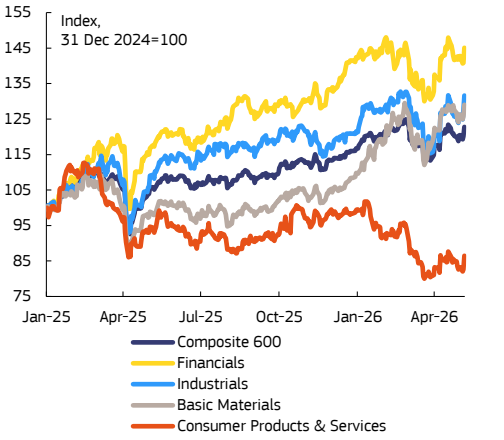
Risk premia have also increased slightly on the sovereign bond markets, especially for Member States with high deficits and debt. In the euro area, sovereign spreads have widened by around 20 bps. since late February, particularly in Italy and France (see Graph I.3.4). This widening is moderate and comes after a prolonged period of tightening spreads. However, it indicates that investors are discriminating against the most indebted euro area countries in the context of weaker economic prospects, higher interest rates, and the potential fiscal costs associated with shielding corporates and households from the burden of higher energy prices. Outside the euro area, sovereign spreads have increased in Poland and Romania but declined sharply in Hungary following the parliamentary elections.

Graph I.3.4: **Government bond yield spreads over German federal bunds**



Source: Macrobond

Graph I.3.5: **Euro STOXX Sectoral equity indices**



Source: Macrobond.

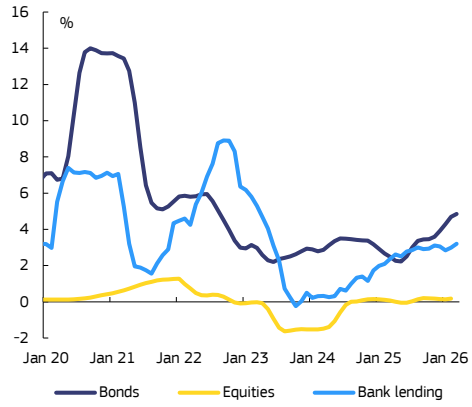
European equity markets have been supported by sector-specific and other idiosyncratic factors despite heightened geopolitical uncertainty and a weakening macroeconomic outlook. In the wake of the conflict in Iran, European equity markets, which had been trending upwards since autumn, experienced a sharp sell-off. Investors reacted to fears of a prolonged conflict, surging energy prices weighing on growth, and higher interest rates in response to intensifying inflationary pressures. However, equity prices subsequently recovered most of their losses, buoyed by expectations of a peace agreement in Iran but also due to other factors such as positive earnings prospects in some sectors. European equity markets valuations at the cut-off

date of this forecast, as represented by Eurostoxx600, are only marginally lower than at the peak reached before the conflict at the end February (-3.8%), and higher compared with the cut-off date of the Autumn 2025 Forecast (+6.5%). While this performance is very positive given the current geopolitical context, European equities are underperforming the US indices such as the S&P500, which broke new records at the end of April. This outperformance reflects renewed optimism around AI investments and gains in energy corporates. European equity investors have also discriminated across sectors over the last couple of months, with most promising prospects seen in energy and basic materials, but also the financial and defence sectors, while corporations exposed to consumers are underperforming (see Graph I.3.5). This suggests that developments in equity markets do not reflect broad-based optimism about macroeconomic developments. The EU corporate bond market displayed a similar trend to the equity market with slightly widening spreads in March followed by a similar tightening in April. At the cut-off date of this forecast, corporate spreads were at broadly the same level as in autumn.

Following the outbreak of the conflict in the Middle East, the euro temporarily weakened against the US dollar as demand for safe-haven assets took precedence over relative interest rate considerations. The euro NEER has weakened by slightly less than 1% since the Autumn 2025 Forecast amid notable volatility. The EUR/USD exchange rate had moved in line with relative interest differentials until mid-January but has since deviated significantly from this traditional co-movement. After a short episode of weakness in mid January, the US dollar strengthened substantially throughout March following the onset of the conflict in the Middle East. The broad appreciation of the USD in a context of rising geopolitical risks indicates a (temporary) return of its traditional safe-haven status. In April, the euro regained much of its March losses following the announcement of the ceasefire in the Middle East by President Trump on 7 April. The euro continued its appreciation against the Japanese yen, gaining some 6% since autumn. At the same time, the euro weakened by 3.2% against the Chinese renminbi and depreciated more strongly against the currencies of some oil producers such as the Russian rouble, the Australian dollar, and the Brazilian real.

Bank lending and bond issuance have expanded in recent months—including in March. The annual growth rate of loans to the private sector stood at 3.5% in March, up from 3.0% in October 2026 Bank lending activity accelerated slightly for both corporates and households. Corporate bond issuance has accelerated more firmly since autumn, suggesting that corporations with access to market funding, essentially larger firms, have increasingly used this funding instrument (see Graph I.3.6). Although financing costs have increased moderately in nominal terms since autumn, in real terms they remain particularly favourable.

Graph I.3.6: **Corporate market funding growth**



Source: ECB.

Nonetheless, the ECB bank lending survey (BLS) for the first quarter of 2026 indicates tightening credit standards and lower demand for bank credit. Credit standards were tightened for all loan categories in 2026-Q1. They tightened further for loans to firms, reaching a net balance of 10%, more than expected in the previous survey round and above the historical average. This tightening was driven by perceived risks and lower risk tolerance. Geopolitical and energy developments were reported to have exerted a tightening pressure, in particular towards energy-intensive firms. Credit standards also tightened for housing loans, though to a lesser extent (2%), as did those for consumer credit (15%). Higher risk perceptions were also the main factor behind the tightening of credit to households, but competition had a small easing effect for housing loans. For 2026-Q2, banks expect a further and more pronounced tightening of credit standards across all loan categories, further reflecting geopolitical tensions, energy developments, and higher funding costs.

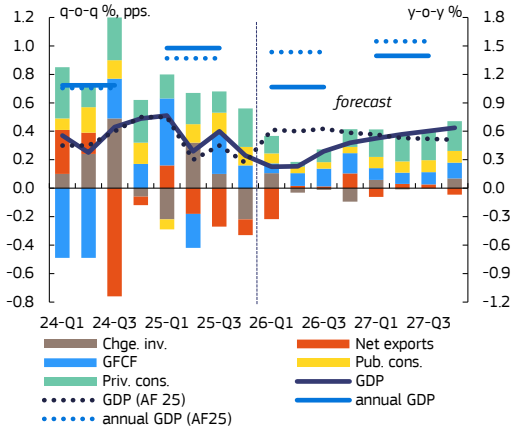
Banks reported a slight net decrease in loan demand for firms in 2026-Q1. The decline in demand for fixed investments outweighed the increase in demand for inventories and working capital. Banks reported unchanged demand for housing loans, whereas demand for consumer credit decreased strongly. Deteriorating consumer confidence and developments in interest rates likely contributed negatively to demand for loans by households. Subdued spending on durable goods had an additional negative impact on consumer loans. For all loan categories, demand came in below the expectations expressed in the previous survey round. For 2026-Q2, banks expect a widespread and more marked decline in demand for all loan categories. Over the forecast horizon, funding costs are expected to increase, both in nominal and real terms, which could deteriorate to some extent the prospects for external funding.

Mortgage credit growth supports the continued rise in EU house prices. In 2025-Q4, house prices in the EU were 5.5% higher than the year before (5.2% in the euro area), following quarter-on-quarter increases of 1.6% in 2025-Q3 and 0.8% in 2025-Q4. While prices in Finland still recorded annual decline in 2025-Q4, several countries—namely Bulgaria, Czechia, Spain, Croatia, Hungary, Lithuania, Portugal and Slovakia—maintained double-digit annual growth rates, driven by strong demand and persistently tight supply. The rebound in transactions and credit flows continued in 2025-H2, with overall credit growth in 2025 being stronger than in 2024 in most EU countries—annual credit growth to euro area households accelerated from 1.3% in 2024 to 2.6% in 2025—amid lower interest rates (about 40 bps. lower on average in the euro area compared to 2024) and positive income prospects.

Overall, financial conditions in the EU have tightened since autumn, owing mainly to higher expected interest rates, primarily nominal rates for 2026, but also real rates in 2027. In addition to higher interest rates, banks have reported tighter credit conditions which, coupled with lower demand, may weaken bank lending growth this year. At the same time, market valuations of private assets such as equites and bonds have proven particularly resilient to the energy price shock and the rising geopolitical uncertainty. Although investor sentiment remains uneven across sectors, most corporations continue to benefit from relatively low market funding costs.

4. ECONOMIC ACTIVITY

Graph I.4.1: **Real GDP and its contributions, EU**



The EU economy ended 2025 on a slightly stronger footing than previously expected. Real GDP growth in 2025 was 0.1 pps. higher than projected in the Autumn 2025 Forecast, at 1.5% for the EU and 1.4% for the euro area. Economic activity expanded in all Member States, with growth rates above 3% in Poland, Croatia, Bulgaria, Cyprus and Malta. Most Member States are estimated to have grown broadly in line with or above expectations. The growth surprise largely reflects (1) upward revisions to the estimated outturns for the first three quarters of 2025 for most of the 15 countries that had reported their flash estimate for real GDP growth in 2025-Q3 by the cut-off date (31 October 2025) of the Autumn 2025 forecast [1], or (2) stronger than forecast outturns for the remaining countries, particularly in Denmark, Latvia and Poland. The overall growth surprise in 2025 implies a 0.1 pps. higher carryover into 2026 than projected in the Autumn 2025 Forecast for both the EU and the euro area.

Growth was lower than expected in 2026-Q1. After increasing by 0.2% in 2025-Q4 in both the EU and the euro area, in line with the Autumn 2025 Forecast, real GDP increased by 0.2% in 2026-Q1 in the EU and by 0.1% in the euro area, 0.2 and 0.3 pps. below autumn projections [2]. The bulk of the weaker performance in 2026-Q1 relative to the Autumn 2025 Forecast came from Ireland (-2%), but growth also undershot expectations in Sweden (-0.2%), France (0%), and the Netherlands (0.1%). Growth was broad-based, with 13 out of the 19 Member States that reported their flash estimate by 13 May [3], as well as Poland, seeing an expansion in economic activity. GDP is estimated to have contracted in four countries (Ireland, Lithuania, Romania and Sweden) and stagnated in two (France and Portugal). Among the largest EU countries, economic activity increased by 0.6% in Spain, 0.3% in Germany, 0.2% in Italy (as expected in each), 0.5% in Poland and stagnated in France. The Irish and Romanian economies entered a technical recession (defined as two consecutive quarters of economic contraction). Available detail on the components of final use for a subset of Member States indicates positive contributions from domestic demand in most cases, while (net) exports contributed positively in Germany, Italy and Slovakia.

In 2025, the expansion of private consumption was stronger than previously anticipated, partly reflecting lower propensity to save. Private consumption increased by 1.7% in the EU and 1.5% in the euro area—0.2 pps. more than projected for both areas. Growth in consumption was broad-based across countries, with contractions only recorded in Finland and Estonia. Stronger-than-expected outcomes are reported for 12 Member States, notably among the largest six economies, with the exception of the Netherlands. Consumption growth was supported by somewhat stronger-than-expected wage growth (see Section I.5) and a small reduction in the saving rate, to 14.2%. Purchases of durables grew dynamically. The upturn in private consumption was underpinned by a trend of improving consumer confidence in the second half of 2025, though

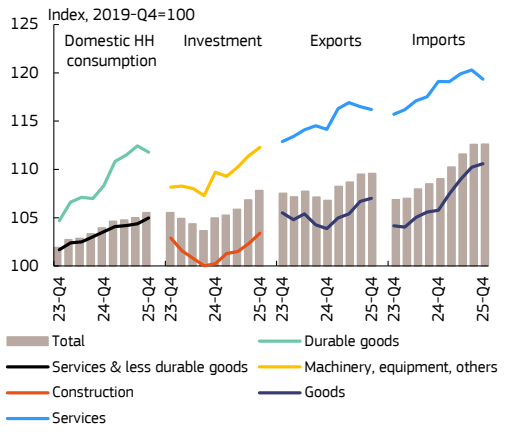
(1) Germany, France, Italy, Spain, the Netherlands, Sweden, Belgium, Ireland, Austria, Finland, Portugal, Czechia, Hungary, Lithuania, Estonia; see: https://ec.europa.eu/eurostat/product?code=2-30102025-ap.

(2) This forecast and table 2 of the Statistical Annex include the preliminary flash estimates for the EU, the euro area and 15 Member States (the same as in footnote (1)) from 30 April 2026, the cut-off date of this forecast, where EU GDP was estimated to have grown by 0.1%; see https://ec.europa.eu/eurostat/product?code=2-30042026-bp.

(3) In addition to the listed in footnote (1) also Romania, Slovakia, Bulgaria and Cyprus; see https://ec.europa.eu/eurostat/product?code=2-13052026-ap. Poland reported its flash estimate one day after the release of the flash GDP by Eurostat.

confidence remained below its long-term average. It was consistent with an increase in retail sales and car registrations in 2025-Q4 (see Graph I.4.6, right panel). In 2026-Q1 retail sales remained broadly unchanged, but car registrations increased by 0.5% (seasonally adjusted).

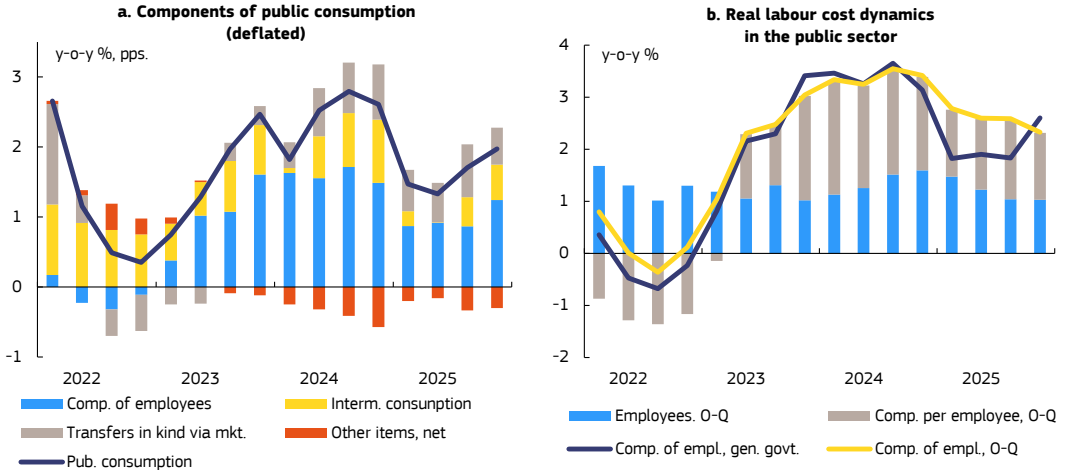
Graph I.4.2: **Demand-side components, EU excl. IE**



(1) Domestic household consumption includes consumer spending by both residents and non-residents on the territory of the Member States.
(2) IE excluded to limit the volatility in investment, exports and imports.

Investment growth also exceeded expectations in 2025, reaching 2.8% in the EU (1.7% excluding Ireland), 0.8 pps. stronger than projected (0.6 pps. excluding Ireland). The bulk of investment growth came from intellectual property products (IPP)—mainly, but not exclusively, in Ireland—non-residential construction, equipment and, to a lesser extent, transport equipment. Investment in housing recovered only slowly, reflecting a gradual recovery in dwelling construction throughout the year, which however increased by just 0.1% for the year as a whole relative to 2024 (see Graph I.4.8). Across countries, investment growth was largely driven by capital expenditure in eastern and southern Member States. Apart from Ireland (8 pps. higher than the 34% projected), investment growth came in stronger than expected in several Member States, including the large ones, except the Netherlands. The overall good performance in equipment investment was reflected in positive developments in the production of capital goods. While the automotive sector still struggled, production of other transport equipment and other investment goods enjoyed a significant increase in the course of 2025, contributing to the overall resilience of the manufacturing sector (see Graph I.4.6).

Graph I.4.3: **Public consumption and public sector wages**



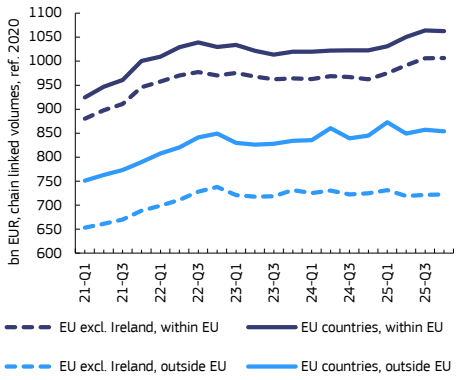
All indicators deflated with the deflator of public consumption. Employment in NACE sections O-Q (civil service, education, healthcare) largely overlaps with employment in general government.

Public consumption contributed slightly less than expected to growth in 2025. Public consumption contributed positively to real GDP growth in the last three quarters of 2025 (see Graph I.4.1.), growing by 1.7% for the year as a whole, slightly below the projected 1.8%. The shortfall was particularly pronounced in Germany, Denmark, Romania and the Netherlands. Conversely, public consumption growth was higher than expected in France, Spain, Bulgaria and Poland. Growth in government consumption continues to be primarily driven by hiring and real

wage increases in public service sectors, such as the civil service, education and healthcare [4], rather than by increasing volumes of intermediate inputs or transfers in kind via market producers (see Graph I.4.3). This likely reflects a lagged adjustment of public wages to inflation, as well as increasing demand for services in the healthcare sector.

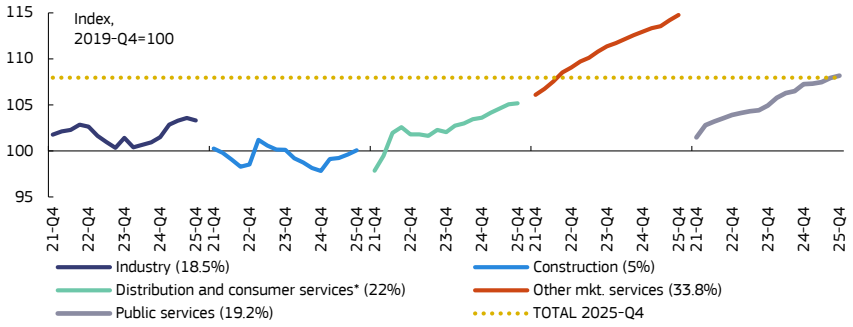
Net exports contributed negatively, broadly in line with expectations. Exports expanded by 2.3%, while imports grew by 3.7%, both 0.7 pps. above the autumn projections, leaving the drag on GDP as expected in the Autumn 2025 Forecast. The drag from net trade in goods was smaller than expected, whereas that from services was larger. Excluding Ireland, exports grew throughout the first three quarters (see Graph I.4.2), supported by stronger intra-EU trade (see Graph I.4.4). By contrast, extra-EU exports stagnated, as the stronger-than-expected global trade growth was concentrated in sectors (i.e. AI technology) and markets (Asia) where the EU remains less present. The appreciation of the euro vis-à-vis main trading partners may have been a factor behind the net exports drag, together with trade diversion and competitive pressures from China.

Graph I.4.4: **Exports within and outside the EU**



Data in seasonally and calendar adjusted chain linked volumes, reference year 2020. Goods and services combined.

Graph I.4.5: **Gross value added in the EU across sectors**

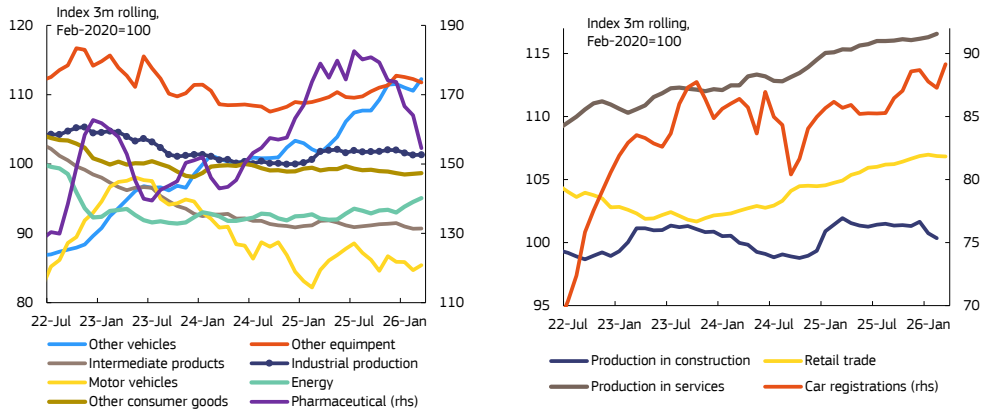


% of GVA in latest four quarters in brackets.
*Wholesale and retail; transport; accommodation, food services; arts, entertainment, recreation.

Growth in 2025 was driven by continued strength in market services, a resilient manufacturing sector, and a rebound in construction. Industrial activity benefited from the diverse structure of the sector, as production of non-automotive vehicles, other equipment and pharmaceuticals compensated for the structural weakness of motor vehicle production and the energy-intensive intermediate goods sectors (see Graph I.4.6). Real value added in the sector expanded by 2.4%, even though industrial production grew by 1.5%, suggesting adjustment measures by corporations. Value added in both market and public services continued its upward trend across activities. The transport sector reported a contraction in 2025-Q4, while other services remained afloat. Construction activity rebounded in 2025-Q1 and continued growing at a moderate pace throughout the year, bringing overall growth in value added to 1%, even though production grew by just 0.4%. In early 2026, production in manufacturing and construction contracted (see Graph I.4.6), though some industries remained resilient. In contrast, production in services continued increasing in January and February, driven by ITC and transport.

[4] NACE sections O-Q

Graph I.4.6: **Industrial production and other short-term indicators, EU**

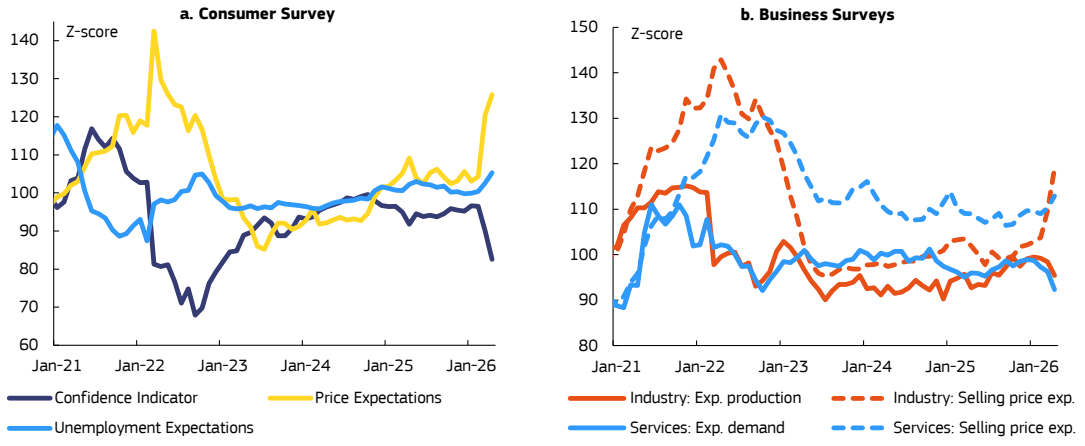


All data seasonally and calendar adjusted.

Sources: ACEA; European Commission.

A sharp deterioration in economic sentiment in March and April points to the adverse economic effects of the conflict in the Middle East. Until February 2026, the European Commission's business and consumer survey data reflected a mild but broad-based improvement in confidence and expectations the EU (see Graph I.4.7). February PMI readings for the euro area were also consistent with continued expansion in both manufacturing and services. However, this trend reversed abruptly following the outbreak of the conflict. The European Commission's March and April survey results show a marked deterioration in economic sentiment across the EU, driven primarily by consumers, retail trade and services. In April, consumer confidence fell to its lowest level in 40 months, well below its long-term average (see Graph I.4.7). At the same time, households' expectations regarding unemployment—and especially inflation—rose sharply, and intentions to make major purposes plunged. On the business side, the decline in confidence has so far remained limited in manufacturing, with euro area manufacturing PMIs still signalling expansion. Nevertheless, manufacturers' production expectations dropped sharply in the Commission's April business surveys. The deterioration in confidence has been much more pronounced in services, which are more directly exposed to weakening consumer demand. In parallel, firms' selling price expectations surged, signalling an increasing intention to pass higher energy costs through the production chain. Overall, the modest growth recorded in the first quarter of 2026 likely masks a significant loss of momentum following the outbreak of the conflict in the Middle East.

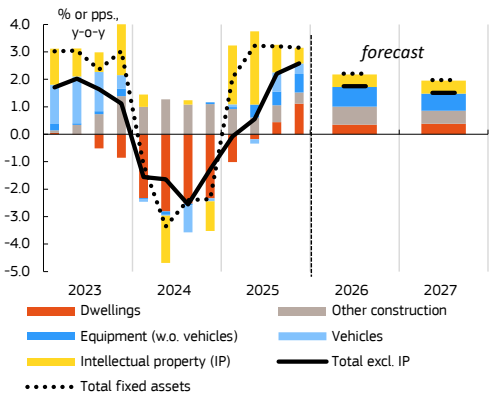
Graph I.4.7: **Confidence, production, demand and price expectations**



Original indicators have been transformed to 100+10(Z-score). Z-score based on the period 2000-2025.

Consumption is still projected to sustain growth, but less than previously expected. Continued gains in employment and wages should support a further increase in real household disposable income. However, the renewed rise in inflation following the outbreak of the conflict is set to dampen purchasing power growth and restrain consumption. The inflation surge of 2021–22 demonstrated the high sensitivity of consumer sentiment to price developments. Survey evidence up until February 2026 suggested that the pre-conflict disinflation had not yet fully translated into lower perceived inflation, with households still strongly influenced by the earlier inflation shock. Moreover, households' concerns about their own financial situation and the broader economic outlook are likely to encourage precautionary saving, further restraining consumption growth (see Graph I.4.1). The saving rate is thus expected to edge up to 14.4% in 2026 and then down to 14.3% in 2027, remaining well above the pre-COVID-19 levels. In turn, real private consumption is forecast to grow by just 1.1% this year, and 1.3% in 2027 (0.4 and 0.2 pps. less than projected in autumn 2025).

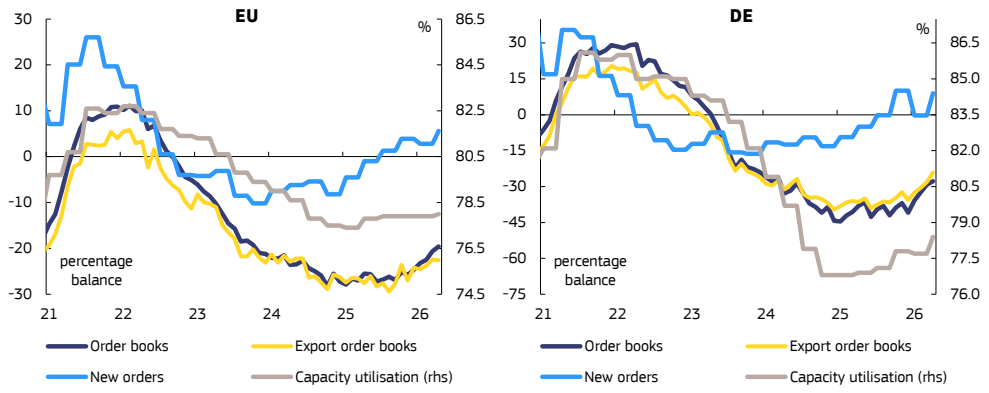
Graph I.4.8: **Investment growth: contributions by asset type, EU**



Equipment includes vehicles in forecast.

Business investment is also set to be less buoyant. Following the positive surprise in 2025, investment growth is expected to remain resilient across asset types, though somewhat weaker than projected in autumn. While sentiment in industry is holding up better than in services, some survey indicators still point to significant slack. Capacity utilisation and order books in manufacturing remain low despite recent improvements in order inflows (see Graph I.4.9). Lower export growth and subdued production expectations are set to lower investment needs. Though firms seem set to markedly increase their selling prices, higher energy prices are likely to eat into margins. Also in other sectors, higher financing costs and weaker profit shares weigh on firms' capacity to finance investment, while elevated uncertainty prompts many to postpone or scale back investment plans. Equipment investment growth is thus revised down the strongest, though set to still expand at a moderate rate. Growth in infrastructure investment has also been revised down and are projected to slow down despite support from EU funds. In view of the digital transformation needs investment in intellectual property products (R&D and ICT) is set to remain relatively resilient. Residential construction started a rebound in 2025, which is set to carry on for a few quarters. Still, the prospect of higher financing costs and input prices in the sector seem to justify a downward revision for next year. Overall, investment is set to expand by 2.3% this year and 2% next, some 0.5 pps. less than projected in autumn in both years.

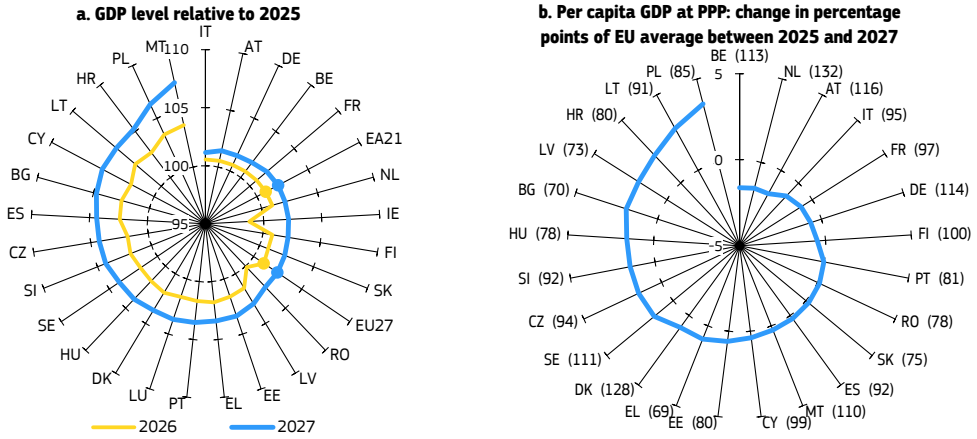
Graph I.4.9: **Order books and capacity utilisation in manufacturing**



Export growth is expected to remain subdued in 2026 and lower than projected in autumn. For both goods and services, export growth is forecast lower than in autumn, despite the improved global growth and trade outlook (see Table I.2.1). The significant downgrade with respect to autumn is largely due to weaker growth of goods exports in 2026. EU exporters are projected to continue losing goods market shares, due to structurally reduced competitiveness in manufacturing and limited presence in the fast-growing, trade-intensive AI-related sectors. Services remain resilient, not least thanks to the buoyant multinationals sector in Ireland. Excluding Ireland, growth in services exports is set to drop from 2 to 1.3% in 2026. All in all, exports are expected to grow by only 0.9% in 2026, before accelerating to 2.1% in 2027. Import growth is also revised down, but less markedly, as weaker domestic demand is partially offset by the stronger euro—a development that amplifies competitive pressures from trading partners, particularly China. As a result, net exports are expected to have a negative contribution of around -0.4 pps. to GDP growth in 2026—slightly more negative than projected in autumn.

Real GDP growth in 2026 is revised down significantly from the Autumn 2025 Forecast. Real GDP growth in 2026 is projected to slow down to 1.1% in the EU and 0.9 % in the euro area. This is a substantial downward revision (-0.3 pps.) with respect to the autumn projections, reflecting the impact of higher energy costs, strained supply chains for hydrocarbons and related chemicals, higher financing costs and an aggravation of geopolitical and trade uncertainty. The impact of the energy shock is set to extend into 2027, with GDP growth expected to pick up to a modest 1.4% in the EU and 1.2% in the euro area (0.1 and 0.2 pps. less than in autumn).

Graph I.4.10: **Growth dispersion and convergence**



Per capita GDP in % relative to EU average in 2027 in brackets; IE (232; -5.7) and LU (235;-3.2) not depicted on panel b.

Growth is set to slow down in most Member States. All Member States except Ireland are expected to expand in 2026, though most at a slower pace than in 2025. While improving in Italy and Germany, growth in these countries, as well as in France, the Netherlands and others, is set to remain below average. Meanwhile, in some Member States like Spain and Poland it is projected above average in accumulated terms (see Graph I.4.10 a.). In general, the catching-up economies are expected to expand more than average (see Graph I.4.10 b.), supporting further convergence in the EU over the forecast horizon.

Table I.4.1: **Composition of growth, euro area (21)**

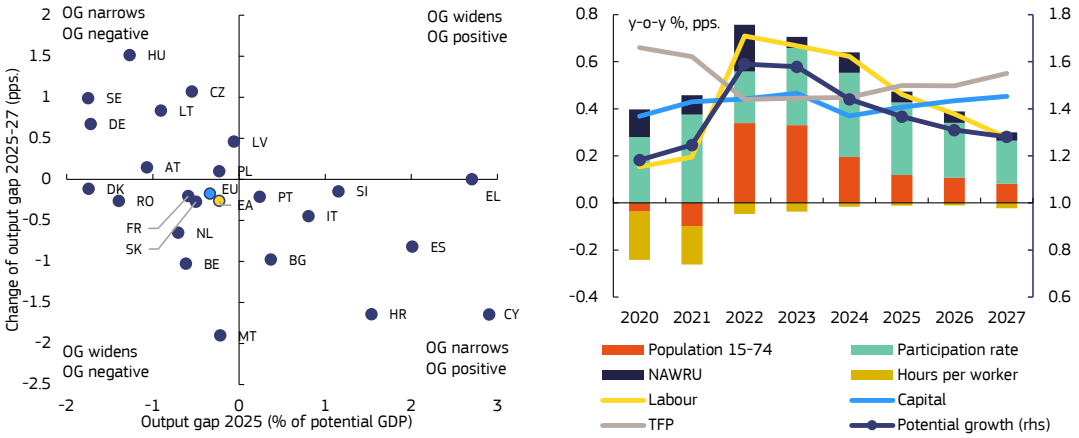
(Real annual percentage change)									Spring 2026 Forecast		
	2025			2020	2021	2022	2023	2024	2025	2026	2027
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		8,390.0	52.6	-7.8	4.7	5.3	0.5	1.4	1.5	0.9	1.0
Public consumption		3,436.9	21.6	1.3	4.3	1.3	1.5	2.3	1.6	1.6	1.3
Gross fixed capital formation		3,375.8	21.2	-5.6	3.7	2.1	2.5	-2.5	3.0	1.8	1.7
Change in stocks as % of GDP		113.4	0.7	0.2	1.1	2.0	0.5	0.5	0.7	0.7	0.7
Exports of goods and services		7,741.4	48.6	-8.7	11.5	7.4	-1.2	0.5	2.0	0.7	2.0
Final demand		23,057.5	144.7	-6.6	7.2	5.1	-0.4	0.6	2.1	1.1	1.5
Imports of goods and services		7,122.8	44.7	-8.1	9.0	8.4	-2.0	-0.1	3.7	1.6	2.1
GDP		15,938.6	100.0	-6.0	6.4	3.6	0.4	0.9	1.4	0.9	1.2
GNI		15,876.2	99.6	-6.6	7.1	3.0	0.4	0.8	1.0	1.0	1.1
p.m. GDP EU		18,818.8	118.1	-5.6	6.4	3.5	0.4	1.1	1.5	1.1	1.4
				Contribution to change in GDP							
Private consumption				-4.2	2.4	2.7	0.3	0.7	0.8	0.5	0.5
Public consumption				0.3	1.0	0.3	0.3	0.5	0.3	0.3	0.3
Investment				-1.2	0.8	0.5	0.5	-0.5	0.6	0.4	0.4
Inventories				-0.3	0.8	0.3	-1.1	-0.1	0.3	0.0	0.0
Exports				-4.1	5.1	3.6	-0.6	0.3	1.0	0.3	1.0
Final demand				-9.6	10.1	7.4	-0.6	0.9	3.1	1.6	2.2
Imports (minus)				3.6	-3.7	-3.8	1.0	0.1	-1.6	-0.7	-1.0
Net exports				-0.6	1.4	-0.2	0.4	0.3	-0.6	-0.4	0.0

Table I.4.2: **Composition of growth, EU**

(Real annual percentage change)									Spring 2026 Forecast		
	2025			2020	2021	2022	2023	2024	2025	2026	2027
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		9,890.8	52.6	-7.1	4.8	5.0	0.3	1.6	1.7	1.1	1.3
Public consumption		4,069.3	21.6	1.2	4.1	1.1	1.6	2.4	1.7	1.7	1.3
Gross fixed capital formation		4,014.6	21.3	-5.0	4.1	2.1	2.6	-2.2	2.8	2.2	2.0
Change in stocks as % of GDP		129.2	0.7	0.2	1.3	2.2	0.4	0.4	0.7	0.7	0.7
Exports of goods and services		9,340.3	49.6	-8.2	11.3	7.3	-0.4	0.8	2.3	0.9	2.1
Final demand		27,445.7	145.8	-6.2	7.3	5.0	-0.4	0.9	2.2	1.3	1.7
Imports of goods and services		8,630.2	45.9	-7.6	9.7	8.3	-1.8	0.4	3.7	1.7	2.2
GDP		18,818.8	100.0	-5.6	6.4	3.5	0.4	1.1	1.5	1.1	1.4
GNI		18,732.6	99.5	-6.0	6.9	3.0	0.4	1.1	1.2	1.1	1.3
p.m. GDP euro area		15,938.6	84.7	-6.0	6.4	3.6	0.4	0.9	1.4	0.9	1.2
				Contribution to change in GDP							
Private consumption				-3.8	2.5	2.6	0.2	0.8	0.9	0.6	0.7
Public consumption				0.3	0.9	0.3	0.3	0.5	0.4	0.4	0.3
Investment				-1.1	0.9	0.5	0.6	-0.5	0.6	0.5	0.4
Inventories				-0.3	0.9	0.4	-1.4	0.0	0.3	0.0	0.0
Exports				-4.0	5.2	3.6	-0.2	0.4	1.2	0.4	1.0
Final demand				-9.0	10.4	7.4	-0.6	1.3	3.3	1.8	2.4
Imports (minus)				3.4	-4.1	-3.8	1.0	-0.2	-1.7	-0.8	-1.0
Net exports				-0.6	1.1	-0.2	0.7	0.2	-0.5	-0.4	0.0

EU GDP growth is estimated to plunge below potential in 2026, but to reemerge in 2027. Mainly based on the projected evolution of the labour supply, potential growth is set to slow down slightly from 1.4% in 2025 to 1.3% in 2026-27 in the EU, and from 1.3% to 1.2% in the euro area. This can be particularly attributed to a slowdown in growth of the working-age population and of the participation rate, as well as to a further, if mild, decline in hours worked. Meanwhile, capital accumulation and productivity growth are set to remain (increasingly) supportive. After narrowing to -0.3% and -0.4% for the EU and euro area respectively, in 2025, the output gap is projected to widen again in 2026 (to -0.6% in the EU and -0.5% in the euro area) and to narrow only marginally in 2027. Eleven Member States, including Germany and Poland, are projected to recover towards potential while eight, including Italy, Spain and Ireland, are expected to converge down towards potential. By contrast, seven Member States, including France, are projected to fall further below potential, and none are set to experience a widening positive output gap (see Graph I.4.11).

Graph I.4.11: **Output gaps across Member States and determinants of potential growth**



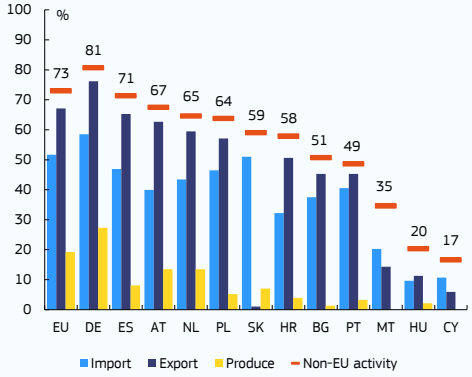
IE (4.8;-5.4); EE (-2.6;2.5); FI (-2.6;1.0) and LU (-3.8;1.4) are not depicted.

Box I.4.1: How do EU manufacturing firms navigate tensions, disruptions, and policy changes in foreign markets?

EU manufacturers with trade or production activities outside the Union operate in an environment marked by growing volatility and fragmentation. Geopolitical realignments and rising competitive pressures are reshaping the international trade landscape. The severing of trade ties with Russia following its military aggression against Ukraine has forced firms to rethink energy sourcing, logistics, and other operational dependencies. Meanwhile, China's evolving role—both as a shrinking export destination for EU goods and a critical supplier of essential materials, including rare earths and advanced industrial inputs—poses challenges and creates dependencies. Across the Atlantic, the new US administration's trade policy over the past year has added another layer of complexity and uncertainty. Finally, the conflict in the Middle East is disrupting key shipping routes and commodity flows.

An ad hoc survey conducted in twelve EU Member States offers insights into how manufacturers are adapting to this increasingly challenging global environment. [1] With over 12 000 enterprises surveyed, [2] those twelve Member States represent 53% of EU gross value added in the manufacturing industry. It is important to note that the timing of the survey varied: seven countries conducted the survey in February (prior to the conflict in Iran), while five did so in March. [3] The results are heavily shaped by Germany (where the survey was conducted in March), which alone accounts for more than half of the value added covered by the survey. All EU-level figures presented in this analysis are weighted averages, adjusted according to each country's share of gross value added.

Graph 1: **Q1: Types of activity on foreign markets outside the EU (total manufacturing sector)**



Almost three-quarters of manufacturing firms surveyed are engaged in activities outside the EU, mainly through trade. These activities include imports from (52%), exports to (67%), and/or production in (19%) countries outside the EU (see Graph 1). In our sample, Germany has the biggest share of firms with extra-EU trade links, while a few smaller economies have a high share of firms mainly operating within the EU. Firms reporting trade or operations outside the EU were asked to detail recent or planned adjustments across their import, export or production location strategies. Respondents could select multiple answers within ranges including, e.g. reducing trade volumes, changing partner countries, relocating production, adjusting inventories/prices/contracts, and modifying products. An 'other' category captured additional strategies, including: enhanced risk mitigating strategies—for example export guarantees and financial hedging—to offset currency or market volatility, and investing in supply chain resilience-enhancing technologies. [4]

(1) A more detailed analysis of this ad hoc survey will be presented in European Business Cycle Indicators – 2nd quarter 2026, forthcoming.

(2) The number of firms participating per country was as follows: Poland (3 150), Germany (1 923), the Netherlands (1 649), Bulgaria (1 532), Portugal (1 333), Spain (887), Slovakia (645), Hungary (482), Austria (322), Croatia (253), Cyprus (120), Malta (87).

(3) Austria, Bulgaria, Croatia, Cyprus, Hungary, Poland and Portugal launched the ad hoc questions in February and Germany, Malta, the Netherlands, Slovakia and Spain in March. The results may have been shaped by the unforeseen war and related disruptions, affecting comparability across countries, as managers in the second group of countries could have responded to the surveys with an increased sense of urgency.

(4) See also EIB and European Commission (2025). Shock waves from turbulent times: how EU businesses recalibrate supply chains. European Investment Bank.

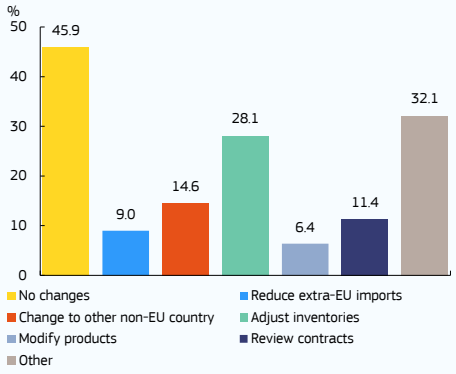
(Continued on the next page)

Box (continued)

Firms in the investment goods sector exhibit the highest exposure to markets outside the EU. In particular, the motor vehicles, chemicals, and machinery industries stand out as the most internationally integrated, with high levels of both trade and foreign production. Because these sectors account for a substantial share of manufacturing in Germany, their strong global orientation significantly shapes the overall EU results reported in the survey. By contrast, firms in the food and beverage industry—and, more broadly, producers of non-durable consumer goods—are much less likely to engage in extra-EU activities, likely reflecting the more local or regional nature of demand and the relatively short supply chains in these sectors.

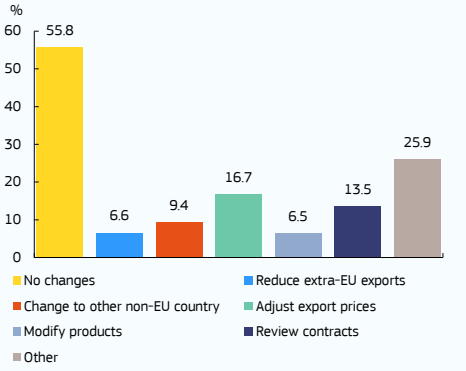
Inventory adjustments stand out as the main coping strategy for importers. More than half of firms that import from outside the EU have adjusted, or are planning to adjust, their import strategies. Inventory adjustment is the most frequently reported strategy (28%), likely involving higher inventory holdings of both finished and unfinished products, as well as raw materials. This strategy is best described as shifting from just-in-time to just-in-case (see Graph 2). Other common strategies include shifting sourcing back to within the EU (a form of onshoring) (9%), or diversifying towards alternative non-EU suppliers (15%). Fewer firms (6%) respond by modifying their products, a strategy that may further reduce dependence on certain imported inputs. The renegotiation of import contracts is another way to manage risk (11%). Finally, a relatively large share of firms (32%)—many of them based in Germany—report 'other' responses.

Graph 2: **Q2: Adjustments in importing strategies are or will be of the following nature (total manufacturing sector - EU)**



Adjustments in prices and contractual arrangements are the most common approaches among exporters. Around 44% of EU firms exporting to markets outside the EU have either already adjusted or are considering changing their export strategies (see Graph 3). Adjustments to export pricing and contractual arrangements are the most common approaches (17% and 14%, respectively). Export pricing adjustments likely consist of price cuts to maintain market shares on foreign markets, in response to competitive pressures or higher tariffs in destination markets. Alongside these adjustments, firms report reducing their exposure to non-EU markets or moving to new export destinations, underscoring an ongoing reconfiguration of trade flows, but also some retrenchment towards domestic markets. Although less frequently reported, product modifications may reflect firms' efforts to align with new client preferences, technical standards, or tariff set-ups. Finally, a notable share of firms reports 'other types of adjustments'.

Graph 3: **Q3: Adjustments in exporting strategies are or will be of the following nature (total manufacturing sector - EU)**

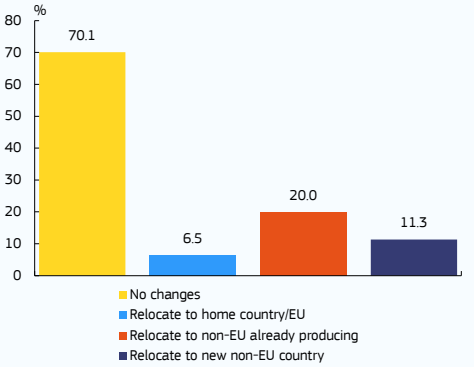


(Continued on the next page)

Box (continued)

Production relocation remains limited, probably reflecting high adjustment costs. Only 19% of the sampled EU firms report having production facilities outside the EU, with the highest shares reported in Germany, the Netherlands, and Austria. Among these, a large majority (70%) indicate no recent or planned changes in their production locations outside the EU (see Graph 4). This likely reflects the high costs, operational disruptions, and long lead times associated with relocating production. For the relatively few firms considering relocation, the most common strategy is to shift production to other non-EU locations where they are already producing (20%). Reshoring production back to the EU remains rare, which can arguably be linked to the original reason for moving production outside the EU in the first place—be it lower production costs or proximity to target markets.

Graph 4: **Q4: Adjustments in production location are or will be of the following nature (total manufacturing sector - EU)**

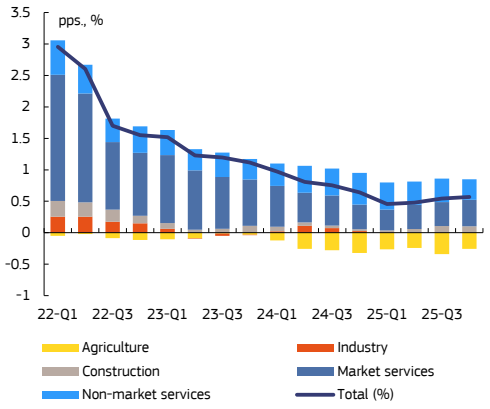


5. LABOUR MARKET

Employment growth picked up in the second half of 2025, putting the EU labour in a reasonably good starting position in 2026. According to national accounts data, headcount employment in the EU increased by over 750 000 jobs in 2025-H2, with quarter-on-quarter growth reaching 0.2% in Q4—up from 0.1% in mid-2025. In annual terms, the EU economy added 1.1 million jobs in 2025, resulting in annual employment growth of 0.5%—down from 0.8% in 2024. In the euro area, employment was slightly stronger, growing by 0.7% in 2025—down from 1% in 2024. Malta (3.9%) led overall growth, whereas Romania (−3.6%), where employment declined throughout the four quarters of the year, recorded the sharpest job losses. Amongst the largest Member States, Spain (2.7%), and to a lesser extent Italy (1.1%), posted a strong performance, while employment stagnated in Germany and France.

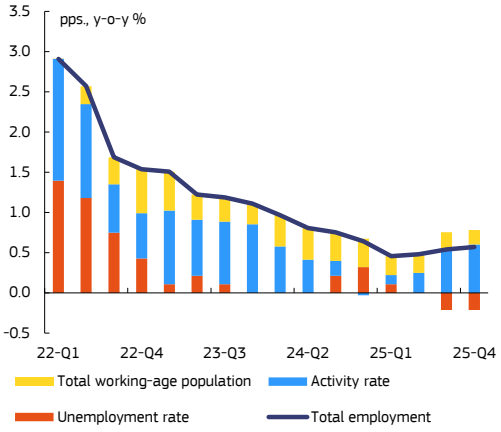
Job creation was mainly driven by services. Market and non-market services added over 875 000 and 665 000 jobs, respectively, in 2025 (see Graph I.5.1). Construction also recorded job creation, whereas agriculture (−4.8%) and, less significantly, industry (−0.5%) saw employment declines.

Graph I.5.1: **Employment growth and sector contributions, EU**



Non-martket services correspond to OPQ sectors which have a prominent non-market component.

Graph I.5.2: **Total employment growth decomposition**

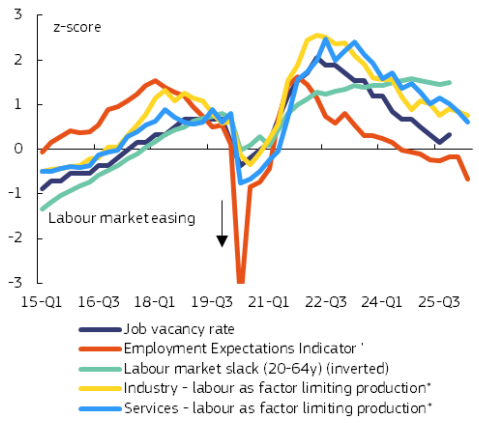


Considering that working-age population is composed by individuals aged 15-74.

Activity rates edged up in the second half of 2025, reaching new record levels against a backdrop of slowing growth in the working-age population. According to the Labour Force Survey, EU population aged between 15 and 74 years expanded by just 0.2% in 2025, driven by an increase in foreign-born residents that offset a slight decline in the native-born population. Activity and employment rates for people aged 20-64 also rose, reaching new record highs of 80.9% and 76.3%, respectively. Labour market participation increased for both men and women, older cohorts, and individuals with low and intermediate education levels. Foreign-born participation (77.3%) grew more sharply, but remained below native-born citizens (81.3%). Overall, employment growth in 2025 was primarily driven by rising activity rates, while the contribution of population growth—supported by net immigration—continued to moderate (see Graph I.5.2). Unemployment rates have stabilised at low levels and are no longer falling, thus no longer contributing positively to employment growth.

As labour demand moderated, labour market pressure continued to ease. During the second half of 2025, the vacancy rate fell to 2%—its lowest level since 2021-Q2. Moreover, the proportion of managers reporting labour shortages in the Commission business surveys (BCS) declined further between mid-2025 and April 2026, to 14.1% in industry and 18.6% in services, though both remained somewhat above the respective long-term averages (see Graph I.5.3).

Graph I.5.3: **Labour market indicators, EU**



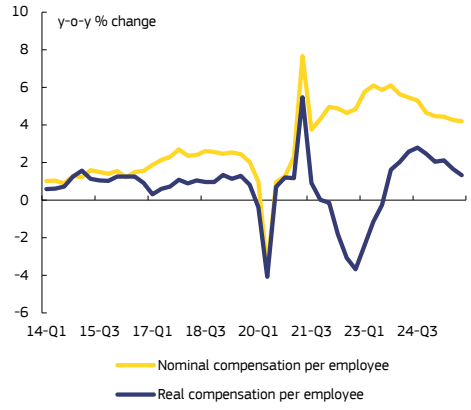
Z-scores are used as measures and computed by subtracting the mean from a data value and then dividing by the standard deviation. Mean and standard deviation are calculated from 2000, except for the job vacancy rate and labour market slack. 'PMI index of April for 26-Q2 datapoint. *Share of managers indicating shortage of labour force as factor limiting production.

Still, the unemployment rate remains at historically low levels. The EU unemployment rate (15-74) held steady at 6% between mid-2025 and March 2026. However, youth unemployment (below age 25), which tends to be more reactive to shifts in labour demand than overall unemployment, rose to 15.4% in March (up 0.4 pps. from mid-2025). A broader measure of labour market slack—which includes not only the unemployed but other groups with an unmet need for employment—remained stable at 11% of the extended labour force by end-2025 for individuals aged 15-74. Trends varied significantly across countries. Sweden (+0.9 pps.) and Malta (+0.6 pps.) recorded relatively large unemployment increases between mid-2025 and March 2026, while Italy, Croatia and Estonia recorded declines exceeding 0.5pps.

On average, the number of hours worked per head remained broadly stable in 2025 compared to 2024. They remain below pre-pandemic levels in non-service sectors, with the largest shortfall in the construction sector, where they are 1.4 pps. below end-2019 levels. In contrast, non-market and market services saw average hours worked slightly exceed end-2019 levels (by 0.6 and 0.7 pps., respectively).

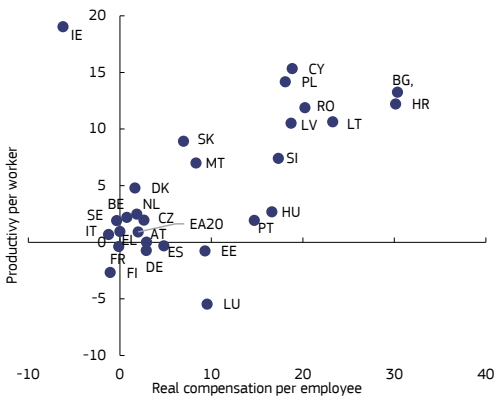
The upward trend in labour productivity growth continued through 2025. Real GDP per employed person rose by 1.1% in 2025, up from 0.2% in 2024, while output per hour worked grew by 1.3%. Cross-country differences persisted: among the largest EU Member States, France (1.1%), followed by Spain (0.8%) led in hourly productivity gains, whereas Germany (0.4%) saw more modest growth, and Italy (-0.9%) experienced a decline.

Graph I.5.4: **Compensation per employee, EU**



Real compensation per employee is calculated using deflator for private consumption.

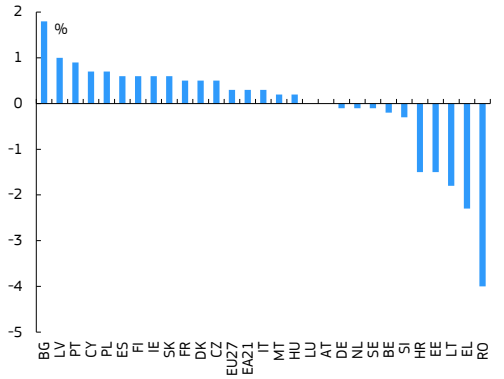
Graph I.5.5: **Real compensation per employee and productivity per worker – cumulative increase 2019-Q4 to 2025-Q4**



Wage growth eased at the end of 2025, in both nominal and real terms. EU compensation per employee increased by 4.2% y-o-y in 2025-Q4, down from 4.4% in mid-2025 (see Graph I.5.4). For 2025 as a whole, nominal compensation per employee grew by 4.3%, down 0.9 pps. from its 2024 growth rate. Real compensation per employee decelerated more sharply throughout 2025, but its year-on-year growth rate remained positive (1.4% by end-2025). A deceleration in wage growth was expected but turned out milder than expected in the Autumn 2025 Forecast, for both nominal and real wages.

Divergent wage trends persist across Member States. While the growth rate of nominal compensation per employee moderated in most countries, it accelerated in Croatia, Cyprus, Lithuania, Slovenia, Luxembourg, Finland, and Czechia. The largest increases (above or close to 10%) were observed in Eastern EU countries, namely Croatia, Bulgaria and Lithuania, whereas France and Sweden saw subdued wage growth (below 2.5%). In real terms, wage growth in 2026 remained positive everywhere except Sweden, with particularly strong gains in Eastern Europe, despite their higher-than-average inflation. Over the longer term, the largest increases since before the pandemic were seen in some of these Eastern EU countries, which also recorded the strongest productivity gains according to national accounts (see Graph I.5.5).

Graph I.5.6: **Change in employment growth in 2026 due to employment surprises in 2025.**



The EU employment outlook for 2026 is supported by a stronger-than-expected starting position. In the fourth quarter of 2025, employment in 15 of 27 Member States had exceeded the 2025 annual average, and the observed gap was larger than expected in autumn, providing a more favourable starting point for employment in 2026. Among the larger Member States, Spain saw the most pronounced positive carryover revision, where the employment surprises automatically add 0.6 pps. to 2026 growth (see Graph I.5.6). Conversely, Germany experienced a slightly negative carryover surprise (-0.1 pps.). The carryover revision is markedly negative in Romania, driven by an unexpected decline in employment in both 2025-Q3 and 2025-Q4. Overall, the EU's acquired growth for 2026 is 0.3 pps. higher than expected in autumn.

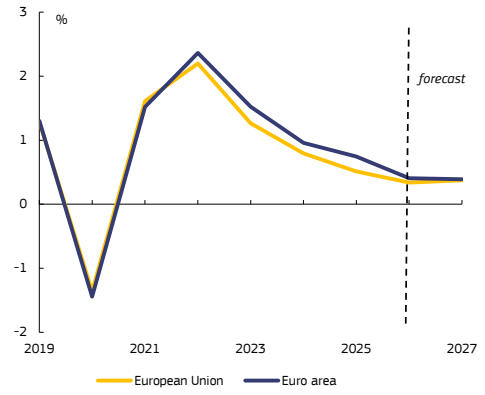
Short-term labour market indicators weakened since early 2026, particularly since the outbreak of the conflict in the Middle East. In January 2026, the euro area composite PMI employment index dipped slightly below the neutral 50 threshold, marking a shift from modest employment expansion to stagnation or slight contraction. By March–April 2026, the PMI was pointing to employment declines, particularly in manufacturing and construction. At the same time, the Business and Consumer Survey (BCS) labour hoarding indicator [(5)] increased from early 2026, particularly since March, suggesting that a growing share of firms plan to hold on to their workforce, or increase employment despite expectations of lower output. Eurostat's flash estimate for employment growth in 2026-Q1, released after the cut-off date of this forecast, points to a 0.1% q-o-q increase in employment, both in the EU and the euro area.

This forecast projects employment growth to slow down more markedly than previously expected in 2026 and 2027, though it is set to remain positive. For the EU, the revised outlook prompts a 0.3 pps. downward revision to the projection for employment growth in 2026 compared to the Autumn 2025 Forecast. However, this adjustment is partially offset by positive carryover effects, stemming from the stronger-than-expected employment growth in late 2025. As

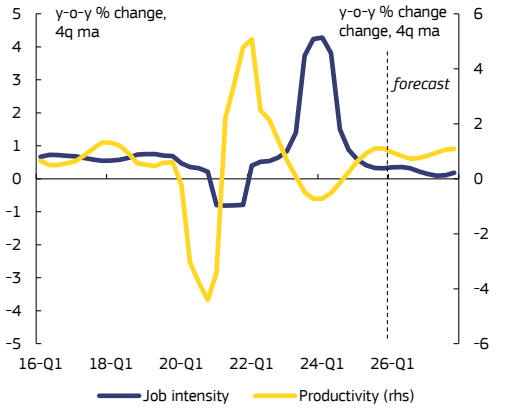
[(5)] The Labour Hoarding Indicator is based on data from the Commission business surveys. It measures the percentage of managers expecting their firm's output to decrease, but employment to remain stable or increase.

a result, employment growth in the EU is expected to slow down from 0.5% in 2025 to 0.3% in 2026, and from 0.7% to 0.4% in the euro area (see Graph I.5.8). The labour force is expected to follow a similar trajectory, keeping the unemployment rate stable at 6% throughout the projection period. Across the largest Member States, Germany faces the most significant downward revision, with employment now expected to contract slightly. In contrast, Spain benefits from strong positive carryover effects from past employment growth, leading to an upward revision relative to autumn.

Graph I.5.8: **Employment growth, EU and euro area**



Graph I.5.7: **Job intensity of economic growth and labour productivity**



Labour productivity growth is set to moderate in 2026 and accelerate in 2027. Prior to the outbreak of the conflict in the Middle East, employment growth was projected to lag behind real GDP in 2026 and 2027, extending the gradual normalisation following a period of exceptionally job-rich economic expansion. This implied a recovery in labour productivity growth. However, as employment adjusts more slowly than output to the shock in the short term, the normalisation in the job intensity of growth is likely to pause, weighing on productivity growth. As a result, productivity gains are expected to remain below the levels projected in autumn in the near term, before gradually strengthening as economic activity regains momentum (see Graph I.5.7).

Wage growth is set to continue moderating over the forecast horizon, but more gradually than expected in autumn. Indicators available up to March, including the ECB wage tracker, suggest an easing of wage pressures in 2026, and this moderating trend is expected to continue over the forecast horizon. At the same time, nominal wage growth has been revised up relative to the Autumn 2025 Forecast, incorporating some second-round effects from the renewed inflationary pressures, especially in 2027. Nominal compensation per employee is set to growth by 3.5% in 2026 and 2027 in the EU, while in the euro area increases are expected to be somewhat more modest (2.7% in 2026 and 2.3% in 2027). Meanwhile, real wage growth is projected to slow in 2026 as higher inflation weighs on purchasing power, but it is set to remain positive and gradually converge towards productivity growth thereafter.

Table I.5.1: **Labour market outlook - euro area and EU**

(Annual percentage change)	Euro area (21 countries)							EU						
	Spring 2026 Forecast				*Autumn 2025 Forecast*			Spring 2026 Forecast				*Autumn 2025 Forecast*		
	2024	2025	2026	2027	2025	2026	2027	2024	2025	2026	2027	2025	2026	2027
Population of working age (15-74)	0.4	**0.3**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*	0.3	**0.2**	**0.2**	**0.1**	*0.3*	*0.2*	*0.1*
Labour force	0.8	**0.8**	**0.4**	**0.4**	*0.6*	*0.5*	*0.4*	0.7	**0.6**	**0.4**	**0.3**	*0.5*	*0.4*	*0.4*
Employment	1.0	**0.7**	**0.4**	**0.4**	*0.6*	*0.5*	*0.5*	0.8	**0.5**	**0.3**	**0.4**	*0.5*	*0.5*	*0.4*
Employment (change in million)	1.7	**1.3**	**0.7**	**0.7**	*1.1*	*0.9*	*0.8*	1.7	**1.1**	**0.7**	**0.8**	*1.1*	*1.1*	*0.9*
Unemployment (levels in millions)	11.0	**11.2**	**11.3**	**11.3**	*11.0*	*10.9*	*10.9*	13.0	**13.3**	**13.4**	**13.4**	*13.1*	*13.0*	*12.9*
Unemployment rate (% of labour force)	6.3	**6.3**	**6.4**	**6.4**	*6.3*	*6.2*	*6.1*	5.9	**6.0**	**6.0**	**6.0**	*5.9*	*5.9*	*5.8*
Labour productivity, whole economy	0.0	**0.7**	**0.5**	**0.8**	*0.6*	*0.7*	*0.9*	0.3	**1.0**	**0.7**	**1.0**	*0.9*	*1.0*	*1.1*
Employment rate (a)	65.1	**65.4**	**65.5**	**65.6**	*65.2*	*65.3*	*65.5*	64.8	**65.0**	**65.1**	**65.3**	*64.6*	*64.7*	*64.9*

(a) Employment as a percentage of population of working age. Definition according to structural indicators. See also note 6 in the Statistical Annex. For the EU and EA, this table now also displays employment in persons, limiting the comparability to figures published before Spring 2023.

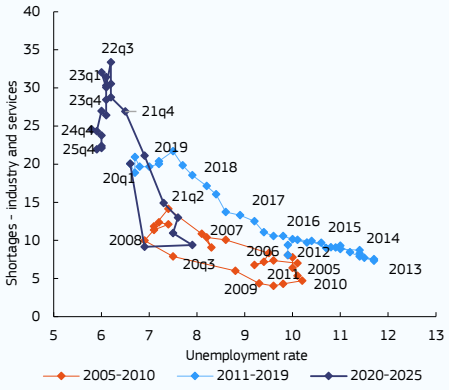
Box I.5.1: **Is the EU's labour market reaching a turning point?**

The recent easing in labour shortages has not yet led to higher unemployment, but the historical inverse relationship between the two may become more apparent if labour demand weakens. This box examines the current coexistence of labour shortages with persistently low unemployment in the EU, exploring the potential role of demographic changes and improvements in matching efficiency. The analysis also identifies early signs of labour market softening—notably through declining hiring rates—suggesting that adjustment has so far occurred mostly through reduced recruitment rather than job cuts. However, should the economic shock from the conflict in the Middle East persist or deepen, the adjustment is likely to shift increasingly toward rising unemployment.

After a sharp surge in 2022, labour shortages and vacancy rates have returned close to their pre-pandemic levels, but unemployment rates remain low. The robust post-pandemic rebound in domestic demand coincided with a pronounced tightening of labour markets across the EU. This was reflected in falling unemployment rates and soaring labour shortages across the economy—as measured by both job vacancy rates and firm-reported labour shortages in the European Commission's business surveys. While the EU labour market continued to generate employment throughout 2023 and 2024, the pace of job creation slowed down as economic activity decelerated. By the end of 2025, labour shortages had receded from their late-2022 peak, returning to levels close to those seen before the pandemic. Despite this normalisation, the EU aggregate unemployment rate has remained close to its historical low, at around 6%. Youth and short-term unemployment have also stabilised at relatively low levels. The stability of the unemployment rate is all the more striking as the labour market participation rate has increased in parallel—a trend that, under normal conditions, would typically push the unemployment rate higher as new entrants seek work. The EU labour market has so far managed to absorb the additional labour supply thanks to strong job creation.

At very high levels of vacancies, the link between weakening labour demand and unemployment typically becomes less pronounced. Swings in labour demand typically cause a movement along the Beveridge curve – illustrating the empirically established inverse relationship between vacancies (or labour shortages) and unemployment: when labour demand rises, labour shortages increase and unemployment falls; when demand decreases, there is a drop in labour shortages and unemployment rises. However, when labour shortages are very high—as they have been in the last four years—a drop in job openings due to weaker labour demand has only a minor adverse impact on jobseekers' success in finding work, because opportunities remain abundant. As a result, the unemployment rate may remain largely unaffected. Graphically, this suggests that the labour market finds itself at the steep upper part of the Beveridge curve (Graph 1).

Graph 1: **Changes in the unemployment and labour shortages, EU (2005-2025)**



Labour shortages refer to the percentage of surveyed firms reporting a shortage of labour as a factor limiting their production/business activity. The reported figure on labour shortages refers to reported shortages in industry and services (employment-weighted average).
Source: Authors' calculations based on Eurostat and European Commission ECFIN Business and Consumer Survey.

Improved matching efficiency could also explain why unemployment has remained low despite falling labour demand, but there is no evidence yet to support this hypothesis. Structural enhancements—such as digital job-search platforms, remote work practices, effective active labour market policies, or better alignment between education and skill demands—could contribute to improving matching efficiency. If this were the case, unemployment would be lower for a given level

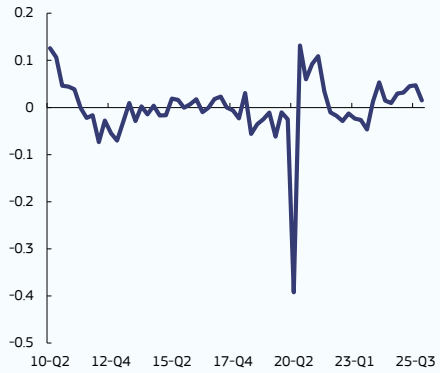
(Continued on the next page)

Box (continued)

of vacancies, implying an inward shift of the Beveridge curve [1]. However, empirical estimations using the Petrongolo and Pissarides (2001) matching function framework reveal no significant post-pandemic improvement in matching efficiency (Graph 2).

Demographic change may also contribute to the slow response of unemployment to an easing of labour demand. The projected decline in the working-age population is expected to reduce the inflow of new entrants to the labour market, thereby constraining the expansion of labour supply. This outlook may strengthen incentives to retain experienced, firm-specific human capital in the company, rather than incur the costs associated with future recruitment and training, particularly in periods of heightened uncertainty. Empirical evidence supports this behaviour: quarterly transition data (Graph 3, Panel a) reveal no meaningful increase in job separations (employment-to-unemployment flows) compared to pre-pandemic levels, even with slowing labour demand.

Graph 2: **Matching efficiency (2010-Q2 – 2025-Q4)**



The matching efficiency is defined as the residual from estimating a reduced-form matching function following Petrongolo and Pissarides (2001):

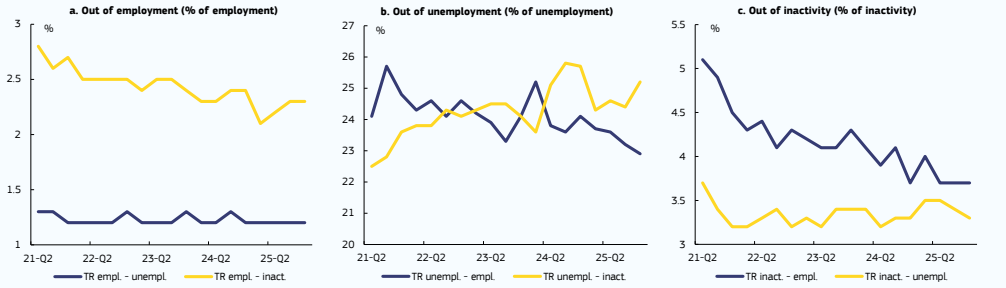
$$ln\, f_t = \mu_0 + \sigma\, ln\, (\frac{v}{u})_t + \varepsilon_t$$

where f_t represents the job finding rate (measured as the transition rate between unemployment and employment), v_t is the vacancy rate and u_t the unemployment rate. The residuals ε_t are then an estimate of the time-variant part of matching efficiency.

Source: European Commission estimations.

Still, declining hiring rates point to a softening of the labour market. A decline in hiring rates often provides an early indication of labour market softening, as firms typically respond to weakening demand by curtailing recruitment before resorting to redundancies. Quarterly labour market transition data (Graph 3) corroborate this pattern: hiring rates have trended downward in recent years, driven by a decline in transitions from inactivity to employment (Panel c) as well as, more recently, a reduction in transitions from unemployment to employment (Panel b) [2]. This evolution is consistent with the notion that individuals with weak labour market attachment—such as discouraged workers—are the first to face diminished employment prospects as demand falters. Over time, however, deteriorating conditions extend to more active jobseekers, whose employment opportunities may also erode as hiring declines.

Graph 3: **Transition rates (2021-Q2 - 2025-Q4)**



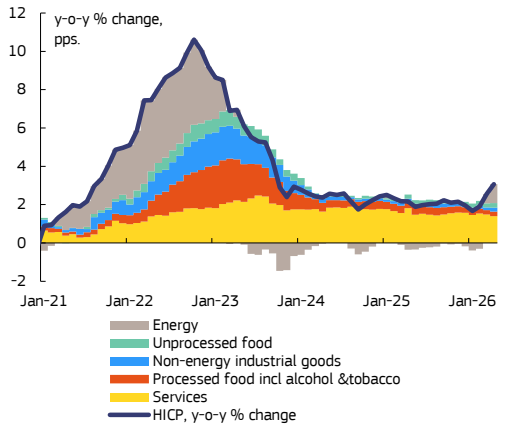
[1] See for example Kuhn, P, and H. Mansour (2018). "Is the Internet job search still ineffective?," in *The Economic Journal*, 124(581), pp. 1213-1233. or Gürtzgen, N. et al (2021). "Do digital information technologies help unemployed job seekers find a job? Evidence from the broadband internet expansion in Germany," in *European Economic Review*, Vol 132, February.

[2] Also, evidence from the ECB's Consumer Expectations Survey on job switching suggests that job-to-job transitions have lost momentum in recent quarters. See Oscar, A., and D. Sondermann (2026). "Low unemployment, plenty of labour: what does it imply for wage pressures?," The ECB Blog, March 9.

6. INFLATION

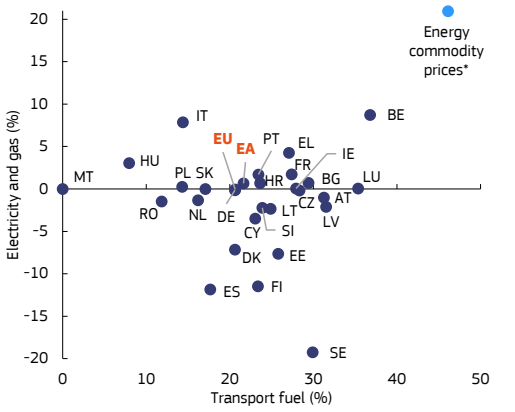
Inflation reversed trend in March, fuelled by surging energy prices. Between October 2025 and February 2026, inflation followed a slight downward trend both in the euro area and the EU—broadly in line with the Autumn 2025 Forecast projections. In the euro area, headline inflation was relatively stable at around 2% in the fourth quarter, before falling slightly below 2% in early 2026. Inflation in services and processed food eased marginally, while energy deflation deepened, in line with falling prices of key energy commodities. In contrast, inflation in non-energy industrial goods saw a modest uptick, and it rose sharply for unprocessed foods. The energy shock set off by the conflict in the Middle East immediately passed through to consumer energy prices, mostly via prices of fuel, lifting annual energy inflation by 8.2 pps. in March and an additional 5.7 pps. in April, to 10.8% y-o-y (in the euro area)—the highest rate in 3 years. Meanwhile, other components remained broadly unaffected through April, continuing their established trends, with services inflation falling to 3%, and processed food inflation reaching 1.7%—both multi-year lows. All in all, headline inflation rose 1.1 pps. between February and April reaching 3.2% in the EU and 3.0% in the euro area.

Graph I.6.1: **Inflation breakdown, euro area**



The pass-through of the shock to retail energy prices has been uneven across the EU. The pass-through of the surge in prices of Brent oil, TTF gas, and—to a lesser extent—wholesale electricity to respective retail prices varied significantly in the first two months of the conflict (see Graph I.6.2). As expected, the transmission has been much faster for transport fuel (up by 21% between February and April) than for gas and electricity, where retail prices for the EU as a whole hardly moved over the same two-month period.[6] Nevertheless, notable cross-country variation in the otherwise relatively uniform pass-through of crude oil to retail fuel prices, also highlights the role of national policy interventions aimed at containing the impact of the oil price shock (see Box I.9.1)

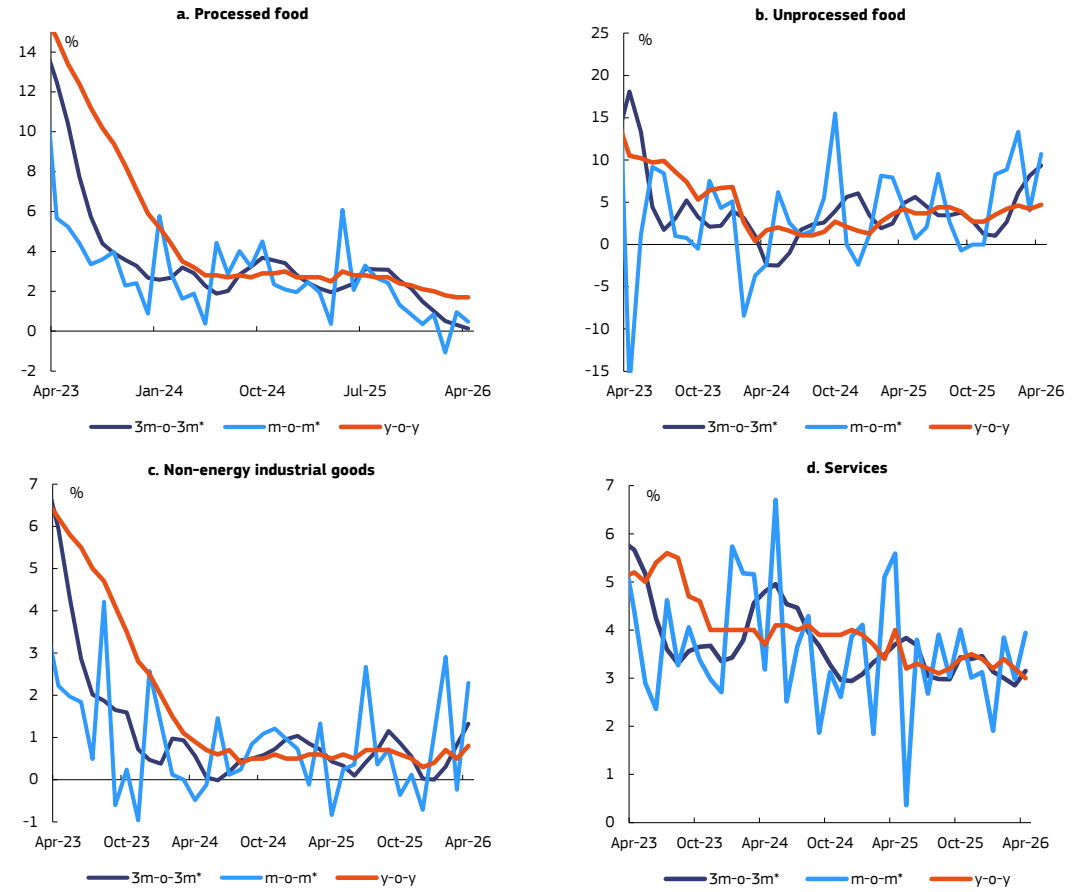
Graph I.6.2: **Growth in consumer prices of transport fuel and electricity and gas (Feb-Apr, 2026)**



* Change in respective commodity prices over the same two-month period includes Brent oil for transport fuel and a weighted average of TTF gas and wholesale EU electricity prices (weighed by consumption weight of electricity and gas in the EU basket in 2026).

[6] The sluggish adjustment of retail gas and electricity prices stem from a combination of factors, each valid the EU, including the prevalence of long-term contracts, administrative price controls, and other tax and structural features of national energy markets.

Graph I.6.3: **Inflationary pressures, euro area**



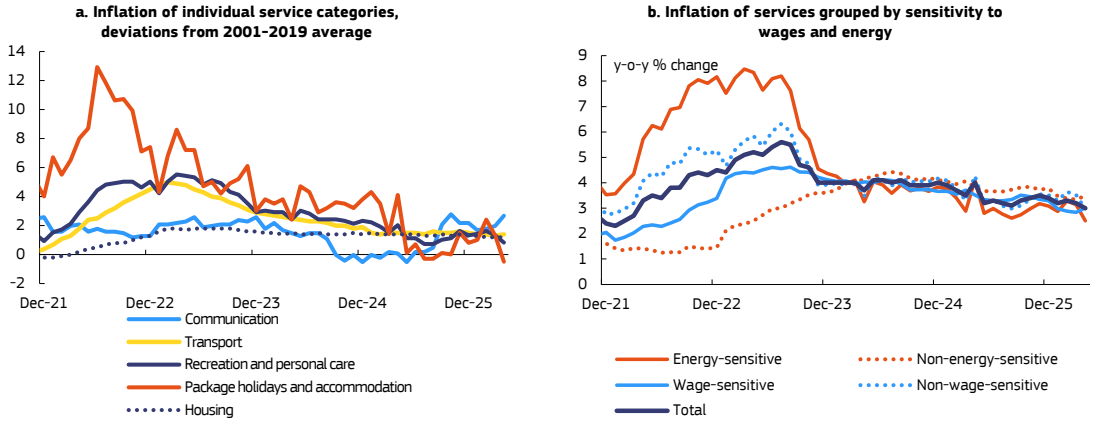
Seasonally and working-day adjusted, annualised.

Inflation in services and food continued to moderate until April. Between November 2025 and April 2026 annual inflation declined across all broad services categories (see Graph I.6.4.a and I.6.3.d) Viewed according to key drivers, wage-sensitive service inflation [7] fell further to 2.8% y-o-y in March (its lowest since mid-2022), whereas energy-sensitive service inflation persisted at around 3% until March before dropping to 2.5% in April. (see Graph I.6.4.b) Although non-energy industrial goods inflation has edged upwards since autumn 2025, it has remained subdued, broadly in line with historical averages, supported by contracting import prices. [8] Total food inflation has continued its downward trend in recent months, though this trend masks moderation in processed foods and build-up in momentum in unprocessed foods, which lifted annual inflation in this category to 4.7% in April, the highest since January 2024. (see Graph I.6.3.a/b)

(7) Fagandini, B., Goncalves, E. Rubene, I. Kouvavas, O., Bodnar, K. and G. Koester (2024). "Decomposing HICPX inflation into energy-sensitive and wage-sensitive items", ECB Economic Bulletin, Issue 3/2024.

(8) Import prices of consumer goods (except good) in the EA21 contracted by 2.6% on average in the first two months of 2026 compared to -1.6% and -1.1% in the fourth and third quarter of 2025, respectively.

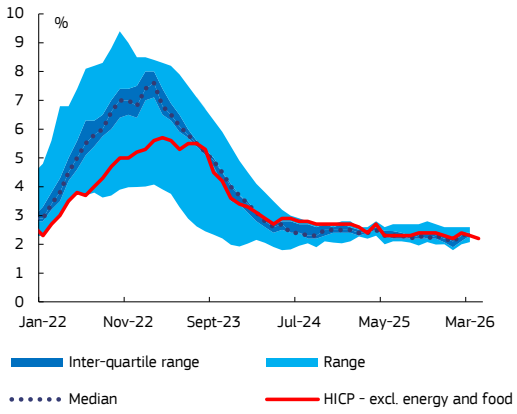
Graph I.6.4: **Services inflation, euro area**



For the methodology of energy- and wage-sensitive items see footnote [7].

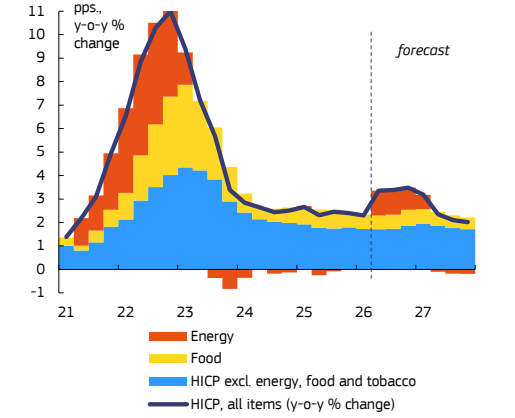
Core price pressures continued to ease through April. Slowing services inflation and subdued inflation in non-energy industrial goods contributed to a decline in core inflation (i.e. headline excluding energy and food), which fell to a 5-year low of 2.2% in January and hovered around that rate until April. Alternative measures of underlying inflation corroborate the view that core price pressures are near their lowest levels in several years (see Graph I.6.5).

Graph I.6.5: **Indicators of underlying inflation, euro area**



Median, interquartile range and range refer to a group of 19 underlying inflation indicators monitored by the ECB: 10 trimmed means with trims ranging from 5 to 50%, weighted median, 3 standard exclusion-based measures (excl. energy, excl. energy and unprocessed food and excl. energy and food), 2 ECB supercore indicators and 3 ECB Principal Common Component of Inflation Indicators.

Graph I.6.6: **Inflation breakdown, EU**

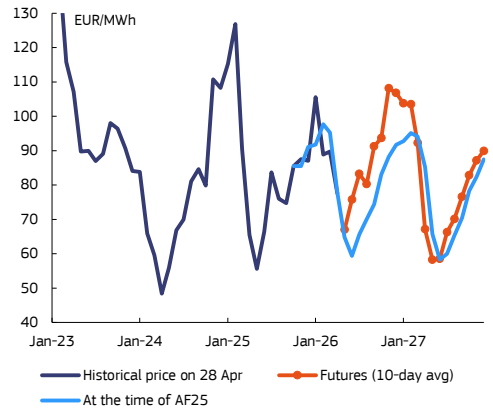


The energy shock is expected to sharply lift consumer energy inflation in 2026. Energy commodity futures have risen significantly across the entire forecast horizon compared to the Autumn 2025 Forecast, though the extent of the increase has varied by commodity. The rise in TTF gas futures has been more subdued than that of Brent oil (see Section I.2), whereas European wholesale electricity futures [9] have increased by only a fraction of the increases seen in both commodities—11.3% in 2026 and just 2.3% in 2027 (see Graph I.6.7). Notably, electricity futures have shifted less markedly than during the previous crisis reflecting weakened pass-through from gas to wholesale electricity prices (see Box I.6.1). Nevertheless, given the near-immediate

[9] Average for Germany, France, Italy, Spain, the Netherlands, Belgium and Austria.

transmission of crude oil to retail fuel prices, energy inflation is now projected to peak at above 11% in the second quarter and remain above 10% for the rest of the year. The gradual decline in energy commodity futures assumed in this forecast (-14%, -16% and -10% for annual averages of oil, gas and electricity, respectively) implies a sharp fall in energy inflation in 2027, with strong base effects pushing it into negative territory from the second quarter onward.

Graph I.6.7: **Electricity futures prices**



Source: ICE Futures Europe.

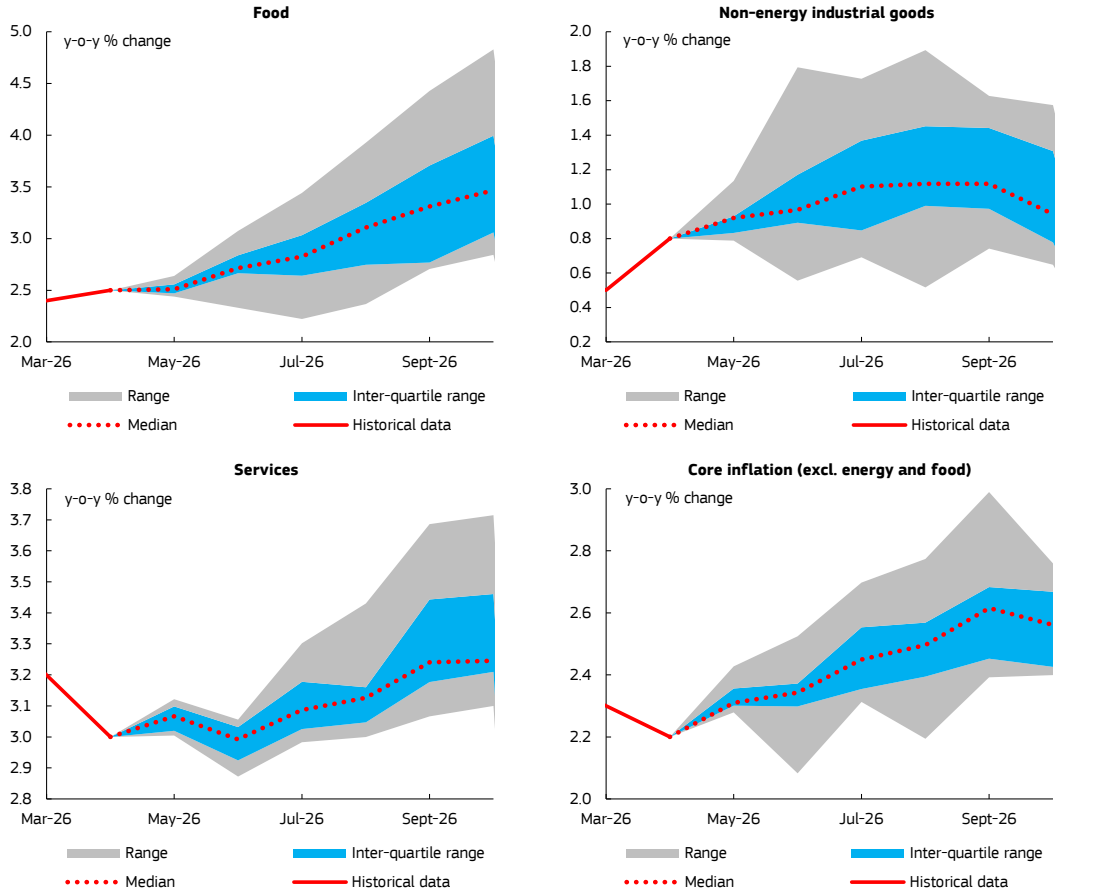
Higher energy prices are set to feed through—unevenly in magnitude and pace—to all HICP components, in particular food and services. Price pressures are expected to broaden progressively, as rising energy costs feed through the production and distribution chains and are ultimately passed through partially to consumers. The agriculture, retail, and transport sectors are set to be affected first. Unprocessed food inflation—highly sensitive to energy costs and fertiliser prices—is projected to continue on an upward trend peaking at just below 5% in the EU at the end of 2026, and gradually easing thereafter. The pass-through to processed food is set to be more muted and drawn out, with inflation peaking at 3% in the EU in the second quarter of 2027. In the services sector, the shock will manifest through both direct and relatively fast impacts for some services—transport and package holidays—and indirect, more protracted effects due to higher transport and other input costs, as well as stronger wage pressures. Consequently, after 3 years of gradual decline, services inflation is set to reverse course, rising from its projected low in 2026-Q2 to 4% in 2027-Q1 in the EU, before easing gradually afterwards. Meanwhile, prices of non-energy industrial goods are expected to remain largely unaffected by the energy shock, with inflation edging up slightly in the near term, but remaining under 1% in the forecast horizon. Persistent intense competitive import pressures, alongside the relative strength of the euro and other EU currencies (despite some marginal weakening since autumn) should continue to dampen price growth in this category.

Headline inflation in the EU and euro area is projected to rise sharply in 2026 before easing again in 2027, while core inflation is set for a more gradual increase. The energy shock is projected to drive headline inflation to 3.5% (3.4%) by 2026-Q4 in the EU (euro area), 1.2 (1.4) pps. up from the first quarter. Inflation is then forecast to decline throughout 2027, converging toward 2% in both the EU and the euro area as the energy price deflation—amplified by base effects—more than offsets elevated, though moderating, inflation in core and food components. Headline inflation is therefore forecast to rise from 2.5% (2.1%) in the EU (euro area) in 2025 to 3.1% (3.0%) in 2026, before easing to 2.4% (2.3%) in 2027. Reflecting the delayed pass-through, core inflation (excluding energy and food) is still set to decline to 2.5% (2.3%) in 2026, 0.1 pps. down from 2025 in both the EU and the euro area, before rising to 2.6% (2.5%) in 2027. For headline inflation, this represents a substantial 1.0 (1.1) pps. upward revision in 2026 compared with the autumn projections. The more modest revision of 0.2 (0.3) pps. in 2027— is partly due to the removal of the effect expected from the introduction of the new EU Emissions Trading Scheme (ETS2; of around 0.3 pps. in the EU), which was previously included in the autumn baseline but has since been deferred to 2028. Core inflation in revised up by 0.2 pps. in 2026 and 0.5 pps. in 2027 in both EU and the euro area.

Selling price expectations in the Commission's business surveys broadly confirm this inflation outlook in the near term. Euro area inflation projections for main HICP components—using information on selling price expectations from the Commission's business surveys—confirm the upward trends over the next 6 months in food, services, and also—to a smaller extent—in non-energy industrial goods (see Graph I.6.8). The resulting projected gradual rise in core inflation over the coming two quarters aligns broadly with the bottom-up forecast for the euro area. Separately, the pattern of revisions to euro area headline inflation over the forecast horizon appears

consistent with financial market inflation expectations, which increased sharply at the short-term horizons but to a lesser degree over the medium-term (see Section I.3, Graph I.3.1).

Graph I.6.8: **Inflation forecasts generated by selling price expectations models, euro area**



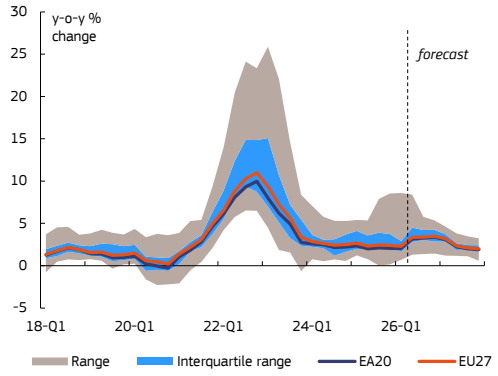
Charts present median, interquartile range and range of 16 forecast series generated by alternative selling price expectations models for the HICP components. Core inflation is calculated by aggregating inflation of services and non-energy industrial goods. [10]

Inflation disparities across Member States are expected to narrow gradually from high levels. Unlike the 2021–22 energy shock—which pushed inflation dispersion in the EU to historic highs—the latest surge in energy prices is not expected to have the same effect. This is because of the more uniform impact of the current shock, less influenced by the rigid energy infrastructures and supply dependencies that were pivotal in driving disparities during 2021–22, but also because of the significantly smaller scale of implemented government measures (see Box I.9.1). In part it also reflects inflation divergencies that were already high before the outbreak of the shock, largely driven by developments in services inflation. [11] Nevertheless, the long-standing pattern of higher inflation in the Central and Eastern Europe (CEE) is expected to persist, reflecting both the region's greater share of energy in consumption baskets and the outlook for higher services inflation underpinned by more dynamic wage growth.

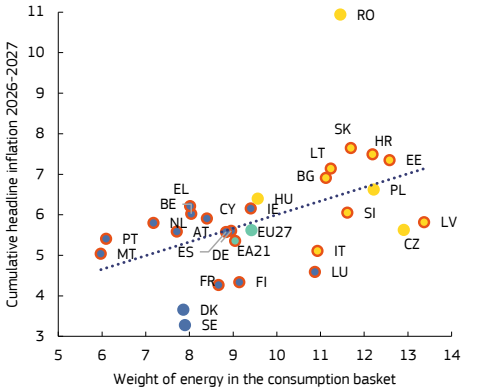
[10] Details of the model are described in Axioglou, C., Morice, F., Friz, R. and Wozniak, P. (2025), 'Selling price expectations and consumer price inflation in the euro area', Quarterly Report on the Euro Area (QREA), 24: 4, European Commission.

[11] Average inflation in the first two months of 2026 ranged from 0.6% in Denmark, 1.1% in Cyprus and Czechia to 4.2% in Slovakia and 8.4% in Romania

Graph I.6.9: **Range of inflation dispersion in the EU**



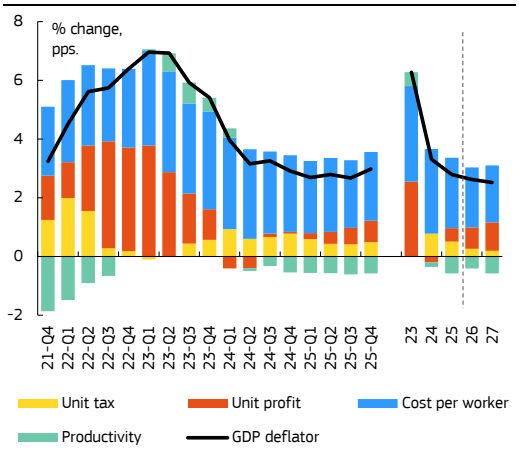
Graph I.6.10: **Weight of energy in the consumption basket vs. cumulative headline inflation**



Yellow dots refer to CEE countries; red borders refer to euro area countries.

Growth in the GDP deflator is set to moderate further in 2026 and 2027. Unlike the private consumption deflator—generally closely aligned with HICP inflation—the GDP deflator, which excludes import prices, is projected to keep moderating in 2026, easing to 2.6% in the EU (0.2 pps. down from 2025). In 2027, given the absence of the drag from lower energy import prices, the GDP deflator growth is set for a slight decline (to 2.5%), much more muted than in the case of the private consumption deflator. The gradual moderation in GDP deflator growth over the forecast period is primarily driven by declining contributions from taxes and the wage bill—the latter reflecting both decelerating wage growth and productivity gains. By contrast, the contribution from unit profits is projected to continue recovering, though to levels significantly below the peaks observed in 2022–23.

Graph I.6.11: **GDP deflator and its composition, EU**



Box I.6.1: **EU energy markets: evolving gas-electricity price linkages in a more volatile system**

Structural shifts in supply and the green transition are reshaping Europe's energy system—with significant implications for gas and electricity prices. This box explains how the EU's energy landscape has been transformed by the shift from Russian pipeline gas towards global liquefied natural gas (LNG) markets and the rapid expansion of renewable energy in several EU Member States. It discusses how these forces have altered gas and electricity price dynamics, contributing to lower average electricity prices, but also greater price volatility. The analysis also assesses recent policy measures aimed at preserving price signals while cushioning the impact on consumers and investors.

Russia's invasion of Ukraine triggered a structural shift in the EU gas market from pipeline-based supply towards globally traded LNG. Following Russia's military aggression against Ukraine in 2022 and the subsequent reduction in Russian gas imports, the composition of EU gas supply changed markedly. Between 2021 and 2025, the share of pipeline gas in total EU gas imports fell from 80% to 55%, while LNG imports rose from 20% to 45%. Russian gas accounted for 45% of EU imports in 2021, mostly delivered via pipelines, but this share declined to just 12% by 2025. The transition was enabled by a rapid expansion of LNG imports and transport infrastructure, including the deployment of floating storage and regasification units, alongside enhanced interconnections and reverse-flow capabilities across Member States. [1] The diversification of supply sources and reduced reliance on pipeline infrastructure have lowered dependence on any single supplier and reduced the risk of supply disruptions of the kind experienced in 2022.

At the same time, the transition towards an LNG-based system has increased Europe's exposure to globally transmitted shocks. European gas prices are now increasingly shaped by global LNG market dynamics rather than domestic market conditions. The Title Transfer Facility (TTF)—the Dutch trading hub serving as Europe's main gas price benchmark—is increasingly influenced by factors such as global demand, LNG supply conditions, and shipping constraints. This increased volatility has become particularly visible in the context of the recent conflict in Iran and the resulting uncertainty surrounding LNG flows through the Strait of Hormuz. Even though the EU imports only limited quantities of LNG directly from the Gulf region, TTF prices move closely with the North-East Asian Japan/Korea Marker (JKM) benchmark, as Asian markets—more directly exposed to Gulf LNG supply—transmit price pressures globally through LNG market arbitrage.

By contrast, US gas prices remain structurally lower and less exposed to global market volatility. The Henry Hub benchmark not only trades well below both TTF and JKM, but is also considerably less responsive to global shocks. [2] This reflects the relative insulation of the US gas market from global pricing dynamics, owing to abundant domestic production capacity—now the world's largest— and LNG export constraints that limit the transmission of global price pressures to the domestic market.

Gas market volatility continues to spill over into electricity markets because gas-fired plants still frequently set the marginal price of electricity. In the EU electricity sector, the day-ahead market operates under a marginal pricing system whereby generation is dispatched in order of increasing marginal cost (merit order). Low-marginal-cost technologies—such as solar, wind and hydropower, followed by nuclear—are dispatched first, while more expensive sources are brought online as demand increases. The market-clearing price corresponds to the marginal cost of the last plant required, and all dispatched generators receive this uniform price (see Graph 1, left panel). Despite its relatively modest share in electricity generation (around 17.6% in 2025, down from 19.6% in 2020), gas remains a key source of flexibility for balancing demand and supply. As such, it still often

(1) ACER (2024). Analysis of the European LNG market developments, 2024 Market Monitoring Report.

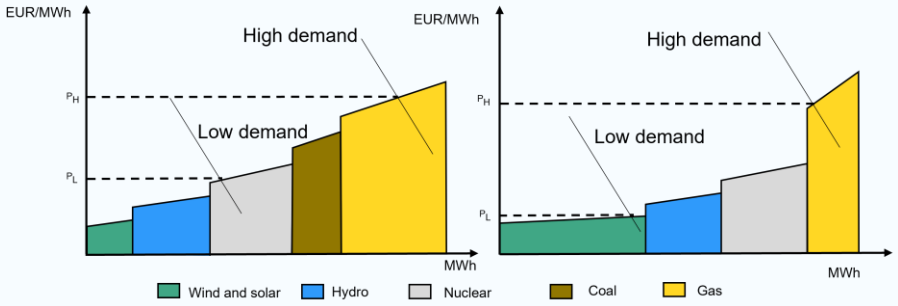
(2) The TTF and the Asian JKM benchmarks averaged around EUR 35-45/MWh in 2025, while the Henry Hub benchmark was around 75% lower. Both the TTF and JKM benchmarks reacted sharply following the escalation of the conflict in Iran, peaking at close to double their pre-war levels. They have since subsided but, by end-April, remained around 45–60% above pre-war levels, moving broadly in sync. The Henry Hub benchmark, in contrast, showed little movement over the same period.

(Continued on the next page)

Box (continued)

determines the marginal price of electricity, though the share of hours in which fossil fuels determine electricity prices has declined markedly—from around 70% in 2020 to roughly 50% in 2025.

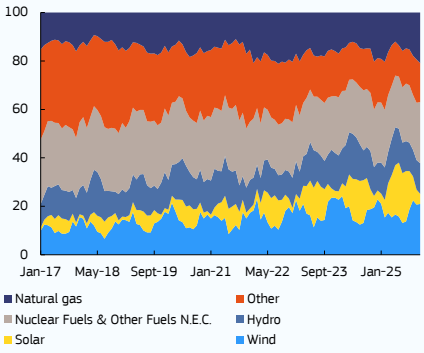
Graph 1: **Stylised representation of the electricity market merit order and supply composition under low (left panel) and high (right panel) shares of wind and solar generation, across different demand conditions**



The growing share of renewable electricity generation has lowered wholesale electricity prices, while also contributing to greater price volatility. Renewables installed capacity increased by around 50% between 2020 and 2024 on average in the EU. Although the share of electricity generated from renewables fluctuates with weather conditions, it has followed a clear upward trend, reaching around 45% in 2025 and pushing out other sources of electricity generation, particularly coal (see Graph 2). As a result, renewables set the marginal price for an increasing number of hours. Given the very low—sometimes near-zero—marginal cost of renewables, this has led to more frequent episodes of very low electricity prices (see Graph 1, right panel). This is particularly the case in periods when favourable solar and wind conditions coincide with lower consumption patterns. The system is increasingly characterised by periods of very low prices when renewables dominate generation, and higher prices when gas-fired plants set the marginal price. As a result, wholesale electricity prices are less frequently determined by gas prices (see Graph 3), but also more volatile. [3] In other words, in the current setup, global gas market shocks continue to feed directly into wholesale electricity prices through marginal pricing, even as the pass-through from gas prices has weakened. At the same time, the growing share of solar and wind generation—whose output is inherently variable—lowers prices but adds a further source of price volatility. Importantly, however, this form of volatility differs from the extreme and persistent price spikes that can accompany gas supply disruptions, which remain considerably more consequential for macroeconomic stability.

The relationship between gas and electricity prices varies significantly across Member States, reflecting differences in generation mixes and infrastructure constraints. In the Iberian Peninsula, where renewable penetration is highest, gas influences prices in a minority of market hours. Conversely, in Italy, where the system remains more gas-dependent, gas sets the price in the majority of hours. Germany and the Netherlands fall between these two extremes [4]. These cross-country differences are reinforced by internal market fragmentation and infrastructure bottlenecks. Limited cross-border interconnection can prevent cheaper renewable electricity from flowing to where it is needed, forcing greater reliance on more

Graph 2: **Share of net electricity generation, EU**



[3] Cevik, S. and Z. Zhao (2025). "Shocked: Electricity Price Volatility Spillovers in Europe," IMF Working Paper 25/7.

[4] According to some estimates, gas set prices in 15% of hours (in 2026 to date) in Spain and Portugal, close to 90% in Italy and about 40% in Germany and the Netherlands. See EMBER: Latest energy shock reminds Europe of its risky gas reliance, 13 March 2026.

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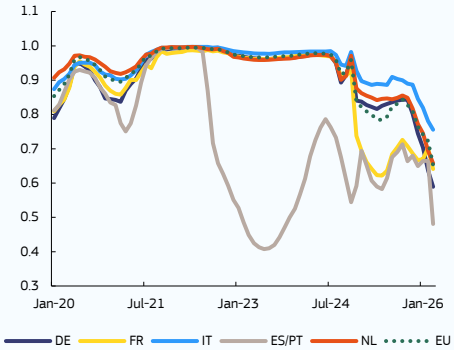
Box (continued)

expensive local generation. In 2025, wholesale electricity prices exceeded EUR 150/MWh between 10% and 20% of the time in parts of Eastern Europe, compared with less than 5% in Western Europe [5].

The current market configuration presents a trade-off between preserving efficient price signals and limiting exposure to disruptive price fluctuations. Allowing energy prices to reflect market conditions is important for ensuring efficient consumption, guiding investment decisions, and supporting decarbonisation, which is key to strengthening long-term resilience and affordability. Still, persistent and unpredictable wholesale price spikes can impose substantial costs on both producers and consumers, even if retail prices are generally shielded from real-time volatility in wholesale markets. [6]

Graph 3: **Two-year rolling correlation between TTF gas prices and day-ahead wholesale electricity prices**



The Iberian Exception, implemented between June 2022 and end of 2023 by Spain and Portugal, was a temporary regulatory mechanism that capped the price of natural gas used for electricity generation to lower wholesale electricity prices. While it effectively decoupled gas and electricity market prices, it increased the demand for gas at a time of supply scarcity.
Source: ICE Futures Europe.

Electricity market reforms adopted in 2024 have preserved wholesale price formation mechanisms, while reducing exposure to price volatility for both producers and consumers. [7] A central element of the 2024 reforms is the expansion of long-term contracting, while the marginal pricing framework is preserved. Two-way Contracts for Difference (CfDs) support investment in low-carbon generation by guaranteeing a fixed 'strike price': when market prices fall below this level, producers receive a top-up payment; when prices exceed it, they pay back the difference. In parallel, Power Purchase Agreements (PPAs) allow large energy users to lock in electricity prices in advance, providing predictable revenue streams for generators. By shifting a larger share of transactions to long-term contracts, the transmission of gas price volatility to industrial users is reduced, while stabilising revenues for electricity generators. In parallel, they address a growing structural challenge associated with the expansion of renewables: as low-marginal-cost generation increasingly sets prices, periods of very low or even negative prices become more frequent, eroding investment incentives (the so-called 'cannibalisation effect'). By stabilising revenues, these instruments help sustain investment in low-cost, non-fossil generation despite this effect. The reform package also introduced measures aimed at strengthening consumer protection, including through wider access to fixed-price contracts and stronger safeguards against sudden price increases.

Sustained investment in electricity grids and non-fossil flexibility is essential to further reduce price volatility. Expanding interconnections and transmission capacity will improve market integration and reduce congestion, while investments in storage and demand-side flexibility can reduce reliance on gas-fired generation at the margin. These priorities are reflected in the Commission's Affordable Energy Action Plan [8] (February 2025), notably through the European grids package [9] and the clean energy investment strategy. [10]

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(5) ACER (2026). Key developments in EU electricity and gas markets, 2026 Monitoring Report.

(6) Although a large share of EU energy consumption is covered by fixed-price contracts, these contracts are typically renewed every one to three years, implying that prolonged wholesale price increases are eventually passed through to consumers. For example, according to ACER, a large share of EU households is under some form of fixed price contracts. On average, 59% of households, and in several Member States all of them, are on regulated or flat-price contracts. See: ACER (2025). Rewarding Flexibility: How retail contract choice can help unlock consumer flexibility, 2025 Monitoring Report. ACER.

(7) Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union's electricity market design.

(8) Action Plan for Affordable Energy, COM(2025) 79 final, 26 February 2025.

(9) European Grids Package, COM(2025) 1005 final, 10 December 2025.

(10) Clean Energy Investment Strategy, COM(2026) final 116, 10 March 2026 final.

7. SCENARIO ANALYSIS

Energy prices have been highly volatile since the outbreak of the conflict in the Middle East, reflecting shifting expectations about its duration and the extent of the related energy supply disruptions. A larger and more persistent disruption than assumed in the baseline projections of this forecast would not only affect oil and gas markets, but also weaken global growth and trade, depress confidence, and raise risk premia. This Special Topic assesses the potential macroeconomic impact of one such downside scenario.

As the conflict in the Middle East drags on, oil and gas prices could stay high for longer than assumed in the baseline projections. When the assumptions for this forecast were finalised, futures curves remained downward sloping over the forecast horizon, though by end-2027 both oil and gas prices were still around 20% above their pre-conflict levels. This market pricing appeared broadly consistent with expectations of a relatively swift reopening of the Strait of Hormuz—possibly by early summer 2026—followed by a rapid, though partial, normalisation of flows.[12] However, as the conflict persists, the window for such an outcome continues to narrow, increasing the risk that current market pricing may prove too benign.[13]

In a downside scenario, supply disruption would be both larger and more persistent than currently embedded in market prices. At this stage, many scenarios remain possible. This analysis illustrates one plausible downside path whereby physical and logistical constraints continue to limit oil and gas exports from the Gulf countries well into early 2027.[14] This scenario results from continued restrictions to maritime transit through the Strait of Hormuz, even after its assumed reopening in late summer 2026, and gradual restoration of production and export infrastructure—together resulting in persistent logistical bottlenecks limiting the effective delivery of oil and gas to international markets. Only around half of pre-war oil export volumes and roughly one fifth of gas export volumes from the Gulf would reach international markets by end-2026 under this scenario. As a result, prices decline only gradually as energy flows from infrastructure repairs progress sufficiently, shipping conditions normalise, and additional LNG export capacity from other suppliers comes online, allowing supply conditions to normalise only gradually after the reopening of the Strait of Hormuz.

The scenario differentiates between oil and gas markets, reflecting important structural differences in global market functioning. Oil markets are deeper, more liquid and globally integrated, with larger inventories and greater substitution possibilities across suppliers. This allows part of the disruption to continue being absorbed through inventory releases, trade re-routing and higher output elsewhere, including from North America and Norway. At the same time, the sheer scale of the supply shortfall still leads to a sharp price increase, with oil prices peaking at around 180 USD/bbl in late 2026, before easing gradually as supply conditions improve.

Gas markets are assumed to remain tight for longer. The impact on Europe arises mainly through higher global LNG prices, given the intensified competition with Asian buyers for flexible cargoes. Seasonal factors amplify these pressures, as storage refilling during summer 2026 is followed by stronger winter demand for heating and electricity generation amid lower renewable energy production. In this scenario, continued restrictions to shipping through the Strait of Hormuz delay the normalisation of global LNG supply flows. This contributes to European gas prices rising

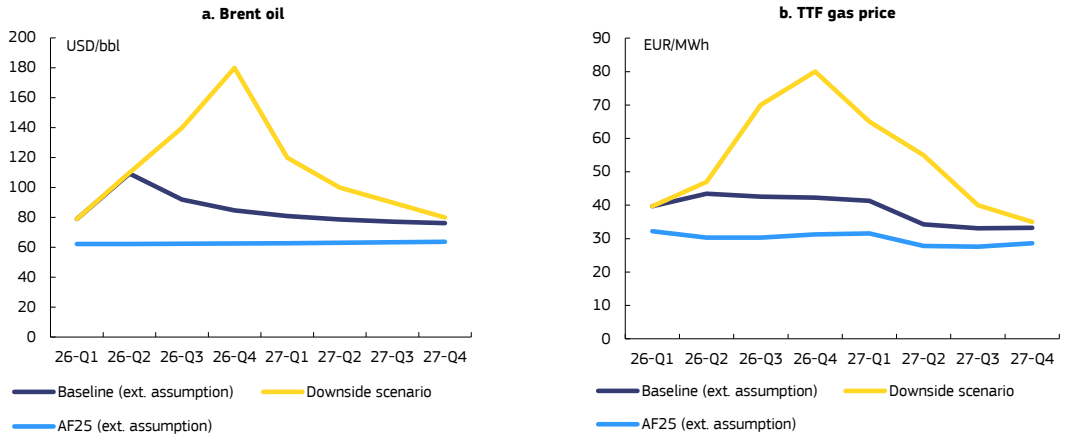
(12) See for example Short-Term Energy Outlook - U.S. Energy Information Administration (EIA) and Oil Market Report - May 2026 – Analysis - IEA

(13) Oil whiplash: Iran war shock to flip market to deficit in 2026, analysts say | Reuters

(14) Other institutions have also published scenario analyses around the Middle East conflict; see e.g. European Central Bank (ECB) (2026), ECB Staff Macroeconomic Projections, March 2026 and International Monetary Fund (IMF) (2026), World Economic Outlook, Washington, DC: IMF, April. Both present adverse and severe scenarios; their most severe scenarios (among others) assume higher energy prices persisting over a longer time horizon. Compared to these, the downside scenario presented here assumes less persistence.

to around 80 EUR/MWh in late 2026, before easing progressively throughout 2027 as global LNG supply, particularly from new capacities in North America, expands further.

Graph I.7.1: **Quarterly oil and gas price paths under the baseline forecast and the downside scenario**



For reference, the external assumptions from the previous forecast round (AF25) are also plotted, illustrating the shift in the baseline since autumn 2025. It should be noted that the baseline already incorporates elevated energy prices relative to pre-conflict levels. The downside scenario captures only the additional impact of a more prolonged and severe disruption relative to the baseline.

These alternative energy market assumptions are incorporated into the European Commission's Global Multicountry (GM) model to assess their macroeconomic implications [15]. The GM model captures the joint adjustment of inflation, monetary policy, domestic demand, trade flows and public finances following a large external price shock. Monetary policy responds endogenously through an estimated Taylor-type rule, while automatic stabilisers drive adjustments in government revenue and expenditure in the absence of discretionary fiscal measures. Growth in the rest of the world and trade also respond endogenously to a global shock in prices, generating negative spillovers to EU export performance. The model is estimated based on historical data, including that of the 2022 energy crisis, and therefore embeds empirically observed lag structures, substitution effects and historical macroeconomic relationships.

Higher energy prices are also assumed to raise global uncertainty lift risk premia, weighing on consumer confidence, and constrain global growth. These amplifying channels are imposed as additional exogenous assumptions in the model. EU risk premia increase by 25 basis points relative to the baseline assumptions, raising the cost of funding. Consumer confidence declines further,[16] raising the saving rate. Output growth in the rest-of-the-world is assumed to decline by an additional 0.25 pps. in 2026, over and above what is already implied by the endogenous transmission of the energy price shock.[17]

The terms-of-trade shock pushes up inflation and, together with the additional amplifying channels, exerts a sizeable drag on activity. As a net energy importer, the EU experiences a decline in real income as higher oil and gas prices raise production costs and reduce households' purchasing power. Weaker confidence and tighter financial conditions amplify the drag

[15] The European Commission's Directorate-General for Economic and Financial Affairs and the Joint Research Centre jointly develop the GM model. For a recent research application, see e.g. Pataracchia, B., P. Pfeiffer, M. Ratto, and J. Teresiński (2026). "Energy Commodity Price Shocks in the Euro Area: Evidence from a Large-Scale Structural Model." *Journal of Economic Dynamics and Control*. The version used here covers the EU (rather than the euro area) and incorporates additional model features.

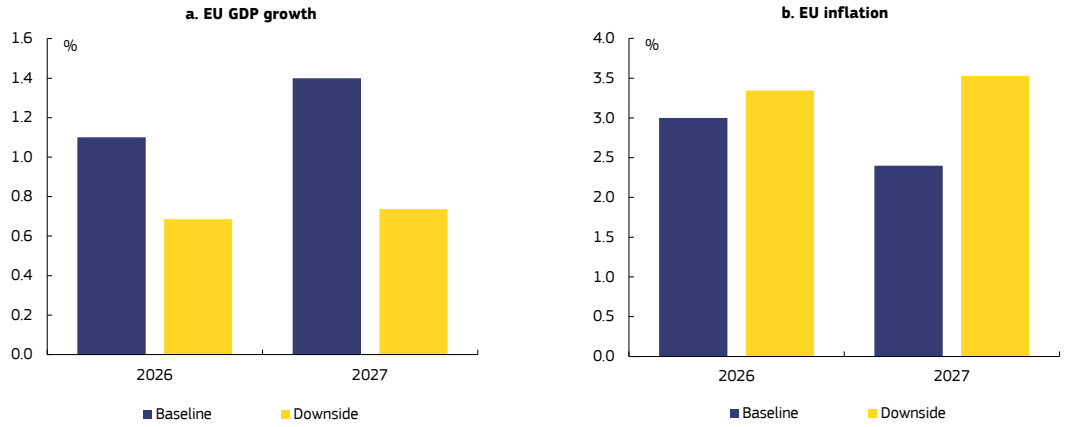
[16] This represents half of one standard deviation of the estimated confidence shock; for comparison, the 2022 energy crisis corresponds to around 1.5 standard deviations.

[17] The additional exogenous shocks comprise (i) rest-of-the-world export price shocks of around one standard deviation of historically estimated shocks (shocks materialise in the second and third quarter of Q3 2026) and (ii) and a demand-side shock. The additional shock allows to capture the fact that many EU's important trading partners (in EU immediate vicinity but also highly energy intensive economies in Southeast Asia) are disproportionately hit by the surge in energy prices (see Section I.2).

on domestic demand. Namely, concerns about the future raise precautionary savings and depress household consumption; while higher risk premia and rising borrowing costs weigh on investment. Meanwhile, firms pass part of the higher input costs on to consumers, generating inflationary pressures that spill over onto core inflation. The tightening of monetary policy is concentrated in 2027, with policy rates on average around 30 basis points higher than in the baseline. External demand also deteriorates, with rest-of-the-world growth slowing by around 0.5 pps. relative to the baseline, reducing export growth further. Automatic stabilisers only partly cushion the shock, still leading to a deterioration in the general government balance of around 0.5% of GDP in 2027. Overall, weaker domestic and external demand, together with monetary policy tightening, exert a disinflationary force that partly offsets the direct inflationary impact of higher energy prices, though not enough to prevent a significant rise in headline inflation.

All in all, in this downside scenario, EU GDP growth is almost halved relative to the baseline, while inflation ends up significantly higher, especially in 2027. EU GDP growth is falling by a further 0.4 pps. in 2026 (to 0.7% vs. 1.1%) and 0.7 pps. (also to 0.7% vs. 1.4%) in 2027 (see Graph I.7.2).[18] As commodity prices peak only towards end-2026, the bulk of the pass-through materialises in 2027. In 2026, inflation is only 0.3 pps. higher than in the baseline (3.3% vs. 3.0%), but in 2027 the gap widens to around 1.1 pps. (3.5% vs. 2.4%). The tightening of monetary policy implied by the estimated policy rule helps contain the surge in inflation but exerts an additional drag on GDP. The effects are persistent due to endogenous lags in the pass-through to consumer prices and wages, as well as the gradual adjustment of interest rates implied by the model's estimated policy rule.

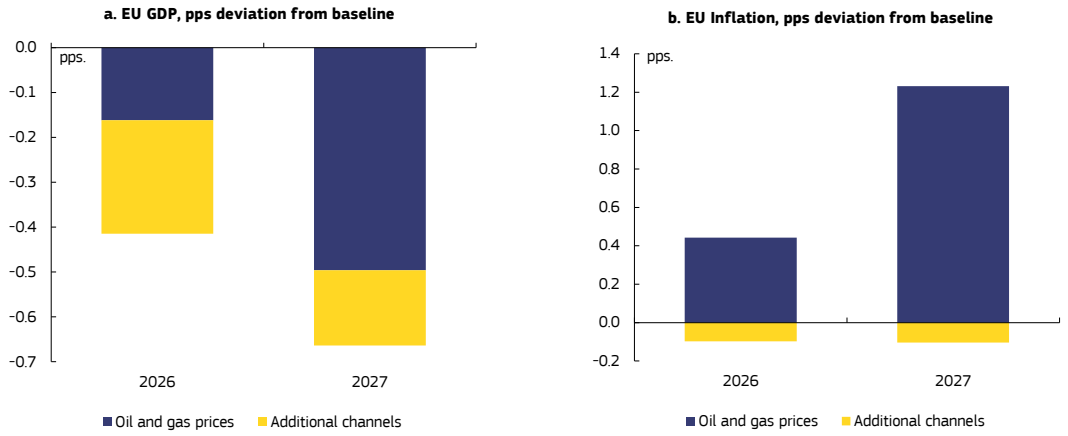
Graph I.7.2: **Downside scenario: Results**



The energy price shock dominates the inflation profile, while most of the drag on activity stems from trade, confidence and risk premia effects. The aggregate effect can be decomposed into the initial terms-of-trade shock and the amplifying shocks. The latter slightly dampen inflation, as the demand-reducing effects of lower confidence and tighter financial conditions partially offset upward price pressures (Graph I.7.3).

[18] Inflation in the model corresponds to the growth rate of the price deflator of private consumption.

Graph I.7.3: **Decomposition by main channels**

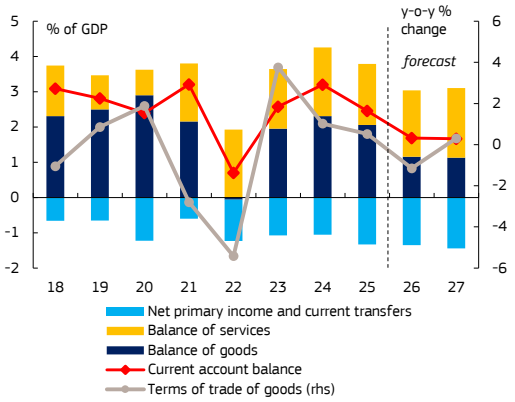


Important limitations apply to this analysis. Beyond scenario uncertainty, the results are also subject to model uncertainty. The simulations may understate the economic costs of a prolonged energy shock if behavioural responses become increasingly non-linear at sustained high price levels. Since the estimated elasticities are primarily identified from historical observations characterised by more moderate energy-price fluctuations, their validity may diminish when applied to exceptionally large and persistent shocks. Similarly, non-linearities in energy price formation, particularly through the gas-to-electricity price link, as well as a possible de-anchoring of inflation expectations, could amplify inflationary pressures beyond what is captured by the model (on renewables as a mitigating factor, see Box I.6.1). Finally, the scenario is conducted at EU level; impacts across Member States would differ depending on their energy import dependence, energy mix and the speed of pass-through to consumer prices.

8. EXTERNAL TRANSACTIONS

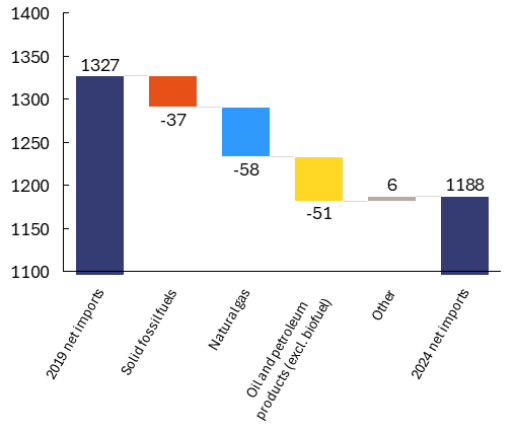
The sharp rise in energy prices implies a significant deterioration in the EU's terms of trade, reflecting structural dependence on energy imports. The renewed surge in energy prices is set to substantially lift import prices, as already happened following Russia's full-scale invasion of Ukraine. At that moment, soaring gas prices pushed the terms of trade of goods to a record-low, tilting the 2022 EU merchandise balance into deficit. While export prices also rose—as the global inflationary pressures allowed firms to pass higher costs on to international customers—their increase was far more subdued than that of imports. This disparity led to a marked deterioration in the EU's terms of trade in 2022 (see Graph I.8.1).

Graph I.8.1: **Current-account balance and terms of trade of goods, EU**



The worsening in terms of trade is expected to be more contained than in 2021-22. Goods import prices are set to rise more moderately (3.5% in 2026, compared with 22% in 2022). Additionally, energy import volumes have declined significantly owing to energy efficiency improvements (see Graph I.8.2 and Special Issue 1), reducing the economy's exposure to volatile energy prices. That said, EU firms' capacity to transfer higher production costs to global customers appears more constrained now, in the absence of the post-pandemic demand rebound. Consequently, export prices are expected to offset a lower share of the increase in production costs than in 2021-22. In particular, in 2026 firms are projected to pass through around 60% of the increase in import prices into their good export prices —a lower share than in 2022 (70%). After deteriorating in 2026, terms of trade for goods are projected to remain broadly stable in 2027, as import and export goods prices are both expected to increase moderately.

Graph I.8.2: **EU net energy imports, decomposition of change 2019 - 2024**

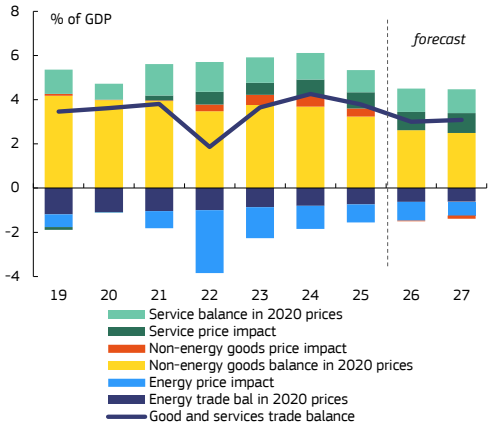


Million tons of oil equivalent.

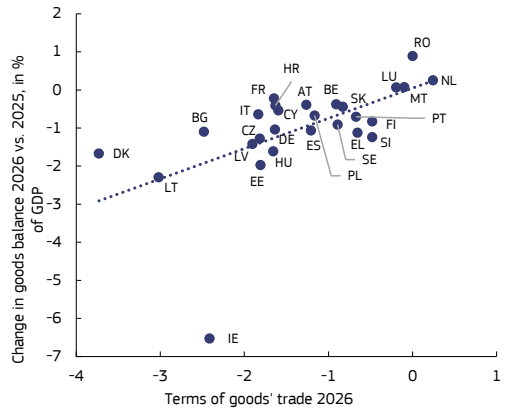
The EU merchandise trade balance is set to deteriorate sharply. Although imports of goods are projected to slow down significantly in 2026, their growth is still expected to outpace exports, which will also increase at a more modest rate than in 2025. This, combined with the worsening in terms of trade, will result in a worsening in the merchandise trade surplus, which is expected to decline by 1 pp., down to 1.1% of GDP in 2026 (0.7 pps. below the Autumn 2025 Forecast figure), and to remain at 1.1% in 2027. Leaving aside the 2022 low record, this will be the lowest balance (as a share of GDP) since 2011. This development compounds with the competitiveness losses that have contributed to erode the EU non-energy goods surplus since its 2015 peak. This decline is projected to continue (see Graph I.8.3). At the same time, country heterogeneity in imported energy intensity and business cycle positions is expected to reflect into heterogeneous developments in the terms of trade across countries, which in turn are set to translate into trade of goods balance developments (see Graph I.8.4).

The EU's surplus in services, which unexpectedly declined in 2025, is expected to increase over the forecast horizon. In 2025, services export volumes increased less markedly than the previous year, while growth in import volumes accelerated slightly. At a more disaggregated level, balance of payments (BoP) data indicate that the moderation in net service exports in 2025 was mainly driven by the acceleration in imports of intellectual property, while ICT service exports remained robust (see Graph I.8.5). Going forward, the EU surplus balance in net service exports is expected to gradually increase, up to 2% of GDP in 2027 (0.2 pps. above the 2025 figure), in a context in which net non-tourism exports recover from their recent decline. The services surplus is thus set to surpass the goods surplus balance over the forecast horizon, while, in line with recent trends, progressively narrowing the gap with the surplus for non-energy goods (see Graph I.8.4).

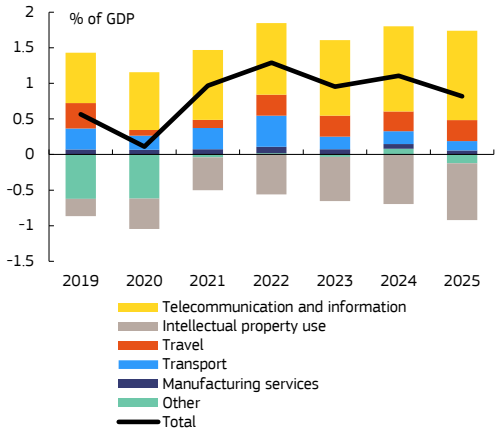
Graph I.8.3: **Trade of goods and services balance, EU**



Graph I.8.4: **Projected change of terms of goods' trade in 2026 vs projected change of goods' balance in 2026, Member States**



Graph I.8.5: **Services balance by sector (BOP), EU**



The EU's external balance is forecast to deteriorate by 0.7 pps. in 2026, falling to 1.7% of GDP, before stabilising in 2027. This deterioration in the EU current account surplus over the forecast horizon is driven by the decline in the merchandise trade balance. However, the decline is set to be partially compensated by the increase in services surplus. The joint deficit of primary incomes and current transfers is expected to contribute only marginally to changes in the current account in 2027, when net primary incomes are projected to become slightly more negative, in tandem with slightly higher debt servicing costs. At a sectoral level, the decline in the EU current account is driven by the weakening in household's net lending and, to a lesser extent, by a slight deterioration in public finances and a decline in the saving ratio of non-financial corporations.

Table I.8.1: **External position – euro area and EU**

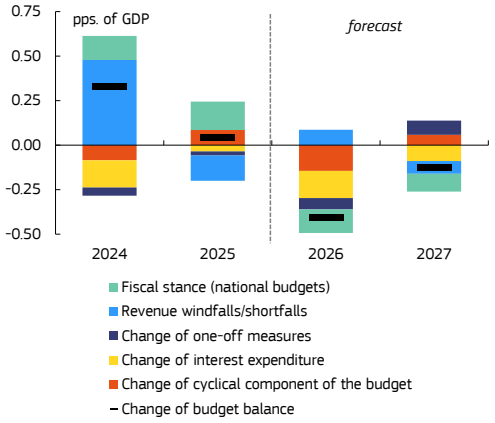
	Euro area (21 countries)							EU						
		Spring 2026 Forecast			*Autumn 2025 Forecast*				Spring 2026 Forecast			*Autumn 2025 Forecast*		
	2024	2025	2026	2027	2025	2026	2027	2024	2025	2026	2027	2025	2026	2027
Merchandise trade balance (a)	2.5	**2.2**	**1.3**	**1.2**	2.2	2.0	1.8	2.3	**2.1**	**1.1**	**1.1**	2.1	1.9	1.7
Services trade balance (a)	1.9	**1.7**	**1.8**	**1.9**	1.8	2.0	2.1	1.9	**1.7**	**1.9**	**2.0**	1.9	2.0	2.1
Primary income balance (a)	0.0	**-0.4**	**-0.3**	**-0.4**	-0.4	-0.4	-0.4	-0.1	**-0.4**	**-0.4**	**-0.4**	-0.4	-0.4	-0.5
Secondary income balance (a)	-1.0	**-1.0**	**-1.0**	**-1.1**	-1.0	-1.1	-1.1	-1.0	**-1.0**	**-1.0**	**-1.0**	-1.0	-1.0	-1.1
Current-account balance (a)	3.3	**2.5**	**1.7**	**1.7**	2.7	2.5	2.4	3.2	**2.4**	**1.7**	**1.6**	2.5	2.4	2.3
Net lending or net borrowing (a)	3.3	**2.4**	**1.8**	**1.7**	2.6	2.6	2.4	3.2	**2.4**	**1.8**	**1.7**	2.6	2.6	2.4
Terms of trade (b)	1.3	**0.7**	**-1.2**	**0.3**	1.1	1.0	0.0	1.0	**0.5**	**-1.3**	**0.3**	1.0	0.9	0.0

(a) % of GDP, (b) annual percentage change.

9. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

The aggregate EU general government deficit is expected to rise over the forecast horizon. After having remained stable at 3.1% of GDP in 2025, the deficit ratio is expected to widen to 3.5% of GDP in 2026 (see Graph I.9.1), reflecting subdued economic activity, rising interest expenditure, and moderately expansionary fiscal policies. In 2027, it is projected to increase further (to 3.6% of GDP), based on unchanged policies. In the euro area, the government deficit is projected to increase from 2.9% in 2025 to 3.3% of GDP in 2026 and to 3.5% in 2027.

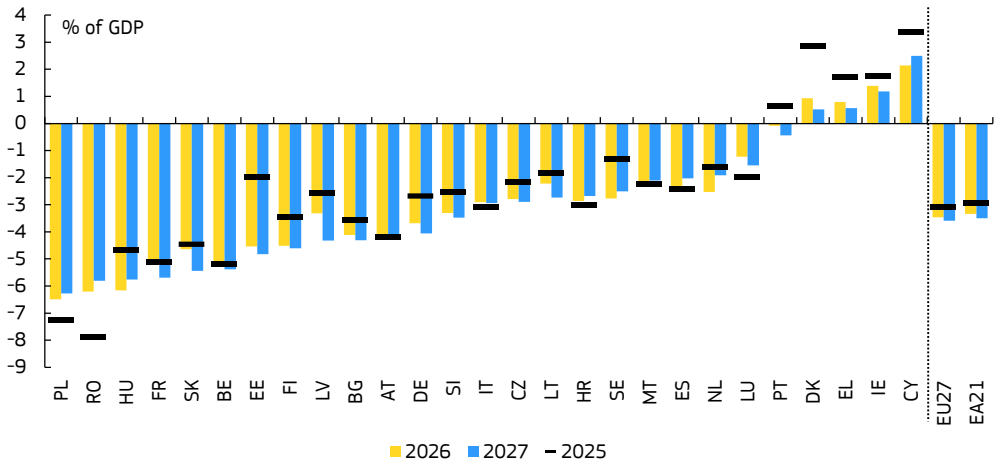
Graph I.9.1: **Drivers of the change in the general government balance in the EU**



The economic impact of the energy shock is weighing on public finances. The weaker economic growth now projected for 2026 compared to the Autumn 2025 Forecast worsens the cyclical component of the government balance by around 0.2% of GDP. This deterioration stems primarily from a lower increase in tax revenues. Moreover, borrowing costs have risen in anticipation of tighter monetary policy (see Box I.1.1 and Section I.3), raising the interest expenditure ratio by around 0.1 pps. in 2026 compared to the Autumn 2025 Forecast. Finally, this forecast includes discretionary fiscal measures, adopted or credibly announced by several Member States by the forecast cut-off date, aimed at mitigating the social and macroeconomic impact of high energy prices. These measures amount to around 0.1% of GDP in 2026 (see Box I.9.1).

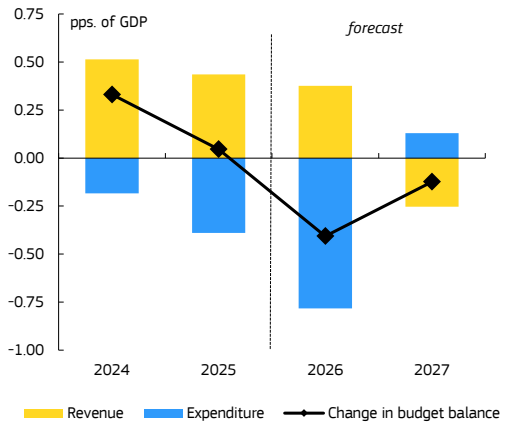
Ten Member States reported a deficit higher than 3% of GDP in 2025. This number is projected to rise to thirteen by 2027, based on unchanged policies (see Graph I.9.2), while six of these countries are projected to have deficits above 5% of GDP (Belgium, France, Slovakia, Hungary, Poland and Romania). Most Member States are also expected to experience a deterioration in their fiscal positions over the forecast horizon, due to higher defence expenditure.

Graph I.9.2: **General government balance developments across Member States**

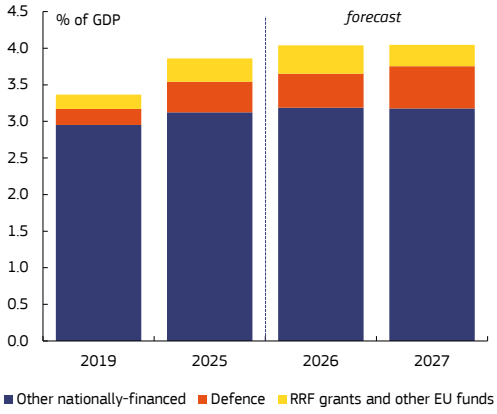


Defence spending contributes to the increase in public expenditure over the forecast horizon. After rising by 0.4 pps. in 2025, the EU expenditure-to-GDP ratio is projected to increase further by 0.6 pps. by 2027 (see Graph I.9.3). This upward trend largely reflects the projected steady rise in defence spending, from 1.6% of GDP in 2025 to 2% in 2027 (according to the COFOG classification). The national escape clause of the Stability and Growth Pact give additional budgetary flexibility that aims at facilitating the transition towards higher defence spending by 2028.[19] The revenue-to-GDP ratio is forecast to increase by 0.4 pps. in 2026. This includes the increasing RRF grants in the final year of its implementation. The revenue ratio is then projected to decrease by 0.3 pps. in 2027.

Graph I.9.3: **Contributions to the change of general government balance in the EU**



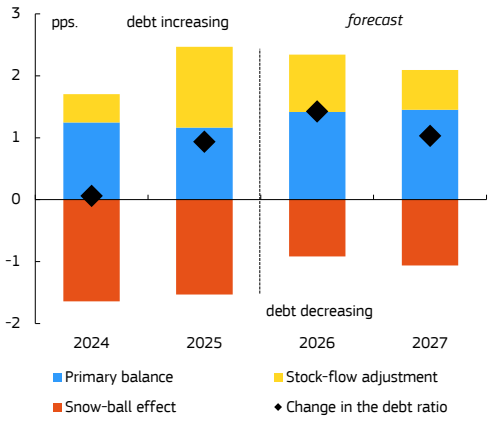
Graph I.9.4: **Public investment in the EU**



Public investment in the EU is set to stabilise at relatively high levels by 2027. The EU public investment ratio has increased by 0.7 pps. since 2019, reaching 3.9% of GDP in 2025. It is expected to increase slightly (to 4.0% of GDP) in 2026-27. As illustrated in Graph I.9.4, higher defence investment constitutes a significant share of the increase in total public investment.

After declining by more than 9 pps. since 2020, the aggregate debt-to-GDP ratio in the EU is projected to increase over the forecast horizon. The public debt-to-GDP ratio rose by around 1 pp. in 2025, reaching 82.8%. It is expected to increase by 2.5 pps. by the end of 2027, bringing it to 85.3%. In the euro area, the debt ratio is projected to rise from 88.7% at the end of 2025 to 91.2% by the end of 2027. This upward trajectory is driven by higher primary deficits—which exert upward pressure on debt levels—and a less favourable interest-growth-rate differential. Additionally, the stock-flow adjustment is expected to remain debt-increasing in 2026 and, to a lesser extent, in 2027 (see Graph I.9.5).[20] Compared to the Autumn 2025 Forecast, the public debt-to-GDP ratio in the EU is projected to increase by 0.7 pps. more in 2026-27, as the energy price shock raises primary deficits and worsens the interest-growth-rate differential.

Graph I.9.5: **Drivers of the change in the EU government debt-to-GDP ratio**

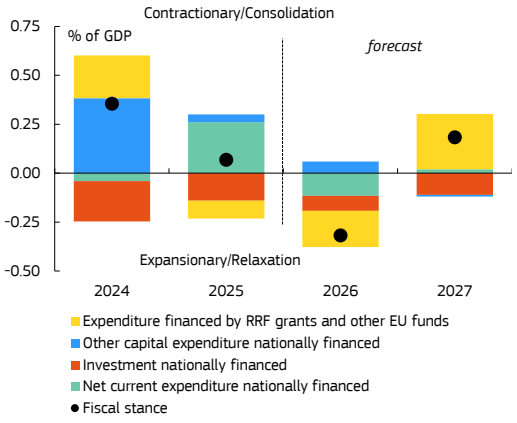


[19] Assessment of the Fiscal Sustainability Condition for Member States Requesting the Activation of the National Escape Clause - Economy and Finance

[20] The stock-flow adjustment explains the difference between the change in government debt and the government deficit/surplus for a given period.

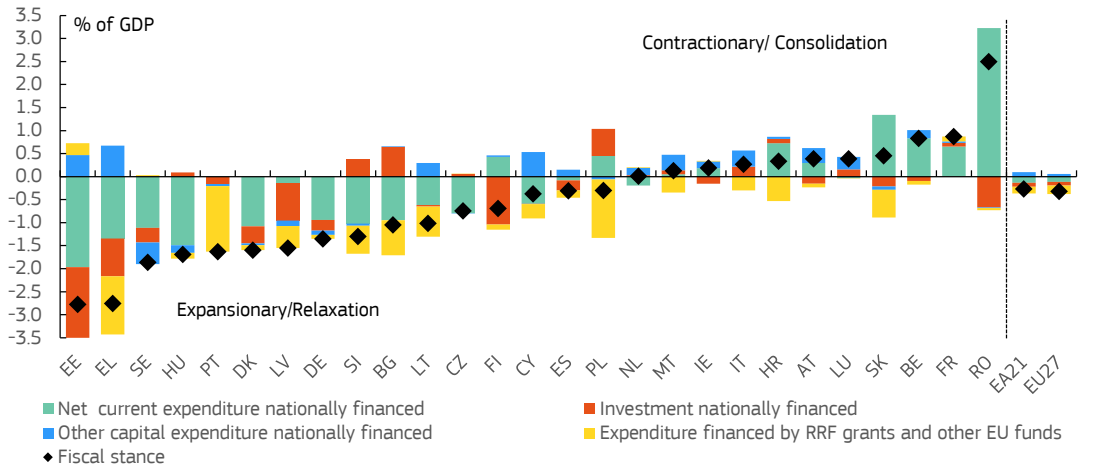
The fiscal stance in the EU is set to be slightly expansionary in 2026. [21] Following a slightly contractionary stance in 2024, the EU fiscal stance turned broadly neutral in 2025. The contractionary impulse stemming from restraint in nationally financed net current expenditure [22] (almost 0.3% of GDP) was offset by the expansion in nationally financed investment and higher expenditure financed by RRF grants and other EU funds. In 2026, the fiscal stance is expected to turn slightly expansionary, driven mostly by the contribution from expenditure financed by the EU budget in the final year of the RRF, together with continued growth in nationally financed public investment (including on defence; see Graph I.9.6). Under a no-policy-change assumption, the forecast points to a broadly neutral EU fiscal stance in 2027.

Graph I.9.6: **Fiscal stance in the EU and its components**



The fiscal stance estimates for 2026 indicate expansionary policies in 16 Member States. Significant cross-country heterogeneity is expected in 2026, with the fiscal stance ranging from a contractionary stance of 2.5% of GDP in Romania to a strongly expansionary stance of around 2¾% of GDP in Estonia and Greece (see Graph I.9.7). Net current expenditure is projected to be the main driver of the overall fiscal stance in the majority of Member States, with the most significant contraction projected in Romania (3.2% of GDP) and the highest expansionary stance expected in Estonia (2.0% of GDP). Nationally financed investment and expenditure financed by EU funds, including RRF grants, are projected to provide an expansionary contribution in most Member States in 2026. By contrast, other capital expenditure is projected to exert a contractionary effect in several EU countries, reflecting the gradual phase-out of support to private investment introduced in previous years.

Graph I.9.7: **Fiscal stance in 2026 across Member States**



[21] The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. For more details, see: Cepparulo, A. and E. V. Reitano (2025). "An Assessment of the Euro Area Fiscal Stance in 2025 and 2026, Considering the Flexibility for Higher Defence Spending". European Commission (DG ECFIN), Economic Brief 085. The fiscal stance is considered broadly neutral at a value within the -0.25% / +0.25% of GDP range, while it is considered expansionary (-) or contractionary (+) outside this range.

[22] Current expenditure net of i) interest expenditure; ii) discretionary revenue measures; iii) expenditure on programmes of the Union fully matched by current revenue from Union funds; iv) cyclical elements of unemployment benefit expenditure; and v) one-offs and other temporary measures.

Table I.9.1: **General government budgetary position – euro area and EU**

(% of GDP)	Euro area (21 countries)							EU						
	Spring 2026 Forecast				*Autumn 2025 Forecast*			Spring 2026 Forecast				*Autumn 2025 Forecast*		
	2024	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**
Total revenue (1)	46.3	**46.8**	**47.2**	**47.0**	46.7	46.9	46.7	46.0	**46.4**	**46.8**	**46.5**	46.3	46.6	46.3
Total expenditure (2)	49.4	**49.7**	**50.5**	**50.5**	49.9	50.2	50.1	49.1	**49.5**	**50.3**	**50.1**	49.6	50.0	49.7
Actual balance (3) = (1)-(2)	-3.0	**-2.9**	**-3.3**	**-3.5**	-3.2	-3.3	-3.4	-3.1	**-3.1**	**-3.5**	**-3.6**	-3.3	-3.4	-3.4
Interest expenditure (4)	1.9	**1.9**	**2.1**	**2.2**	2.0	2.1	2.2	1.9	**1.9**	**2.1**	**2.1**	2.0	2.0	2.1
Primary balance (5) = (3)+(4)	-1.2	**-1.0**	**-1.3**	**-1.3**	-1.2	-1.3	-1.2	-1.2	**-1.2**	**-1.4**	**-1.5**	-1.3	-1.4	-1.3
Change in structural budget balance (a)	0.7	**0.1**	**-7.4**	**0.8**	0.0	-0.1	-0.2	0.6	**0.0**	**-3.1**	**0.8**	-0.1	-0.1	-0.2
Overall fiscal stance (b)	0.4	**0.1**	**-0.3**	**0.1**	0.1	0.0	0.1	0.4	**0.1**	**-0.3**	**0.2**	0.0	-0.1	0.1
- Fiscal stance - contribution from national net expenditure	0.3	**0.2**	**-0.1**	**-0.2**	0.2	0.1	-0.2	0.1	**0.2**	**-0.1**	**-0.1**	0.2	0.1	-0.2
- Fiscal stance - contribution from the EU	0.2	**-0.1**	**-0.1**	**0.2**	-0.1	-0.1	0.2	0.2	**-0.1**	**-0.2**	**0.3**	-0.2	-0.2	0.3
Gross debt	88.0	**88.7**	**90.2**	**91.2**	88.8	89.8	90.4	81.9	**82.8**	**84.2**	**85.3**	82.8	83.8	84.5

(a) pps. of potential GDP. (b) The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. A positive figure corresponds to a contractionary stance while a negative figure corresponds to an expansionary stance.

Box I.9.1: **Policy measures in EU Member States to address the 2026 energy price shock**

Many Member States have adopted budgetary policy measures to mitigate the social and economic impact of high energy prices on households and businesses. This forecast incorporates the budgetary cost of such measures (newly adopted or credibly announced until the cut-off date of the forecast, i.e. 4 May 2026) of EUR 14.5 bn, or 0.07% of the EU GDP in 2026, with large differences among Member States (see Graph 1). This estimate assumes that the measures will come to an end in accordance with the expiring dates stated in the respective laws at the cut-off date of the forecast. If the measures included in this forecast were to be extended until end-2026, their fiscal cost would increase to EUR 38.6 bn (0.2% of GDP) in 2026 for the EU as a whole.

The Commission has provided a toolbox to address the energy crisis triggered by the conflict in the Middle East. Presented in the AccelerateEU Communication of 22 April 2026, it serves as a basis for coordinated EU actions centred on two core objectives: identifying common principles for the provision of immediate relief to consumers facing energy price spikes, and accelerating the transition to clean, secure and affordable energy. The Commission stresses the need to ensure that the measures do not add to aggregate energy demand and remain aligned with the EU's long-term strategy of fostering a transition away from fossil fuels, strengthening Europe's resilience to future shocks. To achieve this, the policy measures should be targeted, timely, and temporary, while preserving incentives to reduce energy demand. These features would also help contain the budgetary cost of the protection provided to consumers, at a time when fiscal space is relatively tight (see Box I.1.1).

Most of the recently adopted support measures are not targeted at vulnerable households or energy-intensive firms. For households, a measure is considered targeted if it applies only to specific groups rather than a majority of the population, based on an assessment of needs. For firms, a measure is considered targeted if it applies only to specific energy-intensive industries. However, three-quarters of the support is being spent in a non-targeted manner, such as through cuts to excise duties or other indirect taxes on fuels. The remaining quarter of the support does appear to be targeted, such as aid to low-income households or subsidies for the transport sector.

Most of the adopted measures seek to directly reduce energy prices. Fiscal policy measures designed to mitigate the social and economic impact of high energy prices can also be classified as 'price measures'—when they aim at directly impacting the marginal cost of energy consumption—and 'income measures'—when they provide temporary income support to households or (non-price) compensations to firms. More than two-thirds of the estimated budgetary cost corresponds to 'price measures,' such as cuts to excise duties and other indirect taxes on fuels. The remaining one-third corresponds to 'income measures.' In a situation of scarcity (where the EU as a whole faces a very inelastic supply curve), the market price is effectively determined by the demand for energy. By suppressing the price signal, 'price measures' weaken the incentives to adjust energy demand. Yet, such adjustment may be required when supply is limited, while failing to curb demand for expensive imported energy results in a greater transfer of national income abroad to energy exporters.

This design pattern is similar to the support measures enacted in 2022. So far, however, the fiscal cost of the measures enacted in 2026 is lower than in 2022. According to the Commission estimates, the net budgetary cost of fiscal policy measures enacted to mitigate the social and economic impact of high energy prices amounted to 1.2% of GDP in 2022. [(1)] Of this support, 64% was spent on 'price measures,' while the remaining 36% corresponded to 'income measures'. Only a quarter of the support was targeted to vulnerable groups, with the remaining three quarters spent in an untargeted manner.

Structurally, AccelerateEU aims to accelerate progress towards greater energy independence. A number of actions are proposed to this effect. In particular, the Commission will publish an Electrification Action Plan and establish an electrification target alongside initiatives to increase the uptake of geothermal energy, biomethane, and hydrogen. To step up the electrification of

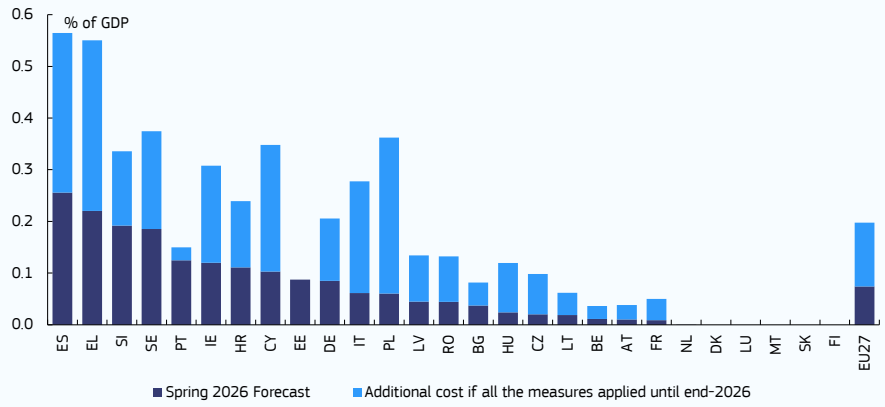
(1) Over 2022 and 2023 taken together, the net cost of such measures amounted to 2.1% of EU GDP.

(Continued on the next page)

Box (continued)

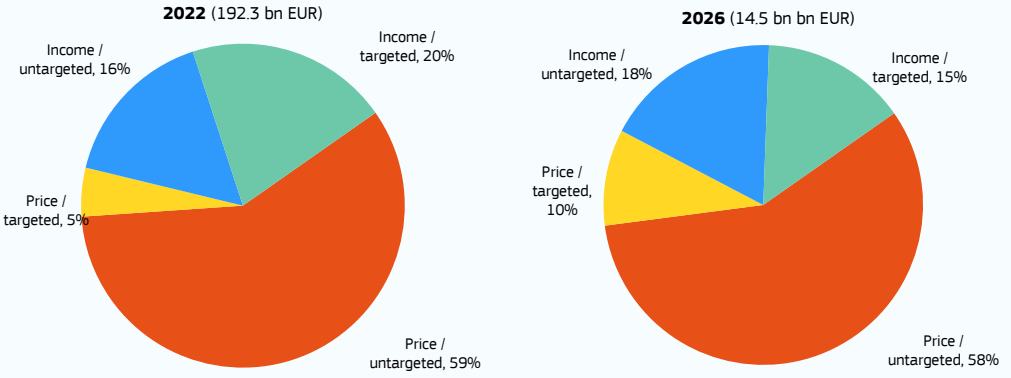
the energy system, the Commission calls on Member States to fast-track negotiations on the European Grids Package for swift adoption before summer 2026. The Commission also intends to adopt a legislative proposal on network charges and taxation. Finally, actions are proposed to boost investment by mobilising both public and private financing for the clean energy transition.

Graph 1: **Measures to mitigate the impact of high energy prices: budgetary cost in 2026**



These estimates include measures that have been adopted or credibly announced in sufficient detail since 1 March 2026 and by the cut-off date of the Commission Spring 2026 Forecast (4 May). The table includes measures to mitigate the impact of high energy prices on households and firms; it does not include measures with other aims, such as public investments to support energy transition. Only measures with a direct budgetary impact for the general government are included.

Graph 2: **Design of energy support measures, 2022 and 2026**



'Price measures' are defined as those that aim at a direct impact on the marginal cost of energy consumption paid by households or firms; energy consumption includes the purchase of electricity and fossil fuels (gas, oil derivatives and coal) but also heating and transportation as energy intensive. 'Income measures' provide temporary income support to households or (non-price) compensations to firms. For households, a measure is considered targeted if there is some form of means-testing involved and if it is not expected to apply to a majority of the population. For firms, a measure is considered targeted if it applies only to specific energy intensive industries. Otherwise, a measure is considered untargeted.

10. RISKS

Risks surrounding the forecast are dominated by uncertainty over the future path of energy prices, by far the most consequential external assumption underpinning the projections. As customary in macroeconomic forecasting, the evolution of oil and gas prices over the forecast horizon is conditioned on futures market prices. The baseline assumes a relatively swift—though only partial—normalisation of global energy supply conditions, with oil and gas prices declining already from the third quarter of 2026 before stabilising by mid-2027 at levels still around 20% above their pre-conflict averages. In the context of elevated uncertainty surrounding the duration and magnitude of disruptions to global energy supply, these conditioning assumptions acquire particular importance, and deviations from the assumed trajectory constitute a major source of forecast risk.

Futures prices are not perfect predictors of spot energy prices, especially in times of elevated market disruptions and high geopolitical uncertainty. Futures contracts are primarily hedging instruments that allow producers and consumers to lock in prices for future delivery and transfer price risk. In addition to expectations about future supply and demand conditions, they also reflect hedging needs, liquidity conditions, storage costs, and risk premia. During periods of heightened geopolitical uncertainty, futures prices can therefore adjust abruptly as market participants reassess the duration of supply disruptions, the resilience of transport infrastructure, or the likelihood of policy intervention.

Still, futures prices remain the most widely used benchmark for energy price assumptions in macroeconomic forecasting, given their objective and market-based nature. Futures prices incorporate information from a broad range of market participants and are updated continuously as expectations evolve. While not perfect predictors of future spot prices, empirical evidence suggests that they generally perform at least as well as alternative approaches based on historical extrapolation or purely judgemental assumptions [23]. Their use in European Economic forecasts aligns with the broader use of market-based expectations for other key variables—such as interest and exchange rates—ensuring internal consistency across the technical assumptions underpinning the forecast.

The sensitivity of the forecast to changes in the assumptions for energy prices is assessed through alternative energy commodity price trajectories. These trajectories are derived from option-implied distributions observed at the forecast cut-off date [24]. They correspond to the 25th and 75th percentiles of the implied probability distributions and have been proportionally adjusted around the current baseline assumptions [25]. These percentiles imply a broadly symmetric oil price path of around +/- 10 USD/bbl relative to the baseline. According to simulations based on the Commission's GM model, such a deviation would affect GDP growth by around -/+ 0.05 pps. in 2026 and -/+ 0.1 pps. in 2027, while consumer price inflation would change by around +/- 0.1 pps. in 2026 and +/- 0.2 pps. in 2027 (see Table I.10.1). For gas prices, option-implied trajectories suggest a slightly less symmetric reference range of around -7 and +10 EUR/MWh on average in 2027. Despite the larger percentage deviation from the baseline, the implied macroeconomic impact on growth and inflation is somewhat smaller—reflecting lower weight of gas in both production and consumption.

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[23] See Reichsfeld, D. A., and S. K. Roache (2011), "*Do Commodity Futures Help Forecast Spot Prices?*," *IMF Working Paper* No. 11/254, November, and ECB analyses on commodity futures risk premia.

[24] Options provide the right, but not the obligation, to buy or sell commodities at pre-agreed prices and are commonly used to insure against extreme price movements.

[25] This way, we preserve the proportionality to the variance and the asymmetry of the option-implied densities calculated from option data extracted before the cut-off date of the forecast (22 April), while remaining consistent with the baseline assumptions based on more recent information (cut-off 29 April). The percentiles have been calculated for different time horizons and then transformed via linear interpolation to quarterly time series that span over the forecast horizon. For a short description and discussion of the method, see Box I.10.1.

The window for a rapid normalisation of supply conditions narrows. Futures curves at the 29 April cut-off date for the technical assumptions of this forecast remained broadly consistent with expectations of a relatively swift reopening of the Strait of Hormuz [26]. As the conflict persists, market participants appear to assign an increasing probability to more prolonged supply disruptions and renewed interruptions to shipping.

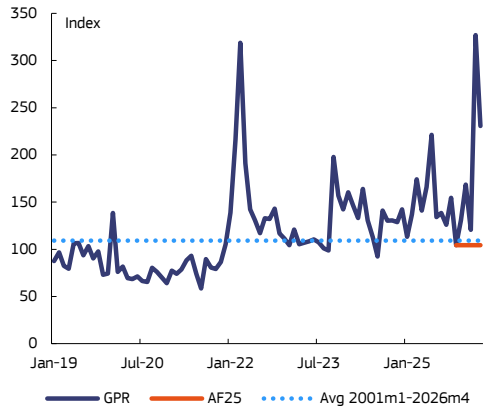
The scenario analysis assesses the dynamic economic impact of a more prolonged disruption to energy markets and slower normalisation of supply conditions. The sensitivity analysis presented in this risk assessment examines the dynamic effects of alternative oil and gas price paths within a structural modelling framework, allowing the endogenous propagation of each shock to unfold in isolation. By contrast, the scenario analysis presented in Section I.7 is built around a coherent adverse narrative in which a prolonged disruption to oil and gas markets gives rise to additional macro-financial spillovers—including weaker confidence, tighter financial conditions, and lower global demand—which are modelled jointly. Under this scenario, energy commodity prices are assumed to peak in late 2026—with oil at around 180 USD/bbl and gas at around EUR 80/MWh—before gradually easing in 2027 as supply conditions improve. EU inflation would rise more markedly and remain elevated for longer, exceeding the baseline projection by 0.3 pps. in 2026 and 1.1 pps. in 2027. EU GDP growth would be 0.4 and 0.7 pps. lower than in the baseline projection in 2026 and 2027, respectively.

Table I.10.1: **Alternative energy and exchange rate paths and their impact on GDP and consumption inflation**

	2026	2027	2026	2027
	Path 1: 25 percentile		Path 2: 75th percentile	
Oil (USD) (quarter average)	82.35	66.75	102.06	90.66
Deviations from baseline:				
Oil (USD)	-8.87	-11.45	10.83	12.46
Real GDP growth EU (pp)	0.04	0.09	-0.05	-0.10
Consumption inflation EU (pp)	-0.11	-0.23	0.14	0.25
Gas (EUR) (quarter average)	37.09	28.03	48.73	45.60
Deviations from baseline:				
Gas (EUR)	-4.89	-7.45	6.76	10.13
Real GDP growth EU (pp)	0.02	0.05	-0.03	-0.07
Consumption inflation EU (pp)	-0.05	-0.13	0.07	0.18
Exchange rate (USD per EUR) (quarter average)	1.15	1.13	1.19	1.23
Deviations from baseline:				
Exchange rate (USD per EUR)	-0.02	-0.05	0.02	0.06
Real GDP growth EU (pp)	-0.01	-0.01	0.00	0.01
Consumption inflation EU (pp)	0.16	0.38	-0.07	-0.39

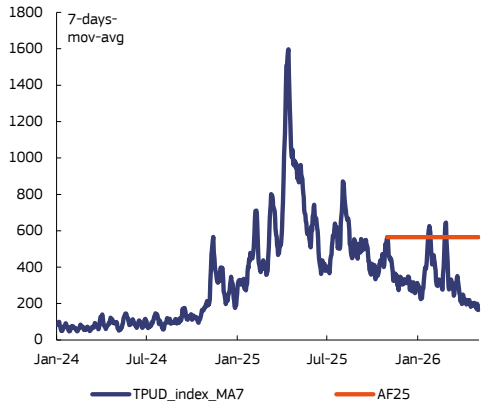
The 25th and 75th percentiles refer to the option-implied risk-neutral densities for EUR/USD exchange rates as well as oil and gas prices on 22 April 2026. The baseline for the energy and exchange rates trajectories corresponds to the technical assumptions of SF26. The macroeconomic impacts are calculated based on the Commission's GM model. For a description of the option-implied densities calculation see Box I.10.1.

Graph I.10.1: **Geopolitical risk index**



Source: www.matteoiacoviello.com

Graph I.10.2: **Trade policy uncertainty**

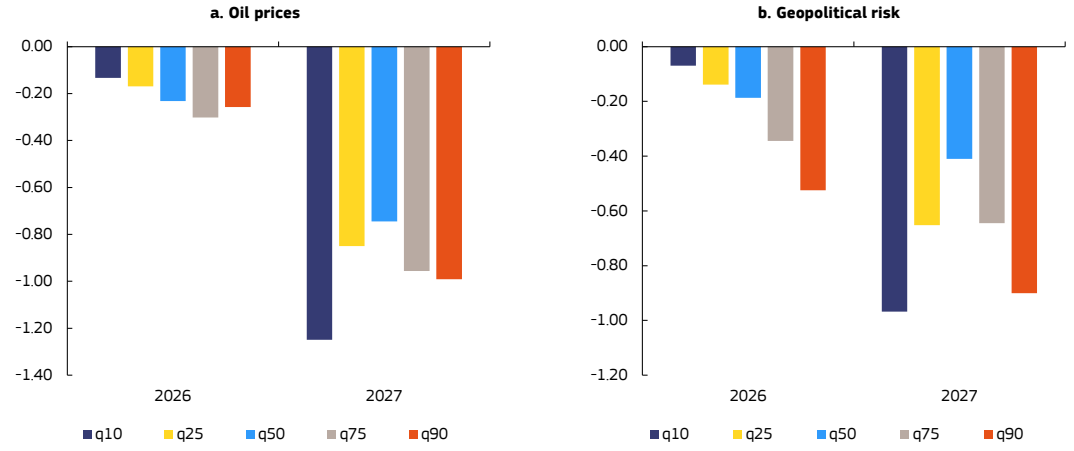


Source: www.matteoiacoviello.com

[26] Recent institutional energy markets outlooks explicitly mention the assumption that the disruption would last until end May–early June and derive price outlooks for gas and oil that do not deviate materially from current futures. See for example Short-Term Energy Outlook - U.S. Energy Information Administration (EIA) and Oil Market Report - May 2026 – Analysis - IEA

Elevated energy prices and geopolitical uncertainty may amplify existing economic vulnerabilities, tilting the distribution of possible growth outcomes downward. Geopolitical tensions have intensified markedly—from already high levels—following the conflict in the Middle East (see Graph I.10.1). A quantile regression model of quarterly EU growth rates, fitted on historical series of the oil price, the geopolitical risk index and trade policy uncertainty, among other variables [27], indicates that increases in these indicators weigh more heavily on the lower tail of the distribution than on the median outcome (see Graph I.10.3). In particular, the observed increase in oil prices from 2025-Q3 (AF25 cut-off date) to 2026-Q2 would lower the 10th percentile of expected GDP growth by around 1.2 pps., approximately 0.5 pps. more than the median (or central expectation). Similarly, if the geopolitical risk indicator remains at its April level throughout the second quarter of 2026, the roughly 70% increase since 2025-Q3 (AF25 cut-off date) would reduce the lower 10th percentile of GDP growth by around 0.6 pps. more than the median. This indicates that the current combination of elevated energy prices and heightened geopolitical uncertainty disproportionately increases the likelihood of particularly adverse growth outcomes relative to the baseline projection.

Graph I.10.3: **The impact on distribution of EU GDP growth**



The impact is from a hypothesized increase in each indicator since 2025-Q3: For oil, the increase is around USD 40 per barrel and for the Geopolitical risk indicator about 70%.

Disruptions linked to the conflict in the Middle East could spill over into global supply chains. While direct trade linkages between the EU and the countries most directly affected by the conflict remain limited, the Gulf region retains systemic importance as a supplier of strategic inputs, including refined petroleum products, fertilisers and helium. Unlike crude oil, which can to some extent be rerouted through alternative export routes and pipeline networks, refined petroleum products remain heavily dependent on maritime transport. Combined with the highly specialised nature of refining capacity, this limits the scope for rapidly replacing disrupted supplies. As a result, localised shortages and further increases in fuel prices could emerge even if conditions in crude oil markets were to ease, adding to pressures on transport costs. Reduced helium availability and higher fertiliser prices could also generate knock-on effects across production chains, including in the strategically important semiconductor industry, while further weighing on food affordability.

Elevated energy prices may also have a stronger impact on economic activity and inflation than currently projected. A renewed episode of high energy prices — particularly if price increases *again* exceed historical norms — could render some production technologies

[27] The model also includes the levels of Trade Policy Uncertainty (TPU), the ECB's Composite Indicator of Systemic Stress in financial markets (CISS), Economic Sentiment Indicator (ESI) constructed from the Commission's Business and Consumer Surveys and the year-on-year GDP growth for the quarter at which the projection is made. The model is estimated with quarterly data for the period 1996Q1-2026Q1.

economically unviable, leading to business closures and/or disruptions to production networks. Households and firms could also adjust consumption and investment decisions more sharply in response to weaker profitability and purchasing power. Moreover, although the conditions that contributed to the rapid broadening of inflationary pressures during the 2022 inflation surge appear less pronounced today – in the absence of the price and labour market pressures created by the post-pandemic demand rebound - inflation could nonetheless prove more persistent if higher energy prices feed into wage negotiations and firms' price-setting behaviour.

These risks arise in an already fragile global trade environment, though ongoing efforts to diversify trade partnerships could partly strengthen resilience over time. Although trade policy uncertainty has declined from the peaks reached last year, it remains elevated (see Graph I.10.2). Recent US announcements pointing to renewed bilateral tariff escalation, including possible increases in tariffs on EU automobile imports, illustrate the continued unpredictability of the global trade environment. This continued uncertainty surrounding global trade policies and the broader reconfiguration of geopolitical and trade relationships could further weaken industrial production, investment, and external demand for European exports. At the same time, the EU has intensified efforts to diversify trade partnerships and strengthen economic resilience through new trade negotiations and broader economic agreements, including with Mercosur, India, and other strategic partners. Over time, such efforts could help diversify export markets, strengthen supply-chain resilience, and reduce vulnerabilities associated with an increasingly fragmented global trading environment.

Labour market developments also represent an important source of uncertainty for the outlook. Although labour markets have so far held up well, supporting the resilience of the overall economy, recent indicators point to a gradual softening in labour demand, including declining vacancy rates, weaker hiring intentions, and slower employment growth. This may prove a prelude to a more pronounced weakening in labour market conditions if firms respond more forcefully to weaker demand and tighter financing conditions. At the same time, artificial intelligence represents both an upside opportunity and a source of disruption. Faster AI adoption and digital investment could support productivity growth, investment, and medium-term competitiveness. However, uncertainty surrounding the speed and distribution of labour market adjustment could weigh on confidence and consumption, particularly if concerns about job displacement intensify.

Financial market developments also represent a source of risk for the outlook. Against the background of significant cross-border portfolio holdings and the high participation of European households and institutional investors in global equity markets, a correction in US asset prices could spill over to European financial conditions, confidence, and domestic demand. Diverging monetary policy paths could also trigger sizeable exchange-rate movements. In particular, the resumption of monetary policy easing by the Federal Reserve in response to financial market stress could lead to an appreciation of the euro. The sensitivity analysis presented above shows that exchange-rate movements can also have a material impact on the outlook. While a stronger euro would contribute to lower imported inflation and dampen inflationary pressures more broadly, it could also weigh on export competitiveness and external demand, and facilitate import penetration, thereby exerting an additional drag on EU growth (see Table I.10.1).

Climate-related risks also remain a significant source of vulnerability for the European economy. Europe is the fastest-warming continent, and the increasing frequency and intensity of extreme weather events could generate growing economic and financial costs over the forecast horizon. Physical damages linked to heatwaves, droughts, floods, and wildfires could disrupt infrastructure, industrial production, transport networks, and agricultural activity, while also weighing on labour productivity and household incomes. Warmer temperatures may raise electricity demand for cooling during summer periods, while drought conditions and changing weather patterns could reduce hydroelectric and wind power generation. Such developments could amplify pressures on electricity markets and increase the sensitivity of energy prices to broader supply disruptions.

At the same time, important upside risks to growth remain linked to policy and structural adjustment. Resolute policy action to address long-standing bottlenecks to

productivity, investment and EU competitiveness could strengthen medium-term growth prospects and improve the economy's capacity to absorb external shocks. Sustained progress in the energy transition—including investment in renewable energy, electricity networks, storage capacity, and energy efficiency—would further reduce Europe's vulnerability to fossil fuel price shocks and strengthen macroeconomic resilience. In this context, a large-scale deployment of untargeted discretionary fiscal measures to shield households and firms from the impact of high energy prices risks weakening incentives to decarbonisation and energy efficiency, while increasing fiscal consolidation needs in the medium term. Stronger-than-expected investment related to defence, infrastructure and industrial modernisation could also provide additional support to domestic demand and productivity growth over the forecast horizon.

Overall, in the near term, risks to growth remain tilted to the downside, while risks to inflation remain tilted to the upside. Risks to growth reflect the combination of elevated geopolitical uncertainty, persistent energy market risks, and the possibility of broader spillovers to trade, confidence, and financial conditions. Additional pressures could also arise through renewed supply-chain disruptions and higher production costs linked to trade fragmentation and shortages of critical inputs. As illustrated in the scenario analysis, however, the broader macroeconomic spillovers associated with a prolonged energy shock—including weaker confidence, tighter financing conditions, lower global growth, and weaker trade—would weigh heavily on domestic and external demand. While these channels amplify the drag on economic activity, they also partly offset the inflationary impact of higher energy prices by dampening underlying demand pressures.

Box I.10.1: **Deriving option-implied forecast densities**

Option-implied densities (OID) for the future distribution of selected macrofinancial variables are derived from a rich set of European-style call and/or put options at different strike prices and maturity dates. (1)

Intuitively, OIDs rely on the notion that option prices across a range of strikes prices inherently embed the perceptions of market participants regarding the future distribution of an asset's price. Methodologically, the OIDs are computed by applying the Breeden-Litzenberger (1978) method, whereby the probability density associated with a particular future price is obtained from the second derivative of an option's price with respect to the strike price. The method is applied assuming the Black-Scholes option pricing model, or the related Black model (1976) for pricing options on futures. Due to the need to derive a continuous probability density function from a limited set of options data, the aforementioned option pricing models are employed to interpolate additional option prices for an augmented set of strike prices. This procedure, in turn, requires interpolating in the implied volatility-strike price space (as both volatility and strike prices are inputs of the option pricing models), for which we use the SABR volatility model to ensure theoretical correct shapes for the volatility surfaces. In the case of scarce data for options that are very deep out-the-money or very deep in-the-money, the tails of the empirical OIDs have been extrapolated, meaning that results for extreme percentiles (e.g., below 5% or above 95%) should be read with particular caution. Ultimately, OIDs are calculated for different expiration dates and linearly interpolated to quarterly time series that span the forecast horizon.

OIDs provide market-implied risk-neutral probabilities for future asset prices, reflecting market participants' views on central tendencies, dispersion and skewness. Such probabilities are consistent with pricing by a hypothetical risk-neutral investor. They are related to, but do not represent physical (i.e, "real-world") probabilities of future outcomes if the market price of risk is different from zero. In particular, risk-neutral probabilities are likely to overweight outcomes that are adverse for the representative market participant, and to underweight favourable ones.

(1) In cases where data is only available for American-style options, the value of the early exercise premium is considered to be negligible.

Box I.10.2: **Technical elements and general assumptions behind the forecast**

This box details the technical and ad hoc assumptions underlying this forecast. The cut-off date for taking information into account in this Economic Forecast was 4 May 2026, and 29 April 2026 for technical assumptions.

1. Technical elements behind the forecast

Exchange and interest rates

Nominal exchange rates are kept constant over the forecast horizon at the level recorded during the reference period of 15-28 April 2026 (see Table 1 in this box and Table 31 in the Statistical Annex). All interest rate assumptions are derived from implicit market rates, thus fully reflecting market expectations at the time of the forecast. The assumptions for short-term interest rates for euro area Member States are derived from their average level, during the reference period, in three-month EURIBOR futures contracts over the forecast horizon. In the absence of future contracts, the assumptions for short-term rates of non-euro area Member States and countries outside the EU are derived from their average level, over the reference period, of the implicit forward three-month OIS (overnight indexed swap) rates, corrected for the average spread between the three-month EURIBOR rate and the OIS swap rate with three-month maturity. The assumptions for long-term interest rates for the euro area Member States are derived from the average forward sovereign rates over the reference period, when available. Forward sovereign rates are also used, when available, for the other EU Member States as well as of the countries outside EU examined in the forecast [(1)].

Commodity prices

Assumptions for Brent oil, gas and electricity prices are based on futures markets, using the average over the 10-day reference period between 15 and 28 April 2026 (see Section I.2). Given the unusually large gap between prices for immediate physical deliveries and financial futures, the assumptions for Brent oil prices in the current quarter are based on Dated Brent, a key benchmark for near-term physical deliveries.

Trade policies and assumptions

In its judgement of 20 February 2026, the US Supreme Court struck down the tariffs imposed under the International Emergency Economic Powers Act (IEEPA) in 2025. In response, the US administration introduced a 10% 'global tariff' under a new legal basis (Section 122 of the Trade Act of 1974), which allows for across-the-board import restrictions for up to 150 days. This tariff is assumed to apply irrespective of existing trade agreements with the United States and to remain unchanged over the projection horizon. As a result, the trade-weighted average US tariff rate on imports declined from 16.8% to 13.5% (according to WTO data). The effective US tariff rate on EU imports is assumed to decline from 12.1% (tariffs of 14/10, AF25) to 11.4% (according to WTO data). Larger tariff reductions are assumed for several other US trading partners, slightly negatively affecting EU relative competitive position (for more detail see Section I.2).

Bans on specific exports and imports related to sanctions on Russia and Belarus are also included (see EU sanctions against Russia following the invasion of Ukraine - European Commission).

(1) When forward sovereign rates are not available (i.e. Russia and Iceland), the assumptions are derived from forward swap rates, corrected in a similar way as for short-term interest rates. For countries where no market instrument is available (i.e. forwards), a fixed spread is added to the relevant interest rate assumptions for the euro area (i.e. the difference between the country short or long term rates and the three-month EURIBOR rate for the short-term rate and the 10-year German sovereign rate for the long-term rate), based on the monthly average of the country short- or long-term benchmark rates.

(Continued on the next page)

Box (continued)

Table 1: **Technical assumptions**

		Spring 2026 Forecast			Autumn 2025 Forecast		
	2024	2025	2026	2027	2025	2026	2027
3-month EURIBOR (percentage per annum)	3.6	2.2	2.4	2.6	2.2	1.9	2.0
10-year government bond yields (percentage per annum) (a)	2.3	2.6	3.0	3.2	2.6	2.7	2.9
USD/EUR exchange rate	1.08	1.13	1.17	1.17	1.13	1.16	1.16
GBP/EUR exchange rate	0.8	0.86	0.87	0.87	0.86	0.87	0.87
RMB/EUR exchange rate	7.79	8.12	8.04	8.02	8.13	8.28	8.28
JPY/EUR exchange rate	163.9	169.04	186.13	187.01	168.36	176.43	176.43
EUR nominal effective exchange rate (annual percentage change) (b)	2.95	4.62	1.70	-0.08	4.59	2.28	0.00
Natural gas (EUR/Mwh) (c)	34.6	36.4	42.0	35.5	36.9	31.0	28.9
Electricity (EUR/Mwh) (d)	76.3	84.6	89.0	79.7	84.8	80.0	77.9
Crude oil (USD per barrel)	80.5	68.9	91.2	78.2	68.9	62.4	63.3
Crude oil (EUR per barrel)	74.4	60.9	77.8	66.6	60.9	53.7	54.4

(a) 10-year government bond yields for the euro area are the German government bond yields. (b) 42 industrial countries EU-27, TR CH NO US UK CA JP AU MX NZ KO CN HK RU BR. (c) ICE Dutch TTF. (d) GDP - weighted average of electricity prices in DE, FR, IT, ES, NL, BE, AT.

ESA 2010

The forecast is based on the ESA 2010 system of national accounts for all Member States, the EU and the euro area aggregates.

Calendar effects on GDP growth and output gaps

The Commission's annual GDP forecasts are not adjusted for the number of working days, but quarterly forecasts are. The number of working days may differ from one year to another, and the difference between the calendar-adjusted and -unadjusted annual growth rates—that is, the "working-day effect"—may be significant in some Member States. However, it is estimated to be limited on aggregate for the EU and the euro area, at about 0.2 pps. in 2026, and null in 2027.

Euro area enlargement with Bulgaria

Data series used for this forecast are based on euro area 21 aggregate. Historical numbers used in the Autumn 2025 Forecast were calculated for the euro area 21 aggregate to include Bulgaria.

Net expenditure indicator and fiscal stance

The net expenditure growth data used for fiscal surveillance will be published separately with the autumn and spring packages. For the purpose of quantifying the impulse provided by fiscal policy to the economy, i.e. the fiscal stance, the Commission services use the growth of a similar (though somewhat broader) net expenditure-based metric relative to medium-term potential GDP growth. [2]

The inclusion of the Recovery and Resilience Facility in the forecast

Transactions related to the RRF in the forecast are recorded in line with Eurostat's 'Guidance note on the statistical recording of the Recovery and Resilience Facility' of 7 October 2021. In general, this implies that the budgetary impact of expenditure or other costs financed with non-repayable financial support ('grants') from the RRF is neutralised in revenue projections by matching transfers received from the EU. However, in some cases the appropriate time of recording is at the time of the adoption of Council Implementing Decisions. Expenditure financed by loans from the RRF are not neutralised and thus affect the government balance, while the loans by the RRF are recorded as Member States' debt towards the EU.

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2025 as published in Eurostat's news release of 22 April 2026 [3].
The public finance forecast is made under the 'no-policy-change' assumption, which extrapolates past revenue and expenditure trends and relationships in line with past policy orientations. This may also include the adoption of working assumptions, in particular to deal with structural breaks. [4] The no-

(2) See Autumn 2024 Forecast, Box I.2.4
(3) Euro area government deficit at 2.9% and EU at 3.1% of GDP - Euro indicators - Eurostat
(4) Report on Public Finances in EMU, 2016

(Continued on the next page)

Box (continued)

policy-change forecast also includes all fiscal policy measures that imply a change to past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced by the cut-off date.

In line with Eurostat's press release, EU and euro area aggregates for general government balance and debt are based exclusively on the Member States' balances and debt. For debt, whereas Eurostat publishes the consolidated figures (corrected for intergovernmental loans, including those made through the European Financial Stability Facility), the projections in the forecast years 2026 and 2027 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2025, this implies an aggregate debt-to-GDP ratio that is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 22 April 2026 (by 0.9 pps. in the euro area 21 and by 1.1 pps. in the EU).

2. Ad hoc technical assumptions underlying the forecast

Russian war of aggression against Ukraine and geopolitical tensions

The economic impact of Russia's war against Ukraine remains highly uncertain and depends crucially on its evolution. The central scenario assumes that geopolitical tensions in the region and sanctions against Russia remain in place throughout the forecast horizon.

People fleeing the war in Ukraine to the EU

The number of beneficiaries of temporary protection in the EU was about 4.4 million by February 2026.[5] It is assumed that the number of active temporary protection registrations will decline to 4.3 million by the end of 2026 and to 4.0 million by the end of 2027.[6] Over 2026, new registrations are expected to continue declining at the average rate observed in the last three years, while downward revisions by Member States (i.e. data revisions by Member States reflecting people who returned to Ukraine, moved on to another country, or attained another status in their country of residence) are expected to continue at a rate reflecting the average over the same period. This results in the projection of an annual average of people seeking protection of about 4.4 million in 2026 and 4.2 million in 2027. Assumptions on the geographical distribution of people fleeing the war reflect their current distribution across Member States. Finally, as the labour market integration of people fleeing the war continues to make progress, related assumptions remain broadly in line with the previous projections. Based on the available information, it is estimated that the adult employment rate of temporary protection beneficiaries in working age may have been around 46% as of early 2026, with significant heterogeneity across host countries. Going forward, this employment rate is projected to increase to 50% by end-2026 and 55% by end-2027.

(5) Eurostat [data code: migr_asytpsm].

(6) These technical assumptions are not meant as predictions of the development of the conflict, nor of policy decisions made by the EU or Member States related to the temporary protection scheme.

PART II

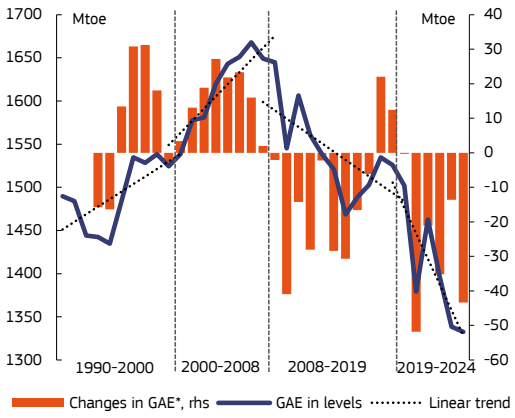
Special Issues

1. HOW CLIMATE POLICIES AND ENERGY SHOCKS ACCELERATED REDUCTION IN EU ENERGY DEMAND

Use of energy in the EU economy has fallen significantly over the last twenty years, with notable acceleration in recent years. This Special Issue examines how this reduction was achieved, distinguishing between adjustments in the transformation and energy sector, and changes in final consumption of energy by the productive sectors, transport activities and households. This adjustment —bolstered by EU climate policy and driven by a combination of efficiency gains and structural reallocation—has arguably reduced the EU's vulnerability to the current energy crisis.

The analysis in this Special Issue draws on concepts and definitions in Eurostat energy balance statistics. Energy balances constitute the internationally harmonised statistical framework used to describe energy supply, transformation, and final consumption, which is compiled by Eurostat for the EU Member States and other European countries [28]. The analysis also draws on the JRC-IDEES-2023 database, which provides more granular sectoral, technological and end-use breakdowns calibrated to, and consistent with, the official Eurostat energy balances. Energy use is measured in terms of Gross Available Energy (GAE), which represents the quantity of energy necessary to satisfy all energy-consuming activities in a country. It includes energy use for energy transformation and other needs of the transformation and energy sector, final energy consumption (industry, transport, households, services, agriculture) and the use of energy carriers for non-energy purposes (e.g. in the chemical industry).

Graph II.1.1: **Evolution of Gross Available Energy (GAE) in EU, 1990-2024**

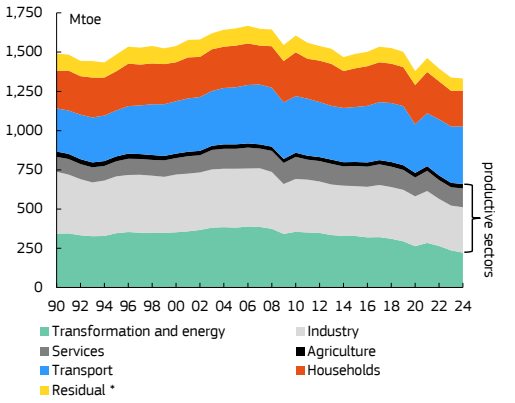


* 3-year moving average of annual change in GAE.

Between 1990 and 2024 Gross Available Energy fell by over 150 million tons of oil equivalent (Mtoe) in the EU [29]. This represents a reduction of around 11% over the period. The pace of reduction has not been uniform; it has unfolded in four distinct phases (highlighted in Graph II.1.1):

- 1990-2000 – still marked by increasing energy use,
- 2000-2008 – continued strong growth in GAE in the run-up to the Global Financial Crisis (GFC),
- 2008-2019 – post-GFC decline followed by some increase in the second half of the decade,
- 2019-2023 – strong downward adjustment amid COVID-19 and 2021-22 energy crises.

Graph II.1.2: **Evolution of Gross Available Energy by main users, EU**



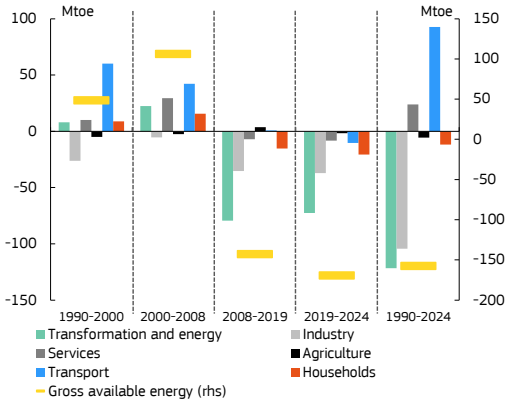
*Residual comprises energy sector's own use of energy, distribution losses and statistical discrepancy.

[28] Eurostat Energy Balances

[29] In this analysis, EU27 aggregates are presented on a fixed-composition basis. This means that historical EU27 aggregates include data for all current Member States, irrespective of their accession date. This is in line with the approach followed in the European economic forecasts.

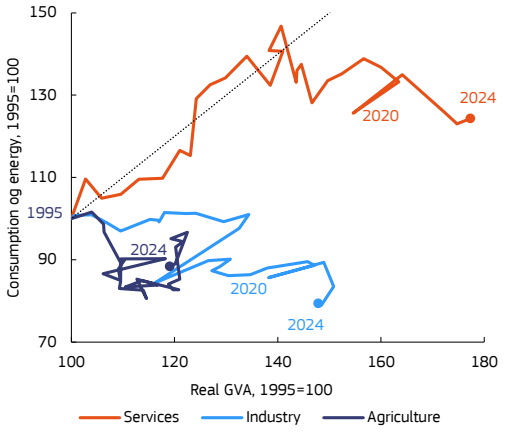
Reduction in energy use was led by the transformation and energy sector and by industry. Graph II.1.2 illustrates the evolution of energy use by sectors, measured in Mtoe, while Graph II.1.3 shows the corresponding changes in energy use across the four distinct phases identified above, as well as over the entire 1990–2024 period. The graphs illustrate that the EU-wide adjustment in energy use occurred primarily after 2008 and was led by the transformation and energy sector and by industry. The former reduced its energy use by 122 Mtoe, or more than three-quarters of the EU's total decline in GAE, since 1990 (see Graphs II.1.2 and II.1.3). As a result, its share in GAE fell from 23% in 1990 to 17% in 2024. Outside the transformation and energy sector, the bulk of reduction in energy demand is concentrated in industry, which shed 109 Mtoe between 1990 and 2024. Households also contributed, but to a much smaller degree. In particular, following two decades (1990-2010) of progressive increase, energy demand by households entered a downward trend that accelerated in the aftermath of the 2022 energy crisis. By contrast, services, and especially transport, have still not offset the increased use observed up to 2008 (see Graphs II.1.2 and II.1.3).

Graph II.1.3: **Changes in energy use by sectors, EU**



The changes in energy use of the services sector since the 1990s need to be viewed against the backdrop of a major structural reallocation of economic activity. The services sector's 17% increase in energy use between 1990 and 2024 (24 Mtoe), and the corresponding rise in its share of GAE from 6% to 9%, should be seen in the context of the sector's substantial expansion in value added, which increased by 75% over the same period, outpacing growth in both industry (50%) and agriculture (20%) (see Graph II.1.4). In light of this, the increase in the sector's energy use appears relatively modest and points to significant efficiency gains at the aggregate level. At the same time, the services sector has undergone significant structural shifts towards high value-added knowledge-intensive activities, such as ICT, business, professional and scientific services, with ambiguous implications for energy demand [30]. All in all, a rapid expansion of a sector that on average is relatively less energy-intensive than the rest of the productive economy has led the decoupling of economic growth from use of resources—a trend visible in all highly tertiarised economies. By contrast, both energy use and value added in agriculture have changed relatively little throughout the period, with the sector's energy use stable at around 3% of GAE (see Graphs II.1.2 and II.1.4).

Graph II.1.4: **Evolution of value added vs. energy consumption in the productive sectors: 1995-2024**

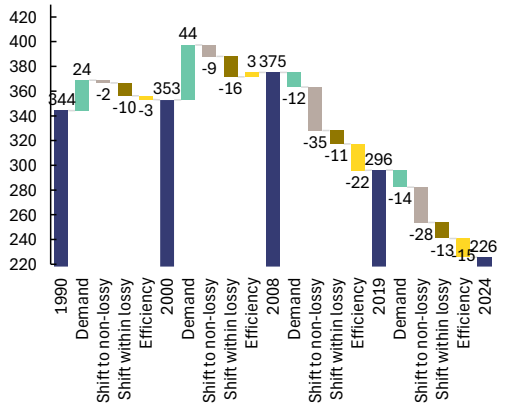


Policy-driven renewable energy deployment played a key role in reducing energy use in the transformation and energy sector. The sector's energy use entails also transformation

[30] While the sector's structural changes have generally lowered energy intensity per unit of output, the rapid expansion of energy-intensive data centres (driven by cloud computing, AI and digitalisation) is likely to partially offset these gains. Unavailable data on detailed energy use within the services sector makes it impossible to analyse the impact of the structural reallocation on overall efficiency gains in services.

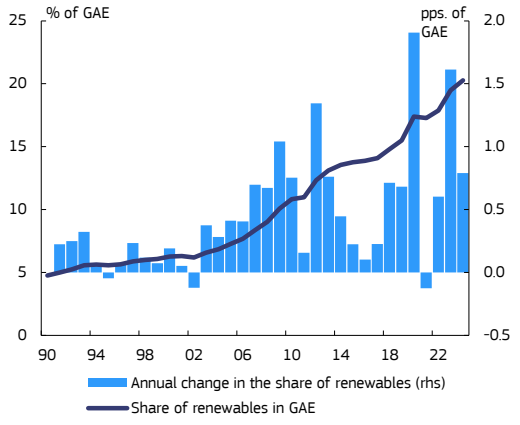
losses [31]—energy lost when primary energy sources such as coal, gas, crude oil, wind or solar are converted into usable forms including electricity, heat or transport fuels. Transformation losses may decline through [32]: (1) a shift from lossy conversion technologies to non-lossy alternatives such as wind and solar; (2) shifts within lossy technologies towards less loss-intensive ones (e.g. from coal to gas); (3) improvements in the technical efficiency of existing technologies; and (4) changes in energy demand. Graph II.1.5 applies the Logarithmic Mean Divisia Index (LMDI) decomposition method to assess the contribution of these drivers over time. From 1990 to 2008, transformation losses increased steadily because rising energy demand outweighed relatively modest efficiency improvements and limited structural changes in the energy mix. While shifts within fossil-fuel technologies helped reduce the losses, the transition towards renewables remained at an early stage and contributed only marginally to lowering losses, whereas technical efficiency gains were negligible. Overall, the EU energy system remained heavily reliant on high-loss, inefficient conversion technologies. In contrast, since the global financial crisis—and especially after 2020—transformation losses have declined markedly, driven by all four effects, especially by the shift to renewable energy. This shift gained momentum as renewable energy deployment accelerated due to EU climate policies—strengthened again after 2020—, falling costs of solar and wind technologies, and technological progress (see Graph II.1.6). At the same time, improvements within fossil-fuel-based technologies and broader technical efficiency gains, supported by digitalisation, the EU Emissions Trading System (ETS) and the modernisation of older plants [33], also contributed to the decline. Together, these developments point to a transition towards a more efficient and sustainable energy system.

Graph II.1.5: **LMDI decomposition of changes in transformation losses (in Mtoe)**



* Years refer to the level of transformation losses for the respective year.

Graph II.1.6: **Renewables in the EU energy balance**



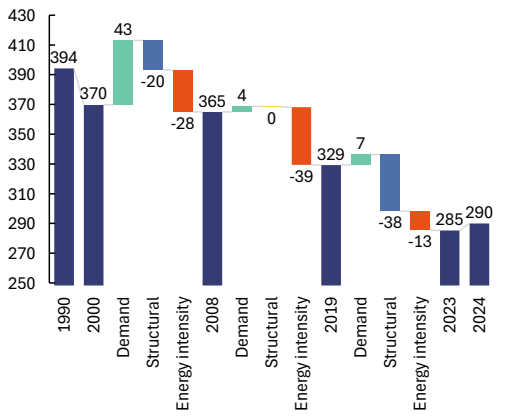
[31] This special issue deliberately uses a narrow definition of energy use by the *transformation and energy* sector, limited to transformation losses which occur in the conversion of primary energy (such as power plants producing electricity from coal). The sector additionally consumes some energy for its own use—for instance, to support the operation of power plants. This own use represents a relatively small and stable share of GAE, and cannot be easily decomposed within the Eurostat energy balance framework used in this analysis. It is therefore not analysed further.

[32] This analysis follows the Eurostat energy accounting convention based on physical energy content. In this framework, transformation losses arise when combustible fuels and heat-based primary energy carriers—such as nuclear and geothermal heat—are converted into electricity or derived heat. Conversely, electricity generated from non-combustible renewable sources, including solar photovoltaic, wind, hydro and marine energy, is accounted for on a 1:1 basis with primary energy and therefore does not generate recorded transformation losses. In the case of power plants that use combustible fuels, transformation losses vary significantly depending on the fuel type and conversion technology. Coal-fired and waste-fired power plants generally exhibit relatively high losses due to heat dissipation and combustion inefficiencies. Oil-fired stations perform slightly better, and combined-cycle gas turbine (CCGT) plants achieve the lowest losses.

[33] The progressive liberalisation of EU electricity markets, initiated by Directive 96/92/EC and later strengthened by subsequent energy market legislation, supported the entry of new producers and may have stimulated investment in more efficient fossil-fuel technologies such as CCGT plants.

Reductions in industrial energy use have been increasingly driven by efficiency improvements and, more recently, structural shifts away from energy-intensive industries. By linking energy use to gross value added (GVA), it is possible to distinguish between three drivers of changes in industrial energy consumption: (1) demand effects, proxied by value added growth; (2) structural shift effects, reflecting changes in the relative weight of industrial subsectors; and (3) energy intensity effects, capturing the ability to produce more output with less energy within each subsector. Graph II.1.7 again applies the LMDI decomposition method [34] to isolate the contribution of these factors across 13 industrial subsectors [35]. During 1990–2000, the decline in industrial energy consumption was driven mainly by structural adjustment, notably the closure of inefficient industrial capacity in central and eastern Europe [36] [37]. In 2000–2008, strong demand effects linked to robust economic growth were more than offset by improvements in energy intensity and shifts within industry away from more energy-intensive activities (see Graphs II.1.7 and II.1.8a). Between 2008 and 2019, against the backdrop of the GFC, the euro area debt crisis and the growing prominence of EU climate policy [38], industrial energy use declined further as economic activity broadly stagnated. The reduction was driven primarily by technological upgrading and stronger policy incentives, but also by relatively high energy prices. The adjustment accelerated sharply between 2019 and 2023 following the COVID-19 pandemic and the energy crisis triggered by Russia's full-scale invasion of Ukraine. Industrial energy consumption fell by 54 Mtoe, reaching a historic low of 436 Mtoe in 2023, with more than half of this reduction occurring in just four years. High energy prices, supply constraints and demand-reduction measures forced industries to reassess production processes and energy use, while structural shifts away from energy-intensive sectors—notably chemicals, basic metals, non-metallic minerals and pulp—also played a role (see Graph II.1.8c).

Graph II.1.7: **LMDI Decomposition in changes in energy consumption in industry (in Mtoe)**



* Years refer to energy consumption for the respective year.

[34] The decomposition of productive sectors follows: Clementi, E., Tsemekidi, S. and Paci, D (2025). "Assessing the impact of Energy Efficiency on the EU Energy Consumption in 2010-2022: an index decomposition analysis". Publications Office of the European Union, Luxembourg.

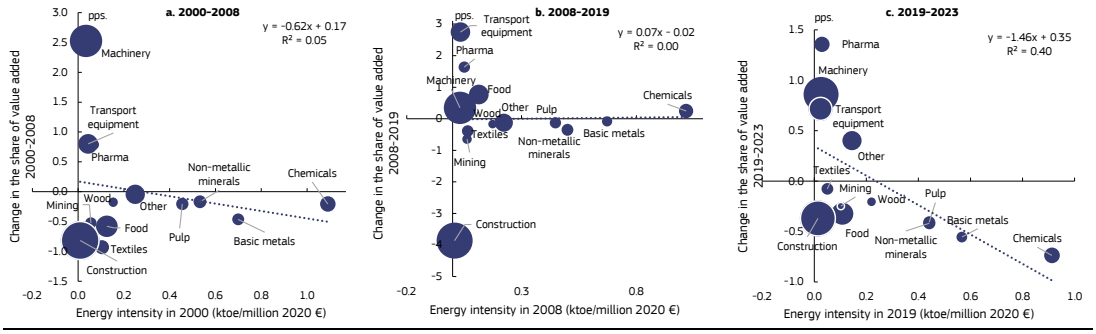
[35] Starting from the Eurostat classification used in the JRC-IDEES dataset, sector definitions are here harmonized between energy balances and macroeconomic data to cover 13 sectors: Food, beverages and tobacco; Textiles; Wood and wood products; Pulp and paper; Basic and other chemicals; Pharmaceuticals; Non-metallic minerals; Basic metals; Machinery; Transport equipment; Non-specified industries and other non-energy use; Mining and quarrying; Construction. For complete description of sectors' scope see : Rozsai, M., Jaxa-Rozen, M., Salvucci, R., Sikora, P., Gea Bermudez, J. et al. (2026), "JRC-IDEES-2023: The Integrated Database of the European Energy System", Publications Office of the European Union, Luxembourg, 2026.

[36] Ürge-Vorsatz, D. et al. (2003). "The impact of structural changes in the energy sector of CEE countries on the creation of a sustainable energy path." Final report, project IV/2002/07/03 for the European Parliament. Central European University.

[37] Due to lack of data, the LMDI decompositions for the industry, transport and households sectors are not available for the period 1990-2000.

[38] The Ecodesign Directive framework (2009 onwards), EU Energy Efficiency Directive (EED, 2012, revised 2018) and the introduction of the ETS incentivised industries to reduce energy use.

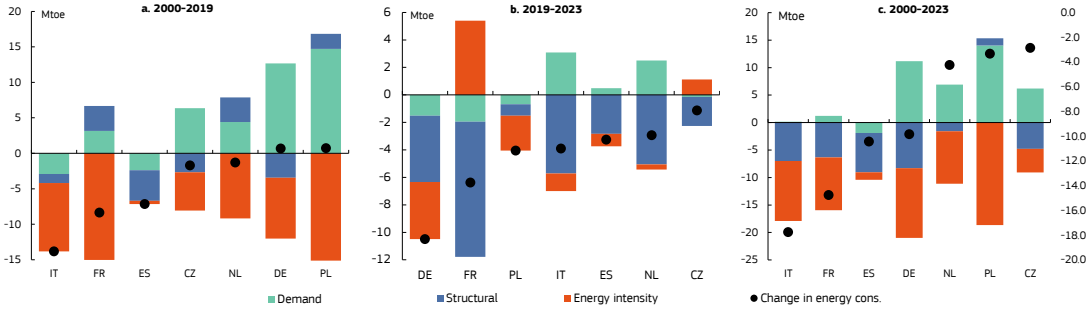
Graph II.1.8: **Structural shifts within industrial subsectors: changes in share of total value added vs energy intensity**



Bubble size proportional to GVA in the initial year.

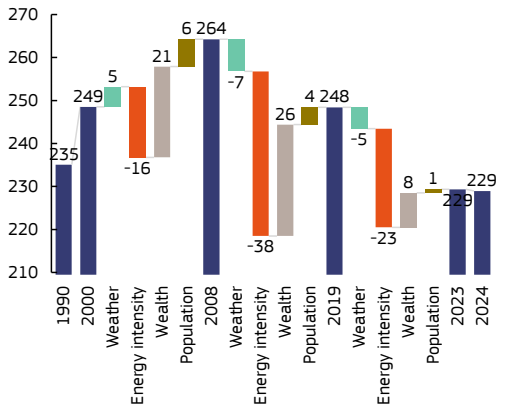
Adjustment in industrial energy use has varied markedly across Member States revealing disparities in how efficiency, demand and structural change interacted within diverse economic contexts. The EU's overall reduction in industrial energy use has been uneven across regions. Graph II.1.8 presents the LMDI decomposition for the five biggest euro area economies, as well as Poland and Czechia, which together account for 75% of the total decline in the EU's industrial energy consumption between 1990 and 2024. During the first two decades (2000-2019) strong intensity (efficiency) effects outweighed robust demand growth, driving energy use lower, except in Germany and Poland where all three effects combined into a marginally positive impact on energy consumption. Notably, Italy and Spain, severely affected by the euro area debt crisis, saw larger reductions in energy consumption as weaker demand further supressed industrial energy needs. Structural changes played a relatively minor—though highly varied—role. The most recent period 2019-2023 marks a dramatic shift in both the scale and composition of the adjustment. The substantial reductions in GAE observed over just four years were primarily driven by structural shifts away from energy-intensive industries, with smaller contributions from declining energy intensity and reduced demand. In Germany and Poland, the three effects reinforced one another, leading to a sharp fall in use. Efficiency improvements, however, showed greater heterogeneity: while France and Czechia reported increases in energy intensity, most other countries saw moderate declines (with Germany experiencing a relatively steep reduction). Overall, the decline in industrial energy use from 2000 to 2023 was predominantly driven by efficiency improvements (particularly in Poland, Germany, and Italy), accompanied by significant within-sector structural shifts—most notably in Spain, Germany, Italy, France and Czechia. Demand effects linked to economic activity had a mixed impact: they boosted energy use in Poland and Germany, reduced it in Spain, and had a neutral effect in Italy.

Graph II.1.9: **LMDI decomposition of changes in energy consumption in industry by 5 biggest EA Member States, Poland and Czechia**



Over the past two decades, households reduced their energy consumption primarily through efficiency improvements. The LMDI decomposition applied to the GAE by households or residential sector [39] shows the overwhelming importance of energy intensity improvements across all periods, offset—to varying degrees—by the contribution from steady (though decelerating) population and wealth growth, with the latter proxied by the average floor area per capita. While the effects related to population and wealth growth clearly prevailed over efficiency improvements during 2000-2008, the opposite is true for the following two periods [40]. Interestingly, weather also played a non-negligible role, adding to demand during 2000-2008, but detracting from it afterwards.

Graph II.1.10: **LMDI decomposition of changes in household energy consumption (in Mtoe)**



* Years correspond to household energy consumption for the respective year.

Efficiency gains in transport activities have so far proved insufficient to offset rising demand. The LMDI decomposition [41] of changes in energy consumption in transport shows that the demand effect shaped energy use throughout the period, while modal shifts—i.e. changes in the distribution of transport activity across road, rail, aviation (including international flights), and navigation (for freight only, including maritime bunkers)—played only a limited role. Energy consumption increased markedly between 1990 and 2008, driven primarily by the rapid expansion of low-cost air travel, and sustained growth in road transport activity. This was followed by a period of relative stability between 2008 and 2019, during which continuously rising demand for passenger and freight transport, particularly in aviation, was largely offset by substantial energy efficiency improvements in aviation [42], as well as in road transport and navigation. Following the COVID-19 shock, transport activity remained depressed and had not fully recovered by 2023, with freight transport being the main exception. In recent years, the contribution of energy efficiency improvements has been comparatively modest, especially in passenger aviation, where energy intensity in 2023 remained significantly above 2019 levels.

[39] Residential energy consumption stems predominately from the "thermal" uses, with heating accounting for two-thirds of overall consumption (see Energy consumption in households for details). Given the importance of heating and cooling, total floor area serves as the most appropriate indicator for normalising energy use. Using JRC-IDEES for 2000-23, the LMDI decomposition of household energy demand isolates the following effects: (1) Energy intensity (*efficiency*), (2) Total floor area (further split into *population* growth and per-capita floor area—a proxy for *wealth*), (iii) *Weather* effects (variation in annual heating needs as proxied by Eurostat's heating degree-days - *nrg_chdd_a*).

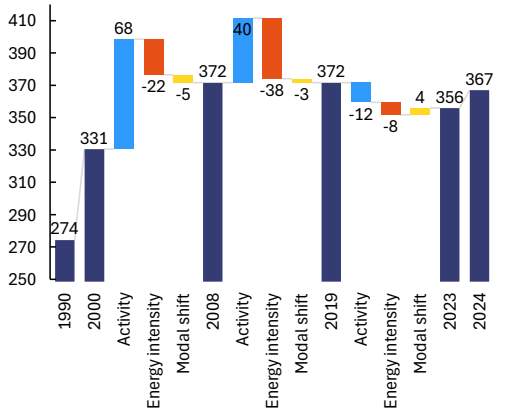
[40] Residential energy efficiency trends roughly follow the pattern in transformation and energy: the initial shift within fossil technologies, with efficient condensing gas boilers reaching higher market share in the 2010s, followed by a sharp uptake of heat pumps more recently (especially since the COVID/gas crisis years).

[41] Transport energy covers all transport activities, regardless of the NACE sector in which the activity happens. This means it includes the private cars of households (which are not a NACE economic sector), as well as transportation that occurs as an ancillary activity within agriculture, manufacturing or service businesses. In the absence of a common unit (e.g; passenger-km vs. tonne-km) to assess energy use across various transport activities, the JRC-IDEES dataset disaggregates the activities into two types (passenger and freight) and four modes (road, rail, navigation and aviation). The LMDI decomposition separately computes activity, intensity and modal shift effects for passenger and freight transport, and then aggregates each of these three effects across the two types of transport.

[42] Improvements stemmed from stricter emissions regulations (inclusion of aviation in the EU ETS), adoption of advanced aircraft technologies and lightweight composites, and operational optimisations such as improved air traffic management under the Single European Sky initiative.

The EU's response to successive energy shocks, reinforced by a strengthened climate policy framework, has demonstrated that large-scale reductions in energy demand are possible. This adjustment was achieved principally through systemic long-term transformation in both supply and consumption. Part of the reduction was further accelerated by the sharp rise in energy prices, which inevitably also led to a painful contraction of activity—particularly in energy-intensive industries. All in all, the reduction in energy use (GAE) between 1990 and 2024 was driven as much by efficiency gains and renewable deployment as by crisis-induced behavioural changes amid undistorted price signals—proving that policy and market forces can work in tandem.

Graph II.1.11: **LMDI decomposition of changes in energy consumption in transport (in Mtoe)**

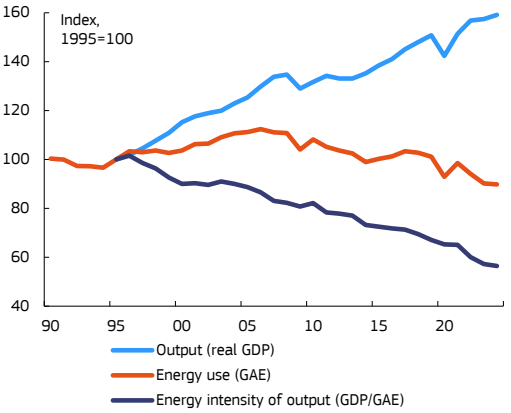


* Years correspond to energy consumption for the respective year.

These reductions in energy consumption have significantly diminished the vulnerability of the EU economy to the ongoing energy crisis. Compared to 1995, every euro of EU's economic output now requires, on average, 44% less energy (see Graph II.1.12), while every euro of industrial output demands 50% less. Over one-third of this progress has occurred since 2019 alone. Though the sharp rise in energy prices triggered by the conflict in the Middle East still constitutes a substantial negative supply shock, its impact would have been far more severe without the marked decline in energy use in the EU. Moreover, this adjustment has occurred alongside a steady shift away from fossil fuels in the EU's energy mix. Over the past 35 years, the share of renewables in gross available energy has quadrupled, rising from 5% in 1990 to 20% in 2024 (see Graph II.1.6), and tripled in electricity generation in the last two decades alone (to 47.5% in 2024). This shift has simultaneously reduced reliance on imported fossil fuels and cut CO_2 emissions—delivering a dual benefit for energy security and climate goals [43].

The EU's energy transition offers critical lessons for the current crisis. First, lasting reductions came from structural shifts, not demand destruction. Second, coherent policies—from the first energy package in 1996 to the 2020 climate and energy framework, the Fit for 55 package, and subsequent initiatives like REPowerEU—drove progress by steadily fostering renewables deployment, raising efficiency standards, and building energy security over decades. Third, the EU turned crisis into opportunity by using high prices to spur investment in alternatives.

Graph II.1.12: **Evolution of energy use, output and energy intensity in the EU**



[43] European Commission (2025). "Trends in carbon intensity and the macroeconomic role of the EU Emissions Trading System - Economy and Finance." In European Economic Forecast - Autumn 2025, European Economy Institutional Paper 327, Special Issue, pp. 81-87.

2. THE AI-ADOPTION DIVIDE: WHO BENEFITS, WHO DOESN'T, AND WHAT IT MEANS FOR WORKERS

Artificial Intelligence (AI) is rapidly becoming part of our daily and work lives. Yet key questions about its impact remain unanswered: does AI genuinely enhance workers' productivity? How does it affect output quality, workload management, and job security?

The results of an ad-hoc module of the European Commission consumer surveys, conducted in February-March 2026, show that just over half of Europeans use AI, and one in four uses it in their jobs. AI uptake is most prevalent in innovative countries, among highly educated individuals as well as managers and professionals. Yet, higher use is often associated with weaker perceived gains. Lower-skilled workers and young people perceive greater gains but also express greater fear of job displacement because of AI. This Special Issue provides a brief description of the survey results. [(44)]

AI's impact on productivity remains uncertain. The evidence is mixed—with promising signs of gains at the individual level, but open debate about its broader economic effects. [(45)] Studies continue to rely on an incomplete and rapidly evolving evidence base. Most studies focus on firms rather than workers—tracking adoption rates, investment and financial returns. [(46)] When workers are surveyed, the focus is often narrow, limited to highly exposed roles such as IT specialists or single companies or sectors. [(47)] This leaves a gap in our understanding of how AI is reshaping work and productivity from the workers' perspective.

An ad-hoc survey conducted in 18 EU Member States offers fresh insights into individuals' use of AI and its perceived impact on their work. The module was incorporated into the February and March waves of the Commission's monthly consumer surveys. [(48)] Respondents were first asked whether they use AI tools [(49)] for their work or for personal, non-work-related purposes. Those who reported using AI for their work were asked to evaluate its impact in four areas: task completion efficiency; quality of work outputs; workload manageability; and job stability. For each aspect, respondents chose from graded response options (e.g. much faster/slightly faster, a lot/a little, very afraid/somewhat afraid). Finally, respondents who indicated that AI accelerates their task completion were asked to estimate their monthly time savings in hours.

Just over half of Europeans report using AI for either their work or personal tasks (see Graph II.2.1)**.** Across the EU Member States participating in the survey, around 54% of individuals use AI technologies. Of these, slightly less than half use the technology for work-related reasons, either exclusively or in combination with personal use. The remainder use AI for non-work-related purposes only. The findings reveal an uneven adoption of AI across countries and socio-economic groups, with young people and higher educated individuals reporting the greatest use of the technology. People in employment use AI more often than the unemployed or people outside the labour force. Among the employed, 'Managers and professionals' report the highest use. Students

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(44) A more detailed analysis was published last 20 April 2026 in the European Business Cycle Indicators, AI at work in Europe: perceived impacts on productivity, quality of work, and job security.

(45) See Acemoglu, D. (2025). "The simple macroeconomics of AI." *Economic Policy* 40.121: 13-58. Aghion, P. and S. Bunel (2024). "AI and Growth: Where Do We Stand?", policy note.

(46) See EIB Investment Survey 2025, Eurostat EU survey on ICT usage and e-commerce in enterprises (isoc_e) (2025), McKinsey & Co The state of the AI in 2025, and PWC Responsible AI survey, among others.

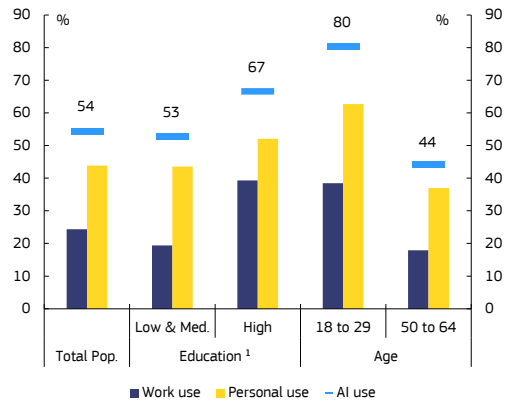
(47) See Eurobarometer 554 and 557, Eurofund European Working Conditions Survey 2024, JRC AIM-WORK survey 2024/2025, OECD Survey of employers and workers, or StackOverflow Developer Survey 2025.

(48) The harmonised surveys are carried out in all 27 EU countries and five candidate countries, see Business and consumer surveys - Economy and Finance - European Commission. The ad-hoc module on AI use was conducted on a voluntary basis in 18 EU Member States (Bulgaria, the Czech Republic, Germany, Greece, Spain, Croatia, Cyprus, Latvia, Hungray, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovakia, Finland, Sweden), overall representing 69% of the EU population, and 4 candidate countries (Albania, Montenegro, North Macedonia and Serbia). The EU aggregates in this analysis are calculated as employed population-weighted averages (Eurostat: lfsi_emp_a.EMP_LFS) of the country-specific results. Overall, 21 207 responses were collected in the EU.

(49) The questionnaires provided examples of relevant AI technologies to help respondents identify the AI tools. Those examples included ChatGPT, DALL·E, Midjourney, Adobe Firefly, or GitHub Copilot and were adapted by the national surveying institutes to the local context.

also report significant work-related usage—likely for study and job hunting. Men report using AI for work tasks more often than women. However, a detailed statistical analysis indicates no difference between genders, suggesting that this difference likely reflects socio-economic characteristics of the two population groups, rather than different attitudes towards the technology.

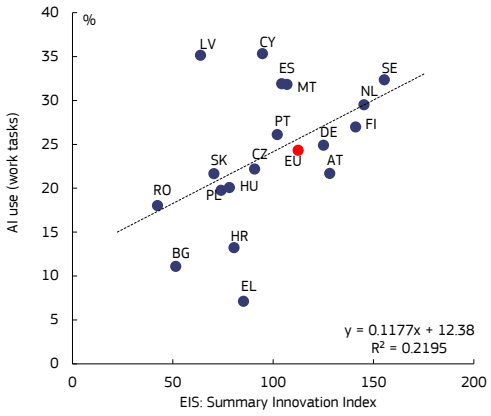
Graph II.2.1: **"Are you using AI technologies for your work or for personal tasks? (multiple answers allowed)" (% of respondents)**



1: 'Low & Med.' and 'High' broadly correspond to ISCED levels 0 to 4 (akin to secondary education and below) and 5 to 8 (akin to tertiary), respectively.

Source: European Commission ECFIN Business and Consumer Survey.

Graph II.2.2: **EIS Innovation index vs AI use for work tasks**



Source: European Commission ECFIN Business and Consumer Survey.

The uneven adoption of AI risks widening economic disparities—both within labour markets and between regions. The fact that higher-educated individuals and workers in high-skilled occupations (typically earning above-average wages) adopt AI tools at above-average rates complements the observation that AI use is more widespread in economies with robust innovation ecosystems, as measured by the Summary Innovation Index (EIS-SII) of the European Innovation Scoreboard (see Graph II.2.2). Together, these trends risk deepening a dual digital divide: within economies—i.e. between socio-economic groups—and across them.

AI technology is widely reported to save time when completing tasks (see Graph II.2.3)**.** A large majority (91%) of those who use AI for work purposes find that AI enables them to complete their work faster; of these, about two in five report significant gains. 'Managers and professionals' show the highest share of large gains by occupation. Younger individuals lead across age groups, and students and others engaged in unpaid or domestic work also report relatively high work time savings.

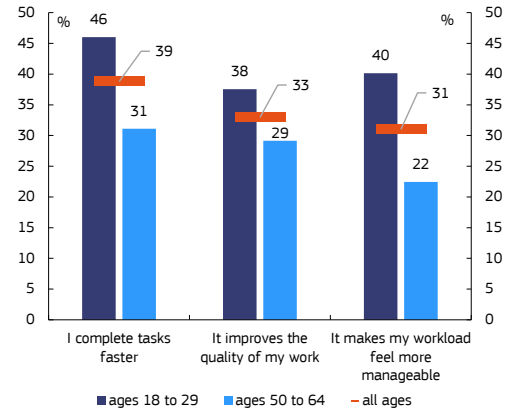
On average, employed individuals in the EU estimate that they save 7.4 hours of work per month thanks to AI use. Given that the standard EU working month consists of approximately 160 hours (based on a 40-hour week), this implies a 4.6% perceived efficiency gain among users who report time savings from AI. [50] By occupation, 'Managers and professionals' report the highest time gains in completing their work tasks (8.5 hours per month), followed by workers in elementary occupations (8.3). Outside the employed population, students and other people engaged in unpaid work report the highest time gains of all groups, at 9.0 hours per month. Extending the above-mentioned 4.6% efficiency gain perceived by AI users to the whole employed population, the average time gain is estimated at 1.5%. [51] This is slightly below the 1.6%

[50] These efficiency gains may not fully translate into productivity gains, particularly in the presence of efficiency losses or misallocation.

[51] The average reported AI productivity gain for employed EU individuals (1.45%) is calculated as: AI time Gains = (Time Gains of AI users perceiving time-saving × Share of users perceiving time-saving) × AI Usage Rate among the employed = (4.6% × 91%) × 34.5% = 1.45%.

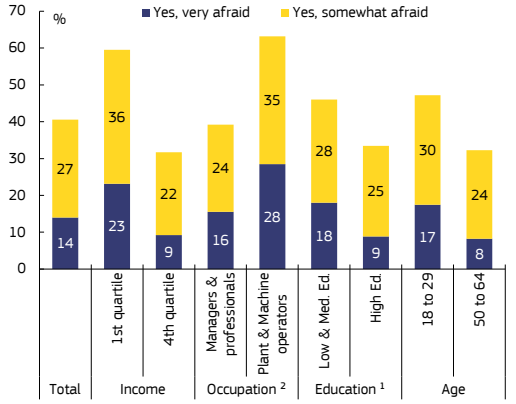
estimated by Bick *et al.* (2025) [52] for the US. Multiplying this gain by the share of labour in total factor productivity (TFP) in the EU (65%) [53] leads to an estimated 0.94% gain in TFP from current AI use. This estimate relies on strong simplifying assumptions—most notably the absence of labour displacement effects and the full conversion of reported time savings into productive output. It should therefore be interpreted as an upper bound to the potential productivity gains associated with AI use, given the current state of the technology. [54] Nevertheless, it remains within the range of estimates reported in the literature, notably Acemoglu (2024) and Aghion and Bunel (2024), who obtain cumulative productivity gains of around 0.71% and 6.8% over a 10-year horizon, respectively, under comparable methodologies. [55]

Graph II.2.3: **"How do you think that the use of AI technologies impacts your work-related tasks?" (% of "yes, very much")**



Source: European Commission ECFIN Business and Consumer Survey.

Graph II.2.4: **"I am afraid of losing my work or become redundant" (because of AI) - (% share of respondents)**



¹: 'Low & Med.' and 'High' broadly correspond to ISCED levels 0 to 4 (akin to secondary education and below) and 5 to 8 (akin to tertiary), respectively .
²: 'Managers & professionals' correspond to ISCO-08: 11 to 14 and 21 to 26. 'Plant & machine operators' to ISCO-08: 81 to 83 and 91 to 96.

Source: European Commission ECFIN Business and Consumer Survey.

Users of AI for work purposes reported improvements also in terms of quality of work outputs or reduction in work burden (see Graph II.2.3)**.** About one third of AI users for work purposes perceive big improvements in the quality of their work; an additional half report some improvement; and the remaining 15% report no quality gains. Similarly, 31% of the respondents indicate that AI makes their work much more manageable, and just under half perceive that their workload is somewhat more manageable. Among the employed, 'Plant and machine operators, assemblers and those in elementary occupations', followed by 'Managers and professionals' report the highest improvements in output quality and work manageability. Students and persons in unpaid occupations also indicate large gains in the quality of their work from AI use (41%), though as many as 18% report experiencing no improvement. Finally, individuals with a lower educational

(52) Results from the Real Time Population Survey in Bick, A., Blandin, A. and D. Deming (2025). "The State of Generative AI Adoption in 2025," *St. Louis Fed On the Economy*, 13 November 2025.

(53) Blondeau, F., Planas, C. and A. Rossi (2021). "Output gap estimation using the European Union's Commonly Agreed Methodology: Vade Mecum & Manual for the EUCAM software". JRC Discussion Paper 148.

(54) Other important restrictive assumptions underpinning the estimate are: it excludes the emergence of new labour-intensive goods or services as a downstream effect of AI; it does not incorporate productivity gains from capital deepening; and it assumes no further intensification of automation beyond current trajectories, with capital–labour substitution elasticities held constant.

(55) Using Hulten's theorem, Acemoglu (2024) reports a cumulated 0.71% (or less than 0.55% under more restrictive assumptions) over 10 years. Likewise, Aghion and Bunel (2024) estimate 0.68% TFP growth per year, over 10 years (6.8% cumulated) under a similar approach. The method used here is inspired from that methodology: Hulten, C. R. (1978). "Growth Accounting with Intermediate Inputs." The Review of Economic Studies 45.3: 511-518.

attainment who use AI for work purposes report higher improvements in work quality or work manageability than their more educated peers.

Economies and socio-economic groups with higher AI adoption tend to report lower perceived benefits from the technology. Countries with advanced innovation systems—and highly educated, high-skilled workers—tend to assess AI's advantages (e.g. time savings, work quality) less positively than their lower-adoption counterparts. This suggests that where automation and AI are already deeply embedded, its additional benefits are perceived as incremental rather than transformative. By contrast in environments where AI integration is less prominent, even modest gains stand out.

A significant share of users of AI technologies is concerned about job loss or redundancy due to AI (see Graph II.2.4)**.** Among employed individuals using AI at work, 14% are very concerned and 27% are somewhat concerned about potential job displacement due to AI. Across professions, 'Plant and machine operators, assemblers, and elementary occupations' show the highest levels of anxiety. Those outside employment (students and unpaid workers) align closely with the broader sample, though slightly more (48%) are very or somewhat concerned. For this group, particularly students, the question was likely understood as referring to their future employability. Fear of AI-driven job displacement is highest among lower-income, less-educated, and younger individuals.

PART III

Prospects by individual economy

Euro Area Member States

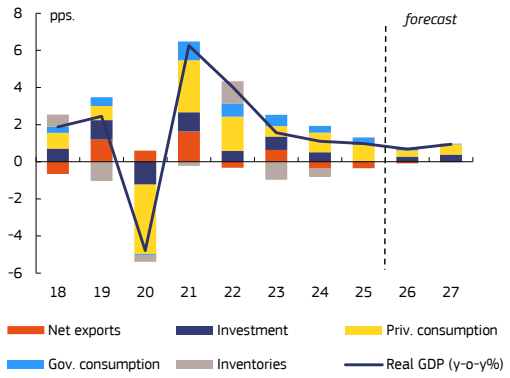
1. BELGIUM

Belgium's economic growth is set to decelerate in 2026, mainly due to weakening private consumption. GDP growth is expected to rebound in 2027, supported by improving domestic demand. Inflation is forecast to rise in 2026, driven by higher energy prices stemming from the conflict in the Middle East, before decreasing in 2027 due to lower price pressures for energy. As a result of the fiscal consolidation measures, a stabilisation in the general government deficit is projected in 2026. However, the deficit is expected to rise again in 2027 due to higher defence and interest expenditure. The forecasted high levels of deficit translate into a further increase in the already high government debt-to-GDP-ratio.

Economic growth set to decelerate in 2026

The Belgian economy grew by 1% in 2025, mainly driven by robust private consumption. However, investment slowed down and the contribution of net exports remained negative. Real GDP increased by 0.2% in the first quarter of 2026. However, decreasing consumer confidence points to a slowdown in Q2.

Graph III.1.1: **Belgium - Real GDP growth and contributions**



Private consumption is expected to weaken over the forecast horizon, reflecting reduced purchasing power stemming from higher inflation and lower growth in social benefits. The saving rate is set to remain stable at 12% of disposable income in 2026 and 2027. Investment is projected to grow modestly, weighed down by tighter financial conditions, uncertainty stemming from geopolitical tensions and the surge in energy prices. Household investment is expected to decline further in 2026, as building permits continue their downward trend. Exports are expected to slightly recover as of 2026. At the same time, imports are also projected to pick up, in particular due to defence-related deliveries. As a result, net exports are set to continue contributing negatively to GDP also in 2027. Overall, real GDP growth is projected to decelerate to 0.7% in 2026, before increasing to 0.9% in 2027.

Employment expected to gradually rise

Employment is forecast to increase gradually over the forecast horizon, underpinned by reforms aimed at extending careers, through the pension reform, notably the bonus-malus system, and reintegrating long-term sick employees into the labour market. Unemployment is projected to slightly increase in 2026 before declining in 2027, as the two-year cap on unemployment benefits duration is expected to increase the number of active job-seekers. Wage growth is set to moderate over the forecast horizon, mainly due to more stable inflation compared to previous years and the cap on the indexation of higher wages.

Inflation set to edge up in 2026

Headline inflation is projected to rise from 3% in 2025 to 3.4% in 2026. Energy inflation is expected to rise as a result of the conflict in the Middle East. Services inflation is set to remain elevated, fuelled by rising prices for service vouchers, higher university tuition fees and VAT increases on certain products. Headline inflation is projected to ease to 2.6% in 2027 as energy and non-energy industrial goods prices are expected to decelerate. However, this slowdown is forecast to be partly offset by higher services prices.

High deficits to remain despite expenditure consolidation

In 2025, the general government deficit increased significantly to 5.2% of GDP, up from 4.4% in 2024. This was driven by a strong decline in revenues, mainly from income and wealth taxes, in combination with higher expenditure in particular on defence and social benefits.

The deficit is projected to stabilise at 5.2% of GDP in 2026 mainly due to measures taken by the federal and regional governments to contain spending and increase revenue. Higher expenditure on defence and interest payments is partly offset by reductions in current spending on social benefits, subsidies and public sector wages. The decrease in current spending stems from a range of reforms and consolidation measures targeting pensions and labour market reintegration. At the same time, revenue as a percentage of GDP is projected to increase, rebounding from its 2025 low, as a consequence of fiscal measures on VAT, capital gains tax and financial sector taxation.

In 2027, the deficit is forecast to widen again to 5.4% of GDP, driven by higher expenditure. The decline in other current revenue and capital transfers following the end of the RRF is mirrored by lower expenditure. On the revenue side, various measures broadly offset each other. In terms of expenditure, the expected increase in defence spending and interest payments is only partially offset by a decline in intermediate consumption and public sector wages. The latter reflects slower growth in public sector employees and the partial wage indexation. Defence spending is projected to increase gradually from 1.4% of GDP in 2025 to 1.8% in 2027, taking into account the delivery timelines for military equipment.

General government gross debt stood at 107.9% of GDP at the end of 2025. The structurally high general government deficits are the main driver of the projected increase in the debt-to-GDP ratio to 112.8% in 2027.

Table III.1.1: **Main features of country forecast - BELGIUM**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		642.0	100.0	1.3	4.0	1.6	1.1	**1.0**	**0.7**	**0.9**
Private Consumption		335.9	52.3	1.3	3.7	1.1	2.0	**1.7**	**0.6**	**1.1**
Public Consumption		153.8	24.0	1.2	3.0	2.6	1.5	**1.6**	**0.6**	**0.1**
Gross fixed capital formation		153.4	23.9	1.7	2.5	3.0	2.1	**0.1**	**1.1**	**1.6**
Exports (goods and services)		484.4	75.5	3.0	3.1	-7.2	-1.7	**-0.3**	**0.6**	**1.9**
Imports (goods and services)		497.4	77.5	3.0	3.5	-7.6	-1.3	**0.1**	**0.7**	**1.9**
GNI (GDP deflator)		650.9	101.4	1.3	4.1	2.0	0.9	**0.7**	**0.8**	**0.8**
Contribution to GDP growth:		Domestic demand		1.4	3.1	1.9	1.9	**1.3**	**0.8**	**1.0**
		Inventories		0.0	1.2	-1.0	-0.5	**0.0**	**0.0**	**0.0**
		Net exports		0.0	-0.3	0.6	-0.3	**-0.3**	**-0.1**	**0.0**
Employment				0.9	1.9	0.8	0.3	**0.4**	**0.6**	**0.7**
Unemployment rate (a)				7.4	5.6	5.5	5.7	**6.2**	**6.6**	**6.5**
Compensation of employees / head				2.1	7.5	7.5	3.4	**3.3**	**2.4**	**2.2**
Unit labour costs whole economy				1.7	5.4	6.7	2.5	**2.6**	**2.4**	**1.9**
Saving rate of households (b)				14.5	12.9	14.0	12.9	**12.4**	**12.0**	**12.0**
GDP deflator				1.8	6.7	5.5	1.9	**2.6**	**2.2**	**2.1**
Harmonised index of consumer prices				1.9	10.3	2.3	4.3	**3.0**	**3.4**	**2.6**
Terms of trade goods				-0.2	-5.5	1.8	0.3	**-2.1**	**-0.9**	**0.3**
Trade balance (goods) (c)				0.2	-1.0	1.3	1.7	**0.2**	**-0.2**	**0.0**
Current-account balance (c)				1.2	-2.0	0.1	-0.4	**-2.3**	**-2.6**	**-2.6**
General government balance (c)				-3.0	-3.5	-4.1	-4.4	**-5.2**	**-5.2**	**-5.4**
Fiscal stance (c)				:	-1.4	0.1	-0.4	**0.3**	**0.8**	**0.6**
Structural budget balance (d)				-3.0	-4.2	-4.2	-4.1	**-4.9**	**-4.4**	**-4.4**
General government gross debt (c)				101.5	103.3	102.5	103.9	**107.9**	**110.5**	**112.8**

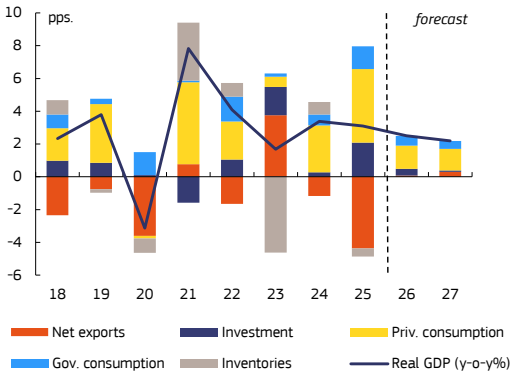
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

2. BULGARIA

Real GDP growth is forecast to decelerate over the forecast horizon, mostly due to slowing growth of domestic demand. Private consumption growth is set to ease, reflecting weaker consumer confidence and lower wage growth. Public consumption is forecast to continue supporting GDP growth, which is forecast to be 2.5% and 2.2% in 2026 and 2027, respectively. Higher energy prices are expected to drive inflation up in 2026. The government deficit is set to exceed 4% of GDP in 2026 and 2027, driven by social spending and public sector wages. The debt-to-GDP ratio is expected to reach 35.5% by 2027.

Public spending to support growth amid weakening external demand

Graph III.2.1: **Bulgaria - Real GDP growth and contributions**



Real GDP growth reached 3.1% in 2025, driven by strong domestic demand, with private and public consumption and investment increasing strongly. Investment growth was supported by increased absorption of RRF funds. However, exports contracted in the first half of 2025 due to maintenance works by major domestic exporters, recovering only partially in the second half of the year. Import growth was stronger than expected as a result of the strong domestic demand and net exports turned negative. In 2026 and 2027, real GDP growth is forecast to moderate, reflecting slower private consumption growth amid lower wage and employment growth, as well as lower private investment. The conflict in the Middle East is expected to weigh on activity in 2026, as the adverse terms-of-trade shock reduces households' purchasing power and weakens confidence. The conflict is also set to dampen aggregate demand through weaker employment growth and a slight downward revision to expected wage growth. Public consumption is expected to moderate but to continue supporting domestic demand. Private investment growth is expected to decrease gradually from the high levels seen in 2025. Exports are expected to recover in 2026, with major exporters operating closer to, albeit still below, full capacity, while import growth is expected to decelerate on the back of lower private and public investment growth. In 2027, these trends are set to continue, with further moderation in wage growth weighing on private consumption and GDP growth. Compared with the Commission's Autumn 2025 Forecast, import growth in 2027 has been revised downwards, reflecting the postponement of deliveries of major defence equipment to 2028. As a result, GDP is set to grow by 2.5% in 2026 and 2.2% in 2027.

Wage pressures expected to ease

Wage growth remained strong in 2025, with compensation per employee increasing by 10.4%, driven by higher-than-expected wage growth in the public sector, convergence with peer EU countries, and a tight labour market. Over the forecast horizon, wage growth is expected to moderate as the economic slowdown eases private sector wage pressures. Fiscal constraints and smaller legislated wage increases in the public sector for 2026 will further reduce upward pressure on pay, with wage growth forecast to fall to 5.7% in 2026 and 4.3% in 2027. Employment continued to expand in 2025, supported by robust labour demand and a positive inflow of foreign workers. The unemployment rate declined to a historic low of 3.5% in 2025. Significant labour shortages persist in key sectors, including manufacturing, construction, education and health, reflecting demographic trends and the shrinking working-age population. As a result, the labour market is expected to remain tight, with the unemployment rate staying below 4% over the forecast horizon. Continued labour market tightness is also expected to sustain wage pressures, albeit to a lesser extent than in recent years.

Higher energy prices drive inflation increase in 2026

HICP inflation is forecast to rise to 4.2% in 2026, mainly driven by higher energy prices linked to the conflict in the Middle East, recent increases in food prices and base effects related to the fading impact of the decline in hospital fees in April 2025. Increased input costs, second-round effects from higher energy prices, and persistent services inflation are set to keep inflation elevated in 2026-27. Overall, inflation in 2027 has been revised downwards from the Autumn Forecast, reflecting base effects arising from lower energy prices compared to 2026, and the postponement of the introduction of ETS2, which had previously been expected to drive energy prices up.

Deficit expected to exceed 4% over the forecast horizon

The general government deficit reached 3.5% of GDP in 2025. Without consistent compensatory measures, higher expenditure to improve the adequacy of social spending and public sector salaries, particularly in sectors such as defence and internal security, has led to a persistent increase of the deficit since 2022. In addition, investment grants to the Bulgarian Energy Holding amounting to approximately 0.3% of GDP further contributed to widening the 2025 deficit.

Following the resignation of the government at the end of 2025, Bulgaria has been operating under a bridge budget for 2026 until the cut-off date of this forecast. In this context, and in the absence of new adopted measures, expenditure is set to continue outpacing revenue. After a strong increase in 2025, public investment is expected to remain relatively stable throughout the forecast horizon, supported by the accelerated implementation of the RRP in 2026 and increased deployment of other EU funds and some planned defence equipment deliveries in 2027. Pressures from public sector wages are set to moderate, although increases will remain higher than in the private sector. Nevertheless, the deficit is set to increase to 4.1% in 2026 and 4.3% in 2027 due to residual automatic mechanisms in social spending and sustained defence expenditure up to 2027.

The general government debt-to-GDP ratio is forecast to increase from 29.9% in 2025 to 32.3% in 2026 and 35.5% in 2027, largely driven by the primary balance.

Table III.2.1: **Main features of country forecast - BULGARIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		116.0	100.0	2.5	4.1	1.7	3.4	**3.1**	**2.5**	**2.2**
Private Consumption		67.9	58.5	3.0	4.0	1.1	4.9	**7.8**	**2.4**	**2.2**
Public Consumption		24.2	20.8	1.7	8.0	1.1	3.6	**7.0**	**2.9**	**2.3**
Gross fixed capital formation		23.4	20.1	0.5	6.5	10.2	1.5	**11.4**	**2.1**	**0.4**
Exports (goods and services)		58.9	50.7	5.0	12.1	0.0	1.8	**-2.1**	**2.8**	**3.1**
Imports (goods and services)		60.1	51.8	4.6	15.3	-5.5	3.9	**5.9**	**2.6**	**2.4**
GNI (GDP deflator)		111.0	95.7	2.3	2.5	2.1	3.8	**3.5**	**2.5**	**2.3**
Contribution to GDP growth:		Domestic demand		2.4	4.9	2.6	3.8	**8.0**	**2.4**	**1.9**
		Inventories		0.2	0.8	-4.6	0.8	**-0.5**	**0.0**	**0.0**
		Net exports		-0.1	-1.6	3.8	-1.2	**-4.4**	**0.1**	**0.3**
Employment				-0.2	1.1	1.1	1.1	**2.2**	**0.3**	**0.2**
Unemployment rate (a)				9.0	4.2	4.3	4.2	**3.5**	**3.7**	**3.9**
Compensation of employees / head				8.7	14.2	13.4	14.1	**10.4**	**5.7**	**4.3**
Unit labour costs whole economy				5.9	10.8	12.8	11.5	**9.4**	**3.4**	**2.2**
Saving rate of households (b)				-2.7	-6.6	-5.2	-2.1	**-6.5**	**-4.2**	**-5.2**
GDP deflator				4.4	15.9	8.0	7.2	**7.4**	**1.9**	**2.2**
Harmonised index of consumer prices				2.8	13.0	8.6	2.6	**3.5**	**4.2**	**2.6**
Terms of trade goods				2.0	2.4	-2.4	-1.4	**0.7**	**-2.5**	**-0.8**
Trade balance (goods) (c)				-9.5	-5.9	-4.2	-4.8	**-8.0**	**-9.1**	**-9.2**
Current-account balance (c)				-4.0	-2.6	0.7	-0.6	**-3.9**	**-5.0**	**-5.0**
General government balance (c)				-1.0	-2.9	-2.0	-3.0	**-3.5**	**-4.1**	**-4.3**
Fiscal stance (c)				:	-3.9	-0.4	0.2	**-2.3**	**-1.0**	**1.6**
Structural budget balance (d)				-0.5	-3.6	-2.8	-2.7	**-4.1**	**-4.1**	**-4.1**
General government gross debt (c)				20.4	22.5	22.9	23.8	**29.9**	**32.3**	**35.5**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

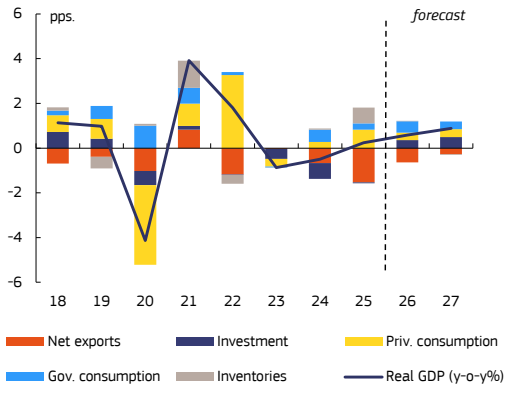
3. GERMANY

After two years of recession and weak growth of 0.2% in 2025, economic activity is set to expand by 0.6% in 2026 and 0.9% in 2027. The energy price shock has raised costs and prices, weighing on real incomes and profit margins, thereby slowing demand. However, the ramp-up in public spending is set to contribute positively to overall growth. Private consumption is expected to strengthen somewhat in 2027, as uncertainty subsides and sentiment improves. Investment is set to recover only gradually, largely due to the public component. The fiscal expansion expected from the implementation of the 2025 reform of the constitutional fiscal framework began slowly. The general government deficit in 2025 stood at 2.7% of GDP, unchanged from 2024. Over the forecast horizon, the deficit is expected to increase to 3.7% and 4.1%, driven by higher defence spending and public investment, and tax relief measures.

Economic growth only gradually picking up speed

Since the COVID-19 pandemic, Germany has recorded one of the weakest recoveries among advanced economies. Despite strong consumption growth, economic growth in 2025 was held back by weak exports due to competition from China as well as the impact of US tariffs. High energy prices further weighed on investment, leading to broad stagnation. Nevertheless, in late 2025 the economy began to regain momentum, supported by the ramp-up in public spending following the debt brake reform agreed after the federal elections in February 2025. This upswing has since been interrupted by the shock resulting from the conflict in the Middle East.

Graph III.3.1: **Germany - Real GDP growth and contributions**



The sudden rise in energy-driven inflation is set to detract from real household income and weigh on consumer sentiment, dampening private consumption growth in 2026. However, stronger real wage growth and improving sentiment—as uncertainty subsides—are set to boost private consumption growth in 2027. The increase in public spending is expected to support growth in both years through public consumption, transfers to the private economy and robust growth in public investment. The tentative recovery in residential construction is likely to be delayed to the second half of 2026 due to high uncertainty, tightening financing conditions and the surge in energy prices feeding into construction costs. Exports are projected to broadly stagnate after contracting for three years in a row, as tariffs and high geopolitical uncertainty exacerbate the structural challenges faced by key export-oriented industries. The current account surplus is set to fall to well below 4% of GDP, as exports weaken and imports increase, driven by recovering domestic demand. Real GDP is forecast to grow by 0.6% in 2026 and 0.9% in 2027.

Economic stagnation and structural change are leaving their mark on the labour market

Weak GDP growth has resulted in decreasing labour demand, leading to stagnating employment growth. However, sectoral trends persist as job losses in manufacturing are expected to be offset by gains in public services, such as education and health. The unemployment rate is set to rise to 4.0% in 2026 before decreasing slightly to 3.9% in 2027. Population ageing is set to lead to a shrinking labour force. With inflation spiking in 2026, real wage growth is set to slow sharply. However, it is forecast to accelerate again in 2027, as inflation subsides and nominal wage growth picks up driven by higher inflation in 2026 feeding into higher wage agreements.

High energy prices drive inflation

After easing to 2.3% in 2025, HICP inflation is projected to spike to 2.9% in 2026 before dropping again to 2.7% in 2027. The outbreak of the conflict in the Middle East in March 2026 caused a sharp increase in fuel prices, driving energy inflation. Energy prices are expected to decrease only slightly over the forecast horizon. The reduction in taxation on fuels introduced in May 2026 for two months will provide only temporary relief. Beyond the initial impact of the energy shock, continued nominal wage growth is set to sustain services inflation.

The gap between government expenditures and revenues widens

The fiscal expansion expected from the constitutional reform in March 2025 had a slow start, with the general government deficit in 2025 remaining at the 2024 level of 2.7% of GDP. This outcome reflected lower-than-planned spending from off-budget funds due to administrative delays, including the late adoption of the 2025 federal budget and postponed transfers to the Länder. Meanwhile, the revenue outturn in 2025 was favourable due to discretionary increases in social security contribution rates. However, the fiscal expansion has since gained traction. The fiscal reform has led to significant debt uptake, with spending accelerating accordingly over the course of 2025. By 2025-Q4, the deficit had risen to 4.4% of GDP, up from 2.8% a year earlier. A sharp increase in public investment in 2025-Q4 was largely driven by deliveries of military equipment.

Looking ahead, fiscal policy is set to become expansionary, especially in 2026. The general government deficit is forecast to increase to 3.7% of GDP in 2026 and 4.1% in 2027. Expenditure growth will be driven by additional investment-related expenditure, supported by the German recovery and resilience plan in 2026, and an increase in defence spending. Meanwhile, growth in social spending will slowly moderate, remaining elevated. At the same time, following strong revenue growth in 2025, revenue expansion is expected to slow considerably in 2026 due to discretionary tax relief measures for businesses and households. The decline in revenue growth is supported by increases in social security contribution rates. As a result of the fiscal expansion, the debt-to-GDP ratio will rise from 63.5% in 2025 to 65.8% in 2026 and 68.0% in 2027.

Table III.3.1: **Main features of country forecast – GERMANY**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		4469.9	100.0	1.3	1.8	-0.9	-0.5	**0.2**	**0.6**	**0.9**
Private Consumption		2377.9	53.2	0.6	6.5	-0.7	0.5	**1.6**	**0.6**	**0.7**
Public Consumption		1006.4	22.5	2.3	0.6	-0.2	2.6	**1.3**	**2.3**	**1.5**
Gross fixed capital formation		908.0	20.3	1.8	-0.1	-2.0	-3.3	**-0.2**	**1.8**	**2.4**
Exports (goods and services)		1807.4	40.4	3.1	3.9	-1.4	-2.1	**-0.4**	**-0.1**	**0.9**
Imports (goods and services)		1702.1	38.1	3.3	7.6	-1.4	-0.6	**3.6**	**1.6**	**1.6**
GNI (GDP deflator)		4631.7	103.6	1.5	1.5	-0.6	-0.3	**0.4**	**0.6**	**0.8**
Contribution to GDP growth:		Domestic demand		1.2	3.4	-0.8	0.1	**1.1**	**1.2**	**1.2**
		Inventories		0.1	-0.4	0.0	0.1	**0.7**	**0.0**	**0.0**
		Net exports		0.1	-1.2	0.0	-0.7	**-1.5**	**-0.6**	**-0.3**
Employment				0.9	1.3	0.7	0.1	**0.0**	**-0.1**	**0.1**
Unemployment rate (a)				5.2	3.1	3.1	3.4	**3.8**	**4.0**	**3.9**
Compensation of employees / head				2.3	4.3	6.2	5.1	**5.0**	**3.6**	**3.5**
Unit labour costs whole economy				1.8	3.8	7.8	5.8	**4.7**	**2.9**	**2.7**
Saving rate of households (b)				17.8	18.9	19.3	20.0	**19.2**	**19.0**	**18.6**
GDP deflator				1.6	6.4	6.7	3.1	**3.0**	**2.5**	**3.0**
Harmonised index of consumer prices				1.5	8.7	6.0	2.5	**2.3**	**2.9**	**2.7**
Terms of trade goods				0.2	-5.0	5.3	1.7	**0.9**	**-1.6**	**0.3**
Trade balance (goods) (c)				6.6	3.3	5.5	5.5	**4.1**	**3.0**	**2.8**
Current-account balance (c)				7.0	4.0	5.9	6.0	**4.7**	**3.5**	**3.1**
General government balance (c)				-0.7	-1.9	-2.5	-2.7	**-2.7**	**-3.7**	**-4.1**
Fiscal stance (c)				:	-2.2	0.5	0.0	**-0.1**	**-1.3**	**-0.5**
Structural budget balance (d)				0.1	-2.1	-2.2	-1.9	**-1.8**	**-2.9**	**-3.5**
General government gross debt (c)				69.9	64.4	62.3	62.2	**63.5**	**65.8**	**68.0**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

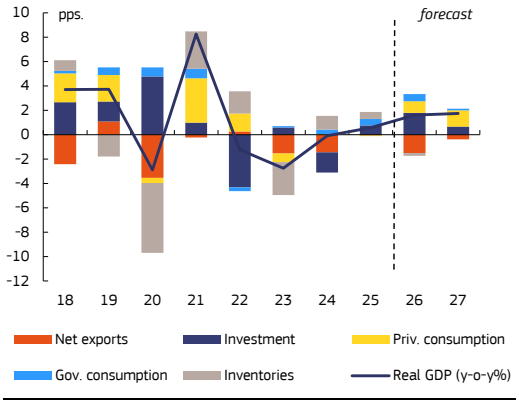
4. ESTONIA

The Estonian economy was gaining momentum before the outbreak of the conflict in the Middle East. Prospects for private consumption growth are now more muted, while geopolitical concerns weigh on private investment and exports. Real GDP is projected to grow by 1.6% in 2026 and 1.7% in 2027. HICP inflation is projected to increase to 4.4% in 2026, driven by higher energy prices, before easing to 2.9% in 2027. The government deficit is set to widen, reaching 4.5% of GDP in 2026 and 4.8% in 2027, reflecting tax cuts and spending increases.

Growth to recover despite headwinds

The economy grew by a modest 0.6% in 2025 after three years of decline. The first months of 2026 showed signs of a stronger recovery, before the conflict in the Middle East disrupted this momentum. Retail and card payment data suggest private consumption was expanding, while external demand was slowly improving, and inflation was decelerating. However, the repercussions of the conflict are expected to slow or reverse some of these trends. At the same time, the spike in oil prices has led to a restart of shale oil production in Estonia, which is expected to provide a positive contribution to growth. Real GDP is set to grow stronger in 2026, by 1.6%, mainly due to domestic demand.

Graph III.4.1: **Estonia - Real GDP growth and contributions**



Private consumption is receiving a boost from the introduction of a flat tax-free allowance of EUR 700 per month as of 2026, even though given increasingly weak consumer sentiment, households are projected to save a high share of this additional income. Public consumption and investment are projected to remain strong, particularly in defence and infrastructure. Private investment is set to grow more slowly amid low capacity utilisation. While the issuance of construction permits has increased, uncertainty and rising costs limit the scale of expansion in construction investment. Net exports are expected to detract from growth in 2026. Exports are set to grow modestly due to subdued growth among Estonia's main Nordic partners, despite efforts of Estonian companies to reorient and expand exports to other markets. Imports are set to outpace exports, given that most defence equipment is imported.

Real GDP in 2027 is projected to grow by 1.7%. Private consumption is expected to strengthen as income growth remains solid. However, public spending and investment are projected to contribute less to growth in 2027 as most public projects are projected to be completed, and export growth is set to remain relatively weak.

Muted labour demand and falling labour force participation

The unemployment rate was volatile in 2025, rising to 7.4% in the third quarter before falling to 6.5% in the fourth quarter amid lower labour market participation. Though still high, nominal wage growth has been cooling and is projected to remain just below 5% in 2026 and 2027. Employment growth is set to remain subdued, with labour shortages at levels below historic averages. The unemployment rate is projected to decrease from 7.5% in 2025 to 7.1% in 2026 and 6.8% in 2027, as economic conditions are expected to improve but also due to a shrinking labour force.

Inflation remains elevated

HICP inflation fell to 3.5% in the first quarter of 2026, mainly as a result of lower services inflation, as the effects of past tax hikes and administrative cost increases faded. However, food

inflation remained high, with unprocessed food prices increasing by more than 10% y-o-y. The impact of the conflict in the Middle East adds to price pressures, with food and energy inflation set to remain above headline inflation over the forecast horizon. HICP inflation is projected at 4.4% in 2026, before falling to 2.9% in 2027, as energy inflation eases. The postponement of the ETS2 implementation removed an upward price driver in 2027.

Public deficit to exceed 3% of GDP due to growing spending needs

In 2025, the public deficit stood at 2.0% of GDP. Revenues increased by 0.6 pps, driven by higher personal and corporate income tax rates, a VAT rate increase and a new motor-vehicle tax. Revenues were also supported by improved tax collection amid the economic recovery. Total expenditure increased by 1.5 pps. due to higher investment in public projects.

In 2026, the deficit is set to reach 4.5% of GDP. The transition to a universal tax-exemption system and a rise in the tax-free income threshold are expected to reduce personal income tax revenues. This drop in revenues will be only partially compensated by a stronger VAT intake due to past rate rises and high consumer inflation. Due to these factors, as well as lower ETS2 and dividend returns, revenues are set to decrease by 1.1 pps. of GDP. Expenditure is set to increase by 1.5 pps., mainly due to defence spending reaching 5% of GDP, and other investment projects such as Rail Baltica. Employee compensation, particularly in health and education, and interest payments are also set to increase.

In 2027, the deficit is set to widen to 4.8% of GDP. Revenues are set to decrease by 1.0 pp. due to fading effects from prior tax increases, the end of the RRF and the postponement of ETS2 to 2028. Expenditures are expected to drop by 0.8 pps., in line with investment developments, though defence spending will continue to rise.

High and increasing deficits during the forecast horizon are set to drive government debt from 24.1% in 2025 to 30.5% of GDP in 2027.

Table III.4.1: **Main features of country forecast - ESTONIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		41.6	100.0	2.3	-1.2	-2.7	-0.1	**0.6**	**1.6**	**1.7**
Private Consumption		21.9	52.7	2.7	2.9	-1.3	0.1	**-0.1**	**1.8**	**2.5**
Public Consumption		8.9	21.5	2.5	-1.6	0.6	1.8	**2.6**	**2.7**	**0.6**
Gross fixed capital formation		10.1	24.2	3.7	-14.4	2.3	-6.5	**3.2**	**7.4**	**2.6**
Exports (goods and services)		32.6	78.4	5.5	5.5	-9.1	-1.5	**5.0**	**1.6**	**1.6**
Imports (goods and services)		32.2	77.4	5.4	5.1	-7.3	0.4	**5.0**	**3.6**	**2.1**
GNI (GDP deflator)		40.8	98.0	2.4	-0.9	-3.4	0.6	**0.6**	**1.5**	**1.5**
Contribution to GDP growth:		Domestic demand		3.1	-3.2	0.0	-1.2	**1.2**	**3.3**	**2.1**
		Inventories		-0.1	1.8	-2.7	1.1	**0.6**	**-0.2**	**0.0**
		Net exports		-0.1	0.3	-1.5	-1.5	**-0.1**	**-1.5**	**-0.4**
Employment				0.3	4.6	3.2	0.2	**-0.5**	**0.0**	**0.3**
Unemployment rate (a)				7.9	5.6	6.4	7.6	**7.5**	**7.1**	**6.8**
Compensation of employees / head				7.2	7.6	8.6	7.0	**4.4**	**4.9**	**4.9**
Unit labour costs whole economy				5.0	13.9	15.3	7.3	**3.3**	**3.3**	**3.4**
Saving rate of households (b)				7.9	2.0	3.5	7.3	**8.4**	**9.2**	**8.5**
GDP deflator				4.2	16.8	8.6	4.0	**3.8**	**3.5**	**3.2**
Harmonised index of consumer prices				3.2	19.4	9.1	3.7	**4.8**	**4.4**	**2.9**
Terms of trade goods				0.2	-0.1	4.2	0.6	**1.0**	**-1.8**	**-0.1**
Trade balance (goods) (c)				-6.2	-7.3	-6.0	-7.1	**-6.6**	**-8.6**	**-8.5**
Current-account balance (c)				-2.1	-3.1	-1.3	-1.3	**-0.7**	**-2.8**	**-3.0**
General government balance (c)				-0.5	-0.9	-2.7	-1.1	**-2.0**	**-4.5**	**-4.8**
Fiscal stance (c)				:	0.9	-1.3	1.1	**0.5**	**-2.8**	**0.3**
Structural budget balance (d)				-1.5	-0.9	-0.9	-0.1	**-0.8**	**-3.8**	**-4.7**
General government gross debt (c)				9.8	19.2	20.2	23.5	**24.1**	**26.9**	**30.5**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

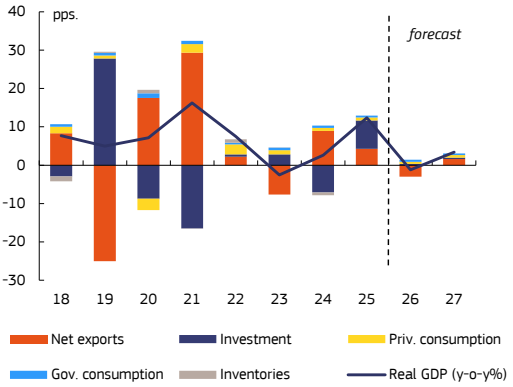
5. IRELAND

Ireland's GDP is forecast to decline in 2026, largely reflecting the base effect of frontloading of pharmaceutical exports in 2025, before stabilising and growing again in 2027. Growth in domestically driven economic activity is expected to continue. However, the energy price shock is expected to push inflation higher, weighing on real income and growth. The outlook for public finances is positive but marked by significant risks to corporation tax revenues.

GDP volatility persists while the domestic economy remains resilient

Real GDP increased at an exceptional rate of 12.3% in 2025, primarily driven by strong pharmaceutical exports. This likely reflects front-loaded shipments in anticipation of US tariffs and strong global demand for weight-loss related products produced in Ireland. The domestic economy also performed strongly, supported by increases in modified investment (which excludes the more volatile intangible and aircraft leasing components) and private consumption.

Graph III.5.1: **Ireland - Real GDP growth and contributions**



Following the surge seen in 2025, GDP is projected to contract by 1.2% in 2026, before growing again by 3.4% in 2027. Modified domestic demand—a more reliable indicator of domestic economic activity in Ireland—is set to expand by 2.8% in 2026 and 3.0% in 2027.

Private consumption is expected to moderate as elevated inflation weighs on households' purchasing power. However, accumulated savings and a resilient labour market are expected to support household spending over the forecast horizon. Modified investment is projected to keep growing, supported by strong momentum in 2025 and the government's National Development Plan. However, elevated uncertainty is set to weigh on investment growth. Headline investment figures assume that volatile R&D-related intellectual property investment will remain broadly unchanged in the coming years, though past experience shows that this projection remains highly uncertain.

While exports are expected to be negatively impacted by the base effects of the frontloading in 2025, solid global demand for pharmaceuticals produced in Ireland, along with strong computer services exports, are expected to contribute positively to growth in the forecast horizon. Nonetheless, Ireland's high concentration of activity in a few multinational-dominated sectors leaves the economy vulnerable to firm and sector-specific shocks and adverse international developments.

The labour market remains strong but shows signs of moderation

Employment continued to grow in 2025, supported by an increasing labour supply. However, the pace of employment growth has moderated, while the unemployment rate has edged up slightly, suggesting some easing in labour market conditions. Employment is set to continue expanding at a more moderate pace in 2026 and 2027, in line with the expected expansion of the domestic economy.

High energy prices drive up inflation

HICP inflation reached 2.1% in 2025, with an uptick in the second half of the year. Looking ahead, higher global energy prices, combined with Ireland's high reliance on energy imports, are expected to put upward pressure on inflation. Recent inflation readings already reflect the pass-through of

higher wholesale energy prices, and further transmission is expected as hedged positions unwind, keeping inflation elevated. Higher energy prices are also expected to pass through to non-energy goods and services, though with a delay. Energy support measures directly affecting retail prices are expected to partially offset the impact of the shock during the periods they are in effect. Overall, headline inflation is forecast to reach 3.5% in 2026 before moderating to 2.6% in 2027, as energy prices are expected to gradually drop.

Budget surpluses driven by buoyant corporate tax

Ireland's general government budget registered a surplus of 1.8% of GDP in 2025, primarily due to strong corporate tax receipts. However, revenue from other tax categories also performed well in line with the positive domestic economic developments.

In 2026, the budget surplus is forecast to decline to 1.4% of GDP. Indirect tax receipts are set to grow on the back of strong domestic activity and higher prices, though this will be partially offset by a range of reduced VAT rates entering into force in 2026. Direct taxes are expected to benefit from the Qualified Domestic Top-up Tax boosting corporate tax receipts by around EUR 3 billion from 2026 onwards, and from solid growth in labour tax revenue thanks to wage growth and the non-indexation of tax brackets in 2026. Expenditure growth, however, is forecast to outpace revenue growth, reflecting additional spending on energy support measures and large projected increases in government consumption, social transfers and capital investment, the latter supported by the revised National Development Plan. In 2027, the surplus is forecast to further decline to 1.2% of GDP based on unchanged policies. Spending growth is set to remain high and continue to outpace revenue growth, even after the assumed phasing out of all energy support measures.

The general government debt-to-GDP ratio is forecast to decrease from 32.9% in 2025 to 32.4% in 2026 and to 31.6% in 2027. The debt ratio is expected to fall more gradually than implied by headline budget surpluses, mainly reflecting transfers to the Future Ireland Fund and the Infrastructure, Climate and Nature Fund.

Ireland's public finances remain vulnerable to changes in US trade and tax policies, as well as shifts in the international tax environment, due to the significant concentration of tax revenues in a handful of companies in the pharmaceutical and ICT sectors. This continues to present a major risk.

Table III.5.1: **Main features of country forecast - IRELAND**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		638.7	100.0	5.2	7.5	-2.5	2.6	**12.3**	**-1.2**	**3.4**
Private Consumption		161.0	25.2	1.5	10.8	4.4	3.0	**2.9**	**2.2**	**2.3**
Public Consumption		71.8	11.2	2.7	3.7	6.4	4.8	**3.9**	**4.8**	**3.9**
Gross fixed capital formation		142.0	22.2	3.8	2.8	13.4	-28.5	**42.6**	**1.5**	**1.8**
Exports (goods and services)		894.6	140.1	8.9	12.0	-3.9	8.6	**9.7**	**-0.1**	**3.7**
Imports (goods and services)		638.0	99.9	7.0	15.0	2.2	2.7	**9.5**	**2.9**	**3.5**
GNI (GDP deflator)		437.7	68.5	3.9	3.0	6.3	3.4	**2.5**	**2.7**	**2.5**
Contribution to GDP growth:		Domestic demand		2.1	3.6	4.6	-5.7	**8.7**	**1.4**	**1.5**
		Inventories		0.1	0.9	0.1	-0.8	**-0.1**	**0.0**	**0.0**
		Net exports		3.7	2.2	-7.7	8.9	**4.3**	**-3.0**	**1.6**
Employment				1.1	6.9	3.5	2.7	**2.0**	**1.6**	**1.4**
Unemployment rate (a)				9.3	4.5	4.3	4.3	**4.7**	**4.8**	**4.9**
Compensation of employees / head				2.3	2.5	6.8	4.2	**3.4**	**3.8**	**3.9**
Unit labour costs whole economy				-1.7	1.9	13.4	4.3	**-6.1**	**6.8**	**1.9**
Saving rate of households (b)				14.0	14.6	11.8	13.5	**13.6**	**13.3**	**13.6**
GDP deflator				1.0	8.0	3.4	4.5	**1.0**	**2.0**	**2.1**
Harmonised index of consumer prices				0.8	8.1	5.2	1.3	**2.1**	**3.5**	**2.6**
Terms of trade goods				-0.8	-1.9	-0.6	-0.4	**-2.3**	**-2.4**	**-0.2**
Trade balance (goods) (c)				27.1	39.4	29.9	31.2	**36.1**	**29.5**	**28.4**
Current-account balance (c)				-1.8	8.7	7.0	16.2	**8.1**	**7.9**	**7.3**
General government balance (c)				-5.7	1.6	1.4	4.1	**1.8**	**1.4**	**1.2**
Fiscal stance (c)				:	0.2	-1.0	0.6	**-0.1**	**0.2**	**0.2**
Structural budget balance (d)				-1.6	-1.8	1.9	2.8	**-0.7**	**1.6**	**1.5**
General government gross debt (c)				70.3	43.0	41.8	38.3	**32.9**	**32.4**	**31.6**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

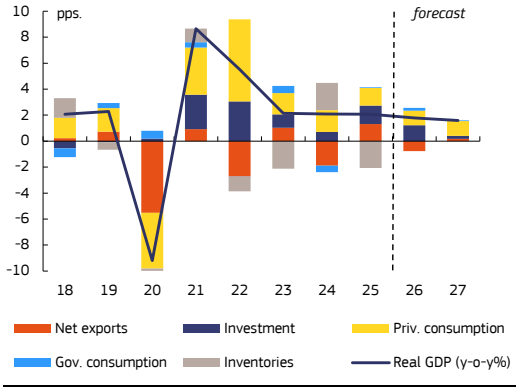
6. GREECE

Economic activity in Greece is set to decelerate, from 2.1% in 2025 to 1.8% in 2026, as the energy price shock erodes households' real income and dampens consumption growth. Investment growth, however, is expected to remain robust, supported by continued absorption of EU funds. In 2027, GDP growth is projected to decline slightly to 1.6% as the implementation of the RRF winds down. Inflation is expected to increase to 3.7% in 2026, fuelled by the sharp increase in energy prices. In 2027, inflation is projected to decline to 2.4%, but inflation excluding energy and food is set to remain elevated as the price shock passes through to non-energy components. Unemployment is projected to decline further, albeit at a slower pace, reaching 7.9% in 2027. Greece is expected to maintain a favourable fiscal position, with sustained surpluses over 2025–27, despite expansionary fiscal measures. Solid nominal GDP growth and budget surpluses are projected to continue driving the debt-to-GDP ratio steadily downward, moving close to 134% by end 2027.

EU funds and expansionary fiscal stance mitigate energy crisis impact

In 2025, the Greek economy maintained its growth momentum. GDP grew by 2.1% for the third consecutive year, driven by investment, private consumption and net exports.

Graph III.6.1: **Greece - Real GDP growth and contributions**



Investment activity is expected to remain robust in 2026, supported by a record high inflow of EU funds to Greece under the RRF. However, the energy price shock is set to reduce households' real disposable income. The expansionary fiscal package announced in 2025, including personal income tax cuts and public wage increases, together with the recent energy measures are expected to alleviate this impact somewhat. Still, private consumption is forecast to decelerate. Import demand is expected to stay robust, due to the high import dependency of investments. Output growth is forecast to decline further in 2027 as investment decelerates given with the conclusion of the RRF. Overall, GDP growth is projected to moderate to 1.8% in 2026 and to 1.6% in 2027, while, still staying above the EU average. Risks remain skewed to the downside, as a prolonged energy crisis could dampen services exports, particularly tourism.

Labour market remains resilient

The labour market continued to expand in 2025, with the unemployment rate declining to 8.4% in the last quarter, the lowest rate recorded since 2008, though still above the EU average of 6%. The long-term unemployment rate remained broadly unchanged, at close to 5%—the highest in the EU—reflecting long-standing structural challenges such as skill gaps, and insufficient child- and elderly care solutions. Vacancy rates have continued to decline, though they still indicate a tight labour market, especially in tourism and construction. Employment growth is set to persist but at a more modest pace, constrained by structural barriers and weaker economic activity.

Energy price shock drives inflationary developments

Inflation remained elevated in 2025, averaging at 2.9%, reflecting strong demand, a tight labour market, and the impact of measures to combat tax evasion. The recent surge in energy prices is set to increase retail energy prices and thereby inflation in 2026, gradually passing through to non-energy goods and services prices. In 2027, an assumed correction in energy prices should support disinflation, but the lagged increase in the prices of energy intensive goods and services will keep inflation elevated. Furthermore, strong demand and wage pressures fuelled by labour

shortages will continue to impact price developments. As a result, inflation is forecast to increase to 3.7% in 2026 and to reach 2.4% in 2027.

Sustained fiscal strength despite expansionary measures

In 2025, the general government balance recorded a surplus of 1.7% of GDP, exceeding the 1.1% of GDP projected in the Commission's Autumn 2025 Forecast. The stronger outcome reflects lower-than-expected expenditure, particularly in current spending, as well as higher-than-anticipated revenue, notably from VAT, supported by continued improvements in tax compliance.

In 2026, the surplus is set to remain robust but moderate to 0.8% of GDP. This forecast incorporates expansionary measures estimated at 0.6% of GDP in 2026 and 0.8% of GDP permanently from 2027 onwards, including reductions in personal income tax, property tax and VAT, as well as increases in pensions and public sector wages. It also includes temporary energy support measures, estimated at 0.2% of GDP, adopted in response to the recent increase in fuel prices. These measures are broadly targeted and include fuel subsidies for households, support for transport and agriculture, a one-off benefit to families with children and compensation for ferry operators. In addition, recently announced changes to existing measures, such as an increase in the pensioners' benefit and a revision of the income criteria for the rent subsidy are estimated to have a budgetary cost of around 0.1% of GDP. Furthermore, defence expenditure is projected to increase from 2.4% of GDP in 2025 to 2.6% of GDP in 2026. Revenue developments, supported by nominal growth, are expected to partly offset the budgetary impact of these measures.

In 2027, the general government balance is projected to remain in surplus at 0.6% of GDP. This reflects continued moderate expenditure growth. At the same time, several surplus-reducing measures are expected to weigh on the balance, including the full-year impact of the 2026 fiscal package (0.8% of GDP), a further reduction in social security contributions (0.1% of GDP), and additional increases in public sector wages.

The public debt-to-GDP ratio declined to 146.1% in 2025, almost 43 pps. below its pre-COVID-19 peak recorded in 2018. The ratio is forecast to continue declining, falling to 134.4% by 2027, supported by strong nominal GDP growth and persistent primary budget surpluses.

Table III.6.1: **Main features of country forecast – GREECE**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		248.4	100.0	-1.0	5.5	2.1	2.1	**2.1**	**1.8**	**1.6**
Private Consumption		171.5	69.0	-0.9	9.3	2.3	2.4	**2.0**	**1.6**	**1.7**
Public Consumption		45.3	18.2	-0.5	0.0	2.8	-2.6	**0.3**	**1.2**	**0.2**
Gross fixed capital formation		41.9	16.9	-3.4	22.1	6.5	4.5	**8.9**	**7.3**	**1.3**
Exports (goods and services)		98.0	39.5	2.5	6.2	2.2	1.0	**1.7**	**1.7**	**3.1**
Imports (goods and services)		109.3	44.0	1.4	10.9	0.0	4.8	**-1.3**	**3.3**	**2.3**
GNI (GDP deflator)		242.2	97.5	-1.0	4.9	0.6	2.1	**2.5**	**2.1**	**1.7**
Contribution to GDP growth:	Domestic demand			-1.1	9.4	3.2	1.9	**2.8**	**2.6**	**1.4**
	Inventories			0.0	-1.1	-2.1	2.1	**-2.1**	**0.0**	**0.0**
	Net exports			0.2	-2.7	1.0	-1.9	**1.3**	**-0.8**	**0.2**
Employment				0.3	3.5	2.0	0.9	**0.8**	**0.8**	**0.4**
Unemployment rate (a)				17.9	12.5	11.1	10.1	**8.9**	**8.3**	**7.9**
Compensation of employees / head				-0.8	2.0	3.3	5.8	**3.5**	**3.6**	**4.0**
Unit labour costs whole economy				0.5	0.1	3.2	4.6	**2.3**	**2.6**	**2.8**
Saving rate of households (b)				1.3	-5.0	-2.5	-2.5	**-2.7**	**-0.4**	**1.7**
GDP deflator				0.7	6.3	6.3	3.2	**2.8**	**2.9**	**2.7**
Harmonised index of consumer prices				1.2	9.3	4.2	3.0	**2.9**	**3.7**	**2.4**
Terms of trade goods				-0.3	6.1	2.2	0.6	**-3.6**	**-0.7**	**0.5**
Trade balance (goods) (c)				-13.0	-19.1	-14.5	-15.2	**-13.6**	**-14.7**	**-13.9**
Current-account balance (c)				-7.0	-10.8	-7.7	-7.4	**-6.0**	**-7.1**	**-6.1**
General government balance (c)				-6.7	-2.6	-1.4	1.3	**1.7**	**0.8**	**0.6**
Fiscal stance (c)				:	-2.5	0.5	1.5	**-0.8**	**-2.7**	**1.5**
Structural budget balance (d)				3.0	-2.8	-1.8	0.3	**0.5**	**-0.7**	**-0.9**
General government gross debt (c)				163.9	177.8	164.3	154.2	**146.1**	**140.7**	**134.4**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

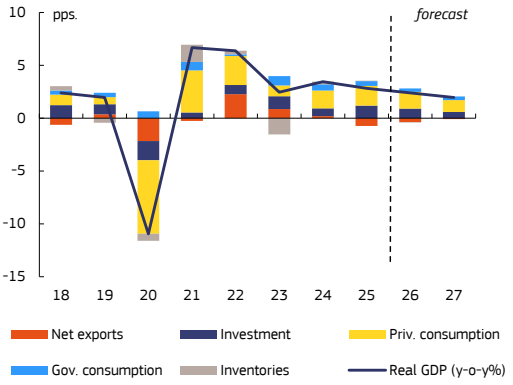
7. SPAIN

Real GDP is expected to remain strong in 2026, but to decelerate gradually over the forecast horizon, also on account of the adverse impact of the conflict in the Middle East. Economic growth is set to be largely driven by domestic demand, supported by robust labour market performance and by investment growth. HICP inflation is projected to pick up in 2026 to 3%, led by the surge in energy prices. The government deficit is set to stabilise in 2026 and fall to 2.0% in 2027. The debt-to-GDP ratio is forecast to drop below 100% over the forecast horizon.

Economic activity to remain robust, albeit decelerating over the forecast horizon

In the first quarter of 2026, real GDP expanded by 0.6% q-o-q. This outturn was supported mainly by private consumption, paired with a decline in imports, resulting in a positive contribution from net exports. Despite the uncertain geopolitical environment and the drag exerted by elevated energy prices, economic activity is set to remain relatively buoyant in 2026. Real GDP is forecast at 2.4%, also favoured by a strong carry-over from 2025, before moderating to 1.9% in 2027.

Graph III.7.1: **Spain - Real GDP growth and contributions**



Domestic demand is set to lead economic growth in 2026 and 2027, driven mainly by private consumption growth and investment growth. Consumer spending is expected to benefit from employment growth in a context of sustained inward migration and record-low household leverage. Similarly, the healthy financial position of non-financial corporations, together with the implementation of the RRP, are projected to sustain the positive development of fixed capital formation, particularly in construction and intangible assets. Conversely, net exports are forecast to contribute negatively to GDP growth in 2026, reflecting the uncertain evolution of goods exports, before contributing broadly neutrally in 2027.

The main risks faced by the economy concern the potential weakening of tourism activity, notably affecting tourism inflows from long-distance destinations due to higher travelling costs and other travel-related disruptions. Heightened tensions could also dampen confidence further, leading to a sustained period of precautionary behaviour by the private sector, adversely weighing on business investment and private consumption growth.

Dynamic labour market and declining unemployment

Strong migration inflows are set to support a further expansion of the workforce and boost job creation this year. Still, following the strong performance of recent years, the labour market is projected to lose momentum, in line with the gradual deceleration of economic growth over the forecast horizon. The unemployment rate is projected to maintain its downward trend, albeit at a slower pace than in the past, as employment growth decelerates faster than labour force expansion. It is expected to fall below 10% in 2026—for the first time since 2008—at 9.9% and to 9.6% in 2027.

Inflation to rise this year due to higher energy prices

HICP inflation is projected to edge up in 2026, reaching 3%, driven by the sharp increase in energy prices and the gradual pass-through to food and industrial good prices. This is set to compound with continued price pressures on services, leading to a robust evolution of underlying inflation in the coming quarters and throughout 2027. Headline inflation is nonetheless set to decrease to 2.5% next year, as energy inflation gradually eases. The broad-based increase in prices, in a

context of tight labour market, is set to put upward pressures on nominal wage growth, which is expected to grow above the inflation rate in both 2026 and 2027.

Government deficit to stabilise due to cost of policy measures

In 2025, the general government deficit fell to 2.4% of GDP, benefiting from strong nominal GDP growth, the lower impact of the one-off flood-related measures and the phase-out of the energy-support measures. VAT and personal income tax revenues (growing at around 10%) drove overall revenues, benefiting also from the package of measures approved in December 2024.

In 2026, the deficit is expected to stabilise at 2.4%. Revenues from direct taxation are set to remain strong, led by high growth in capital gains, the deferred rise in public wages from 2025 and the entry into force of the global minimum tax for multinationals firms. However, VAT and excise duties will be impacted by the measures approved in March to mitigate the effects of the conflict in the Middle East. These temporary actions include VAT reductions on fuels, electricity, and gas, the reduction in the special tax for hydrocarbons and the suspension of the tax on the value of electricity production (with an overall expected impact of 0.2% of GDP). On the expenditure side, the package included support measures for farmers, professional transport operators, electro-intensive firms, and vulnerable households, with an impact estimated at 0.1% of GDP. Additionally, the government adopted a set of one-off measures to alleviate the consequences of the floods in Andalusia and Extremadura, with an expected impact of 0.3% of GDP. Overall, the positive revenue developments are set to compensate for the different sets of measures.

In 2027, the government deficit is forecast to decline to 2.0% of GDP, driven by the lower cost of the flood-related emergency measures and the assumed expiry of the energy-support measures. Along with the higher revenues from direct taxation and social security contributions, they will more than offset increases in defence spending, interest payments and pensions. After an expansionary fiscal stance in 2026, fiscal policy is set to become contractionary in 2027 following the end of the RRF implementation period.

The debt-to-GDP ratio is expected to keep falling to 99.6% in 2026, dropping below 100% for the first time since 2019, thanks to nominal GDP growth outpacing the cost of debt servicing. In 2027, the debt is expected to keep narrowing, helped by nominal output growth and the deficit reduction.

Table III.7.1: **Main features of country forecast – SPAIN**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1687.2	100.0	0.6	6.4	2.5	3.5	**2.8**	**2.4**	**1.9**
Private Consumption		937.4	55.6	0.1	4.9	1.8	3.1	**3.4**	**2.9**	**2.0**
Public Consumption		324.0	19.2	1.7	0.8	4.5	2.9	**2.4**	**1.7**	**1.8**
Gross fixed capital formation		347.7	20.6	-0.9	4.2	5.9	3.6	**5.8**	**4.4**	**2.8**
Exports (goods and services)		618.1	36.6	2.2	14.2	2.2	3.2	**3.6**	**1.1**	**2.3**
Imports (goods and services)		553.6	32.8	0.8	7.7	0.0	2.9	**6.2**	**2.4**	**2.8**
GNI (GDP deflator)		1681.5	99.7	0.7	6.2	1.6	3.5	**2.7**	**2.2**	**2.0**
Contribution to GDP growth:		Domestic demand		0.2	3.8	3.1	3.0	**3.5**	**2.8**	**2.0**
		Inventories		0.1	0.3	-1.5	0.3	**0.0**	**0.0**	**0.0**
		Net exports		0.4	2.3	0.9	0.2	**-0.7**	**-0.4**	**-0.1**
Employment				0.1	3.8	3.3	2.3	**2.7**	**2.3**	**1.4**
Unemployment rate (a)				17.6	13.0	12.2	11.4	**10.5**	**9.9**	**9.6**
Compensation of employees / head				1.9	4.7	5.0	4.6	**4.3**	**3.4**	**2.9**
Unit labour costs whole economy				1.4	2.1	5.9	3.4	**4.2**	**3.2**	**2.4**
Saving rate of households (b)				9.0	9.0	11.7	12.7	**12.0**	**11.8**	**11.6**
GDP deflator				1.2	4.7	6.2	2.9	**2.9**	**2.6**	**2.5**
Harmonised index of consumer prices				1.6	8.3	3.4	2.9	**2.7**	**3.0**	**2.5**
Terms of trade goods				0.0	-5.5	7.0	0.9	**1.5**	**-1.2**	**-0.4**
Trade balance (goods) (c)				-3.5	-4.4	-2.3	-2.1	**-2.9**	**-4.0**	**-4.3**
Current-account balance (c)				-1.2	0.4	2.7	3.2	**2.8**	**1.9**	**1.8**
General government balance (c)				-5.7	-4.6	-3.3	-3.2	**-2.4**	**-2.4**	**-2.0**
Fiscal stance (c)				:	-2.2	0.4	0.2	**0.1**	**-0.3**	**0.5**
Structural budget balance (d)				-3.2	-5.1	-3.8	-3.5	**-3.2**	**-2.9**	**-2.5**
General government gross debt (c)				83.1	109.3	105.2	101.6	**100.7**	**99.6**	**98.9**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

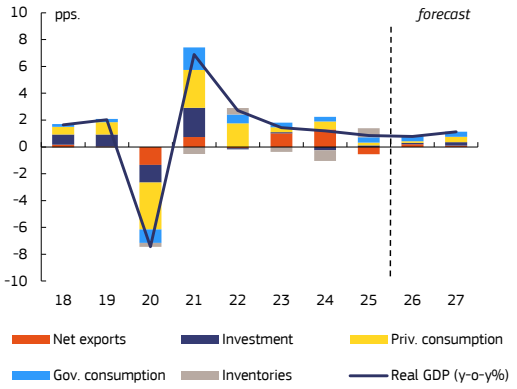
8. FRANCE

Following growth of 0.8% in 2025, economic activity in France is set to grow at the same rate in 2026, weighed down by the energy shock. In 2027, at unchanged policies, economic activity is forecast to pick up slightly to 1.1%. Aeronautics and increased orders in the defence industry are set to support investment and net exports. The fallout from the conflict in the Middle East should lift inflation to 2.4% in 2026 and 1.8% in 2027. The government deficit is forecast to remain at 5.1% in 2026, before edging up to 5.7% in 2027. Public debt is set to increase to some 120% of GDP by 2027, up from 115.6% in 2025, on the back of sizeable primary deficits.

Rising energy prices and fiscal adjustment weigh on demand

Real GDP is expected to grow by 0.8% in 2026, supported by strong net exports but weighed down by the fallout from the conflict in the Middle East. Net exports are forecast to contribute 0.2 pps. to GDP growth in 2026, driven by aeronautics and defence exports. However, growth of private consumption is expected to remain subdued, dragged down by the impact of higher energy prices on real disposable incomes. The saving rate is projected to decline moderately in 2026, though remaining high at 17.6.

Graph III.8.1: **France - Real GDP growth and contributions**



In 2027, economic activity is projected to gain some momentum, with real GDP growth reaching 1.1%, on the back of declining energy prices. This improvement is supported by a slightly expansionary fiscal stance, assuming unchanged policies. Private consumption is expected to be bolstered by higher real incomes, though the saving rate is projected to slightly increase. Private investment is set to accelerate due to increased orders in the defence industry and investment in information and communication technology.

Unemployment set to increase

The labour market cooled in 2025, with the unemployment rate rising to 7.9% in 2025-Q4, marking a 0.6 pps. increase over the year. The activity rate reached a new peak at 75.4% in 2025-Q4, due in particular to an increase in the activity rate of people aged 15 to 24 and 55 to 64, the latter on the back of the 2023 pension reform. Payroll employment declined by 0.2% in 2025 and is expected to decline further by 0.4% in 2026 and 0.1% in 2027. Total employment, including self- employment, is expected to decline marginally in 2026 before rising by 0.1% in 2027 while the labour force is expected to continue growing by 0.7% in 2026 and 0.6% in 2027. Consequently, the unemployment rate is set to gradually increase to 8.3% in 2026 and 8.7% in 2027. Meanwhile, productivity is expected to accelerate as output continues to grow.

Inflation expected to increase due to higher energy and food prices

Until February 2026, inflation had remained subdued, at 1.1%, after 0.4% in January. This reflected wage moderation, intense competition in the telecoms market and only a moderate rise in energy prices since 2022. However, in March and April, energy prices surged due to the conflict in the Middle East and inflation spiked to 2.5%. Headline inflation is expected to peak at 2.9% in 2026-Q3, before gradually declining to 1.4% in 2027-Q4. On average, headline inflation is projected to reach 2.4% in 2026 and 1.8% in 2027. Core inflation is expected to rise to 1.9% in 2027.

Large primary deficits and rising interest payments to keep fuelling public debt

After reaching 5.8% of GDP in 2024, the general government deficit fell to 5.1% of GDP in 2025. This significant decline was mainly due to revenue-increasing measures of around 0.5% of GDP and expenditure-decreasing measures, mainly on public consumption and social transfers, worth almost 0.3% of GDP, as well as tax revenues growing faster than nominal GDP. This dynamism of revenues mainly stemmed from indirect and corporate taxes. However, interest payments on government debt rose further, by 0.2 pps. to 2.2% of GDP, driven by higher debt levels and higher interest rates on new bond issuances.

For 2026, the general government deficit is expected to remain at 5.1% of GDP. Both the revenue-to-GDP ratio and the expenditure ratio are projected to rise slightly, by 0.2 pps. Revenue-increasing measures amounting to 0.5% of GDP include, among others, the extension of the exceptional contribution by large enterprises, the top-up tax on high revenues and the increase of the Generalised Social Contribution (CSG) on financial revenues. Excluding the impact of these measures, tax receipts are expected to grow slightly below economic activity. This forecast incorporates retrenchment efforts in expenditure endowments to the different ministries and public administrations set out in the 2026 budget and the expenditure savings announced to mitigate the fiscal cost of the conflict in the Middle East. The expected increase in interest payments, to 2.6% of GDP, is due to the uptick in interest rates on new bond issuances and to higher inflation impacting the returns of inflation-indexed bonds.

For 2027, assuming unchanged policies, the general government deficit is expected to creep up to 5.7% of GDP, as some revenue measures planned for 2026 are set to expire. The revenue-to-GDP ratio is therefore projected to decline by 0.2 pps. of GDP, whereas the expenditure ratio is set to rise by 0.4 pps., with interest payments increasing further, to 2.8% of GDP.

After rising to 115.6% of GDP in 2025, the government debt ratio is projected to remain on an upward trend over the forecast horizon, reaching 118.1% of GDP in 2026 and exceeding 120% of GDP in 2027. The projected increases in general government debt are set to be mainly driven by high primary deficits and rising interest payments, which will more than offset the debt-reducing effect of nominal growth.

Table III.8.1: **Main features of country forecast - FRANCE**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2979.1	100.0	1.0	2.7	1.4	1.2	**0.8**	**0.8**	**1.1**
Private Consumption		1611.9	54.1	1.0	3.3	0.7	1.1	**0.4**	**0.2**	**0.7**
Public Consumption		725.8	24.4	1.4	2.7	1.4	1.4	**1.6**	**1.5**	**1.5**
Gross fixed capital formation		656.0	22.0	1.4	-0.4	0.4	-1.1	**0.5**	**0.5**	**1.2**
Exports (goods and services)		994.8	33.4	1.8	9.1	2.5	2.5	**1.3**	**0.7**	**2.2**
Imports (goods and services)		1006.9	33.8	2.4	9.0	-0.3	-1.2	**2.9**	**0.1**	**1.9**
GNI (GDP deflator)		3037.0	101.9	1.1	2.7	0.7	0.8	**0.9**	**0.7**	**1.1**
Contribution to GDP growth:		Domestic demand		1.2	2.3	0.8	0.7	**0.7**	**0.6**	**1.0**
		Inventories		0.0	0.5	-0.4	-0.8	**0.7**	**0.0**	**0.0**
		Net exports		-0.2	-0.1	1.0	1.3	**-0.5**	**0.2**	**0.1**
Employment				0.7	2.3	1.1	0.8	**0.1**	**-0.1**	**0.1**
Unemployment rate (a)				9.1	7.3	7.3	7.4	**7.7**	**8.3**	**8.7**
Compensation of employees / head				1.7	5.0	4.1	3.2	**2.2**	**2.3**	**2.9**
Unit labour costs whole economy				1.4	4.5	3.8	2.7	**1.4**	**1.4**	**1.8**
Saving rate of households (b)				15.0	16.5	16.7	17.9	**18.2**	**17.6**	**18.0**
GDP deflator				1.2	3.0	5.0	2.1	**1.2**	**1.8**	**2.0**
Harmonised index of consumer prices				1.4	5.9	5.7	2.3	**0.9**	**2.4**	**1.8**
Terms of trade goods				0.2	-4.1	0.9	-0.5	**2.9**	**-1.6**	**0.5**
Trade balance (goods) (c)				-1.9	-5.0	-2.8	-1.9	**-1.7**	**-1.9**	**-1.8**
Current-account balance (c)				-0.4	-1.6	-1.3	-0.1	**-0.2**	**-0.4**	**-0.2**
General government balance (c)				-4.7	-4.7	-5.4	-5.8	**-5.1**	**-5.1**	**-5.7**
Fiscal stance (c)				:	-2.0	0.5	0.1	**0.9**	**0.9**	**-0.3**
Structural budget balance (d)				-3.5	-4.6	-5.2	-5.5	**-4.7**	**-4.6**	**-5.2**
General government gross debt (c)				91.3	111.4	109.5	112.6	**115.6**	**118.1**	**120.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

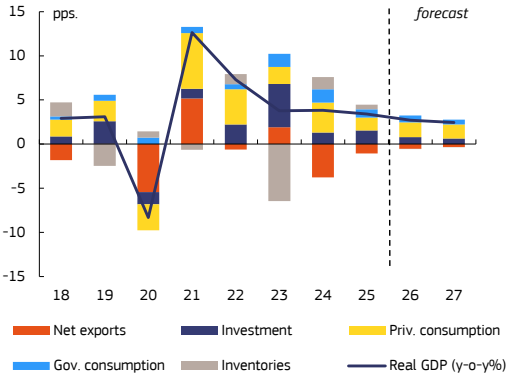
9. CROATIA

Following an expansion of 3.4% in 2025, Croatia's GDP growth, still supported by private consumption and investment, is expected to moderate to 2.7% in 2026 under higher price pressures and heightened uncertainty. It is set to soften further to 2.5% in 2027 following a further weaking of domestic demand growth. Employment is set to expand further over the forecast horizon, albeit at a slower pace, with the unemployment rate stabilising just below 5%. Inflation is expected to increase in 2026 to 4.6% but decline to 2.7% in 2027. After having increased to 3.0% of GDP in 2025, the general government deficit is projected to gradually narrow. The public debt-to-GDP ratio is foreseen to moderately decline, underpinned by a strong nominal growth.

Economic growth to moderate over the horizon

Croatia's real GDP growth is forecast to moderate over the forecast horizon from 3.4% in 2025, to 2.7% in 2026 and 2.5% in 2027, while still remaining above the EU average. The conflict in the Middle East and heightened geopolitical tensions are expected to weigh on the outlook, dampening mostly domestic demand.

Graph III.9.1: **Croatia - Real GDP growth and contributions**



In 2026, GDP growth is supported by domestic demand. Private consumption is set to remain resilient, still sustained by real wages and employment growth, although elevated inflation and heightened uncertainty weigh on households' purchasing power. Investment growth is expected to moderate under tighter financing conditions and heightened uncertainty but continue to benefit from sizeable absorption of EU funds. Government consumption is expected to maintain its positive contribution to GDP growth. Net exports are forecast to continue weighing on GDP growth, as imports outpace exports, reflecting weaker demand from trading partners and some erosion in price competitiveness. The increase in energy import prices will lead to a deterioration in the trade balance despite the resilience of the tourism sector. The terms-of-trade will deteriorate this year but rebound next year.

In 2027, economic growth is forecast to soften further to 2.5%. Consumption growth is set to decelerate as employment and income growth cool down somewhat. Investment is forecast to continue growing, albeit at a slower pace after the closure of the RRF, as the absorption of other EU funds picks up and private investment continues to increase. Exports are expected to benefit from an improvement in external demand.

Easing wage pressures mirror slower employment expansion

As economic activity slows down, employment growth is projected to continue decelerating to 1.0% in 2026 and 0.7% in 2027. The unemployment rate is set to stabilise at 4.8% over the forecast horizon. Labour shortages remain elevated, especially within the construction and industry sectors. Wage pressures persist, but wage growth is expected to abate both in nominal and real terms, reflecting a gradual easing in labour market tightness and subdued employment expansion.

Headline inflation remains elevated in 2026

Inflation is projected to increase to 4.6% in 2026, up from 4.4% in 2025, as energy inflation accelerates due to the conflict in the Middle East. Services inflation is expected to remain elevated in 2026, driven by the passthrough of higher energy prices and persistent wage pressures. Higher

fuel prices are also expected to feed through food supply chains, which will slow down the deceleration of food inflation from previous high levels. With energy prices moderating, inflation is set to decline to 2.7% in 2027 although some indirect and second-round effects will persist. Inflation excluding energy and food is expected to decline from 3.7% in 2026 to 2.8% in 2027.

High government deficit persists and debt declines at a slower pace

In 2025 the general government deficit increased to 3.0% of GDP due to a sharp increase in nationally financed investments, public sector wage growth and higher social assistance spending. In 2026, the deficit is forecasted to decrease marginally to 2.9% of GDP. Revenue growth is supported by still strong GDP performance and employment levels, as well as fiscal measures including the phasing out of health contributions exemptions, increase of tobacco excise duty and vehicle registration fees. Public investments continue to grow reaching a record level of 6.4% of GDP, boosted by increased support from the RRF. Social assistance is expected to maintain a strong increase due to pension reforms aimed at improving adequacy. At the same time defence spending and new energy measures, including the extension of previous ones, will contribute to the high levels of public expenditure.

The deficit is expected to narrow further to 2.7% of GDP in 2027, as public investment decrease to 5.7% of GDP, due to a reduction in EU funded investment (driven by the end of the RRF but largely compensated by a pick-up in EU structural funds) and to a larger extent, a decrease in nationally financed investment. Additionally, growth in other expenditure categories, primarily on wages and social assistance, are expected to be outpaced by nominal GDP growth.

The debt-to-GDP ratio declined to 56.3% in 2025 and is expected to continue decreasing at a slower pace to 55.9% in 2026, due to debt increasing stock-flow adjustments. In 2027 debt to GDP ratio is expected to reach 55.6%.

Table III.9.1: **Main features of country forecast - CROATIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		93.0	100.0	1.2	7.3	3.8	3.8	**3.4**	**2.7**	**2.5**
Private Consumption		52.2	56.2	0.7	6.9	3.3	6.0	**2.5**	**3.0**	**2.8**
Public Consumption		22.6	24.3	2.0	2.4	6.9	7.2	**4.1**	**3.2**	**2.3**
Gross fixed capital formation		23.9	25.7	0.5	10.7	22.7	5.3	**6.1**	**3.0**	**2.5**
Exports (goods and services)		44.6	48.0	3.1	27.0	-1.4	1.6	**0.9**	**2.1**	**2.4**
Imports (goods and services)		49.3	53.0	2.4	26.8	-4.2	8.4	**2.8**	**2.9**	**2.7**
GNI (GDP deflator)		93.0	100.0	1.2	7.6	4.1	4.3	**3.5**	**2.8**	**2.6**
Contribution to GDP growth:	Domestic demand			1.0	6.8	8.3	6.2	**4.0**	**3.2**	**2.8**
	Inventories			0.1	1.1	-6.5	1.4	**0.5**	**0.0**	**0.0**
	Net exports			0.2	-0.6	1.9	-3.8	**-1.1**	**-0.5**	**-0.3**
Employment				0.0	1.9	1.7	5.6	**1.5**	**1.0**	**0.7**
Unemployment rate (a)				11.6	6.8	6.1	5.0	**4.9**	**4.8**	**4.8**
Compensation of employees / head				1.9	12.3	13.5	8.9	**10.9**	**7.0**	**5.2**
Unit labour costs whole economy				0.8	6.6	11.3	10.8	**8.9**	**5.3**	**3.4**
Saving rate of households (b)				8.2	6.9	6.8	7.9	**9.7**	**8.9**	**8.9**
GDP deflator				1.9	8.0	12.9	4.5	**4.7**	**4.7**	**2.9**
Harmonised index of consumer prices				1.8	10.7	8.4	4.0	**4.4**	**4.6**	**2.7**
Terms of trade goods				-0.1	-3.3	1.8	0.2	**-1.3**	**-1.6**	**0.6**
Trade balance (goods) (c)				-17.1	-27.1	-22.1	-22.1	**-20.6**	**-21.0**	**-20.7**
Current-account balance (c)				-2.0	-3.8	0.4	-2.1	**-2.6**	**-3.2**	**-3.2**
General government balance (c)				-3.6	0.0	-1.1	-2.3	**-3.0**	**-2.9**	**-2.7**
Fiscal stance (c)				:	-0.5	-2.3	-2.3	**-1.6**	**0.3**	**0.9**
Structural budget balance (d)				-1.6	-1.5	-2.5	-3.4	**-3.7**	**-3.1**	**-2.6**
General government gross debt (c)				66.3	68.5	60.9	57.4	**56.3**	**55.9**	**55.6**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

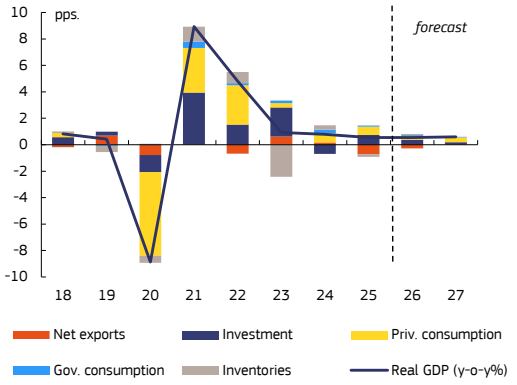
10. ITALY

Real GDP is expected to grow by 0.5% in 2026, as in 2025, supported by RRP-fuelled investment. Growth of consumption slows down due to the loss of purchasing power and net exports subtract from growth. In 2027, output is set to grow by 0.6%, supported by a recovery in global trade and price normalisation. Inflation is forecast to increase to 3.2% this year and decrease to 1.8% in 2027. Government deficit is projected to fall from 3.1% of GDP in 2025 to 2.9% in 2026 and 2027. Still, the debt ratio is set to rise further to 139.2% in 2027.

Domestic demand dampened by international tensions

In 2025, real GDP grew by 0.5%, driven by a robust expansion in domestic demand but held back by foreign demand. Household consumption rose by 1.1% on the back of strong employment and wage growth, while investment grew by 3.5%. Residential construction activity contracted further, following a sharp decline in 2024, due to the protracted phasing out of tax credits for housing renovation. In contrast, non-residential construction and investment in equipment and intangibles rose steadily, buoyed by RRF funding. Growth in imports of goods and services outpaced that of exports, particularly in goods trade.

Graph III.10.1: **Italy - Real GDP growth and contributions**



The conflict in the Middle East is expected to affect all components of demand. Private consumption is set to decelerate, owing to a reduction in real disposable income, and despite a slight drop in the saving rate. Investment growth is projected to slow compared to 2025, as housing construction falls slightly. The RRF continues to support investment in infrastructure and equipment, although the latter is set to be dampened by geopolitical tensions and rising interest rates. The impact of US tariffs and disruptions in some export markets due to the conflict in the Middle East is anticipated to further upset the goods export outlook while reducing imports. Net exports are thus expected to subtract from GDP growth, albeit less than in 2025.

In 2027, real GDP is forecast to accelerate slightly to 0.6%, as the inflationary shock eases and trade flows increase. Private consumption growth is expected to remain subdued, while investment is constrained by a slowdown in construction activity and equipment purchases following the expiry of the RRF. Net exports are set to contribute positively to GDP growth, as exports increase in line with foreign demand and imports, particularly of investment goods, decelerate.

Slowing employment growth amid steady wages

Employment growth slowed in 2025 and is projected to remain modest over 2026-27. With declining working-age population and stabilising participation rates, the unemployment rate is set to fall further to 5.7% in 2026-27. Wage growth is expected to moderate to below 3%, as renewed inflationary pressures are not fully passed through to wages, amid softening labour demand and the lagged, partial indexation of wage contracts.

Higher energy prices fuel temporary inflation surge

The sharp monthly increase in energy prices as from March 2026 is expected to quickly pass through to other goods and services, driving headline inflation to 3.2% in 2026. However, the assumed moderation of energy commodity prices over the forecast horizon is expected to bring headline inflation below 2% in 2027, even as food and services inflation remains elevated.

Government deficit falls just below 3% of GDP

In 2025, the government deficit declined to 3.1% of GDP, down from 3.4% in 2024. This improvement reflects an increase of 0.3 pps. of GDP in the primary surplus, which reached 0.8% of GDP, while interest expenditure remained stable at 3.9% of GDP. The strengthening of the primary balance was mainly driven by higher current revenues. In particular, a 0.9 pps. rise in social security contributions followed the 2025 changes to the tax wedge, which replaced the cuts in employee social security contributions with a permanent reduction in personal income taxation. Despite these changes, income tax revenues continued to grow, supported by favourable labour market conditions, alongside increased tax revenues from financial assets and VAT. At the same time, capital expenditure exceeded expectations, with investment spending reaching 3.8% of GDP, supported by the implementation of RRF projects, subsidies for firms' green and digital investments, and spending on housing renovation tax credits, which amounted to 0.4% of GDP, significantly higher than anticipated by the government (0.05% of GDP).

In 2026, the deficit is projected to narrow marginally, to 2.9% of GDP. Interest expenditure is set to increase by 0.3 pps. of GDP, due to rising yields, particularly on inflation-linked bonds. Tax revenues are expected to increase in line with nominal GDP. The 2026 budget introduced changes to income taxation, including a further cut to the labour tax wedge for middle income earners, to be fully compensated by increases in taxes for financial institutions and insurance companies. On the expenditure side, the decrease in subsidies to investments is partially compensated by further public investment, strengthened by RRF funds, and primary current expenditure. The energy support measures introduced before 4 May 2026 – amounting to 0.06% of GDP – have been entirely financed by budgetary savings.

The deficit is projected to remain stable in 2027 under a no-policy-change assumption. The lagged effects of higher inflation are expected to push up current expenditure, particularly on pensions, while the phase-out of RRF-related projects will lead to lower capital expenditure.

The government debt-to-GDP ratio is set to reach 139.2% by the end of 2027, from 137.1% in 2025. The increase is driven by a debt-increasing interest-growth-rate differential and large stock-flow adjustments related to the housing renovation tax credits affecting the deficit in previous years, while the debt-reducing impact of primary surpluses remains limited.

Table III.10.1: **Main features of country forecast – ITALY**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2258.0	100.0	-0.1	4.8	0.9	0.8	**0.5**	**0.5**	**0.6**
Private Consumption		1299.9	57.6	-0.4	5.3	0.5	1.2	**1.1**	**0.5**	**0.6**
Public Consumption		412.1	18.3	-0.1	0.8	1.0	1.5	**0.6**	**0.3**	**0.2**
Gross fixed capital formation		493.0	21.8	-0.3	7.4	10.1	-3.1	**3.5**	**1.7**	**0.7**
Exports (goods and services)		727.7	32.2	1.5	9.9	-0.2	-0.4	**1.2**	**0.5**	**1.9**
Imports (goods and services)		684.1	30.3	1.1	12.9	-1.9	-1.0	**3.6**	**1.4**	**1.8**
GNI (GDP deflator)		2260.6	100.1	-0.1	4.6	-0.5	1.1	**0.9**	**0.5**	**0.6**
Contribution to GDP growth:		Domestic demand		-0.3	4.7	2.7	0.3	**1.5**	**0.7**	**0.6**
		Inventories		0.1	0.8	-2.4	0.3	**-0.2**	**0.1**	**0.0**
		Net exports		0.2	-0.7	0.6	0.2	**-0.7**	**-0.3**	**0.0**
Employment				0.2	1.9	2.1	1.8	**1.1**	**0.2**	**0.2**
Unemployment rate (a)				9.7	8.1	7.7	6.5	**6.1**	**5.7**	**5.7**
Compensation of employees / head				1.1	3.7	2.6	3.3	**3.0**	**2.7**	**2.7**
Unit labour costs whole economy				1.4	0.9	3.8	4.4	**3.5**	**2.4**	**2.3**
Saving rate of households (b)				12.9	11.4	11.3	11.2	**11.0**	**10.6**	**10.7**
GDP deflator				1.4	3.5	6.3	2.0	**2.0**	**1.9**	**2.0**
Harmonised index of consumer prices				1.4	8.7	5.9	1.1	**1.7**	**3.2**	**1.8**
Terms of trade goods				0.0	-10.2	10.9	2.2	**1.6**	**-1.8**	**0.8**
Trade balance (goods) (c)				1.6	-1.3	1.7	2.5	**2.3**	**1.6**	**1.8**
Current-account balance (c)				0.4	-1.7	0.2	1.0	**1.2**	**0.5**	**0.6**
General government balance (c)				-3.6	-8.1	-7.1	-3.4	**-3.1**	**-2.9**	**-2.9**
Fiscal stance (c)				:	-3.5	-0.1	3.0	**0.3**	**0.3**	**0.5**
Structural budget balance (d)				-2.4	-9.2	-8.3	-4.1	**-3.7**	**-3.2**	**-3.1**
General government gross debt (c)				127.1	138.4	133.9	134.7	**137.1**	**138.5**	**139.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

11. CYPRUS

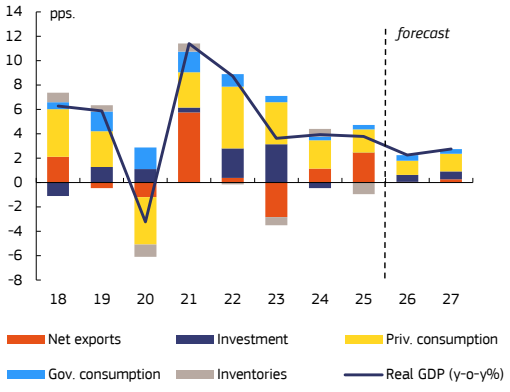
Cyprus' economy faces the fallout of the conflict in the Middle East on a strong footing, but its impact may be felt via higher inflation and uncertainty in the short term. Headline inflation is projected to rise to 3.6% in 2026 and then ease to 2.2%, reflecting first the surge and then the gradual normalisation of energy prices. Household consumption growth is expected to ease as inflation erodes real disposable incomes, but wage adjustment through automatic indexation is likely to provide support. Tourism exports will be negatively affected by the conflict, but other service exports are expected to remain resilient. Fiscal surpluses prevail despite the financing of a tax reform and measures to tackle energy price hikes. The debt-to-GDP ratio fell below the 60% threshold by end-2025 and continues its pronounced downward trend.

Growth expected to remain resilient despite the shock generated by the Middle East conflict

Real GDP expanded by 3.8% in 2025, supported by robust private consumption and services exports, particularly from booming ICT activities and higher tourist arrivals. Investment excluding ship registrations also grew, as construction activity gained momentum.

Real GDP is projected to grow by 2.3% in 2026 and 2.7% in 2027. This outlook reflects the positive conditions that were in place before the Middle East conflict started. Private consumption will remain the main driver of growth, although it is set to moderate as rising imported inflation weighs on disposable incomes and the inflows of foreign workers which previously supported household spending moderate. Domestic tourism is expected to strengthen in 2026, partially offsetting these effects.

Graph III.11.1: **Cyprus - Real GDP growth and contributions**



Investment excluding ships is projected to decelerate but recover in the course of 2026, as rising costs delay investment decisions despite support from the final year of RRF. Services exports in total are set to withstand weaker tourism exports in 2026, as robust ICT, financial and business service exports are largely unaffected by the conflict. Tourism arrivals remain highly sensitive to geopolitical developments. Global trade disruptions could weigh on the outlook for the shipping sector. Despite the projected trade surplus, the repatriation of profits by foreign-owned corporates continues to weigh on the current account deficit, which will be widened by the oil price shock in 2026, before gradually narrowing in 2027.

Energy price surge to propel inflation

Headline inflation is projected to rise to 3.6% in 2026 before easing to 2.2% in 2027. The surge in oil prices has sparked a rise in energy costs, although reductions in VAT and excise duty on energy may help to contain further energy price spikes. A weaker tourism outlook is set to moderate services inflation as firms could offer more competitive pricing to attract inbound tourists.

After taking a hit in 2026, real wage growth is projected to accelerate in 2027 as GDP growth picks up and salaries adjust through the automatic cost-of-living adjustment mechanism. Higher wages will push labour cost growth above labour productivity temporarily. Taken together, stable household spending over the forecast horizon will lead to a modest rise in the household saving rate in 2026, followed by a more pronounced increase in 2027 as growth strengthens.

Labour market remains solid

Labour market conditions are expected to remain robust, supported by strong job creation. Employment is expected to grow by 1.3% y-o-y in 2026 and 1.1% in 2027. Over the same period, the unemployment rate is forecast to fall to 4.2%, the lowest in over a decade.

Healthy public finances allow for a general tax reform and measures to contain energy prices

In 2025, Cyprus continued to experience a sizeable surplus in its general government headline balance, reaching 3.4% of GDP, down from 4.1% of GDP in 2024, with expenditure growing more strongly than revenue. Expenditure includes the repayment of an EU grant of 0.2% of GDP, originally received for the construction of the Vasilikos liquified natural gas terminal, due to irregularities.

The budget surplus is projected to ease to 2.1% of GDP in 2026 and 2.5% in 2027, reflecting a 0.7% of GDP burden due to the general tax reform that took effect at the beginning of 2026. This tax reform mainly lowers some special tax payments for companies and the personal income tax for citizens via an adjustment of tax brackets and allowances. Partly offsetting this, the corporate tax rate was increased from 12.5% to 15%. Moreover, several measures by the government to counter the rising energy prices, such as targeted subsidies as well as reductions in VAT and excise duties, weigh on the budget.

Public investment is supported by RRF funds in 2026 whereas the RRF will no longer provide this support from 2027. However, this will be partially compensated by additional defence spending financed from SAFE (Security Action for Europe) loans.

The government debt-to-GDP ratio dropped by more than 7 pps. in 2025, to 55.0% by the end of the year, falling below the 60% threshold for the first time since 2009. Thanks to high nominal GDP growth, this trend is projected to continue with the debt ratio set to decrease to 50.4% of GDP in 2026 and 45.5% of GDP in 2027.

Table III.11.1: **Main features of country forecast – CYPRUS**

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		36483.5	100.0	2.3	8.7	3.6	3.9	**3.8**	**2.3**	**2.7**
Private Consumption		20651.1	56.6	1.9	8.9	6.0	4.0	**3.3**	**2.0**	**2.6**
Public Consumption		6744.0	18.5	2.9	5.5	2.9	1.6	**2.0**	**2.5**	**2.0**
Gross fixed capital formation		7309.3	20.0	1.6	12.5	15.4	-2.0	**0.0**	**2.9**	**3.2**
Exports (goods and services)		35598.4	97.6	5.7	27.8	-1.6	5.7	**5.0**	**1.2**	**3.1**
Imports (goods and services)		33536.5	91.9	5.3	28.8	1.2	4.6	**2.5**	**1.3**	**3.0**
GNI (GDP deflator)		32421.6	88.9	2.7	7.8	2.6	3.6	**3.4**	**2.2**	**3.0**
Contribution to GDP growth:	Domestic demand			2.1	8.5	7.1	2.2	**2.3**	**2.2**	**2.5**
	Inventories			0.0	-0.2	-0.7	0.6	**-1.0**	**0.0**	**0.0**
	Net exports			0.3	0.4	-2.8	1.2	**2.5**	**0.1**	**0.3**
Employment				1.5	4.0	2.9	2.3	**1.7**	**1.3**	**1.1**
Unemployment rate (a)				9.1	6.3	5.8	4.9	**4.4**	**4.2**	**4.2**
Compensation of employees / head				1.4	7.3	9.4	3.3	**4.2**	**4.0**	**5.0**
Unit labour costs whole economy				0.6	2.7	8.6	1.6	**2.1**	**3.0**	**3.3**
Saving rate of households (b)				6.3	5.6	5.7	5.6	**7.8**	**7.9**	**9.1**
GDP deflator				1.2	6.2	5.6	3.1	**1.1**	**2.5**	**2.2**
Harmonised index of consumer prices				1.1	8.1	3.9	2.3	**0.8**	**3.6**	**2.2**
Terms of trade goods				0.4	-1.2	1.1	0.5	**1.0**	**-1.6**	**0.6**
Trade balance (goods) (c)				-21.7	-19.5	-22.7	-19.9	**-19.4**	**-20.0**	**-19.8**
Current-account balance (c)				-7.8	-6.9	-9.7	-8.2	**-6.4**	**-7.2**	**-6.5**
General government balance (c)				-3.2	2.7	1.7	4.1	**3.4**	**2.1**	**2.5**
Fiscal stance (c)				:	0.7	-1.7	2.0	**-1.8**	**-0.4**	**1.2**
Structural budget balance (d)				1.3	0.3	-0.1	2.6	**1.9**	**1.3**	**1.9**
General government gross debt (c)				85.9	80.1	71.1	62.7	**55.0**	**50.4**	**45.5**

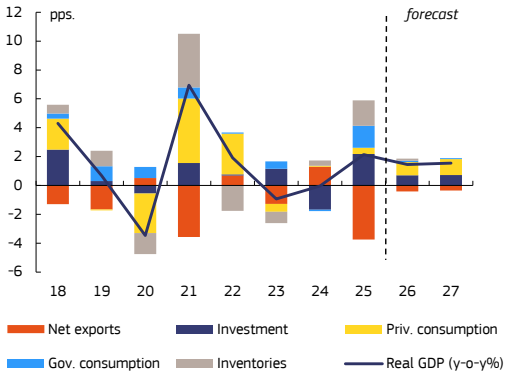
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

12. LATVIA

Latvia's economy grew by 2.1% of GDP in 2025, driven by domestic demand. Due to the conflict in the Middle East, GDP growth is forecast to slow to 1.4% in 2026. It is set to pick up slightly to 1.6% in 2027. Inflation is expected to increase to 3.6% in 2026 due to higher energy prices, before falling to 2.2% in 2027. The general government deficit is forecast to increase to 3.3% of GDP in 2026, driven by higher defence investment, interest expenditure and social benefits, and rise further to 4.3% in 2027, mainly due to defence expenditure.

Following strong growth in 2025, growth to slow in 2026 amid energy crisis

Graph III.12.1: **Latvia - Real GDP growth and contributions**



In 2025, Latvia's economy returned to growth with private consumption benefiting from solid wage growth. Private consumption is expected to continue growing, by 1.6% in 2026 and 1.9% in 2027, despite higher energy prices. Real wage growth is expected to remain robust, also supporting household savings. Investment rebounded in 2025, growing at a rate of 9.8% and driven by private investments, inflows of EU funds and increased defence spending. Investment is set to continue expanding, by 3% in each year. Public consumption is set to be weaker over the forecast horizon, partly due to more limited growth in public wages and the phase-out of the RRF as of 2027. While exports of goods and services rose by just 0.1% in 2025, imports surged by 5.7%, driven by strong domestic demand. Exports are expected to grow modestly, by 1.7% in 2026 and 1.9% in 2027, as geopolitical uncertainties persist. Overall, real GDP growth is projected at 1.4% in 2026 and 1.6% in 2027.

Unemployment rate set to decline gradually

Despite the economic recovery in 2025, the unemployment rate rose to 7%. It is projected to ease slightly to 6.9% in 2026 and further to 6.8% in 2027. Nominal compensation per employee grew by 8.4% in 2025 and is set to remain strong at 7.0% in 2026, before decreasing to 5.8% in 2027. This growth is supported by increases in the minimum wage and public sector wages, and skill shortage in some sectors.

Inflation expected to rise in 2026

HICP inflation reached 3.8% in 2025 as services and both processed and unprocessed food inflation remained strong. Robust wage growth continued to drive services and food inflation, with both set to gradually ease over the forecast horizon. Due to higher energy inflation, HICP inflation is expected to rise to 3.6% in 2026 before falling to 2.2% in 2027. Inflation excluding energy and food is expected to remain below HICP inflation.

Government deficit set to increase

In 2025, the government deficit increased to 2.5% of GDP, primarily due to the adverse fiscal impact of the personal income tax reform and reduction of property income, affected by lower dividend payments from state-owned enterprises and lower interest revenue.

In 2026, the government deficit is forecast to increase to 3.3% of GDP, largely due to higher expenditure. Revenue from indirect taxes and social contributions is expected to grow in line with the expanding tax base, supported by consumption, public investment and compensation of

employees. However, weaker income tax revenue and lower property income are forecast to weigh on overall revenue growth. At the same time, expenditure is projected to rise further, reflecting higher investment (including in defence), increasing interest costs, and continued growth in social benefits, largely due to pension and benefit indexation outpacing economic growth, and a rising number of pension recipients.

In 2027, the government deficit is forecast to rise to 4.3% of GDP. While social contributions are expected to grow strongly, in line with compensation of employees, the lingering effects of the personal income tax reform and diminishing property income will continue to drag revenues. On the expenditure side, the sharp increase in defence expenditure, particularly via inventories, public investment and intermediate consumption, alongside growth in social transfers and interest expenditure, will contribute to the widening deficit.

The debt-to-GDP ratio reached 46.9% in 2025 and is forecast to increase to 53.8% by 2027, due to high budget deficits and positive stock-flow adjustments impacted by pre-financing of upcoming debt redemptions.

Table III.12.1: **Main features of country forecast - LATVIA**

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		43026.2	100.0	1.8	1.9	-0.9	0.0	**2.1**	**1.4**	**1.6**
Private Consumption		24791.1	57.6	1.9	5.1	-0.9	0.1	**0.8**	**1.6**	**1.9**
Public Consumption		9854.7	22.9	1.5	0.4	2.5	-0.4	**7.0**	**0.4**	**0.3**
Gross fixed capital formation		10097.7	23.5	0.1	0.3	5.0	-7.0	**9.8**	**3.0**	**3.0**
Exports (goods and services)		26922.8	62.6	4.8	11.4	-7.0	0.1	**0.1**	**1.7**	**1.9**
Imports (goods and services)		28892.7	67.2	3.9	9.9	-5.0	-1.8	**5.7**	**2.2**	**2.3**
GNI (GDP deflator)		42130.6	97.9	1.8	2.0	-1.5	0.2	**2.1**	**1.4**	**1.5**
Contribution to GDP growth:		Domestic demand		1.9	3.0	1.1	-1.7	**4.1**	**1.7**	**1.9**
		Inventories		0.4	-1.8	-0.8	0.4	**1.8**	**0.1**	**0.0**
		Net exports		-0.2	0.7	-1.3	1.3	**-3.8**	**-0.4**	**-0.3**
Employment				-0.4	0.2	1.8	-1.5	**-0.5**	**-0.4**	**-0.3**
Unemployment rate (a)				10.7	6.9	6.5	6.9	**6.9**	**6.8**	**6.7**
Compensation of employees / head				7.4	13.1	5.8	10.5	**8.4**	**7.0**	**5.8**
Unit labour costs whole economy				5.0	11.2	8.7	8.9	**5.5**	**5.0**	**3.9**
Saving rate of households (b)				5.4	3.8	1.7	4.9	**6.4**	**6.5**	**6.8**
GDP deflator				3.9	9.7	10.7	2.8	**3.6**	**3.1**	**2.1**
Harmonised index of consumer prices				3.2	17.2	9.1	1.3	**3.8**	**3.6**	**2.2**
Terms of trade goods				1.3	-3.3	1.8	1.0	**0.8**	**-1.9**	**-0.6**
Trade balance (goods) (c)				-12.4	-11.4	-9.1	-7.4	**-9.2**	**-10.6**	**-11.0**
Current-account balance (c)				-3.5	-5.5	-3.8	-1.6	**-5.0**	**-5.8**	**-7.0**
General government balance (c)				-3.0	-4.9	-2.3	-1.8	**-2.5**	**-3.3**	**-4.3**
Fiscal stance (c)				:	-1.7	0.5	-0.1	**-1.1**	**-1.5**	**-0.1**
Structural budget balance (d)				-2.3	-5.4	-2.1	-1.3	**-2.5**	**-3.4**	**-4.5**
General government gross debt (c)				36.7	44.4	44.4	46.2	**46.9**	**48.8**	**53.8**

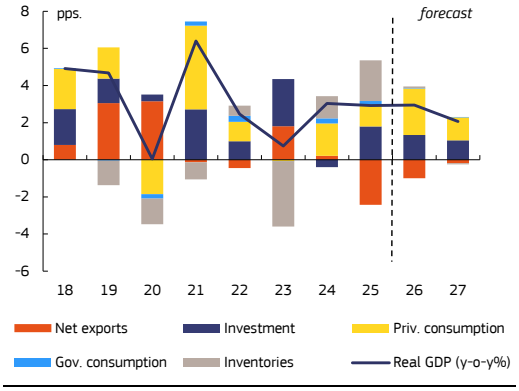
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

13. LITHUANIA

Lithuania's economy is expected to continue growing over the forecast horizon, supported by private consumption, which will be driven by increasing real wages and the release of the second-pillar pensions. Real GDP is projected to grow by 3.0% in 2026 and 2.1% in 2027. Despite geopolitical uncertainty, investment is also expected to grow by 5.8% in 2026, and 4.5% in 2027. Inflation is expected to rise to 4.4% in 2026 driven by energy and services prices, before easing to 2.7% in 2027 as energy prices are set to moderate. The general government deficit is projected to increase from 1.8% in 2025, to 2.2% in 2026, and to 2.7% in 2027, mainly due to the projected increase in expenditure related to national investments, social benefits, and interest payments.

Economic activity to continue growing

Graph III.13.1: **Lithuania - Real GDP growth and contributions**



In 2026, private consumption is expected to be the main driver of GDP growth, expanding by 4.6% due to strong real wage growth and the pension reform. The reform, which makes the second pillar pension voluntary and allows withdrawal of accumulated funds, gives a temporary boost to private consumption. With real wage growth expected to continue in 2027, consumption growth is projected to slow but remain positive, at 2.2%. The savings rate is expected to remain high at 8.2% in 2026 and 8.9% in 2027. Investment is forecast to increase strongly, by 5.8% in 2026 and 4.5% in 2027, stimulated by low interest rates and increased public investment. Export growth is expected to be weaker than in 2025, due to lower demand from the main trading partners. At the same time, imports continue to outpace exports in 2026 because of strong domestic demand for imported goods. In 2027, the contribution of net exports to growth is close to zero. Overall, real GDP is projected at 3.0% in 2026 and 2.1% in 2027.

Labour market set to gradually tighten

The expansion of the labour force seen between 2022 and 2024, largely due to the inflow of Ukrainian refugees, stopped in 2025, and is expected to reverse in 2026 (-0.3%) and 2027 (-0.2%), as natural population decline resumes. In 2026 and 2027, the unemployment rate is expected to decline to 6.7%, supported by economic growth and a contracting labour force. The 11.1% increase in minimum wages in 2026, combined with persistent labour shortages amid skills mismatches, is expected to support wage growth, projected at 7.1% in 2026 and 5.9% in 2027.

Inflation expected to rise due to energy price developments

HICP inflation is expected to increase to 4.4% in 2026, up from 3.4% in 2025, following a jump in energy prices due to the conflict in the Middle East. Food prices are expected to increase because of higher fuel, transport and fertilisers costs. Services inflation is also set to increase, projected at 5.9% in 2026 and 4.6% in 2027, reflecting strong wage growth. Non-energy goods prices are expected to increase at the lower rate of 1.2% in 2026 and 1.3% in 2027. Energy prices are set to decline in 2027, due to lower oil and gas price assumptions, while the postponement of the ETS2 implementation to 2028 removed a source of upward price pressure. Overall HICP inflation in 2027 is expected to be 2.7%.

General government deficit set to increase

In 2025, the general government deficit increased to 1.8% of GDP, up from 1.3% in 2024, mainly due to higher social spending and increases in public wages.

In 2026, the deficit is projected to increase to 2.2% of GDP, as government expenditure grows by 1.4 pps., while revenue increases at a slower pace, by 1.0 pp. The widening deficit is primarily driven by higher expenditure related to national investments, social spending, and interest payments. The revenue increase is supported by higher excise duties on fossil fuels, the abolition of the VAT exemption for central heating and hot water supply, the introduction of a security contribution, the increase in the corporate income tax rate, and the increase of excise rates on tobacco products and electronic cigarettes. As of the forecast cut-off date, Lithuania has also adopted a temporary two-month reduction in excise duties on diesel fuel in response to the energy price shock, with a limited fiscal impact of less than 0.1% of GDP.

The deficit is projected at 2.7% of GDP in 2027, with expenditure increasing by 0.4 pps. of GDP, driven mainly by higher spending on defence, social benefits, and interest.

Over the forecast horizon, public debt is expected to increase from 39.5% of GDP in 2025, to 44.6% in 2026 and 48.4% in 2027. Lithuania's public debt increase is driven by significant stock-flow adjustments mainly related to social security fund surpluses which result in asset accumulation rather than debt repayments and the pre-financing of defence expenditure, as well as increasing deficit.

Table III.13.1: **Main features of country forecast - LITHUANIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		84.3	100.0	3.1	2.5	0.7	3.0	**2.9**	**3.0**	**2.1**
Private Consumption		46.0	54.6	2.3	1.9	-0.1	3.1	**2.1**	**4.6**	**2.2**
Public Consumption		16.3	19.3	0.1	1.9	0.0	1.6	**1.0**	**0.1**	**0.1**
Gross fixed capital formation		19.3	22.9	3.9	4.4	11.3	-1.7	**8.0**	**5.8**	**4.5**
Exports (goods and services)		61.5	73.0	6.9	11.7	-3.3	2.6	**5.3**	**2.6**	**2.8**
Imports (goods and services)		58.2	69.1	5.5	13.0	-5.3	2.4	**9.3**	**4.1**	**3.2**
GNI (GDP deflator)		82.2	97.6	2.9	1.8	1.7	3.7	**2.9**	**3.0**	**2.1**
Contribution to GDP growth:	Domestic demand			2.5	2.4	2.5	1.6	**3.2**	**3.9**	**2.3**
	Inventories			0.0	0.5	-3.5	1.2	**2.2**	**0.1**	**-0.1**
	Net exports			0.8	-0.4	1.8	0.2	**-2.4**	**-1.0**	**-0.2**
Employment				-0.2	5.0	1.4	1.5	**-0.7**	**-0.2**	**-0.2**
Unemployment rate (a)				9.4	6.0	6.9	7.1	**6.9**	**6.7**	**6.7**
Compensation of employees / head				7.2	11.6	12.1	7.2	**10.0**	**7.4**	**6.2**
Unit labour costs whole economy				3.8	14.3	12.9	5.6	**6.1**	**4.1**	**3.8**
Saving rate of households (b)				1.0	4.8	5.7	7.6	**9.7**	**8.2**	**8.9**
GDP deflator				3.3	15.4	10.0	3.2	**3.6**	**3.4**	**3.3**
Harmonised index of consumer prices				3.0	18.9	8.7	0.9	**3.4**	**4.4**	**2.7**
Terms of trade goods				-0.3	-10.1	5.4	2.9	**1.5**	**-3.0**	**1.1**
Trade balance (goods) (c)				-6.3	-10.9	-6.1	-5.8	**-8.0**	**-10.3**	**-9.7**
Current-account balance (c)				-1.7	-6.2	1.0	3.2	**1.6**	**-0.6**	**-0.3**
General government balance (c)				-2.5	-0.7	-0.7	-1.3	**-1.8**	**-2.2**	**-2.7**
Fiscal stance (c)				:	0.5	0.3	-1.3	**-1.4**	**-1.0**	**0.4**
Structural budget balance (d)				-1.8	-1.2	0.0	-0.7	**-1.6**	**-2.2**	**-2.7**
General government gross debt (c)				34.3	38.3	37.1	38.0	**39.5**	**44.6**	**48.4**

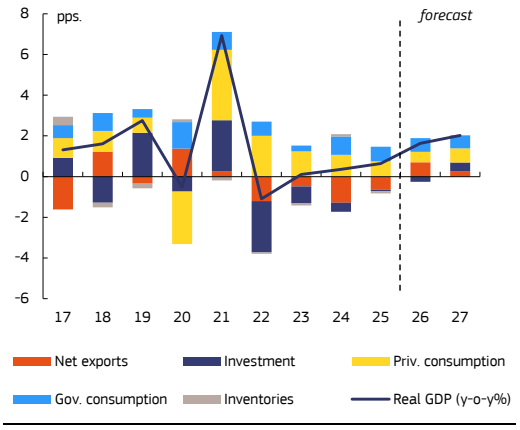
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

14. LUXEMBOURG

Real GDP growth in Luxembourg is expected to accelerate in 2026 and 2027, despite a worsening international context and rising energy costs, as services exports support the economy. Meanwhile, the slowdown in private consumption and investment following a drop in confidence and rising interest rates are set to detract from economic performance. After remaining high in 2025, headline inflation is set to further increase in 2026 due to the energy crisis, before slowing down to below 2% in 2027. A revenue shortfall and large investment expense led the general government balance to a larger than expected deficit in 2025, which is forecast to be partially absorbed in the 2026-27 period.

Growth is set to accelerate in 2026

Graph III.14.1: **Luxembourg - Real GDP growth and contributions**



Real GDP expanded by 0.6% in 2025, supported by private and government consumption. Net exports contributed negatively as imports accelerated faster than exports. In terms of real gross value added, the main contributors were the public sector and, the finance and insurance sector driven by increases in net issuance in bond funds as a result of interest rate cuts.

In 2026 and 2027, economic growth is expected to accelerate, supported by exports of financial services. The worsening geopolitical climate in early 2026 led stock markets around the world to plummet. But the recovery was relatively fast. However, strong volatility remains a risk in the face of persistent geopolitical tension. On the consumer side, confidence improved at the start of the year before falling in March by 9.2 points, the second biggest fall in the EU, followed by a slight recovery in April. Private consumption is expected to lose some steam in the coming quarters and grow by 1.6% in 2026. For 2027, consumption is forecast to increase by 2.1%, supported by a reduction of uncertainty related to the conflict in the Middle East and the normalisation of short-term interest rates. Although still below average, the trend in confidence surveys in the construction sector has improved over the past 12 months. The activity in the sector is recovering slowly and investment in housing is expected to recover slightly in 2026. The acquisition of a satellite in 2025-Q3 had a negative carry-over on investment growth. Due to a base effect, investment is expected to contribute negatively to GDP growth in 2026 unless additional important acquisitions are to be recorded. In 2027, investment is set to recover following the expected recovery in demand.

Employment to remain below the long-term average

Following the deceleration of economic activity in recent years, employment growth slowed down and is expected to grow by 1.3% in 2026—well below Luxembourg's historic average—before accelerating to 1.5% 2027. Slower than average cross-border workers growth is expected to curb the unemployment rate, which is set to remain stable at 6.6% in 2026, before edging down to 6.5% in 2027 as employment growth recovers.

Inflation persisting in 2026

Headline inflation is set to increase at 2.7% in 2026, up from 2.5% in 2025, as energy prices rise following the conflict in the Middle East. Wage increases based on indexation, expected in May 2026, is set to push service prices up. In 2027, inflation is projected to decelerate to 1.8% due to a contraction in energy prices and lower food inflation.

General government balance expected to remain in deficit

In 2025, the general government balance turned to a deficit of 2.0% of GDP in 2025 from a surplus of 0.9% of GDP in 2024. Total revenues declined by 0.6 percentage points of GDP to 47.1% of GDP, while public spending increased by 2.3 percentage points to 49.1% of GDP. The slowdown in revenue growth is mostly due to the impact of measures to support household purchasing power, the competitiveness of enterprises and the construction sector. Notably, revenues were affected by the upward adjustment of personal income tax brackets for 2025 compensating for several past wage indexations, a decrease in the nominal corporate tax rate from 17% to 16% and the extension of support measures for the construction sector. Expenditure growth accelerated in 2025 due to the implementation of the public sector wage agreement and strong hiring pushing up the public wage bill, higher social transfers and public investment. Public investment increased to 5.0% of GDP from 4.7%, partially due to the purchase of a military satellite.

In 2026, a lower deficit of 1.2% of GDP is projected. In line with the higher projected economic growth, revenue growth is expected to resume. Revenues from personal income taxes are expected to increase, in line with the improvements in the labour market and the absence to inflation indexation of tax brackets. The increase in the social contribution rate from 24% to 25.5% is expected to drive up revenues from social contributions. Higher private consumption combined with the increase of tobacco excises is set to increase indirect taxes, although this will be partially offset by the government's electricity network cost measures which aim to mitigate the impact of high energy prices.

The deficit is set to increase to 1.5% of GDP in 2027, as expenditure growth outpaces revenue growth again. Public investment is projected to remain high by recent standards over the forecast horizon, supporting the government's social, digital and green agenda.

The interest expenditure is expected to rise due to higher refinancing costs on newly issued debt, reaching 0.5% and 0.6% of GDP in 2026 and 2027 respectively. The debt-to-GDP ratio is projected to increase from 26.5% in 2025 to 29.2% in 2026 and to 30.2% of GDP in 2027, due to the budget deficits and social security fund-related stock-flow adjustments.

Table III.14.1: **Main features of country forecast - LUXEMBOURG**

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		89521.5	100.0	2.6	-1.1	0.1	0.4	**0.6**	**1.6**	**2.0**
Private Consumption		29983.4	33.5	2.5	6.6	3.8	3.2	**2.3**	**1.6**	**2.1**
Public Consumption		17767.9	19.8	3.2	4.0	1.6	4.9	**3.7**	**3.3**	**3.1**
Gross fixed capital formation		13405.5	15.0	3.3	-13.9	-5.1	-2.7	**-0.5**	**-1.7**	**2.9**
Exports (goods and services)		170558.4	190.5	4.4	1.5	0.6	-12.2	**1.2**	**2.0**	**2.5**
Imports (goods and services)		142665.8	159.4	4.9	2.4	0.9	-13.6	**1.8**	**2.0**	**2.8**
GNI (GDP deflator)		59847.6	66.9	1.0	-5.5	4.9	-3.2	**2.9**	**1.1**	**2.6**
Contribution to GDP growth:		Domestic demand		2.0	0.2	0.7	1.5	**1.4**	**0.9**	**1.8**
		Inventories		-0.1	-0.1	-0.1	0.1	**-0.1**	**0.0**	**0.0**
		Net exports		0.7	-1.2	-0.5	-1.3	**-0.6**	**0.7**	**0.3**
Employment				2.9	3.3	1.9	1.0	**1.2**	**1.3**	**1.5**
Unemployment rate (a)				5.4	4.6	5.2	6.4	**6.5**	**6.6**	**6.5**
Compensation of employees / head				2.6	4.5	7.5	3.5	**4.4**	**3.4**	**2.5**
Unit labour costs whole economy				2.9	9.1	9.5	4.1	**4.9**	**3.0**	**2.0**
Saving rate of households (b)				13.9	13.4	13.0	12.2	**13.1**	**13.2**	**12.6**
GDP deflator				3.0	6.2	6.9	4.6	**3.2**	**2.8**	**2.3**
Harmonised index of consumer prices				1.9	8.2	2.9	2.3	**2.5**	**2.7**	**1.8**
Terms of trade goods				0.8	-6.3	0.7	0.6	**2.1**	**-0.2**	**1.2**
Trade balance (goods) (c)				1.7	-0.6	1.7	2.2	**2.3**	**2.3**	**2.7**
Current-account balance (c)				3.3	-3.9	-0.7	-3.5	**-2.9**	**-2.8**	**-2.7**
General government balance (c)				1.3	0.2	-0.7	0.9	**-2.0**	**-1.2**	**-1.5**
Fiscal stance (c)				:	-1.4	-1.7	-0.1	**-1.7**	**0.4**	**-0.9**
Structural budget balance (d)				1.5	0.8	0.6	2.5	**-0.2**	**0.3**	**-0.5**
General government gross debt (c)				19.0	24.9	24.7	26.3	**26.5**	**29.2**	**30.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

15. MALTA

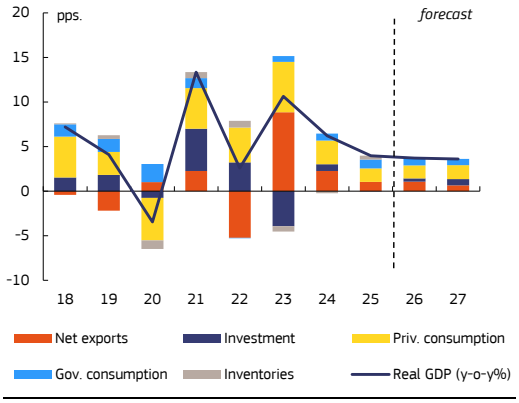
Malta's economy maintained its strong growth momentum, with real GDP expanding by 4.0% in 2025. The expansion is driven by robust domestic consumption and the tourism sector, and is projected to moderate to 3.7% in 2026 and 3.6% in 2027 as external economic conditions become less favourable. Although the impact of higher international energy prices is mitigated by government measures, inflation is nonetheless expected to accelerate to 2.7% in 2026. The labour market remains tight, with real wages growing moderately. Having narrowed to 2.2% of GDP in 2025, the government deficit is forecast to remain below the 3% threshold over the forecast horizon. The debt-to-GDP ratio is expected to stabilise at around 46%.

Growth expectations are positive despite increasing uncertainty

Following a 4.0% expansion in 2025, real GDP is expected to grow by 3.7% in 2026, despite heightened economic uncertainty. This growth is driven by robust private and public consumption, and is further underpinned by a solid performance in key export sectors.

Malta's robust economic performance is rooted in its strong services sectors, such as recreational, professional, IT, and financial services. The contribution of net exports to growth is positive, resulting from large net positive services trade outweighing the negative balance of trade in goods. The growth of the tourism sector outperformed expectations in 2025 and is expected to maintain momentum in 2026, despite the increased geopolitical uncertainty.

Graph III.15.1: **Malta - Real GDP growth and contributions**



As real wages are forecast to continue increasing, private consumption is set to grow by 3.3% in 2026 and 3.5% in 2027. After a strong increase by 5.9% in 2025, government consumption growth is expected to slow down to 4.6% in 2026 and 3.9% in 2027, still providing a notable contribution to GDP growth. After a small contraction in 2025, investment is expected to return to growth by 2.0% in 2026 and 4.0% in 2027 on account of stronger public investment.

Real GDP growth is forecast to slow somewhat to 3.6% in 2027, reflecting expectations of more pronounced effects of labour shortages and an expected slowdown in external demand.

Employment growth continues, however labour shortages do not subside

Employment grew by 3.9% in 2025, underpinned by inflows of foreign workers. This, however, did not lead to decreasing labour shortages, as vacancy rates continued to increase. Employment growth is expected to slow to 3.2% in 2026 and 3.1% in 2027 in line with the moderation in economic activity. The unemployment rate is expected to remain very low at 3.0%. After the majority of collective wage agreements in the public sector were finalised, the nominal wage growth per employee averaged 4.2% in 2025 and is forecast to moderate to 3.5% in 2026 and 2.1% in 2027.

Inflation will increase following the global trends

Inflation is expected to pick up to 2.7% in 2026 after reaching 2.4% in 2025, as the shock in international energy prices indirectly drives up transport, food and services inflation. The direct effect on local energy inflation of global energy prices increases is neutralised by the measures of the Maltese authorities to keep retail energy prices unchanged.

The government deficit ratio is expected to remain below 3%

In 2025, the general government deficit fell to 2.2% of GDP from 3.4% in 2024. This was due to strong government revenue growth, driven by nominal GDP growth and significant tax windfalls. Government expenditure continued to increase significantly, with substantial increases in the government's wage bill and intermediate consumption, as well as a one-off expenditure arising from a court decision.

In 2026, the government deficit is forecast to remain stable at 2.2% of GDP. Weaker growth in income tax intakes is foreseen due to the reduction in personal income tax rates. Government expenditure is expected to continue increasing significantly in 2026, including as a result of the higher cost of energy subsidies.

The deficit is set to fall to 2.1% of GDP in 2027, as public sector wage growth is expected to moderate while subsidies and intermediate consumption as a share of GDP are also expected to decrease.

The public debt-to-GDP ratio is expected to broadly stabilise at around 46% over the forecast horizon.

Table III.15.1: **Main features of country forecast - MALTA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		24.6	100.0	5.1	2.6	10.6	6.2	**4.0**	**3.7**	**3.6**
Private Consumption		11.0	44.6	2.9	9.5	12.8	5.8	**3.3**	**3.3**	**3.5**
Public Consumption		4.3	17.5	5.6	-0.2	3.7	4.8	**5.9**	**4.6**	**3.9**
Gross fixed capital formation		4.4	17.8	5.6	14.4	-15.8	4.0	**-0.1**	**2.0**	**4.0**
Exports (goods and services)		29.3	119.1	8.7	11.6	5.2	6.3	**4.5**	**3.4**	**3.1**
Imports (goods and services)		24.6	99.9	7.4	18.8	-1.9	5.2	**4.4**	**3.0**	**3.0**
GNI (GDP deflator)		22.0	89.4	4.5	7.6	6.5	6.1	**5.8**	**2.1**	**3.6**
Contribution to GDP growth:	Domestic demand			3.7	7.1	2.4	4.2	**2.5**	**2.6**	**3.0**
	Inventories			-0.2	0.7	-0.6	-0.2	**0.4**	**0.0**	**0.0**
	Net exports			1.7	-5.3	8.9	2.2	**1.0**	**1.1**	**0.6**
Employment				3.3	5.1	6.8	5.0	**3.9**	**3.2**	**3.1**
Unemployment rate (a)				5.5	3.5	3.5	3.2	**3.1**	**3.0**	**3.1**
Compensation of employees / head				3.9	6.3	2.4	7.6	**4.2**	**3.5**	**2.1**
Unit labour costs whole economy				2.1	8.9	-1.2	6.3	**4.1**	**3.0**	**1.7**
Saving rate of households (b)				7.9	19.1	14.7	18.8	:	:	:
GDP deflator				2.4	5.1	5.2	4.1	**2.2**	**2.3**	**2.1**
Harmonised index of consumer prices				1.7	6.1	5.6	2.4	**2.4**	**2.7**	**2.3**
Terms of trade goods				0.3	1.3	0.7	0.2	**0.0**	**-0.1**	**0.0**
Trade balance (goods) (c)				-15.8	-17.8	-15.2	-11.7	**-11.7**	**-11.6**	**-11.4**
Current-account balance (c)				1.0	2.5	5.8	6.5	**8.3**	**6.3**	**6.1**
General government balance (c)				-2.1	-5.3	-4.4	-3.4	**-2.2**	**-2.2**	**-2.1**
Fiscal stance (c)				:	-0.2	0.6	-1.4	**0.5**	**0.1**	**0.5**
Structural budget balance (d)				-1.7	-3.7	-4.6	-3.9	**-1.8**	**-1.6**	**-1.1**
General government gross debt (c)				57.0	50.3	46.9	45.9	**46.4**	**46.2**	**46.2**

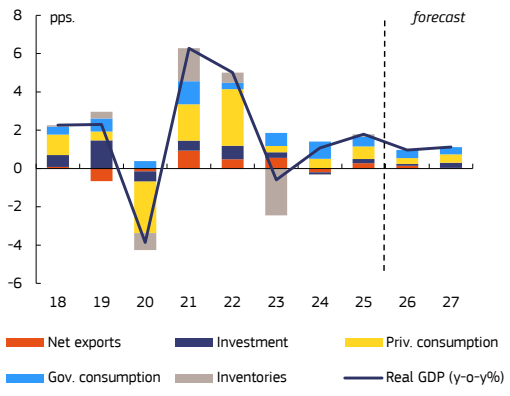
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

16. THE NETHERLANDS

Economic activity growth is projected to slow from 1.8% in 2025 to 1.0% in 2026 and 1.1% in 2027, as elevated global uncertainty and domestic structural bottlenecks are dampening consumption, investment and trade. Inflation is pushed up to 3.2% in 2026 due to higher energy prices. Meanwhile, government spending is expected to rise faster than fiscal revenues, leading to widening general government deficits in 2026 and 2027.

Modest domestic demand supports growth, but investment and trade lag

Graph III.16.1: **The Netherlands - real GDP growth and contributions**



GDP growth in 2026 is forecast at 1.0%, thanks to a relatively strong carry-over from 2025 and some consumption growth. Despite steady wage growth, household consumption growth is set to be limited in 2026, held back by precautionary savings in a context of low consumer confidence. Domestic demand in 2026 is mostly supported by government consumption, particularly on increased wages and healthcare. At the same time, after contracting in 2024 and 2025, private investment growth is set to remain weak due to global economic uncertainty and structural domestic bottlenecks, including electricity grid congestion and permit issues related to excessive nitrogen deposition. An ambitious public investment agenda particularly in the areas of defence, the green transition and housing, partially offsets the weakness of investment in the private sector. While exports performed relatively well in late 2025, export growth is expected to soften in 2026 due to US trade tariffs and competitiveness challenges related to high wage growth and elevated energy costs, reducing the net trade's contribution to GDP.

GDP is expected to grow by 1.1% in 2027, as the economy deals with the lingering effects of the surge in energy prices. The contribution of household consumption and investment will remain limited, constrained by low consumer confidence, uncertainty and structural bottlenecks. Meanwhile, growth in public consumption is projected to decrease to 1.5% in 2027. By 2027, imports are forecast to outgrow exports.

Energy price spike drives up inflation

Since 2022, HICP inflation has been on a downward trend, falling to 3.0% in 2025—still above the EU average of 2.5%. However, inflation is projected to pick-up to 3.2% in 2026 due to rising energy prices. The surge in petrol costs was already evident in the first quarter of 2026, while higher gas and electricity prices will feed through with a 1-2 quarter lag, reflecting the prevalence of fixed-price contracts in the Netherlands. HICP inflation is forecast to ease to 2.5% in 2027, though energy prices will remain elevated compared to 2025 levels. Second-round price effects following the surge in energy prices—particularly in services and food—are expected to show up in inflation towards the end of 2026 and in 2027.

Labour market resilience persists amid headwinds

The unemployment rate edged up to 3.9% in 2025 (from 3.5% in 2022), driven primarily by rising labour force participation rather than job losses. While the labour market remains tight, slower employment growth and mild job losses are expected to push the unemployment rate up to 4.2% in 2026 and 4.4% in 2027, though it will remain relatively low. Nominal wage growth is projected to moderate to 3.8% in 2026, as strong wage growth in recent years has gradually recovered the purchasing power lost following the 2021-22 energy price shock. In 2027, wage growth is forecast

at 3.6%, reflecting second-round effects from higher energy prices, which are expected to partially feed into wage negotiations.

Government deficit to widen on the back of tax cuts and increased spending

In 2026, the deficit is set to increase to 2.5%, up from 1.6% in 2025. The increase in deficit is mostly explained by the temporary effect of a reform of the military pension system that requires a transfer of approximately 0.7% of GDP from the government to a private pension fund. On the revenue side, a moderate increase is expected from the partial indexation of personal income tax brackets in 2026. At the same time, higher-than-anticipated social security expenditure and unemployment benefits also increase the deficit while the postponement of spending originally planned for 2026 has the opposite effect. The Dutch government has announced a series of measures to mitigate the economic effects of the surge in energy prices, which amount to EUR 380 million in 2026 and therefore are expected to have a very limited budgetary effect.

In 2027 the deficit is expected to decrease to 1.9%, as the one-off impact of the military pension reform is no longer factored into the budget. Higher income taxes and social contributions paid by corporations are expected to contribute to a moderate increase in revenue in 2027, although this is not sufficient to offset the increase in spending. The healthcare deductible is set to return to levels prior to the previous government reductions, therefore reducing the healthcare premiums paid by corporates and households. Higher defence spending starts in 2027, although at a slower pace than foreseen in the coalition agreement due to delays in the procurement of military equipment.

The general government debt is expected to increase to 46.9% of GDP in 2026, up from 44.4% in 2025. Debt in 2026 will remain broadly stable in 2027 at 47%, remaining below the euro area average. The increase in 2026 mainly reflects the loans to given to TenneT, the electricity transmission system operator of the Netherlands and to EBN, the state energy company, leading to a stock-flow adjustment of 1.8% in 2026.

Table III.16.1: **Main features of country forecast - THE NETHERLANDS**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1179.5	100.0	1.5	5.0	-0.6	1.1	**1.8**	**1.0**	**1.1**
Private Consumption		508.2	43.1	0.5	6.9	0.7	1.1	**1.5**	**0.7**	**1.0**
Public Consumption		305.1	25.9	2.0	1.3	2.8	3.6	**1.9**	**1.7**	**1.5**
Gross fixed capital formation		233.5	19.8	1.7	3.4	1.5	-0.5	**1.1**	**0.5**	**1.4**
Exports (goods and services)		951.5	80.7	3.7	4.4	-3.0	-0.2	**2.4**	**1.2**	**1.5**
Imports (goods and services)		819.1	69.5	3.8	4.4	-3.9	0.1	**2.4**	**1.2**	**1.6**
GNI (GDP deflator)		1154.5	97.9	1.6	2.2	0.7	0.0	**0.5**	**1.0**	**1.2**
Contribution to GDP growth:	Domestic demand			1.1	4.0	1.3	1.3	**1.4**	**0.8**	**1.1**
	Inventories			0.1	0.5	-2.5	0.0	**0.1**	**0.0**	**0.0**
	Net exports			0.3	0.5	0.5	-0.2	**0.3**	**0.1**	**0.0**
Employment				0.9	3.2	1.7	1.0	**0.5**	**0.1**	**0.2**
Unemployment rate (a)				6.0	3.5	3.6	3.7	**3.9**	**4.2**	**4.4**
Compensation of employees / head				2.1	3.7	6.2	6.6	**4.7**	**3.8**	**3.6**
Unit labour costs whole economy				1.6	1.9	8.6	6.5	**3.4**	**2.9**	**2.7**
Saving rate of households (b)				14.0	14.4	14.8	16.5	**17.3**	**17.5**	**16.8**
GDP deflator				1.5	6.2	6.3	5.7	**3.3**	**3.2**	**2.5**
Harmonised index of consumer prices				1.6	11.6	4.1	3.2	**3.0**	**3.2**	**2.5**
Terms of trade goods				0.0	-4.1	1.8	3.3	**1.0**	**0.2**	**-0.1**
Trade balance (goods) (c)				8.7	5.5	6.4	7.2	**7.4**	**7.7**	**7.4**
Current-account balance (c)				6.7	6.8	9.4	9.2	**7.9**	**7.8**	**7.6**
General government balance (c)				-1.7	0.0	-0.4	-0.7	**-1.6**	**-2.5**	**-1.9**
Fiscal stance (c)				:	0.1	-0.1	0.8	**-0.8**	**0.0**	**0.2**
Structural budget balance (d)				-0.2	-1.4	-0.8	-0.2	**-1.1**	**-1.1**	**-1.1**
General government gross debt (c)				56.4	48.4	45.8	43.8	**44.4**	**46.9**	**47.0**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

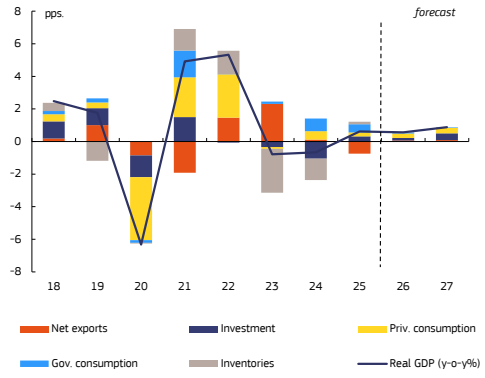
17. AUSTRIA

The conflict in the Middle East is weighing on Austria's recovery. Growth is set to remain modest and inflation elevated, as the conflict drives up energy prices and uncertainty weighs on consumption and investment. In 2027, growth is projected to strengthen. The government deficit is projected to remain above 4% of GDP between 2026 and 2027. In turn, the government debt-to-GDP ratio is forecast to continue to increase, reaching 84.9% in 2027.

New headwinds for the recovery

Austria's economy returned to positive growth in 2025, with real GDP expanding by 0.6%. At the start of 2026, this recovery from prolonged cyclical weakness appeared to be gaining momentum. Industrial production had increased and industry confidence reached a two-year high in January. However, the outbreak of the conflict in the Middle East led to an energy price shock that disrupted this positive trend. Rising crude oil prices have led to higher prices at the pump, weighing on real disposable income. Geopolitical tensions have heightened uncertainty, which is already reflected in waning consumer confidence.

Graph III.17.1: **Austria - real GDP growth and contributions**



Against this backdrop, private consumption growth is expected to remain modest in 2026 at 0.5%. The slow reduction in the still-elevated saving rate is projected to continue, allowing consumption to grow despite disposable incomes falling. Investment began to recover in 2025 after a major slump, but uncertainty and higher interest rates are expected to limit its growth again in 2026. Construction investment is expected to remain slightly negative this year, dragged down by continuing declines in housing investment, before turning positive only in 2027—the first expansion after five years of contraction. Signs of a future turnaround are already visible in the increased demand for housing loans.

Export volumes are expected to strengthen and import volumes to moderate, halting the strong decline in market shares Austria has seen in recent years. However, the trade balance is set to weaken as the energy price shock drives up import prices.

Overall, GDP is expected to grow by 0.6% in 2026 and by 0.9% in 2027, with risks tilted to the downside.

Unemployment remains elevated

The unemployment rate continued to increase to 5.7% last year. Against the backdrop of a weakened growth outlook, the unemployment rate is expected to increase slightly to 5.8% in 2026, before falling to 5.6% in 2027. Although the working age population has started to decline, labour supply is still growing slowly, mostly due to the phased increase in the statutory retirement age for women, which is to be aligned with men's by 2033. New restrictions on marginal employment, where no social security contributions are paid, are expected to increase working hours per employee. Compensation per employee is expected to grow less than inflation in 2026, reflecting moderate collective bargaining agreements, before partially catching up with the higher price level in 2027.

The energy shock drives up inflation

After a year of elevated inflation due to the reinstatement of electricity taxes, the inflation rate fell at the start of 2026 to about 2%. However, the outbreak of the conflict in the Middle East drastically altered the outlook. At the beginning of April, the prices for petrol and diesel were up by

19% and 42% respectively, relative to the weeks preceding the conflict. Overall, energy inflation, which had been negative in January and February, reached 6% in March and 11% in April. Higher energy prices are set to feed through to the economy, increasing food prices due to higher fertilizer and transport costs. Services inflation is expected to rise as well, especially in 2027. Overall, HICP inflation is projected to reach 3% in 2026 and to fall to 2.5% in 2027.

Government deficit expected to remain above 4% of GDP

The general government deficit reached 4.2% of GDP in 2025 and is expected to remain broadly unchanged at 4.1% in 2026 and 2027. The projected decrease reflects fiscal consolidation measures adopted for 2025 and 2026. A contractionary fiscal stance is expected in 2026 and 2027, corresponding to 0.4% of GDP. The forecast assumes no policy changes and does not account for the 2027 and 2028 budgets under negotiation at the forecast's cut-off date.

On the expenditure side, fiscal consolidation becomes more visible in 2026, as below-inflation increases in pension adjustments and public sector wages, as well as tighter early retirement rules are expected to reduce current expenditure. Additional restraint stems from reduced capital expenditure linked to climate-related spending. However, these savings are offset by rising costs related to an ageing population, particularly in healthcare and long-term care, as well as higher interest expenditure and an increase in military investments which weigh on public finances.

On the revenue side, indirect taxes and social contributions are expected to help reduce the deficit. In 2026, additional revenue measures include retaining part of the tax bracket creep, extending the tax rate for top earners and anti-fraud measures.

The government debt ratio is expected to continue rising over the forecast horizon. After reaching 81.5% of GDP in 2025, it is projected to increase to 83.4% in 2026 and 84.9% in 2027, mainly due to persistent fiscal deficits and subdued GDP growth.

Table III.17.1: **Main features of country forecast – AUSTRIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		512.8	100.0	1.2	5.3	-0.8	-0.7	**0.6**	**0.6**	**0.9**
Private Consumption		265.9	51.8	0.7	5.4	-0.2	1.0	**0.5**	**0.5**	**0.6**
Public Consumption		112.4	21.9	1.5	0.0	0.6	3.8	**2.4**	**0.3**	**0.2**
Gross fixed capital formation		120.6	23.5	1.6	-0.3	-1.3	-4.3	**1.4**	**0.7**	**1.8**
Exports (goods and services)		280.5	54.7	2.7	9.4	-0.6	-2.3	**0.3**	**1.6**	**2.1**
Imports (goods and services)		268.3	52.3	2.8	6.9	-4.3	-2.6	**1.7**	**1.5**	**2.0**
GNI (GDP deflator)		509.5	99.4	1.3	3.9	-0.4	-1.5	**0.2**	**0.5**	**0.9**
Contribution to GDP growth:		Domestic demand		1.1	2.6	-0.3	0.2	**1.1**	**0.5**	**0.8**
		Inventories		0.1	1.4	-2.7	-1.3	**0.2**	**0.0**	**0.0**
		Net exports		0.0	1.5	2.3	0.1	**-0.7**	**0.1**	**0.1**
Employment				1.0	2.7	0.8	0.1	**0.0**	**0.3**	**0.6**
Unemployment rate (a)				5.6	4.8	5.1	5.2	**5.7**	**5.8**	**5.6**
Compensation of employees / head				2.3	4.8	6.8	7.2	**3.8**	**2.5**	**2.7**
Unit labour costs whole economy				2.1	2.2	8.5	8.0	**3.2**	**2.2**	**2.4**
Saving rate of households (b)				15.2	15.2	14.7	17.3	**16.7**	**16.2**	**16.1**
GDP deflator				1.8	5.0	7.2	4.1	**3.2**	**2.1**	**2.9**
Harmonised index of consumer prices				1.9	8.6	7.7	2.9	**3.6**	**3.0**	**2.5**
Terms of trade goods				-0.3	-6.8	-0.2	1.1	**1.3**	**-1.3**	**1.7**
Trade balance (goods) (c)				0.2	-2.1	0.6	1.2	**1.0**	**0.6**	**1.2**
Current-account balance (c)				2.4	-1.1	1.8	1.7	**1.1**	**0.7**	**1.3**
General government balance (c)				-2.5	-3.4	-2.6	-4.6	**-4.2**	**-4.1**	**-4.1**
Fiscal stance (c)				:	-3.7	0.3	-1.9	**1.1**	**0.4**	**0.4**
Structural budget balance (d)				-1.6	-4.7	-2.7	-4.0	**-3.6**	**-3.5**	**-3.6**
General government gross debt (c)				78.8	78.1	77.8	80.0	**81.5**	**83.4**	**84.9**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

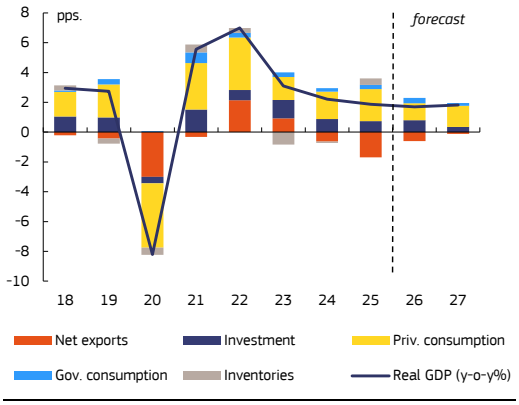
18. PORTUGAL

The economic outlook has weakened somewhat due to a series of adverse shocks but growth is expected to remain sound in both 2026 and 2027. Headline inflation is projected to increase in 2026 due to higher energy prices before receding in 2027. Unemployment is set to marginally decline amid lower employment and labour supply growth. The general government surplus is forecast to turn into a small deficit in 2026 and 2027. After dropping below 90% in 2025, public debt is set to remain on a downward trajectory.

Economic outlook weakens amid series of shocks

Portugal's economy faced a series of unexpected shocks at the beginning of 2026, starting with severe storms in January and February, followed by a steep surge in energy prices in March and April. Consequently, the economic sentiment deteriorated and GDP growth slowed from 0.9% q-o-q in 2025-Q4 to a preliminarily estimated standstill in 2026-Q1. Although retail sales remained resilient, consumer confidence dropped to a two-year low. However, the business sentiment indicators, particularly in the services sector, regained ground after a dip in January, pointing to the resilience of the economy. Overall, domestic demand continued to contribute positively to growth in 2026-Q1, despite the slowdown from the previous quarter, while the contribution of net exports remained negative.

Graph III.18.1: **Portugal - Real GDP growth and contributions**



Economic growth is projected to gradually improve in quarter-on-quarter terms over the forecast horizon, helped by repair works following the storm damage and the expected peak in the use of RRF funds in 2026. However, elevated energy prices are still set to weigh negatively, particularly in 2026-Q2. In full-year terms, growth is forecast to drop only marginally from 1.9% in 2025 to 1.7% in 2026 and 1.8% in 2027. Investments are projected to benefit substantially from the RRF cycle in 2026, partly offsetting the negative investment sentiment in the private sector. In 2027, the steep fall in RRF-related investments is projected to be partly offset by a rebound in EU structural funds and improving sentiment in the private sector. The current account surplus is forecast to move very close to a balanced position in 2026 and 2027, as imports are set to continue growing faster than exports while the negative energy price effect in 2026 is only expected to be partly recovered in 2027. The balance of risks remains on the downside, further exacerbated by uncertainty related to global jet fuel supplies, given that Portugal's large tourism sector is strongly dependent on air travel.

Employment and wage growth set to moderate

After a strong increase in 2025, employment growth is projected to moderate in 2026, reflecting the weaker economic outlook and slower migration inflows, which are expected to limit labour supply. Wage growth is also projected to slow down but to continue exceeding inflation, as the labour market remains relatively tight amid a record-high employment rate. Despite the country's low job vacancy rate overall, significant labour shortages are reported in construction, IT, and medical services. Unemployment is forecast to edge down from 6.0% in 2025 to 5.9% in 2026 and 5.8% in 2027. Unit labour costs are set to moderate, broadly in line with developments in main trading partners.

Inflation rebounds due to energy prices

Headline inflation increased from 2.2% in 2025 to 2.7% y-o-y in March 2026 due to a steep rise in international energy prices. The main transmission channel was limited to fuel prices while wholesale electricity prices remained comparatively low in Portugal, benefiting from the high level of water reservoirs and the high share of renewables in the domestic power production. Headline inflation is expected to peak in 2026-Q2 and to gradually recede afterwards as the spike in energy prices is set to have only a moderate lagged effect on energy-intensive goods and services. In full-year terms, headline inflation is forecast to reach 3.0% in 2026 before decreasing to 2.3% in 2027. Core inflation excluding energy and food is set to increase at a slower pace to 2.4% in both 2026 and 2027.

Budget surplus projected to turn into deficit over the forecast horizon

The budget balance in 2025 turned out better than expected, with Portugal recording a surplus of 0.7% of GDP. This outcome was driven by lower-than-initially budgeted capital expenditure, also related to RRF loans, despite a 0.3 pps. increase compared to 2024. In addition, tax revenues and social contributions each grew by 0.2 pps. of GDP, benefitting from the sustained economic activity and dynamic labour market whereas interest expenditure was 0.1 pps. of GDP lower.

The general government surplus is forecast to slip into a deficit of 0.1% of GDP in 2026 and 0.4% of GDP in 2027, assuming unchanged policies. In 2026, the expected decline reflects the impact of government support measures taken in response to the series of storms in January and February. The decline of the general government balance in 2026 and 2027 also results from previously introduced balance-deteriorating measures such as reductions in personal and corporate income tax rates. The fiscal outlook faces risks related to financial weaknesses in state-owned enterprises and contingent liabilities from public-private partnerships. Portugal's fiscal stance is set to expand further in 2026 before shifting to a contractionary stance in 2027 as RRF funds taper off.

Public debt fell from 93.5% of GDP in 2024 to 89.7% of GDP in 2025. Over the forecast horizon, the downward trend is projected to continue, albeit at a slower pace. It is forecast to reach 86.7% of GDP in 2026 and 86.0% of GDP in 2027 on the back of persisting primary balance surpluses and favourable growth-interest rate differentials.

Table III.18.1: **Main features of country forecast - PORTUGAL**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		306.8	100.0	0.4	7.0	3.1	2.2	**1.9**	**1.7**	**1.8**
Private Consumption		187.1	61.0	0.4	5.6	2.4	3.0	**3.5**	**1.9**	**2.3**
Public Consumption		52.3	17.0	0.0	1.7	1.8	1.5	**1.6**	**2.1**	**1.1**
Gross fixed capital formation		63.5	20.7	-0.3	3.3	6.0	4.3	**3.6**	**3.9**	**1.6**
Exports (goods and services)		133.9	43.7	3.5	17.2	4.3	3.2	**0.4**	**0.6**	**2.2**
Imports (goods and services)		131.1	42.7	2.6	11.3	2.3	4.7	**4.3**	**2.0**	**2.5**
GNI (GDP deflator)		301.6	98.3	0.4	6.1	2.3	3.0	**2.0**	**1.7**	**1.9**
Contribution to GDP growth:		Domestic demand		0.2	4.5	3.1	2.9	**3.2**	**2.3**	**1.9**
		Inventories		0.0	0.3	-0.8	-0.1	**0.4**	**0.0**	**0.0**
		Net exports		0.2	2.1	0.9	-0.6	**-1.7**	**-0.6**	**-0.1**
Employment				-0.1	3.7	2.0	0.7	**2.3**	**1.1**	**0.9**
Unemployment rate (a)				10.9	6.2	6.5	6.5	**6.0**	**5.9**	**5.8**
Compensation of employees / head				1.9	5.6	9.4	7.5	**4.8**	**4.4**	**3.7**
Unit labour costs whole economy				1.4	2.4	8.2	5.9	**5.3**	**3.7**	**2.7**
Saving rate of households (b)				8.5	7.3	8.9	12.5	**12.1**	**11.7**	**11.7**
GDP deflator				1.6	5.3	7.5	4.9	**3.9**	**2.8**	**2.6**
Harmonised index of consumer prices				1.3	8.1	5.3	2.7	**2.2**	**3.0**	**2.3**
Terms of trade goods				0.5	-2.9	3.3	2.6	**0.2**	**-0.7**	**0.4**
Trade balance (goods) (c)				-8.2	-11.2	-9.6	-9.0	**-9.8**	**-10.5**	**-10.2**
Current-account balance (c)				-3.6	-2.3	0.4	2.0	**1.0**	**0.1**	**0.2**
General government balance (c)				-4.8	-0.3	1.1	0.6	**0.7**	**-0.1**	**-0.4**
Fiscal stance (c)				:	-1.1	0.8	-1.8	**-0.1**	**-1.6**	**1.3**
Structural budget balance (d)				-1.4	-0.6	0.9	0.3	**0.6**	**0.2**	**-0.4**
General government gross debt (c)				112.4	111.2	96.9	93.5	**89.7**	**87.6**	**86.0**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

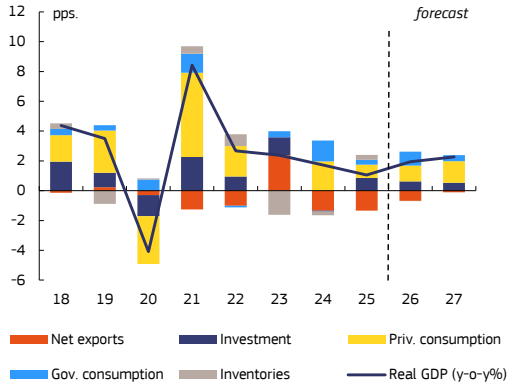
19. SLOVENIA

Slovenia's GDP is forecast to increase by 1.9% in 2026 and by 2.3% in 2027, driven by strong domestic demand. Employment is expected to remain high, while the unemployment rate is set to stay low. Inflation is forecast to increase in 2026 due to the higher energy prices, remaining somewhat elevated over the forecast horizon. The government deficit is projected to widen, reaching 3.3% of GDP in 2026 and 3.5% in 2027. The debt-to-GDP ratio is projected to decrease from 65.7% in 2025 to 65.1% by 2027.

Growth set to increase, supported by domestic demand and exports

Real GDP grew by 1.1% in 2025, driven by domestic demand. Private and public consumption expanded robustly, while strong investment growth was supported by non-residential construction and increased investment in machinery and equipment. In contrast, the construction of dwellings remained subdued. The contribution of net exports to GDP growth remained negative (-1.3 pps.), as goods exports declined while imports increased. Wages rose sharply by close to 8%, driven by public sector wage reform, while employment decreased.

Graph III.19.1: **Slovenia - Real GDP growth and contributions**



GDP growth is forecast to accelerate to 1.9% in 2026 and 2.3% in 2027. Despite projected price increases, private consumption is expected to continue expanding in both years, supported by steady employment and continued wage increases. The minimum wage increased by 16% in January 2026 and public wages are also set to increase also strongly. The savings rate is expected to increase in 2026 reflecting declining consumer confidence due to the conflict in the Middle East. Public investment is expected to remain high in 2026 thanks to the continued deployment of RRF-financed investment. Despite increased global uncertainty and higher energy prices, private investment is also forecast to continue the strong momentum seen at the end of 2025, supported by solid credit growth and a rebound in housing construction. However, as competitiveness weakens – due to high wage increases not matched by productivity gains – and terms of trade worsen as a result of increased energy prices, the growth contribution from net exports is projected to remain negative over the forecast horizon.

Labour market remains tight

Employment contracted by 0.4% in 2025 but remains at historically high levels. It is projected to stagnate in 2026 and in 2027. The unemployment rate rose to 3.9% in 2025 and is projected to remain stable at 3.8% in 2026 and 2027. Nominal wages are forecast to increase by 6.5% in 2026, primarily driven by the continued impact of the public sector wage reform, the minimum wage hike, and continued tight labour supply. In 2027, wages are projected to increase by a further 5.6%.

Inflation set to remain high

Inflation rose to 2.5% in 2025, driven by higher food and services prices. It is projected to increase further, averaging 3.5% in 2026, due to rising global energy and food prices and continued pressure on food and service prices. In 2027, inflation is projected to moderate to around 2.5%, reflecting some easing in energy and food prices.

Higher expenditure pressures despite a downward debt trajectory

The general government deficit ratio increased significantly to 2.5% of GDP in 2025, reflecting a permanent rise in current expenditures, record-high public investment at 5.6% of GDP and a weaker-than-expected revenue growth.

In 2026, the general government deficit is set to widen further to 3.3% of GDP. Revenue will be negatively impacted by a reduction in energy-related levies of around 0.2% of GDP introduced to mitigate the impact of higher energy prices and a reduction in property income, which will be offset by the full-year impact of the long-term care contribution. On the expenditure side, current spending is set to rise, driven primarily by government intermediate consumption, social benefits and public wages. Public investment is projected to remain high at 5.5% of GDP, supported by RRF-funded projects. The Commission Spring 2026 forecast does not incorporate measures adopted by the National Assembly after the cut-off date which would have a total budgetary cost between 0.5% and 1.0% of GDP for 2026.

In 2027, the general government deficit is forecast to increase further to 3.5% of GDP. On the revenue side, the expiry of RRF grant receipts will reduce total government revenues. On the expenditure side, current expenditures will keep increasing. Despite the end of the RRF, public investment is projected to remain high at 5.1% of GDP supported by the continued implementation of EU cohesion funds and strong nationally-financed investment, including defence investments. The debt-to-GDP ratio is forecast to decline gradually from 65.7% in 2025 to 64.9% in 2026, supported by favourable nominal GDP growth and debt-reducing stock-flow adjustments, and then to increase to 65.1% in 2027 as general government deficit widens. The enactment of the additional measures mentioned above, which were adopted after the cut-off date, risks increasing the deficit and debt further in 2027 as most of these measures are not temporary.

Table III.19.1: **Main features of country forecast – SLOVENIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		70.5	100.0	1.9	2.7	2.4	1.7	**1.1**	**1.9**	**2.3**
Private Consumption		36.2	51.4	2.0	3.9	0.0	3.8	**1.7**	**2.1**	**2.8**
Public Consumption		15.0	21.2	1.6	-0.6	2.1	7.3	**1.6**	**4.4**	**1.8**
Gross fixed capital formation		14.9	21.1	0.2	4.7	5.5	-0.3	**4.1**	**3.0**	**2.5**
Exports (goods and services)		55.4	78.6	4.8	7.4	-1.9	2.3	**0.3**	**1.6**	**2.1**
Imports (goods and services)		51.6	73.3	4.2	9.3	-4.5	4.3	**2.1**	**2.7**	**2.4**
GNI (GDP deflator)		69.7	98.9	1.9	1.9	3.0	1.7	**1.1**	**1.8**	**2.2**
Contribution to GDP growth:	Domestic demand			1.4	2.9	1.6	3.3	**2.1**	**2.6**	**2.4**
	Inventories			0.0	0.8	-1.6	-0.2	**0.3**	**0.0**	**0.0**
	Net exports			0.6	-1.0	2.4	-1.3	**-1.3**	**-0.7**	**-0.1**
Employment				0.8	2.9	1.5	0.5	**-0.4**	**0.0**	**0.0**
Unemployment rate (a)				6.8	4.0	3.7	3.7	**3.9**	**3.8**	**3.8**
Compensation of employees / head				3.4	4.9	9.6	6.2	**7.9**	**6.5**	**5.6**
Unit labour costs whole economy				2.3	5.2	8.7	4.9	**6.3**	**4.5**	**3.3**
Saving rate of households (b)				13.8	14.0	14.7	13.3	**15.4**	**16.1**	**15.9**
GDP deflator				1.8	6.5	10.0	3.5	**3.5**	**3.6**	**2.9**
Harmonised index of consumer prices				1.7	9.3	7.2	2.0	**2.5**	**3.5**	**2.5**
Terms of trade goods				-0.2	-2.9	4.0	1.5	**0.9**	**-0.5**	**0.4**
Trade balance (goods) (c)				0.6	-4.2	0.9	0.6	**-0.2**	**-1.5**	**-1.5**
Current-account balance (c)				2.1	-0.9	4.7	4.5	**3.7**	**2.4**	**2.3**
General government balance (c)				-3.5	-3.0	-2.6	-0.9	**-2.5**	**-3.3**	**-3.5**
Fiscal stance (c)				:	-2.0	1.0	1.5	**-2.4**	**-1.3**	**0.7**
Structural budget balance (d)				-1.8	-4.5	-3.4	-1.6	**-2.6**	**-3.7**	**-3.9**
General government gross debt (c)				58.0	72.8	68.3	66.4	**65.7**	**64.9**	**65.1**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

20. SLOVAKIA

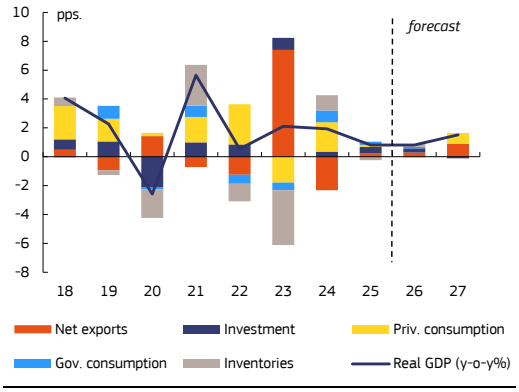
Real GDP growth is expected to remain modest at 0.8% in 2026, before picking up to 1.5% in 2027. Domestic demand is set to remain subdued due to fiscal consolidation and uncertainty related to the conflict in the Middle East, while EU funds support investment. Following the increase in tariffs in 2025, trade activity is expected to pick up only in 2027. Inflation is projected at 4.3 % for 2026, up slightly compared to 2025, as a sharp acceleration in energy prices broadly offsets disinflation in other components. Inflation is set to moderate to 3.2% in 2027. The public deficit narrowed to 4.5% in 2025 but is projected to rise to 4.6% in 2026 and further to 5.4% in 2027, assuming unchanged policies. As a result, public debt is set to remain on an upward trajectory.

Growth stagnates due to uncertainty and fiscal consolidation

Following the subdued growth of 0.8% in 2025 on the back of uncertainty and fiscal consolidation, real GDP is expected to remain unchanged at 0.8% in 2026. Private consumption is expected to contribute negatively to growth, weighed down by fiscal consolidation and the fallout from the conflict in the Middle East through further uncertainty and inflation effects. Public and private investments are expected to support growth, and the deployment of EU funds is set to remain strong. Net exports showed resilience in 2025 and are set to contribute positively to growth in 2026 as imports grow only moderately. Exports are expected to be held back throughout 2026 due to global uncertainty and the exposure of the Slovak industry to trade tensions as a result of high integration in global value chains and increasing global competition.

In 2027, real GDP growth is projected at 1.5%, driven by rebounding private consumption and a rise in the contribution of net exports to growth. As foreign demand gradually picks up, export growth is expected to regain momentum in 2027, supported by the launch of a new automotive production factory. Public investments are expected to contribute negatively to growth as the RRF is coming to an end, while defence and private investments are set to increase. Private consumption growth is forecast to increase in 2027, although potential further consolidation efforts pose a downside risk to growth**.** Overall risks to growth are tilted to the downside across the horizon mainly due to the conflict in the Middle East.

Graph III.20.1: **Slovakia - Real GDP growth and contributions**



Resilient labour market amid economic pressures

The unemployment rate reached 5.4% in 2025 as a decline in employment was largely offset by a shrinking labour force. The labour market remains tight with robust labour demand in specific sectors, alongside a high influx of foreign workers. In 2026, the unemployment rate is projected to increase to 5.7% as the labour market is expected to loosen somewhat due to weaker economic activity. Additionally, measures increasing the labour tax burden and a planned reduction in public wages are expected to weigh on disposable income. Growth in the employee compensation is expected to slow down in 2026. With elevated inflation levels, real wage growth in 2026 is expected to be slightly negative, returning to a positive trajectory in 2027.

Inflationary pressures to remain elevated

The HICP inflation stood at 4.2% in 2025 due to tax increases included in the fiscal consolidation package and strong price pressures in services. In 2026, tax effects are fading, and slowing wage

growth is expected to ease services price pressures, while energy inflation is set to pick up strongly. The main driver behind rising energy prices remains to be the energy support adjustment of the full withdrawal of price ceilings for heating, and a partial withdrawal for gas and electricity. The impact of the conflict in the Middle East is reflected mainly through higher fuel prices since March 2026 and an expected passthrough to processed and unprocessed food components, while the effect on gas and electricity prices is limited as they are regulated by the government. HICP inflation is thus set to increase slightly to 4.3% in 2026, before moderating to 3.2% in 2027.

Deficits and debt to increase despite consolidation measures

In 2025, the general government deficit narrowed to 4.5% of GDP, primarily due to fiscal consolidation measures, including adjustments to VAT and corporate income tax rates, as well as the introduction of a financial transactions tax. The deficit turned out lower than anticipated, partly owing to reduced military spending. Despite a new consolidation package, the deficit is projected to rise slightly to 4.6% of GDP in 2026, reflecting a delayed delivery of military equipment from 2025. In 2027, the deficit is forecast to widen further to 5.4% of GDP under a no policy change assumption. This increase mainly stems from higher public investment in defence and national co-financing of EU-funded projects.

The 2026 fiscal consolidation strategy centres on a public-sector pay freeze as its key cost-cutting measure, alongside revenue-raising reforms. These include a more progressive personal income tax system, a 50% reduction in VAT deductibility for privately used company cars, and a one-off tax amnesty on historical arrears, which is expected to generate higher income tax revenues. However, the net fiscal impact of these measures will be tempered by new spending measures, particularly wage increases for teachers and the extension of energy support schemes.

The debt-to-GDP ratio for the government is forecast to continue rising, largely driven by the expected deficits, from 61.4% in 2025 to 63.7% in 2026, and climbing further to 66.9% in 2027.

Table III.20.1: **Main features of country forecast - SLOVAKIA**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		136.8	100.0	3.3	0.5	2.1	1.9	**0.8**	**0.8**	**1.5**
Private Consumption		80.2	58.7	2.8	4.9	-2.9	3.5	**0.2**	**-0.1**	**1.2**
Public Consumption		29.3	21.4	2.5	-2.9	-2.5	4.0	**1.1**	**0.6**	**0.1**
Gross fixed capital formation		28.1	20.5	1.5	4.3	4.0	1.6	**2.2**	**1.4**	**-0.5**
Exports (goods and services)		116.4	85.1	5.6	2.8	-0.7	0.0	**4.0**	**1.2**	**3.7**
Imports (goods and services)		116.6	85.2	4.6	4.1	-7.7	2.6	**3.7**	**0.8**	**2.7**
GNI (GDP deflator)		133.5	97.6	3.2	0.6	1.3	2.3	**1.7**	**0.7**	**1.2**
Contribution to GDP growth:		Domestic demand		2.4	3.0	-1.5	3.2	**0.8**	**0.3**	**0.6**
		Inventories		0.0	-1.2	-3.8	1.1	**-0.2**	**0.2**	**0.0**
		Net exports		0.9	-1.3	7.4	-2.3	**0.2**	**0.3**	**0.9**
Employment				0.8	1.8	0.3	-0.2	**-0.1**	**-0.5**	**-0.2**
Unemployment rate (a)				10.6	6.1	5.8	5.3	**5.4**	**5.7**	**5.7**
Compensation of employees / head				4.7	5.9	10.4	7.7	**6.2**	**4.1**	**4.2**
Unit labour costs whole economy				2.2	7.2	8.4	5.5	**5.3**	**2.7**	**2.4**
Saving rate of households (b)				9.1	6.0	7.7	8.1	**8.6**	**8.5**	**8.8**
GDP deflator				1.2	7.3	10.0	3.4	**4.2**	**3.7**	**2.8**
Harmonised index of consumer prices				2.0	12.1	11.0	3.2	**4.2**	**4.3**	**3.2**
Terms of trade goods				-0.9	-4.4	0.5	1.5	**0.4**	**-0.8**	**-0.3**
Trade balance (goods) (c)				0.3	-6.5	0.7	-0.8	**-0.4**	**-0.8**	**-0.3**
Current-account balance (c)				-2.6	-9.3	-1.8	-3.8	**-2.8**	**-3.3**	**-2.9**
General government balance (c)				-3.6	-1.6	-5.3	-5.3	**-4.5**	**-4.6**	**-5.4**
Fiscal stance (c)				:	0.3	-6.3	2.1	**1.1**	**0.5**	**1.1**
Structural budget balance (d)				-2.7	-1.8	-5.5	-5.4	**-4.3**	**-4.3**	**-5.1**
General government gross debt (c)				46.3	57.8	55.8	59.7	**61.4**	**63.7**	**66.9**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

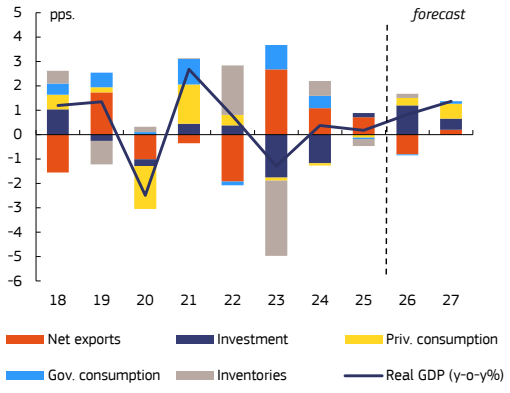
21. FINLAND

After growing by a modest 0.2% in 2025, Finland's GDP growth is projected to accelerate slightly, reaching 0.8% in 2026 and 1.4% in 2027. Domestic demand is expected to lead GDP growth in 2026–27, in contrast to 2025 when net exports drove economic expansion. Inflation is projected to rise to 2.4% in 2026 before easing to 1.9% in 2027. Public spending is set to grow modestly amid fiscal consolidation, though defence investment is expected to surge from 2026 onwards. The deficit is forecast to widen from 3.4% of GDP in 2025 to 4.5% in 2026, and remain high at 4.6% in 2027. Public debt is projected to continue rising, reaching 93.1% of GDP by 2027.

Economy to expand thanks to increasing domestic demand

In 2025, Finland's economy grew by a modest 0.2% as the country experienced a technical recession in the second and third quarters. Private and public consumption acted as a drag while growing exports supported GDP expansion. In 2026-Q1, GDP growth exceeded expectations at 0.9% q-o-q, driven by services, retail sales, industrial production, and imports. However, exports fell. Looking ahead, the conflict in the Middle East is likely to weigh on activity in Q2 and onwards, particularly through higher energy prices and greater uncertainty. Overall, real GDP is expected to expand by 0.8% in 2026, driven by domestic demand. Economic growth is projected to reach 1.4% in 2027, supported by both net exports and domestic demand.

Graph III.21.1: **Finland - Real GDP growth and contributions**



After declining for three years, private consumption is expected to increase by 0.6% in 2026, supported by rising disposable income. Household income growth is driven by the significant wage increases agreed for 2025-27, totalling approximately 8%, and an increase in employment. However, several headwinds persist: the household savings rate is projected to remain high, reflecting weak consumer confidence due to high unemployment and uncertainty about the economic outlook. The conflict in the Middle East has led to an increase in fuel prices although Finland's relatively low reliance on fossil fuels is set to soften the energy price shock compared to other EU countries. The expected increase in policy interest rates in the euro area will increase loan servicing costs for households, many of whom hold variable-rate mortgages. The stalled housing market recovery may also curb spending by reducing perceived household wealth. In 2027, consumption growth is projected to accelerate as employment and income growth rise and inflation decelerates.

Investment is set to rise in 2026, driven by a significant boost in machinery and equipment spending—including the arrival of the first batch of Finland's 64 F-35 fighter jets (with deliveries continuing until 2030). Data centre construction is also surging, further supporting equipment and infrastructure investment. However, residential investment remains weak in 2026 due to falling house prices and higher interest rates, with only a modest recovery expected in 2027.

Increasing domestic demand, including for defence and data centre equipment, is set to lift import growth above export growth in 2026, before moderating in 2027. As a result, the growth contribution of net exports is forecast to turn negative in 2026, following several years of positive contribution. Exports are nevertheless expected to continue growing on the back of robust export order books in 2026 and 2027, albeit at a slower rate than in 2025.

Employment to expand as price pressures moderate

The unemployment rate was 10.5% in March 2026, largely due to increased labour force participation and low labour demand amid weak economic activity. As the economy starts to recover, employment is expected to increase gradually, by 0.2% in 2026 and 0.5% in 2027, after a decline of 0.5% in 2025. Unemployment is expected to average 10.1% in 2026 and 9.8% in 2027.

Annual inflation is forecast to increase to 2.4% on average in 2026, up from 1.8% in 2025. In early 2026, electricity prices spiked due to adverse weather conditions, though services inflation slowed. While the electricity price hike is expected to be temporary, rising oil prices are set to push transport fuel costs up this year. Annual inflation is forecast to ease slightly to 1.9% in 2027 as price pressures subside.

Public finances remain under pressure

In 2026, the general government deficit is expected to reach 4.5% of GDP, up from 3.4% in 2025. Expenditure growth is driven by the large delivery of F-35 fighter jets, increasing interest payments, and higher compensation of employees as a result of recent wage agreements covering the period 2025-28. The freeze on the indexation of certain social transfers—such as the basic unemployment allowance—adopted in 2023 is expected to contain expenditure growth until 2027. In terms of revenue, growth is expected to be supported by a mild expansion in the economy and higher social contributions, although the weak labour market situation will limit income tax receipts. Planned personal income tax cuts are expected to further weigh on revenue growth. As a result of these developments, the fiscal stance is expected to be expansionary in 2026.

In 2027, although stronger economic growth supports the fiscal position, a corporate income tax cut and further investment in defence suggest that the deficit will be 4.6% of GDP.

The debt-to-GDP ratio reached 88.5% in 2025 and is forecast to increase to 91.2% in 2026 and 93.1% in 2027 due to persistent large deficits.

Table III.21.1: **Main features of country forecast - FINLAND**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		280.6	100.0	0.8	0.8	-1.3	0.4	**0.2**	**0.8**	**1.4**
Private Consumption		142.4	50.8	1.0	0.9	-0.3	-0.2	**-0.2**	**0.6**	**1.2**
Public Consumption		73.1	26.1	1.1	-0.6	4.2	2.0	**-0.2**	**-0.2**	**0.4**
Gross fixed capital formation		61.3	21.8	1.0	1.5	-7.1	-5.0	**0.8**	**5.5**	**2.0**
Exports (goods and services)		118.8	42.3	1.7	4.4	-1.4	1.8	**3.4**	**2.0**	**2.6**
Imports (goods and services)		115.2	41.1	2.2	9.3	-6.8	-0.8	**1.7**	**4.0**	**2.2**
GNI (GDP deflator)		282.3	100.6	0.9	0.0	-2.0	0.1	**0.9**	**0.7**	**1.3**
Contribution to GDP growth:		Domestic demand		1.1	0.7	-0.9	-0.8	**0.0**	**1.5**	**1.2**
		Inventories		-0.1	2.0	-3.1	0.6	**-0.3**	**0.2**	**0.0**
		Net exports		-0.1	-1.9	2.7	1.1	**0.7**	**-0.8**	**0.2**
Employment				0.6	3.5	1.0	-1.1	**-0.5**	**0.2**	**0.5**
Unemployment rate (a)				8.0	6.8	7.2	8.4	**9.7**	**10.1**	**9.8**
Compensation of employees / head				2.1	2.5	3.3	1.8	**2.6**	**2.7**	**2.9**
Unit labour costs whole economy				1.8	5.3	5.6	0.3	**1.9**	**2.1**	**2.0**
Saving rate of households (b)				9.3	10.0	10.9	12.4	**12.4**	**12.4**	**12.5**
GDP deflator				1.8	6.2	3.9	0.7	**1.5**	**2.3**	**2.0**
Harmonised index of consumer prices				1.6	7.2	4.3	1.0	**1.8**	**2.4**	**1.9**
Terms of trade goods				0.0	0.7	-1.1	-2.5	**0.8**	**-0.5**	**0.2**
Trade balance (goods) (c)				2.6	-0.1	3.0	2.2	**2.9**	**2.1**	**2.1**
Current-account balance (c)				0.2	-2.4	-0.9	-0.4	**1.3**	**0.1**	**0.2**
General government balance (c)				-1.0	-0.2	-2.9	-4.4	**-3.4**	**-4.5**	**-4.6**
Fiscal stance (c)				:	0.4	-2.0	-1.2	**1.5**	**-0.7**	**0.0**
Structural budget balance (d)				-1.7	0.0	-1.5	-2.9	**-1.9**	**-3.2**	**-3.7**
General government gross debt (c)				57.7	74.0	77.0	82.4	**88.5**	**91.2**	**93.1**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

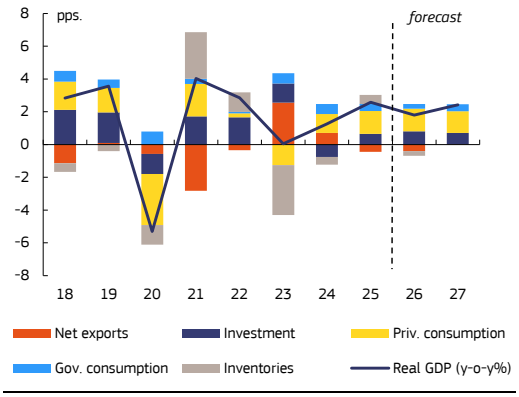
Non-EA Member States

22. CZECHIA

Real GDP growth in Czechia picked up to 2.6% in 2025 but is forecast to slow down to 1.8% in 2026, before accelerating again to 2.4% in 2027. Growth is expected to be driven by private consumption, in light of rising real wages and a reduction in households' saving rates. At the same time, the energy price shock and growing uncertainty are forecast to weigh on economic activity, especially in 2026. Despite a moderation in services inflation, headline inflation is projected to pick-up in 2026, due to a spike in energy prices, and to then broadly stabilise in 2027. The public deficit is set to increase, reaching 2.9% in 2027, reflecting the government's fiscal expansion.

Strong growth, driven by private demand

Graph III.22.1: **Czechia - Real GDP growth and contributions**



Czechia's real GDP grew by 2.6% in 2025, driven by both domestic and external demand. Growth is expected to slow down to 1.8% in 2026, under the impact of the energy price shock and a negative contribution from net exports. However, growth is projected to pick up to 2.4% in 2027, supported by solid household and government consumption, investment, and improvements in the contribution from net exports. Household consumption was the main driver of growth over in the second half of 2025 and this trend is set to continue over the forecast horizon. Consumer confidence has improved markedly since April 2025, but was impacted by increased uncertainty and higher energy prices in April 2026. Despite these recent developments, household consumption is forecast to expand by close to 3% in both 2026 and 2027, supported by further growth in real wages and a gradual decline in households' saving rates. In 2025, household consumption surpassed 2019 levels for the first time, following a protracted decline during the COVID-19 pandemic and the energy crisis in 2021-22. Household saving rates are projected to gradually moderate, but will remain well above the historic average, due to elevated consumer uncertainty as well as to structurally larger asymmetries in the distribution of disposable income. Investment is expected to contribute positively to growth, expanding at a brisk pace in 2026 and 2027 following an increased absorption of EU funds, recovery in residential construction and higher demand, both domestic and foreign-based, in some industrial segments.

Exports are expected to grow in 2026 and 2027, driven by fiscal expansion and higher defence spending in some key trading partners. At the same time, US tariffs, higher energy costs and economic uncertainty are expected to weigh on export growth, especially in 2026. The strong expansion in domestic demand is expected to lead to rapid imports growth, resulting in a negative contribution of net exports to economic growth in 2026, before turning slightly positive in 2027. Significant downside risks remain due to uncertainties in international trade and over the scope of Czechia's export growth linked to the fiscal expansion of its trading partners.

Tight labour market despite an uptick in unemployment

The unemployment rate is projected to pick up gradually, from 2.8% in 2025 to 3.2% in 2027, though it will remain among the lowest in the EU. The recent structural changes affecting the Czech economy are reflected in employment, with higher female participation and employment in services, matched by a decline in manufacturing employment. Nominal wage growth is projected to remain markedly above inflation but is expected to gradually decline, from the 6.5% recorded in 2025 to 5.5% in 2026 and 4.9% in 2027.

Inflation affected by energy price shocks

HICP headline inflation is projected to accelerate, from 2.3% in 2025 to 2.7% in 2026, and 2.8% in 2027. The energy price shock is pushing inflation higher, directly impacting energy inflation and subsequently passing through to the other HICP components. In 2026, price increases in transport fuels and gas are expected to outweigh the decline in electricity prices due to the government taking over the payment of the renewable energy fee from consumers. Energy inflation is expected to accelerate in 2027, due to a delayed pass-through to consumer prices. Services inflation is projected to moderate in 2026, reflecting the slowing wage growth, following the same trend in 2027. Core inflation excluding energy and food is forecast above headline inflation in 2026, at 3.0%, 0.1 pps. above 2025, before edging down to 2.5% in 2027.

Fiscal expansion set to increase deficit

Czechia's general government deficit increased marginally to 2.1% of GDP in 2025, on the back of higher employee pay and increased government subsidies for renewable energy sources, partially offset by higher GDP growth. Public investment increased in 2025 as percentage of GDP, supported also by the completion of projects financed by the EU.

The budget deficit is forecast to increase to 2.8% of GDP in 2026, turning the fiscal stance from neutral to expansionary. The revenue-to-GDP ratio is projected to decrease, reflecting the full phase-out of the tax on energy companies' windfall profits. Expenditure is set to stay broadly unchanged as a percentage of GDP, with the growth of social benefits stabilising due to reduced pension indexation, while government employee salaries are expected to rise in line with nominal wage increases. The untargeted temporary reduction in excises on diesel taken in response to the outbreak of the war in the Middle East amounts to less than 0.1% of GDP in 2026.

Under a no-policy-change assumption, the deficit is expected to rise to 2.9% in 2027. The revenue-to-GDP ratio is set to decline on the back of decreasing capital transfers from the EU, broadly offset by a decline in spending on social benefits and public investment. Overall, this implies a contractionary fiscal stance for 2027.

The public debt-to-GDP ratio is forecast to rise from 44.3% in 2025 to 47.2% in 2027, driven by the negative primary balance, partly offset by nominal GDP growth.

Table III.22.1: **Main features of country forecast – CZECHIA**

	2025			Annual percentage change					
	bn CZK	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		8556.5	100.0	2.1	2.8	0.0	1.3	**2.6**	**1.8**	**2.4**
Private Consumption		4053.8	47.4	1.8	0.5	-2.6	2.4	**3.0**	**2.9**	**2.7**
Public Consumption		1712.7	20.0	1.3	0.4	3.2	3.1	**2.1**	**1.4**	**2.1**
Gross fixed capital formation		2259.6	26.4	2.2	6.3	4.2	-2.7	**2.4**	**3.1**	**2.6**
Exports (goods and services)		5728.1	66.9	4.7	5.1	2.3	1.5	**3.9**	**2.1**	**2.4**
Imports (goods and services)		5227.5	61.1	4.6	5.9	-1.2	0.5	**5.0**	**3.0**	**2.6**
GNI (GDP deflator)		8285.4	96.8	2.2	1.6	0.5	1.8	**2.6**	**1.9**	**2.4**
Contribution to GDP growth:		Domestic demand		1.8	2.0	0.5	1.0	**2.5**	**2.5**	**2.4**
		Inventories		0.1	1.2	-3.0	-0.5	**0.6**	**-0.3**	**0.0**
		Net exports		0.2	-0.3	2.6	0.7	**-0.4**	**-0.4**	**0.0**
Employment				0.4	1.0	1.6	0.6	**1.1**	**0.1**	**0.0**
Unemployment rate (a)				5.0	2.2	2.6	2.6	**2.8**	**3.1**	**3.2**
Compensation of employees / head				4.2	6.9	7.0	6.1	**6.5**	**5.4**	**4.9**
Unit labour costs whole economy				2.6	5.0	8.6	5.5	**4.9**	**3.6**	**2.4**
Saving rate of households (b)				12.9	18.2	20.6	19.9	**19.4**	**18.0**	**17.5**
GDP deflator				2.1	8.7	8.6	3.9	**3.5**	**2.7**	**3.1**
Harmonised index of consumer prices				2.2	14.8	12.0	2.7	**2.3**	**2.7**	**2.8**
Terms of trade goods				-0.1	-4.2	3.3	1.7	**0.6**	**-1.8**	**1.2**
Trade balance (goods) (c)				2.9	-0.3	3.8	5.2	**4.6**	**3.3**	**3.8**
Current-account balance (c)				-2.2	-4.3	0.1	2.1	**1.7**	**0.4**	**0.8**
General government balance (c)				-2.0	-3.1	-3.7	-2.0	**-2.1**	**-2.8**	**-2.9**
Fiscal stance (c)				:	-0.4	0.6	2.0	**-0.1**	**-0.7**	**0.6**
Structural budget balance (d)				-1.2	-3.4	-3.2	-1.4	**-1.8**	**-2.6**	**-3.1**
General government gross debt (c)				35.7	42.5	42.2	43.3	**44.3**	**45.8**	**47.2**

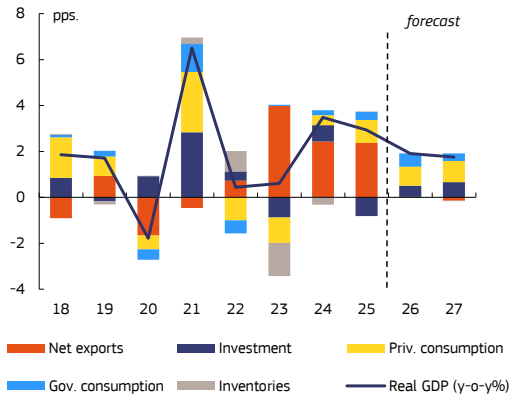
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

23. DENMARK

The Danish economy is forecast to slow down to slightly less than 2% in 2026 and 2027, with domestic demand as the main growth driver, after several years of growth mainly driven by net exports. Inflation is projected to remain below 2%, partly thanks to a temporary lowering of electricity taxes. Employment is set to increase only modestly, with the rate of unemployment increasing slightly to a level of around 6.5%. Public finances remain solid, while the budget surplus is expected to drop from 2.9% of GDP in 2025 to 0.9% of GDP in 2026, and 0.5% in 2027.

Domestic demand to drive growth

Graph III.23.1: **Denmark - Real GDP growth and contributions**



In 2025, the Danish economy proved resilient to geopolitical and trade uncertainties. Real GDP grew by 2.9%, primarily supported by strong export performance. Economic growth is forecast to ease to 1.9% in 2026 and 1.8% in 2027. Private and public consumption and investment, supported by low interest rates, are expected to become the main drivers of economic growth, replacing net exports. Real wage increases, rising employment and several policy measures are set to boost households' real income, which in turn is expected to stimulate consumption. The expansion in private consumption is, however, set to remain subdued due to the jump in household savings recorded in 2026. This shift towards saving reflects weak consumer confidence amid continuing economic and geopolitical uncertainty. Investment weakened in 2025 but is expected to increase moderately in the next few years supported by construction activity and public investment.

Export growth becoming more balanced

The pharmaceutical industry, particularly Danish-owned production abroad, has been a key driver of export growth in recent years. In 2025, goods exports increased by 6.4%. Pharmaceutical exports continued to expand, though at a slower pace as increased competition in the US market resulted in a loss of market share. At the same time, exports of non-pharmaceutical goods made a larger contribution to overall goods export growth than in previous years, resulting in a more balanced pattern in goods exports. Service exports, however, declined by 1.5% in 2025, primarily due to reduced sea transportation activity. Over the forecast horizon, export growth is expected to slow as a result of the conflict in the Middle East and weaker global trade. Nevertheless, the pharmaceutical production and exports are forecast to continue expanding, driven by falling sales prices, while other export markets are set to sustain their positive momentum.

Employment growth slowing down

Employment is expected to rise only modestly over the forecast horizon, after several years of rapid expansion. The labour force is projected to grow broadly in parallel, helped by a substantial net influx of international workers as well as older workers staying active beyond retirement age. Additionally, the activity rate of migrants living in Denmark has increased. Going forward, the unemployment rate is expected to increase slightly to a level of around 6.5%. Despite recent inflationary pressures, real wages are expected to continue growing over the forecast horizon, supporting the anticipated modest pickup in private consumption.

Inflation expected to remain stable

Headline inflation is projected to remain stable at 1.8% in 2026 and 1.9% in 2027, after 1.8% in 2025, despite sharply higher oil and gas prices. This stability reflects a temporary reduction in the levy on electricity to the EU's minimum rate, reducing headline inflation by around 0.8 pps. and offsetting other energy price increases in 2026. The reduced electricity levy entered into force on 1 January 2026 and covers the 2026-27 period. The higher energy prices however are expected to gradually pass through to other goods and services, and headline inflation, excluding energy and food, is expected to reach 1.9% in 2026 and 2.2% in 2027.

Deteriorating government budget surplus

After a surplus of 2.9% of GDP in 2025 Denmark's budget surplus is set to decline to 0.9% of GDP in 2026, before falling further to 0.5% in 2027. This is mainly due to increased government consumption and investment, particular in defence and support for Ukraine. In addition, the 2026 budget includes some cuts in excise duties, notably on electricity, which is forecast to lower the budget surplus further. Continued government surpluses and denominator effects, which are only partly offset by stock-flow adjustments, are expected to reduce the gross debt level from 27.9% of GDP in 2025 to 27.2% of GDP in 2026 and further down to 26.2% of GDP in 2027.

Shipping sector facing vulnerabilities

The conflict in the Middle East creates specific difficulties for shipping, particularly for energy imports. In this context Denmark may be less vulnerable in terms of energy security due to the domestic production of oil and gas from the North Sea. However, as a major shipping nation Denmark could face specific vulnerabilities in case of prolonged shipping restrictions in the region.

Table III.23.1: **Main features of country forecast – DENMARK**

	2025			Annual percentage change					
	bn DKK	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		3062.8	100.0	1.3	0.4	0.6	3.5	**2.9**	**1.9**	**1.8**
Private Consumption		1336.8	43.6	1.4	-2.2	-2.5	1.0	**2.3**	**1.9**	**2.1**
Public Consumption		711.1	23.2	1.3	-2.4	0.2	1.0	**1.5**	**2.5**	**1.4**
Gross fixed capital formation		669.2	21.8	2.3	1.8	-3.8	3.0	**-3.5**	**2.2**	**3.0**
Exports (goods and services)		2147.5	70.1	2.7	6.6	7.8	7.1	**3.0**	**2.6**	**2.5**
Imports (goods and services)		1810.3	59.1	3.4	6.0	2.5	4.1	**-0.4**	**3.0**	**3.1**
GNI (GDP deflator)		3145.6	102.7	1.5	-0.8	1.1	3.5	**2.4**	**1.9**	**1.8**
Contribution to GDP growth:		Domestic demand		1.5	-1.2	-1.9	1.4	**0.5**	**1.9**	**1.9**
		Inventories		0.0	0.9	-1.4	-0.3	**0.0**	**0.0**	**0.0**
		Net exports		-0.2	0.7	4.0	2.4	**2.4**	**0.0**	**-0.1**
Employment				0.5	4.0	1.1	0.7	**1.2**	**0.2**	**0.5**
Unemployment rate (a)				5.9	4.5	5.1	6.2	**6.4**	**6.5**	**6.5**
Compensation of employees / head				2.3	2.6	3.4	4.4	**3.3**	**3.3**	**3.2**
Unit labour costs whole economy				1.6	6.2	3.9	1.5	**1.6**	**1.6**	**2.0**
Saving rate of households (b)				6.2	11.1	14.7	14.3	**14.3**	**15.3**	**15.0**
GDP deflator				1.7	10.4	-2.1	1.5	**1.7**	**1.3**	**2.2**
Harmonised index of consumer prices				1.3	8.6	3.4	1.3	**1.8**	**1.8**	**1.9**
Terms of trade goods				0.4	-6.4	3.5	-1.9	**0.1**	**-3.7**	**0.2**
Trade balance (goods) (c)				3.9	2.3	7.6	9.4	**10.6**	**8.9**	**8.8**
Current-account balance (c)				6.1	11.2	11.0	12.2	**12.5**	**11.4**	**11.1**
General government balance (c)				0.9	3.4	3.4	4.5	**2.9**	**0.9**	**0.5**
Fiscal stance (c)				:	1.6	-1.5	0.2	**-1.6**	**-1.7**	**-0.1**
Structural budget balance (d)				1.6	4.4	5.7	6.6	**3.9**	**2.0**	**1.6**
General government gross debt (c)				41.9	33.3	33.0	30.5	**27.9**	**27.0**	**26.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

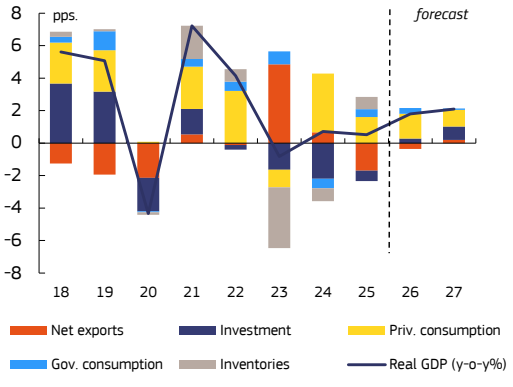
24. HUNGARY

GDP is projected to grow by 1.8% in 2026 and 2.1% in 2027, supported by domestic demand and a recovery in exports. Inflation is set to moderate from 4.4% in 2025 to 3.2% in 2026 and 3.1% in 2027, thanks to currency appreciation and easing domestic inflation pressures. The general government deficit is projected to increase to 6.2% of GDP in 2026 after the introduction of various deficit-increasing measures in late 2025 and early 2026, and to remain elevated at 5.8% in 2027. The debt-to-GDP ratio is expected to continue increasing to 76.8% by 2027, given the persistence of substantial deficits.

Domestic demand remains the main growth driver

Real GDP grew by 0.5% in 2025, supported by strong consumption which benefited from substantial wage increases and a decline in household savings. By contrast, investment declined, and exports remained sluggish due do the weak performance of manufactured goods and business services. Economic activity increased in the first quarter of 2026 by 0.8% q-o-q, due to an increase in industrial production and sustained strong performance of services.

Graph III.24.1: **Hungary - real GDP growth and contributions**



GDP growth is forecast to gain momentum in 2026-27, underpinned by domestic demand and exports, as well as improved confidence. Consumption is expected to remain a key growth driver in 2026, supported by strong wage growth and fiscal measures. However, consumption is set to moderate in 2027 as wage growth slows down. Investment is set to gradually recover and increase by 3.9% in 2027, driven by public investment, a pick-up in construction, supported by elevated housing demand and improving business sentiment. Export growth is projected to increase, boosted by the launch of assembly facilities in the automotive industry and the expected recovery in external demand. At the same time, elevated energy prices are set to deteriorate the terms of trade in 2026, and the current account balance is forecast to shift from a surplus in 2025 to a deficit of 0.2% in 2026 before returning to surplus again in 2027.

Risks to the outlook include continued weakness in investment and exports linked to disruptions in global supply chains and cost competitiveness losses. On the upside, restoring full access to EU funds would improve the macroeconomic and fiscal outlook.

Strong real wage growth fuelled by policy measures and a tight labour market

The unemployment rate declined marginally to 4.4% in 2025, although the number of job vacancies fell. The unemployment rate is forecast to remain stable, as labour hoarding decreases in line with the economic recovery. Nominal wage growth is set to remain elevated in 2026, driven by an 11% increase in the minimum wage, wage hikes in the public sector and an overall tight labour market. However, wage growth is expected to moderate in 2027 as the one-off public-sector wage hike fades out.

Currency appreciation moderates the inflationary impact of rising energy prices

HICP inflation averaged 4.4% in 2025, with HICP excluding energy and food reaching 5.9%. By March 2026 inflation had declined to 2.1% owing to a decline in food inflation, modest repricing of services and fuel price regulations which limited the impact of rising oil prices due to the conflict in the Middle East. The inflationary pressures from strong domestic demand and high wage growth

are largely offset by a 7% currency appreciation in 2026. Inflation is forecast to decrease to 3.1% by 2027, driven by the moderation of energy prices and easing wage pressures.

An increasing budget deficit

The budget deficit narrowed from 5.1% of GDP in 2024 to 4.7% in 2025, largely due to falling interest expenditure—reflecting lower coupons on inflation-linked bonds—and cuts to public investment. In 2026, the deficit is projected to widen to 6.2% of GDP, driven by new measures targeting households and expenditure slippages. Income tax revenue is expected to decline due to the continued phasing-in of the personal income tax exemption for mothers and an increase in the family tax allowance, totalling an estimated 0.6% of GDP. In addition, the gradual introduction of a 14th month pension and new housing support measures for households and public workers are expected to increase the deficit by around 0.5% of GDP. Further public sector wage increases, along with bonuses for military and law enforcement employees paid in January that are estimated at 0.5% of GDP, are projected to drive continued strong public wage growth. Current expenditure overruns further add to the deficit. These are only partially offset by the extension of sectoral taxes on windfall profits into 2026 and an increase in the bank tax. Public investment is projected to increase after two years of decline. Overall, the fiscal stance is expected to be strongly expansionary in 2026, at -1.4% of GDP.

In 2027, the deficit is projected to remain elevated at 5.8% of GDP, in part due to the increasing cost of already legislated income tax measures and the 14th month pension, alongside the expiry of sectoral taxes. Interest expenditure is projected to remain broadly stable as a share of GDP, as sovereign yields have fallen but the stock of debt is growing. The fiscal stance is projected to be contractionary in 2027, at 0.4% of GDP.

Risks to the deficit include further expenditure slippages and possible repayments of tax revenues related to European Court of Justice rulings.

The debt-to-GDP ratio is projected to increase over the forecast horizon from 74.6% in 2025 to 76.8% in 2027. The increase in 2026 reflects the large deficit but is almost counterbalanced by the revaluation of foreign-denominated debt due to recent currency appreciation. In 2027, a stronger increase is forecast on the back of the persistently high deficit.

Table III.24.1: **Main features of country forecast – HUNGARY**

	2025			Annual percentage change					
	bn HUF	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		87045.6	100.0	1.8	4.2	-0.8	0.7	**0.5**	**1.8**	**2.1**
Private Consumption		45742.0	52.5	1.5	6.6	-2.2	7.3	**3.1**	**2.9**	**1.9**
Public Consumption		18120.2	20.8	1.4	2.7	3.9	-2.8	**2.4**	**1.7**	**0.4**
Gross fixed capital formation		19101.8	21.9	2.6	-1.0	-5.9	-8.6	**-2.8**	**1.3**	**3.9**
Exports (goods and services)		63221.6	72.6	5.4	10.7	1.8	-0.5	**-1.1**	**1.1**	**3.5**
Imports (goods and services)		59320.6	68.1	5.0	10.8	-3.4	-1.4	**1.2**	**1.7**	**3.4**
GNI (GDP deflator)		85002.1	97.7	2.1	4.4	-1.1	1.8	**0.1**	**1.3**	**2.2**
Contribution to GDP growth:		Domestic demand		1.7	3.5	-1.9	0.8	**1.4**	**2.2**	**1.9**
		Inventories		-0.3	0.8	-3.7	-0.8	**0.8**	**0.0**	**0.0**
		Net exports		0.5	-0.1	4.8	0.7	**-1.7**	**-0.4**	**0.2**
Employment				0.8	1.6	0.6	0.2	**0.4**	**-0.1**	**0.1**
Unemployment rate (a)				7.0	3.6	4.1	4.5	**4.4**	**4.5**	**4.4**
Compensation of employees / head				4.0	17.0	15.1	12.6	**9.0**	**9.3**	**5.9**
Unit labour costs whole economy				3.0	14.2	16.8	12.0	**8.9**	**7.4**	**3.9**
Saving rate of households (b)				13.0	16.0	20.6	19.0	**17.1**	**17.2**	**17.1**
GDP deflator				3.9	14.0	15.0	7.6	**6.3**	**3.9**	**3.1**
Harmonised index of consumer prices				3.5	15.3	17.0	3.7	**4.4**	**3.2**	**3.1**
Terms of trade goods				-0.2	-6.9	6.1	-1.0	**2.9**	**-1.7**	**0.8**
Trade balance (goods) (c)				0.3	-9.4	-0.6	-0.5	**-0.8**	**-2.5**	**-1.7**
Current-account balance (c)				-1.2	-8.9	0.1	1.9	**1.7**	**-0.2**	**0.5**
General government balance (c)				-4.1	-6.2	-7.0	-5.1	**-4.7**	**-6.2**	**-5.8**
Fiscal stance (c)				:	-1.7	3.6	3.2	**-0.4**	**-1.7**	**0.1**
Structural budget balance (d)				-4.0	-7.3	-6.8	-4.8	**-4.1**	**-5.9**	**-5.9**
General government gross debt (c)				74.0	74.1	73.3	73.5	**74.6**	**75.1**	**76.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

25. POLAND

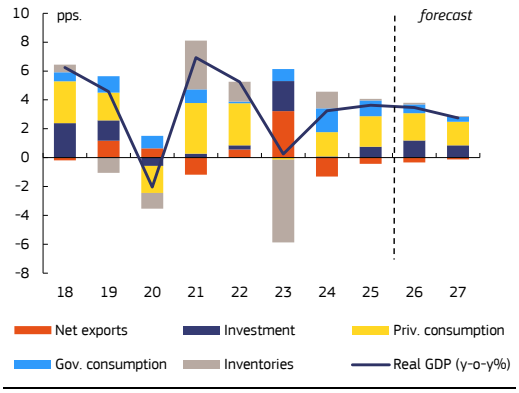
Economic growth in Poland is set to remain strong in 2026, at 3.5%, supported by a resilient private consumption and a high level of EU-funded investments. Growth is projected to ease in 2027 as investment and public consumption slow down. Inflation is forecast to increase to 3.6% in 2026 due to a surge in energy inflation before moderating again in 2027. Fiscal consolidation is expected to advance in 2026, with the deficit estimated at 6.5% of GDP. The debt-to-GDP ratio is set to increase from 59.7% of GDP to 68.3% of GDP by 2027.

Growth to remain robust in 2026 and to slow down in 2027

In 2025, real GDP grew by 3.6%, driven primarily by private consumption. Public consumption and investment also contributed, supported by higher public investment and stronger absorption of EU funds. The negative contribution from net exports narrowed substantially.

In 2026, economic growth is projected to reach 3.5%, as stronger growth momentum carried over from 2025 broadly offsets the assumed negative impact of the conflict in the Middle East. Growth in public and private consumption is set to slow compared to 2025. Private consumption is expected to be negatively affected by the deceleration in real disposable income resulting from higher energy prices and moderating wage growth. Conversely, the positive contribution from investment is forecast to increase, reflecting higher absorption of EU funds, especially in the final year of the RRF, and a rising share of the domestically produced component of new defence spending. The contribution from net exports is projected to remain negative.

Graph III.25.1: **Poland - Real GDP growth and contribution**



Economic growth is set to decrease to 2.8% in 2027. Private consumption is projected to remain a key driver of growth, but less than in the previous years. Growth in investment and public consumption is set to slow down, largely reflecting a drop in the absorption of EU funds. The negative contribution from net exports is set to narrow further as exports increase.

Labour market remains stable

Employment is projected to remain broadly stable over the forecast horizon, with a tight labour market and unemployment remaining at around 3%. The demographic decline in the labour supply is partly offset by additional workers from abroad. Growth in nominal compensation per employee is projected to slow down gradually from 8.0% in 2025 to about 6% in 2027 in the context of decreasing inflation and lower minimum wage increases than in previous years.

Inflation set to rise

HICP inflation reached 3.3% in 2025 and is expected to rise to 3.6% in 2026, driven by a sharp increase in energy inflation. This upward pressure is only partially mitigated by fixed electricity and gas tariffs for households and by fiscal measures adopted at the end of March 2026. The new measures included lowering VAT and excise duties on fuels, as well as introducing a daily price cap for fuel, as of the forecast cut-off date, and are assumed to remain in place until mid-May. Services inflation is expected to decrease compared to previous years, as wage growth is set to slow, and non-energy goods inflation is projected to be very low. HICP inflation in Poland is forecast to decrease to 2.9% in 2027, taking into account the easing of the global commodity prices and the delay in the implementation of ETS2.

2026: a year of moderate fiscal consolidation

In 2025, the general government deficit widened to 7.3% of GDP. This increase was driven by higher expenditure on military equipment deliveries, public sector wages and social benefits.

In 2026, the deficit is projected to narrow to 6.5% of GDP, as the government implements moderate expenditure restraints, in particular on employee compensation and investment. New discretionary revenue-increasing measures are set to support fiscal consolidation, including a temporary increase in the corporate income tax on banks, hikes in excise duties and VAT on certain beverages, and the introduction of a mandatory electronic invoicing system.

In 2027, the deficit is forecast to narrow slightly to 6.3% of GDP, assuming unchanged policies. The effects of the adopted discretionary revenue measures are expected to further increase of national budget revenue as a share of GDP.

The fiscal stance is projected to remain expansionary in 2026, as high EU-financed expenditure offsets the contractionary impact of nationally-financed expenditure. The fiscal stance is set to turn contractionary in 2027 due to the end of the RRF, despite the increase in nationally financed investments, including in defence. The public debt-to-GDP ratio is set to increase steadily, from 59.7% in 2025 to 68.3% in 2027, mainly driven by high deficits and debt-increasing stock-flow adjustments related to defence investments.

The possible extension of temporary measures aimed at lowering fuel prices, alongside political risks in the national legislative process for some of the planned revenue-increasing measures, pose downside risks to the fiscal forecast for 2026 and 2027. Conversely, the planned introduction of a windfall tax on energy producers in 2026 and potential tax increases in 2027, as announced in the 2026 Annual Progress Report, present upside risks to the forecast.

Table III.25.1: **Main features of country forecast - POLAND**

	2025			Annual percentage change					
	bn PLN	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		3912.7	100.0	3.9	5.3	0.2	3.2	**3.6**	**3.5**	**2.8**
Private Consumption		2256.0	57.7	3.4	5.2	-0.3	2.9	**3.7**	**3.3**	**2.8**
Public Consumption		833.9	21.3	3.1	0.6	4.5	8.7	**5.3**	**2.8**	**1.7**
Gross fixed capital formation		669.6	17.1	4.5	1.7	12.7	0.4	**4.4**	**6.9**	**4.8**
Exports (goods and services)		1956.9	50.0	6.7	7.4	3.7	1.9	**5.5**	**2.6**	**2.8**
Imports (goods and services)		1847.2	47.2	6.5	6.8	-1.5	4.6	**6.8**	**3.5**	**3.2**
GNI (GDP deflator)		3786.8	96.8	3.7	5.7	0.1	4.0	**3.8**	**3.6**	**2.8**
Contribution to GDP growth:		Domestic demand		3.6	3.3	2.8	3.4	**4.0**	**3.7**	**2.8**
		Inventories		0.2	1.4	-5.7	1.1	**0.1**	**0.1**	**0.0**
		Net exports		0.1	0.6	3.2	-1.3	**-0.4**	**-0.3**	**-0.1**
Employment				1.3	1.1	0.1	-0.6	**0.1**	**0.2**	**0.1**
Unemployment rate (a)				7.7	2.9	2.8	2.9	**3.1**	**3.1**	**3.0**
Compensation of employees / head				4.8	12.3	14.4	13.0	**8.0**	**6.7**	**6.0**
Unit labour costs whole economy				2.2	7.9	14.2	8.7	**4.3**	**3.3**	**3.3**
Saving rate of households (b)				6.8	1.0	4.7	7.8	**7.9**	**7.3**	**7.2**
GDP deflator				2.4	10.7	9.9	4.1	**2.9**	**3.2**	**2.9**
Harmonised index of consumer prices				2.2	13.2	10.8	3.7	**3.3**	**3.6**	**2.9**
Terms of trade goods				0.6	-3.7	1.7	-0.9	**-1.8**	**-1.2**	**0.0**
Trade balance (goods) (c)				-2.3	-3.3	0.6	-0.8	**-1.5**	**-2.1**	**-2.2**
Current-account balance (c)				-2.9	-2.9	1.5	0.3	**-0.7**	**-1.2**	**-1.2**
General government balance (c)				-3.5	-3.4	-5.2	-6.4	**-7.3**	**-6.5**	**-6.3**
Fiscal stance (c)				:	-3.1	-0.8	-1.7	**-1.3**	**-0.3**	**1.7**
Structural budget balance (d)				-2.4	-4.4	-4.7	-6.1	**-7.1**	**-6.6**	**-6.2**
General government gross debt (c)				51.1	48.8	49.5	54.8	**59.7**	**64.5**	**68.3**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

26. ROMANIA

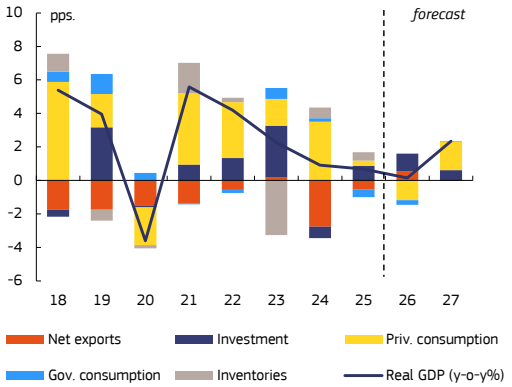
After real GDP growth of 0.7% in 2025, the Romanian economy is set to broadly stagnate in 2026, before rebounding at 2.3% in 2027. Fiscal consolidation efforts and persistently high inflation driven by rising energy prices are set to significantly reduce domestic consumption. Meanwhile, EU-funded investments and net exports are contributing positively to growth. The rebound in 2027 is backed by expectations of lower inflation and more favourable financing conditions. Unemployment will moderately pick up in 2026 before receding in 2027. The current account deficit is set to decline to 6.4% of GDP over the forecast horizon. After reaching 7.9% of GDP in 2025, the general government deficit is projected to narrow to 6.2% of GDP in 2026 and 5.8% of GDP in 2027, while the debt-to-GDP ratio is set to increase to 63.3% by 2027.

Falling domestic consumption weighs on growth

In 2026, the on-going fiscal consolidation and high energy price inflation are likely to further depress real disposable income, leading to a decline in both domestic consumption and imports of goods. Economic sentiment, in particular consumer confidence, has deteriorated further since the start of 2026 and high frequency indicators point to a significant decline in retail sales, industrial output and domestic tourism. Exports are expected to decelerate, while still growing moderately and leading to a small positive contribution to growth from net exports.

After a turnaround in 2025, gross fixed capital formation is projected to accelerate further in 2026. The recovery in residential construction is expected to continue, while investment in public infrastructure is set to pick up as RRP projects are completed. Increased investor apprehension, triggered by geopolitical risks and domestic political uncertainty, is likely to weigh on private investment in the first half of the year. However, confidence is expected to gradually recover, reinforcing the recent pick-up in foreign direct investment. Overall, real GDP growth is projected at 0.1% in 2026.

Graph III.26.1: **Romania - Real GDP growth and contributions**



A rebound in real GDP growth to 2.3% is forecast in 2027, as the freeze on public wages and pensions ends and lower HICP inflation stabilises disposable income, supporting a turnaround in private and public consumption. Government investment is projected to decelerate following the end of the RRF, but private investment is set to take over, underpinned by improved investor sentiment and better financing conditions. The current account deficit is projected to gradually decrease towards 6.4% of GDP by 2027. Domestic risks to growth are tilted to the downside as rising domestic political instability undermines investor confidence in the fiscal adjustment path.

Unemployment set to rise

After several years of tight labour market conditions, employment started to decline in 2025 and is set to continue along this trend in 2026. This will lead to a moderate increase in the unemployment rate to about 6.3% in 2026. With public sector wages frozen in 2025 and 2026, the growth of nominal compensation of employees has fallen to single-digit rates. As inflation remains high, real unit labour costs are expected to fall, supporting cost competitiveness. The moderate pace of wage increases is projected to continue in 2027.

Disinflation slowed by the hike in energy prices

Before the conflict in the Middle East, headline inflation was expected to decelerate at a fast pace in the second half of 2026 supported by strong base effects. However, the conflict and its impact on energy prices have slowed down this trend. HICP inflation is now forecast to average 7% in 2026, up from 6.8% in 2025, before decelerating to 3.7% in 2027, coming close to the NBR target range (2.5±1%). Government measures, including the postponed liberalisation of gas prices for households, have somewhat mitigated the energy price increase.

Government deficit to decline further

Romania's government deficit declined to 7.9% of GDP in 2025, down from a peak of 9.3% in 2024. This improvement reflects the implementation of several fiscal consolidation packages between December 2024 and September 2025, including a nominal freeze in wages and pensions in 2025-26 and tax increases.

The deficit is projected to decline further to 6.2% of GDP in 2026. Public investment is projected to increase from 6% to nearly 7% of GDP. In parallel, current expenditure as a share of GDP is set to decline, reducing total government spending by about 0.3% of GDP. On the revenue side, the implementation of tax increases adopted in 2024 and 2025 is set to increase revenues by 1.4 pps. of GDP. In 2027, the deficit is projected to decline to 5.8% of GDP, driven by cuts in public capital expenditure. The fiscal stance was contractionary in 2025 and is set to moderate in 2026, before turning neutral in 2027. Defence expenditure is projected to increase from 1.5% of GDP in 2025 to 1.8% of GDP in 2027, supported by loans under the SAFE programme.

Government debt is projected to increase from less than 55% of GDP in 2024 to about 63% of GDP in 2027, mostly driven by high government primary deficits and interest payments.

Table III.26.1: **Main features of country forecast – ROMANIA**

	2025			Annual percentage change					
	bn RON	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1916.4	100.0	3.1	4.2	2.3	0.9	**0.7**	**0.1**	**2.3**
Private Consumption		1189.0	62.0	4.0	5.4	2.5	5.7	**0.5**	**-1.9**	**2.8**
Public Consumption		331.6	17.3	1.5	-1.4	4.0	1.2	**-2.6**	**-1.6**	**0.2**
Gross fixed capital formation		490.8	25.6	4.7	5.4	12.3	-2.5	**3.4**	**4.1**	**2.3**
Exports (goods and services)		680.0	35.5	8.5	9.3	-1.3	-2.5	**4.3**	**1.4**	**2.6**
Imports (goods and services)		780.6	40.7	9.2	9.3	-1.5	4.0	**4.9**	**-0.1**	**2.3**
GNI (GDP deflator)		1863.7	97.2	3.2	2.9	2.8	1.1	**0.4**	**0.2**	**2.2**
Contribution to GDP growth:	Domestic demand			4.3	4.4	5.3	3.0	**0.7**	**-0.4**	**2.3**
	Inventories			-0.1	0.3	-3.3	0.6	**0.5**	**0.0**	**0.0**
	Net exports			-1.0	-0.5	0.2	-2.8	**-0.5**	**0.6**	**0.0**
Employment				-0.4	0.7	-1.2	1.6	**-3.5**	**-0.4**	**0.5**
Unemployment rate (a)				7.5	5.6	5.6	5.4	**6.1**	**6.3**	**5.9**
Compensation of employees / head				8.5	13.7	20.3	17.3	**8.2**	**4.9**	**6.2**
Unit labour costs whole economy				4.7	9.9	16.2	18.0	**3.8**	**4.4**	**4.2**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				6.0	12.1	12.4	9.6	**8.2**	**7.4**	**4.8**
Harmonised index of consumer prices				3.7	12.0	9.7	5.8	**6.8**	**7.0**	**3.7**
Terms of trade goods				1.6	-1.4	1.3	1.3	**0.7**	**0.0**	**0.5**
Trade balance (goods) (c)				-8.5	-11.4	-9.0	-9.3	**-8.6**	**-7.7**	**-7.3**
Current-account balance (c)				-4.8	-9.6	-6.8	-8.3	**-7.9**	**-6.9**	**-6.4**
General government balance (c)				-4.3	-6.5	-6.6	-9.3	**-7.9**	**-6.2**	**-5.8**
Fiscal stance (c)				:	-2.2	0.5	-0.1	**2.1**	**2.5**	**0.7**
Structural budget balance (d)				-3.4	-6.3	-6.4	-8.8	**-7.3**	**-5.4**	**-5.3**
General government gross debt (c)				31.8	48.1	49.3	54.8	**59.3**	**61.6**	**63.4**

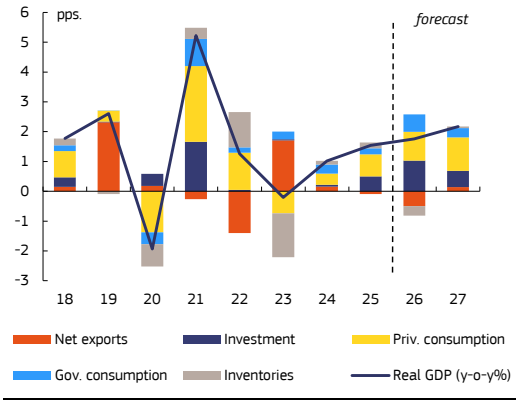
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

27. SWEDEN

Real GDP growth is projected to be close to 2% in 2026 and 2027 although the recovery, driven by domestic demand, is temporarily slowed down due to geopolitical developments. Inflation is expected to remain below 2% over the forecast period with tax cuts and weak domestic price pressures counteracting a rise in import prices. The labour market is set to recover in line with economic activity. In view of tax reductions and a marked increase in expenditure, notably on defence, the general government deficit is projected to increase to 2.8% of GDP in 2026, before moderating somewhat in 2027. These deficits are set to increase the gross debt-to-GDP ratio from just above 35% in 2025 to close to 38% in 2027.

Economic growth to hold up despite geopolitical developments

Graph III.27.1: **Sweden - Real GDP growth and contributions**



A domestic demand-led recovery that had begun in the course of 2025 is expected to be slowed down by the impact of the conflict in the Middle East, both through the direct effects on real disposable income and profits and indirect ones, including high uncertainty and weaker confidence among consumers and corporations. Household consumption growth is set to average just above 2% in both 2026 and 2027. In 2026, support to household disposable income from fiscal measures, including income tax reductions and the lowering of VAT on food, is set to be partly offset by the impact of higher commodity prices on inflation. Private investment growth is supported by a recovery in residential construction. Public investment, in particular on defence, is set to be the most dynamic component within gross fixed capital formation. The current external surplus is expected to narrow from just above 5% of GDP in 2025 to around 4% of GDP over the forecast horizon, reflecting weaker trade dynamics. In all, real GDP growth is set to reach 1.8% in 2026 and 2.2% in 2027. The balance of risks to the growth outlook remains tilted to the downside, chiefly in view of risks to inflation and potential delays in the recovery of private consumption and investment.

Labour market to recover

The labour market has remained broadly resilient despite relatively muted economic growth in recent years, although structural unemployment remained high on the back of persistent skills mismatches and gaps in the education system. In line with the projected gradual recovery, employment growth is set to turn positive in 2026 and gather some momentum to reach 0.9% in 2027, contributing to a gradual decline in the unemployment rate to just below 8% in 2027.

Inflation impact of import prices partly offset by tax cuts and contained underlying pressures

In 2026, consumer price inflation is impacted by several factors that go in different directions. Commodity prices, in particular for liquid fuels are set to rise sharply in response to the conflict in the Middle East. On the other hand, tax reductions, in particular lower fuel taxes and the temporary decrease in VAT on food from 12% to 6% from April 2026 until 1 January 2028 contribute to lower consumer prices, adding to weak underlying domestic price dynamics from moderate wage increases, the effects of earlier krona appreciation and weak cyclical conditions. In all, HICP inflation is forecast to average 1.5% in 2026. With some of the special factors affecting 2026 unwinding and energy prices expected to decline somewhat, inflation is set to reach 1.8% in 2027.

Persistent general government deficit

The general government deficit in 2025 was 1.3% of GDP and is set to increase to 2.8% of GDP in 2026, due to several discretionary fiscal measures, adding up to around 2% of GDP. This includes temporary energy support measures, with an estimated cost of 0.2% of GDP, which are mostly un-targeted. Significant spending areas are defence and support to Ukraine, but the increasing deficit is driven also by the revenue side, notably lower income taxes and a temporary VAT reduction on food. As of 2026 the government expects to start spending on the multi-year support scheme for new nuclear facilities, with minor fiscal implications in the short to medium term, but a potentially significant impact in the longer term.

The fiscal stance is projected to shift to expansive in 2026, at 1.9% of GDP, but is set to return to slightly contractive in 2027, at 0.3%. In 2027, the general government deficit is set to decrease somewhat to 2.4% of GDP. With the output gap expected to remain slightly negative over the forecast period, the structural balance is projected to show a deficit of around 2% of GDP in 2026 and 2027. The increase in the debt-to-GDP ratio is expected to continue in 2026 and 2027. It is set to reach 36.6% and 37.7% respectively.

Table III.27.1: **Main features of country forecast - SWEDEN**

	2025			Annual percentage change					
	bn SEK	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		6570.0	100.0	1.9	1.3	-0.2	1.0	**1.5**	**1.8**	**2.2**
Private Consumption		3020.8	46.0	2.1	2.8	-1.6	0.8	**1.6**	**2.1**	**2.4**
Public Consumption		1736.6	26.4	1.3	0.7	1.0	1.2	**0.7**	**2.2**	**1.2**
Gross fixed capital formation		1657.5	25.2	2.9	0.2	0.1	0.3	**2.0**	**4.1**	**2.1**
Exports (goods and services)		3497.1	53.2	3.0	6.1	2.6	2.6	**3.9**	**0.7**	**2.2**
Imports (goods and services)		3357.7	51.1	3.6	9.8	-0.6	2.5	**4.3**	**1.7**	**2.0**
GNI (GDP deflator)		6892.6	104.9	2.0	1.6	0.4	1.1	**1.6**	**1.5**	**1.7**
Contribution to GDP growth:	Domestic demand			2.0	1.5	-0.4	0.7	**1.4**	**2.6**	**2.0**
	Inventories			0.0	1.2	-1.5	0.1	**0.2**	**-0.3**	**0.0**
	Net exports			-0.1	-1.4	1.7	0.2	**-0.1**	**-0.5**	**0.1**
Employment				1.1	3.5	1.2	-0.3	**-0.1**	**0.6**	**0.9**
Unemployment rate (a)				7.6	7.5	7.7	8.4	**8.8**	**8.5**	**7.9**
Compensation of employees / head				3.1	2.0	5.3	5.2	**1.7**	**3.4**	**3.7**
Unit labour costs whole economy				2.2	4.3	6.8	3.8	**0.0**	**2.2**	**2.4**
Saving rate of households (b)				13.9	15.8	17.0	18.7	**17.1**	**17.1**	**16.7**
GDP deflator				2.0	6.0	5.8	3.0	**1.2**	**1.2**	**1.7**
Harmonised index of consumer prices				1.5	8.1	5.9	2.0	**2.6**	**1.5**	**1.8**
Terms of trade goods				0.5	-4.2	0.5	0.8	**-0.8**	**-0.9**	**0.2**
Trade balance (goods) (c)				4.1	3.3	4.4	4.5	**4.0**	**3.0**	**3.1**
Current-account balance (c)				4.7	3.7	5.9	6.2	**5.2**	**4.2**	**3.9**
General government balance (c)				0.0	1.0	-0.9	-1.5	**-1.3**	**-2.8**	**-2.5**
Fiscal stance (c)				:	0.5	-0.2	-0.5	**0.3**	**-1.8**	**0.6**
Structural budget balance (d)				-0.1	0.9	0.0	-0.5	**-0.3**	**-2.0**	**-2.1**
General government gross debt (c)				40.5	34.4	32.2	34.2	**35.1**	**36.6**	**37.7**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Candidate Countries

28. ALBANIA

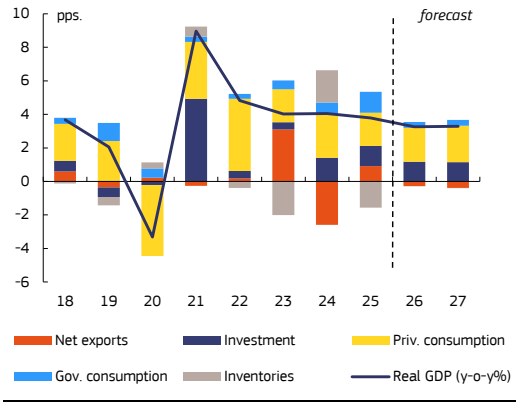
Albania's economic growth is expected to moderate to 3.3% in 2026 and 2027, supported mainly by domestic demand and investment amid heightened external uncertainty. Inflation is projected to increase in 2026, driven by higher energy prices following the conflict in the Middle East, and then remain close to the central bank's 3% target. Exports of services, particularly tourism, are expected to continue expanding, albeit at a slower pace, while imports remain firm, leading to a gradual widening of the current account deficit. The general government deficit is projected to widen in 2026 before narrowing in 2027, while the government debt-to-GDP ratio is set to continue declining, supported by favourable nominal growth dynamics.

Growth to moderate amid external uncertainty

Economic activity in Albania remained solid in 2025, with real GDP increasing by 3.7%. Growth continued to be driven mainly by domestic demand. Investment is estimated to have grown by around 5%, supported by public investment, while private consumption remained robust, underpinned by real wage growth and continued credit expansion. Public sector wages increased markedly, contributing to strong growth in public consumption of around 10%. On the external side, exports of goods declined, while exports of services continued to expand, particularly in the second half of the year. Most sectors of the economy recorded growth, although agriculture and industry remained in contraction.

Albania's economy is expected to continue expanding at a solid pace, with real GDP growth at 3.3% in both 2026 and 2027. Still, growth is set to moderate from the level of previous years amid heightened external uncertainty and higher energy prices following the conflict in the Middle East. Tourism is expected to remain a key growth driver, although its expansion is likely to slow as the sector matures. Investment is projected to remain robust, supported by favourable financing conditions, sustained credit growth, and continued inflows from the EU Reform and Growth Facility. Private consumption is expected to grow steadily, supported by rising wages, stable employment, and favourable credit conditions, although constrained by higher inflation. Following a historically low level in 2025, the current account deficit is expected to widen gradually, reflecting sustained import demand, higher energy prices and weak goods export performance, while remaining contained by strong services exports.

Graph III.28.1: **Albania - Real GDP growth and contributions**



As a small open economy, Albania faces external risks stemming from global uncertainty and geopolitical tensions, which are expected to affect growth through key trading partners in the EU. Progress in EU accession negotiations represents an upside risk to growth through improved economic sentiment.

Employment growth to slow as labour supply constraints persist

Employment increased in 2025 and is expected to grow further over 2026-27, albeit at a more moderate pace. Labour market participation is expected to continue rising, supported by rising wages, including the recent increase in the minimum wage, and improving job prospects, although emigration continues to pose a constraint. After reaching a record low in 2025, the unemployment rate is expected to remain broadly stable.

Inflation to rise before stabilising around the 3% target

Inflation remained contained in 2025, averaging 2.2%, mainly reflecting subdued imported inflation driven by low commodity prices and the continued appreciation of the lek. While domestic

price pressures gradually strengthened over the course of the year, particularly due to higher rents and tourism-related services amid solid wage growth, these remained contained overall. In the context of below-target inflation, in July 2025, the Bank of Albania reduced the policy rate from 2.75% to 2.5%, where it has since remained, and reaffirmed this stance in March 2026 amid elevated uncertainty. Inflation is expected to increase in 2026, partly driven by higher global energy prices following the conflict in the Middle East. However, the pass-through is expected to be contained by the continued appreciation of the lek and anchored inflation expectations. Inflation is projected to move towards the 3% target in 2026 and to remain close to it thereafter.

Fiscal deficit is set to increase before falling in 2027

In 2025, the general government deficit widened to 1.8% of GDP but remained below the 2.4% target, reflecting strong revenue performance supported by robust economic activity, ongoing efforts to curb the informal economy and the continued implementation of the medium-term revenue strategy. On the expenditure side, spending increased notably on wages and social insurance, while some under-execution of capital spending helped contain the overall deficit. Looking ahead, the budget deficit is projected to widen slightly to around 2% of GDP in 2026 before narrowing in 2027, reflecting a broadly prudent fiscal stance. The primary balance is expected to remain close to zero or in slight surplus over the forecast horizon, in line with the fiscal rule. The public debt-to-GDP ratio declined to below 53% in 2025 and is projected to continue decreasing through 2027, supported by favourable nominal GDP growth.

Graph III.28.2: **Albania - General government budget balance and gross debt**

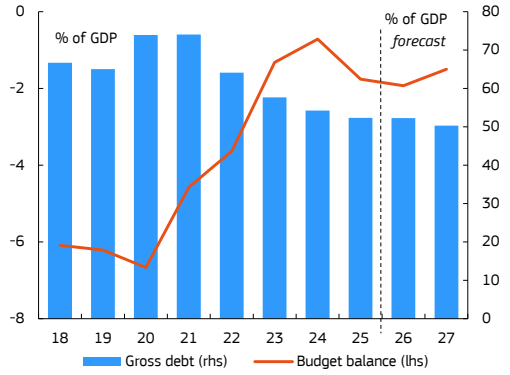


Table III.28.1: **Main features of country forecast - ALBANIA**

	2025			Annual percentage change						
	bn ALL	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2678.0	100.0	3.3	4.8	4.0	4.0	**3.8**	**3.3**	**3.3**
Private Consumption		1838.7	68.7	3.2	6.0	2.7	3.7	**2.8**	**2.9**	**3.2**
Public Consumption		351.4	13.1	3.1	2.2	4.4	6.0	**10.0**	**2.7**	**2.6**
Gross fixed capital formation		654.9	24.5	1.9	1.6	1.7	5.8	**5.0**	**4.8**	**4.7**
Exports (goods and services)		946.5	35.3	5.9	17.0	8.6	0.1	**7.4**	**3.5**	**3.4**
Imports (goods and services)		1088.7	40.7	3.5	11.5	0.2	6.0	**4.1**	**3.7**	**3.9**
GNI (GDP deflator)		2668.1	99.6	:	4.5	4.5	4.6	**4.2**	**2.7**	**3.2**
Contribution to GDP growth:		Domestic demand		3.4	5.0	2.9	4.7	**4.4**	**3.5**	**3.7**
		Inventories		0.0	-0.4	-2.0	1.9	**-1.6**	**0.0**	**0.0**
		Net exports		-0.1	0.2	3.1	-2.6	**0.9**	**-0.3**	**-0.4**
Employment				2.4	4.0	1.5	1.4	**1.1**	**0.9**	**1.0**
Unemployment rate (a)				14.5	11.5	9.5	8.5	**8.4**	**8.4**	**8.4**
Compensation of employees / head				:	3.6	16.5	17.3	**4.3**	**6.1**	**4.3**
Unit labour costs whole economy				:	2.8	13.7	14.3	**1.7**	**3.7**	**1.9**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				1.9	9.9	5.7	2.4	**2.5**	**3.3**	**2.9**
Consumer price index				:	6.7	4.8	2.2	**2.1**	**3.0**	**3.0**
Terms of trade goods				0.4	1.6	3.0	1.9	**0.5**	**-0.2**	**-0.2**
Trade balance (goods) (c)				-24.1	-23.5	-20.8	-22.3	**-21.0**	**-20.4**	**-20.5**
Current-account balance (c)				-7.7	-5.9	-1.3	-2.5	**-0.7**	**-1.4**	**-1.8**
General government balance (c)				4.3	-3.6	-1.3	-0.7	**-1.8**	**-1.9**	**-1.5**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				64.5	64.1	57.6	54.2	**52.3**	**52.3**	**50.3**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

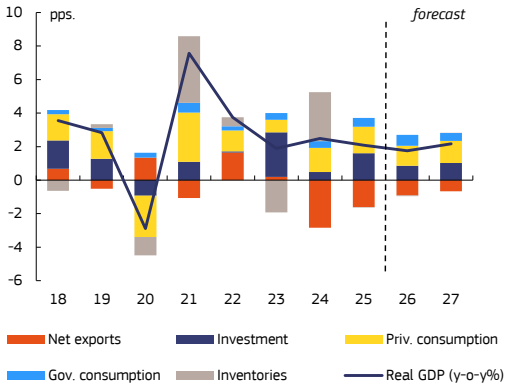
29. BOSNIA AND HERZEGOVINA

Economic growth is forecast to decelerate to 1.8% in 2026, following slower GDP growth on the back of weak external demand and rising inflation in 2025. In 2026 and 2027, export growth is expected to remain subdued, reflecting weak external demand and reduced price competitiveness due to above-productivity domestic wage growth. Inflation and the general government deficit are expected to remain relatively high. A rising labour shortage is set to fuel further wage increases outpacing productivity growth, while also helping to reduce the unemployment rate. Due to notorious delays in agreeing on overdue structural reforms, the country's competitiveness is likely to erode further.

Output growth to remain moderate

Economic growth slowed down to 2.1% in 2025, mainly due to weaker demand in export markets. Private consumption and investment were the main growth drivers, benefiting from strong real wage dynamics amid high nominal wage increases. Import growth accelerated, reflecting increased domestic demand. Net financial inflows, largely in the form of transfers—in particular remittances—reached a record high in 2025, at nearly 10% of GDP. The current account deficit decreased slightly, mainly thanks to lower spending for imports, while the primary income balance deteriorated. The net inflow of foreign direct investment fell to about 1.5% of GDP.

Graph III.29.1: **Bosnia and Herzegovina - Real GDP growth and contributions**



Over the forecast period, economic growth is projected to remain muted, reflecting subdued external and domestic demand, but also the impact of delayed structural reforms, leading to a further deterioration in the country's international competitiveness. Private consumption and investment growth are set to decelerate, on the back of higher energy prices, eroding disposable income and continued geopolitical uncertainty. External demand is expected to remain subdued due to moderate growth in the country's key export markets and deteriorating price competitiveness as a result of recent above-productivity wage increases. Furthermore, the start of the EU's Carbon Border Adjustment Mechanism's (CBAM) definitive period in January 2026 will increase the costs of CO_2 intensive products, which make up a sizeable part of the country's exports. Overall, GDP growth is expected to decelerate further in 2026, before picking up slightly in 2027 as inflationary pressures and geopolitical tensions are set to ease.

A shrinking labour supply expected to affect the labour market

Registered employment growth came to a standstill in 2025, reflecting declining employment in mining and agriculture, while trade and tourism still registered employment gains. The number of unemployed kept declining, partly due to continuous labour market exits. However, the recent closure of a large steel factory might bring this favourable trend to a halt. Slow output growth is likely to accelerate the labour shedding process in some sectors, such as manufacturing, leading to an increase in registered unemployment. At the same time, a continued outflow of qualified labour is expected to lead to labour shortages in sectors such as construction and health. This is set to fuel further wage increases outpacing productivity growth.

Inflation set to remain high

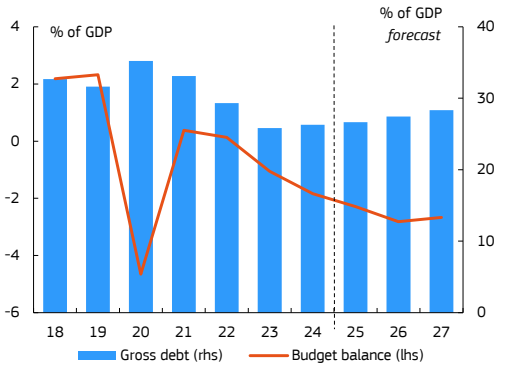
Inflation accelerated to 4% in 2025, mainly driven by higher prices for food, restaurants, hotels, and health services. Meanwhile, nominal wage growth rose by 14% in 2025, or by some 10% in

real terms, significantly higher than productivity growth. With labour market shortages in some sectors persisting, wage pressures are expected to remain high. Adding to inflationary pressures, higher energy prices due to the conflict in the Middle East are set to keep consumer price inflation elevated in 2026 and 2027.

Public finances to deteriorate in 2026

The general government deficit is projected to have increased to 2.3% of GDP in 2025 from 1.8% in 2024, as higher spending for wages and social transfers are estimated to have more than offset strong revenue growth. In 2026, the deficit is forecast to expand further, as spending levels as a percentage of GDP are set to be maintained, while temporary revenue boosting measures from 2025 are likely to end. A strengthening economy in 2027 is expected to have a positive impact on revenue growth and will thus help to keep the deficit stable in nominal terms. However, limited compliance with EU accounting standards impedes the accuracy and reliability of public sector data.

Graph III.29.2: **Bosnia and Herzegovina - General government budget and gross debt**



Risks largely on the downside

In the current geopolitical situation, risks are mainly on the downside. The current conflict in the Middle East has added to already existing uncertainties, as the high energy content of the country's production makes the economy exposed to rising energy prices. Furthermore, there are also uncertainties on the impact of the EU's CBAM regime, which could strongly impede the country's energy intensive exports. On the other side, following the upcoming general elections in October, economic growth could benefit from reduced election-related uncertainty.

Table III.29.1: **Main features of country forecast - BOSNIA AND HERZEGOVINA**

	2025			Annual percentage change					
	bn BAM	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP (a)		58.1	100.0	:	3.7	1.9	2.5	**2.1**	**1.8**	**2.2**
Private Consumption (a)		37.6	64.8	:	1.9	1.1	2.1	**2.4**	**1.8**	**2.0**
Public Consumption (a)		10.7	18.5	:	1.3	2.1	2.2	**2.8**	**3.5**	**2.5**
Gross fixed capital formation (a)		14.4	24.9	:	0.3	12.1	2.2	**6.8**	**3.5**	**4.0**
Exports (goods and services) (a)		22.3	38.3	:	11.8	-1.2	-3.1	**2.5**	**1.6**	**1.8**
Imports (goods and services) (a)		30.3	52.1	:	6.2	-1.3	2.8	**4.8**	**2.9**	**2.6**
GNI (GDP deflator)		58.0	99.8	:	3.7	2.7	2.6	**2.4**	**2.0**	**2.2**
Contribution to GDP growth:	Domestic demand			1.3	1.6	3.6	2.3	:	:	:
	Inventories			0.2	0.5	-1.9	2.9	:	:	:
	Net exports			0.4	1.6	0.2	-2.8	**-1.6**	**-0.9**	**-0.7**
Employment				1.6	1.0	0.8	0.4	**0.0**	**-0.5**	**-0.6**
Unemployment rate (b)				17.4	15.4	13.4	13.2	**12.8**	**13.0**	**13.5**
Compensation of employees / head				:	13.0	12.4	10.5	**12.3**	**8.0**	**3.0**
Unit labour costs whole economy				:	10.0	11.2	8.3	**10.0**	**5.7**	**0.3**
Saving rate of households (c)				:	:	:	:	:	:	:
GDP deflator				:	9.5	9.6	3.1	**5.7**	**5.9**	**4.7**
Consumer price index				:	14.0	6.1	1.7	**4.0**	**5.3**	**4.5**
Terms of trade goods				:	-4.7	-0.7	-1.5	**0.0**	**-0.5**	**0.0**
Trade balance (goods) (d)				-25.8	-22.3	-20.1	-21.8	**-21.4**	**-21.3**	**-21.0**
Current-account balance (d)				-5.7	-4.4	-2.3	-4.3	**-4.2**	**-4.1**	**-4.0**
General government balance (d)				-0.6	0.1	-1.1	-1.8	**-2.3**	**-2.8**	**-2.7**
Structural budget balance (e)				:	:	:	:	:	:	:
General government gross debt (d)				35.2	29.3	25.8	26.3	**26.7**	**27.5**	**28.3**

(a) Due to data inconsistencies, the latest national account update (as of 30.09.2025) has not been taken into account. (b) as % of total labour force. (c) gross saving divided by adjusted gross disposable income. (d) as a % of GDP. (d) as a % of potential GDP.

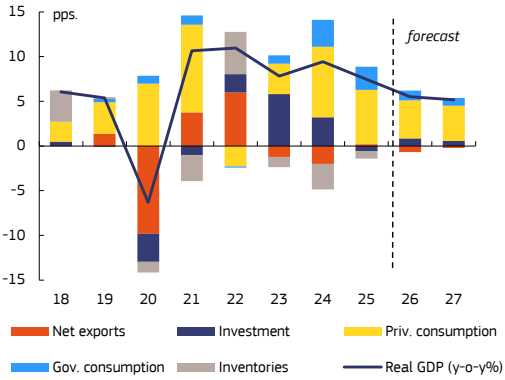
30. GEORGIA

Following another year of economic expansion in 2025, Georgia's GDP growth is projected to decelerate but to remain robust at 5-5.5% in 2026 and 2027. The impact of the conflict in the Middle East on growth is likely to be relatively limited and is channelled mainly through higher energy prices. Services, such as ICT, education and tourism, are expected to be the main drivers of growth. Inflation picked up last year due to rising food prices and demand pressures and is set to stay elevated in 2026, due to high energy prices. The current account deficit is projected to widen, driven by the increasing bill on imported oil and gas. The general government deficit is expected to remain low, supported by strong growth.

Strong, but easing economic growth

Economic growth remained very strong in 2025 at 7.5%, despite decelerating from 9.7% recorded in 2024. On the supply side, growth was driven by services, in particular ICT and education, and by manufacturing, while the contribution of agriculture and mining was negative. On the demand side, private and government consumption remained the main contributors to growth, supported by rising wages, spending of Russian migrants and an increase in remittances. In contrast to previous years, investment decreased in real terms in 2025, due to delays in public investment projects and low foreign direct investment inflow. The contribution of net exports was slightly positive. Due to increased surplus in services and inflow of remittances, current account deficit narrowed down to 2.7% of GDP in 2025.

Graph III.30.1: **Georgia - Real GDP growth and contributions**



Looking ahead, growth is set to reach 5-5.5% in 2026 and 2027, in line with its long-term potential. Economic activity is expected to remain driven by private and public consumption, supported by continued, albeit slower, increases in real wages, strong consumer lending and inflow of remittances. Investment growth is set to remain subdued amid weakened business confidence, reflecting the increased uncertainty linked to the domestic political situation. The external sector shows mixed prospects. Service exports in ICT, transport and tourism sectors are projected to grow substantially, while weak export capacity restricts the possibility to expand merchandise exports in the short term. As Georgia depends entirely on imports for fossil fuels, rising energy costs and increased imports of consumer goods are projected to deteriorate its current account deficit to some 4% of GDP in 2026. The forecast is subject to both downside and upside risks, including those related to the uncertain domestic political situation. A potential end of Russia's war of aggression against Ukraine could reverse some economic gains for Georgia, but the country would benefit from greater stability in the region.

Labour market situation slightly deteriorating

Labour market indicators slightly deteriorated in 2025, after several years of gradual improvement. Employment declined by 1% in comparison to 2024, particularly among self-employed workers. At the same time, the unemployment rate remained relatively high at 13.9%, unchanged from 2024. In the context of robust economic growth, persistent labour shortages in some sectors and continuous reform of employment services, the deterioration of the labour market appears temporary and the situation is expected to improve from 2026 onwards. Preliminary data indicate a strong increase in wages, by 11% in real terms in 2025, similar to the increases in 2023 and 2024. It was driven by pay rises in the public sector and in branches

experiencing labour shortages, such as construction. Real wage growth is projected, however, to moderate in 2026 and 2027.

Inflation above the target

Consumer price inflation increased from 1% in 2024 to 3.9% in 2025, reaching 5.9% y-o-y in April 2026. This uptick was mainly due to rising prices of food, energy and certain services, spurred by wage increases and demand pressures. Core inflation excluding energy and food was lower than the headline CPI, at 3.5% in April. The central bank maintained a cautious stance, keeping the policy unchanged at 8% since May 2024. Looking ahead, inflation is projected to stay elevated in 2026, driven by higher fuel and other energy prices, before easing to the 3% target in 2027 as these pressures are expected to gradually fade.

Limited fiscal deficit, with public debt on a downward path

The general government deficit in 2025 narrowed to under 1% of GDP, lower than in previous years. Revenues increased by 13%, broadly in line with the nominal GDP growth (12%). Current expenditure increased by 16% over the same period, mainly due to a strong increase in public sector salaries and higher social benefits and subsidies. Capital expenditure declined by 20%, reflecting delays in public investment projects. The deficit is expected to widen to just above 2% of GDP in 2026 and 2027, but to remain below the 3% of GDP ceiling implied by the country's fiscal rule. The general government debt stood at 36.1% of GDP in 2025 and is expected to gradually decrease below 35% of GDP in 2027 on account of the contained deficits and robust growth. In January 2026, Georgia successfully rolled over USD 500 million of maturing Eurobonds, at a low 5.1% interest rate.

Table III.30.1: **Main features of country forecast - GEORGIA**

	2025			Annual percentage change						
	bn GEL	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		104.6	100.0	:	11.0	7.8	9.4	**7.5**	**5.5**	**5.2**
Private Consumption		73.9	70.7	:	-2.8	4.7	11.0	**8.6**	**6.0**	**5.5**
Public Consumption		14.5	13.8	:	-0.8	7.5	24.7	**19.6**	**8.0**	**6.0**
Gross fixed capital formation		19.9	19.0	:	9.9	29.4	15.0	**-2.8**	**4.5**	**3.0**
Exports (goods and services)		49.6	47.4	:	37.4	9.5	5.9	**7.0**	**6.4**	**6.5**
Imports (goods and services)		55.7	53.2	:	16.9	10.0	8.5	**5.7**	**7.0**	**6.0**
GNI (GDP deflator)		98.1	93.8	:	10.2	6.8	9.9	**8.8**	**6.1**	**5.7**
Contribution to GDP growth:		Domestic demand		4.7	-0.5	8.8	12.7	**8.1**	**6.2**	**5.4**
		Inventories		-0.1	4.7	-1.1	-2.9	**-0.8**	**0.0**	**0.0**
		Net exports		-0.8	6.0	-1.2	-2.0	**0.2**	**-0.7**	**-0.2**
Employment				-2.0	5.4	4.0	5.1	**-0.9**	**3.0**	**2.0**
Unemployment rate (a)				21.3	17.3	16.4	13.9	**13.9**	**12.9**	**12.2**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	8.1	2.9	5.1	**4.6**	**3.7**	**3.5**
Consumer price index				5.1	11.9	2.5	1.1	**3.9**	**4.7**	**3.2**
Terms of trade goods				:	0.4	-8.3	5.2	**2.2**	**-2.1**	**0.7**
Trade balance (goods) (c)				-22.6	-20.2	-19.8	-19.2	**-17.9**	**-19.8**	**-19.6**
Current-account balance (c)				-10.0	-4.4	-5.5	-5.3	**-2.7**	**-3.9**	**-3.3**
General government balance (c)				-2.3	-2.2	-1.9	-2.1	**-0.8**	**-2.2**	**-2.3**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				37.3	39.2	38.9	36.8	**36.1**	**35.2**	**34.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

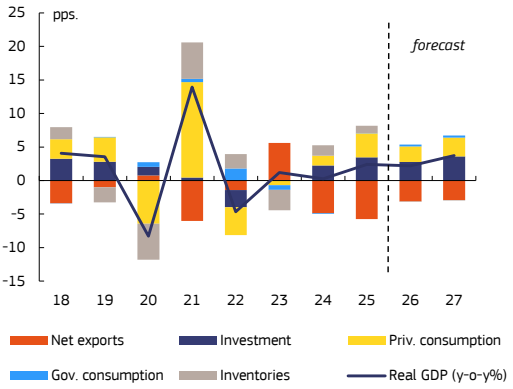
31. MOLDOVA

Economic growth is projected to ease to 2% in 2026, from 2.4% in 2025, notably as the conflict in the Middle East and negative spillovers from Russia's attacks on Ukrainian energy infrastructure temporarily dampen economic recovery. However, growth is expected to rebound to 3.5% in 2027, as public investment accelerates. Private investment is forecast to remain the main driver of growth, while private consumption is set to moderate amid high inflation. Net exports are expected to continue to weigh on growth, as exports recover only gradually. Meanwhile, strong investment continues to sustain significant import growth. The general government deficit is projected to widen to 5.2% in 2026 reflecting, among others, the implementation of reforms and investments linked to the Reform and Growth Facility. The debt-to-GDP ratio is expected to increase to 42.4% of GDP over the forecast horizon.

Economic recovery faces headwinds from the conflict in Middle East

Economic recovery gained momentum in 2025, with real GDP growth reaching 2.4%. This was initially driven by a rebound in agriculture before broadening across sectors. Strong domestic demand was the main driver of growth, underpinned by a surge in investment and energy support measures that helped shield households from higher energy costs.

Graph III.31.1: **Moldova - Real GDP growth and contributions**



Despite the acceleration of growth towards the end of 2025, growth is forecast to moderate in 2026. Domestic demand is strong but is set to be temporarily hampered by the impact of the conflict in the Middle East, mainly higher imported energy and fertiliser prices, as well as weaker external demand, and spillovers from Russia's attacks on Ukrainian energy infrastructure in the first quarter of 2026. Real GDP growth is forecast at 2% in 2026, before strengthening to 3.5% in 2027 as the shock fades and reforms and investments under the Reform and Growth Facility gain traction.

Private investment is expected to remain the key growth driver, supported by favourable financing conditions, and investment support measures such as the zero-tax rate on reinvested profits for SMEs. Public investment, largely financed by the Reform and Growth Facility is set to gain pace only from the second half of 2026. Private consumption growth is set to moderate, reflecting growing inflationary pressures from high energy costs and possible second-round effects such as higher food prices. This is partly offset by real wage gains underpinned by a public sector salary reform from 2026-Q4 and a persistently tight labour market. Despite a gradual export recovery in 2025, led by the IT sector and a rebound in agricultural exports expected to continue into 2026, net exports are set to keep weighing on growth. Export growth remains constrained by weak external demand and structural bottlenecks that limit the shift towards higher value-added goods, while rising investment is expected to drive import growth outpacing exports in 2026 and 2027. The current account deficit is set to remain above 20% of GDP over the forecast horizon, primarily reflecting the persistent trade deficit.

The forecast is subject to significant downside risks, including the government's capacity to absorb the funds from the Reform and Growth Facility, spillovers from Russia's war against neighbouring Ukraine as well as climate-related risks particularly affecting agriculture. On the upside, a notable acceleration of investment growth in the context of EU integration and a stronger-than-expected harvest due to favourable weather conditions could partly offset these effects.

Labour market recovers slowly amid modest economic growth

The sharp drop in annual labour market activity in 2025, with a pronounced decrease in female employment could partly be explained by the weak economic conditions at the beginning of the year (2025 outturn figures reflect a methodological change, breaking the data series). The labour market is set to gradually recover alongside modest economic growth in 2026 and tight labour market conditions. Real wage growth decelerated to 1.9% in 2025, from 9% in 2024, reflecting high inflation. However, real wage growth is forecast to accelerate by 2027, supported by the public sector salary reform and further legislative changes, including a minimum wage increase.

Inflation remains elevated after the onset of the conflict in the Middle East

Inflation remained well above the central bank's target range of 5% ±1.5 pps. in 2025 reflecting an energy price shock at the beginning of that year. While inflation did return to the target in January 2026 as the initial shock did not lead to a sustained price pressure, it accelerated again thereafter. This resurgence was driven by a strong increase in global energy prices following the escalation of the conflict in Middle East and a depreciation of the domestic currency. It is expected that inflation will remain elevated at 6.9% in 2026, primarily due to higher energy prices and high food inflation in the second half of 2026, as agricultural input costs rise, particularly fertilisers. Inflationary pressure from energy prices is expected to persist until the beginning of 2027.

Fiscal deficit set to widen due to Reform and Growth Facility absorption

The 2025 general government deficit amounted to 4% of GDP, below the 5% national target and broadly unchanged from 2024. The lower-than-expected outturn was primarily due to an under-execution of capital expenditure despite funds from the Reform and Growth Facility to the value of 1.6% of GDP in 2025. In 2026, the deficit is expected to widen, primarily due to higher spending linked to the Facility's implementation (0.6% of GDP). Revenue is projected to rise in line with economic growth. The zero-tax rate on reinvested profits for SMEs costing 0.4% of GDP has been extended to 2027. However, this forecast does not take into account two major pending reforms, a comprehensive tax reform and the public salary reform from 2026-Q4 with an annual impact of 1.4% of GDP. Both measures are expected under a deficit-neutral fiscal package which is yet to be adopted or presented in detail. Given the projected fiscal deficits and limited nominal GDP growth, public debt is expected to rise to 42.4% of GDP by 2027. While this level remains moderate by EU standards, it represents a significant increase compared to Moldova's historical average.

Table III.31.1: **Main features of country forecast – MOLDOVA**

	2025			Annual percentage change					
	bn MDL	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		353.5	100.0	:	-4.6	1.2	0.3	**2.4**	**2.0**	**3.5**
Private Consumption		305.8	86.5	:	-5.0	-0.8	1.7	**4.2**	**2.5**	**3.4**
Public Consumption		65.3	18.5	:	10.7	-4.0	-0.5	**0.3**	**1.0**	**1.3**
Gross fixed capital formation		77.9	22.0	:	-10.5	0.0	11.6	**16.9**	**12.5**	**15.0**
Exports (goods and services)		112.2	31.8	:	29.7	4.8	-4.3	**4.4**	**5.9**	**9.5**
Imports (goods and services)		215.3	60.9	:	18.2	-5.1	5.7	**12.6**	**8.0**	**9.9**
GNI (GDP deflator)		353.2	99.9	:	-6.4	2.4	-0.8	**1.8**	**2.4**	**3.7**
Contribution to GDP growth:		Domestic demand		3.7	-5.2	-1.4	3.6	**7.1**	**5.1**	**6.8**
		Inventories		0.2	2.1	-3.0	1.6	**1.2**	**-0.1**	**-0.1**
		Net exports		-1.1	-1.4	5.6	-4.9	**-5.8**	**-3.0**	**-3.2**
Employment				:	2.2	2.8	-3.7	**-6.3**	**1.3**	**2.0**
Unemployment rate (a)				4.0	3.1	4.6	4.0	**3.8**	**3.6**	**3.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	18.9	9.3	6.4	**6.6**	**7.0**	**6.7**
Consumer price index				6.6	28.7	13.4	4.7	**7.8**	**6.9**	**5.6**
Terms of trade goods				:	-3.2	-9.0	1.7	**2.9**	**-0.2**	**3.4**
Trade balance (goods) (c)				-28.4	-35.9	-29.1	-30.9	**-34.2**	**-36.4**	**-37.1**
Current-account balance (c)				-4.7	-16.6	-11.3	-16.6	**-19.6**	**-21.3**	**-20.3**
General government balance (c)				-2.0	-3.2	-5.1	-3.8	**-4.0**	**-5.2**	**-4.7**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				34.2	35.0	34.9	38.8	**39.2**	**41.3**	**42.4**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

32. MONTENEGRO

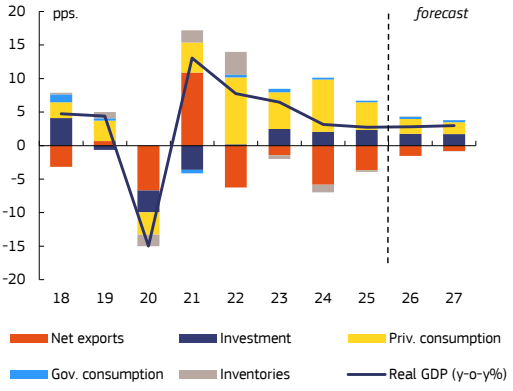
Montenegro's economic growth decelerated to 2.7% in 2025, supported by private consumption and investment. External imbalances deteriorated due to a temporary fall in electricity exports, muted tourism performance and strong demand for imported goods. Amid high uncertainty, the outlook is for moderate economic growth at some 3% between 2026 and 2027, with gradually recovering exports while private consumption growth is set to moderate. The budget deficit is projected to significantly exceed 3% of GDP in 2026-2027, and the public debt ratio is expected to be boosted by the need to build reserves ahead of large repayment needs in 2027.

Domestic demand moderates while exports are strengthening

Based on quarterly data, full-year real GDP growth is estimated at 2.7% in 2025, down from 3.2% in 2024. Economic growth was driven by strong domestic demand. Private consumption was supported by higher disposable income due to fiscal measures under the 'Europe Now 2.0' programme, while rapid credit growth and higher public capital spending fostered investment. The main headwind came from lower exports of goods, mainly reflecting lower electricity exports due to the maintenance-related temporary shutdown of the Pljevlja power plant. Tourism performance was mixed, with a higher number of arrivals but fewer overnight stays.

Economic growth is likely to remain moderate to 2.8% in 2026 and pick-up to 3% in 2027, supported by improving export performance. Private consumption is projected to decelerate due to resurging inflation, while the growth of investment is set to continue on the back of the implementation of large road and railway projects. Exports of goods and services are projected to increase, due to the recovery of electricity exports and improved tourism performance, supported by new hotel openings, diversification of tourist origin countries and new flight destinations served by low-cost airlines. Import growth is forecast to continue in 2026-2027 due to large investment needs.

Graph III.32.1: **Montenegro - Real GDP growth and contributions**



The current account deficit widened to 20.5% of GDP in 2025 due to the poor performance of merchandise exports and the muted tourism season. The surplus in the secondary income balance declined because of the combination of lower transfers to the government and a higher outflow of private transfers, while the surplus of primary income improved marginally, in line with the historical trend. The current account balance is set to perform somewhat better in 2026-2027, mainly due to improving export performance.

Stabilising labour market situation

Employment gains, supported by the regularisation of the informal economy, continued into 2025 and the unemployment rate declined to a new record low of 10.9% in 2025. Employment growth is projected at some 2% in 2026-2027, supported by the implementation of the EU-financed Reform Agenda, growth of tourism, and infrastructure investment.

Energy prices generate upward price pressures

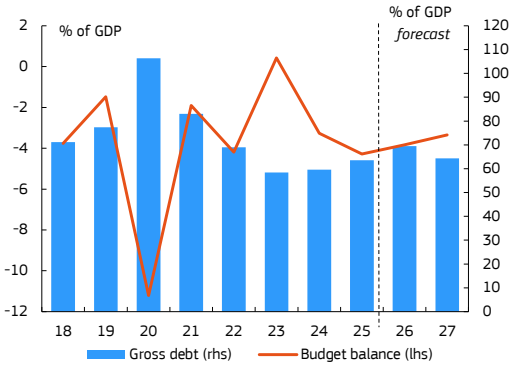
Average inflation increased to 3.5% in 2025 from 3.3% in 2024. While inflation had began a declining trend in mid-2025, this was interrupted in March 2026 when inflation increased to 3.1% y-o-y from 2.6% in February. The energy price shock is expected to affect it in 2026 through

higher import prices. While in 2027 inflation is expected to moderate, under the assumption of no policy change.

Budget deficits remain high

In 2025 the budget recorded a deficit of 4.3% of GDP compared to the target of 3.5%. This outcome was mainly due to budget spending exceeding the plans, driven by higher-than-expected social and health-related spending. On the revenue side, tax revenue was strong but there was a shortfall in the collection of pension contributions and grants. Absent additional consolidation measures, the general government deficit is projected to remain significantly above 3% of GDP in 2026-2027. Public debt is projected to increase in 2026, driven by new debt issuances which are needed to accumulate reserves and prepare for the forthcoming large Eurobond repayments in 2027.

Graph III.32.2: **Montenegro - General government budget balance and gross debt**



Risks to the outlook are tilted to the downside. Montenegro's key downside risk is related to the unfavourable global environment and slower than expected growth of exports. Higher fuel prices can have a negative impact on tourism recovery while Montenegro's narrow export base and small economy make it highly vulnerable to fluctuations in international demand. Positive risks relate to the accelerated investment programme and the implementation of reform agenda which should improve business environment. The balance of risks to the fiscal outlook remains tilted to the downside due to the reliance on consumption taxes and high mandatory spending.

Table III.32.1:

Main features of country forecast - MONTENEGRO

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		8170.7	100.0	2.5	7.7	6.5	3.2	**2.7**	**2.8**	**3.0**
Private Consumption		6643.4	81.3	:	13.5	7.1	10.3	**5.2**	**2.8**	**2.1**
Public Consumption		1422.2	17.4	:	1.9	2.8	1.6	**1.4**	**1.7**	**1.9**
Gross fixed capital formation		1824.6	22.3	:	0.9	11.3	10.1	**11.0**	**7.8**	**7.5**
Exports (goods and services)		3273.4	40.1	:	19.3	9.0	-4.0	**-4.6**	**2.4**	**3.1**
Imports (goods and services)		5369.1	65.7	:	23.3	8.2	5.7	**2.5**	**3.8**	**3.1**
GNI (GDP deflator)		8248.9	101.0	:	7.6	5.4	2.1	**3.8**	**3.0**	**3.0**
Contribution to GDP growth:	Domestic demand			3.7	10.5	8.5	10.1	**6.7**	**4.3**	**3.8**
	Inventories			-0.1	3.4	-0.5	-1.1	**-0.2**	**0.0**	**0.0**
	Net exports			-1.3	-6.2	-1.4	-5.8	**-3.7**	**-1.5**	**-0.8**
Employment				:	17.3	10.5	2.9	**2.5**	**2.1**	**2.0**
Unemployment rate (a)				18.0	15.0	13.4	11.5	**10.9**	**10.7**	**10.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	:	:	:	:	:	:
Consumer price index				2.4	13.0	8.6	3.3	**3.5**	**3.8**	**3.4**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-44.2	-44.9	-42.2	-43.2	**-45.2**	**-45.9**	**-46.0**
Current-account balance (c)				-15.5	-12.9	-11.1	-17.1	**-20.5**	**-19.4**	**-18.5**
General government balance (c)				-3.4	-4.2	0.4	-3.3	**-4.3**	**-3.8**	**-3.3**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				57.5	69.0	58.4	59.6	**63.5**	**69.4**	**64.3**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

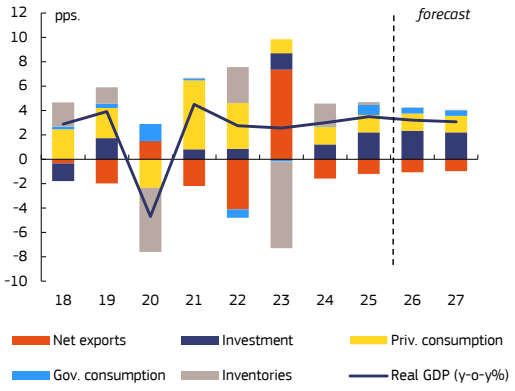
33. NORTH MACEDONIA

GDP growth picked up in 2025, driven by domestic demand. After abating gradually at the end of 2025, inflation rebounded in March 2026, in particular on account of rising food prices and services sector costs. Due to the economy's vulnerability to the energy price shock, growth is projected to slow down over the forecast horizon. Public revenue did not perform as well as planned in 2025, but the fiscal deficit target was met due to a large under-implementation of capital expenditure. The deficit is projected to decline gradually, but is expected to remain above the 3% of GDP target in 2027 without concrete consolidation measures.

Domestic demand continues to drive growth

Economic growth accelerated in 2025, driven by investment as public road works gained traction and private investment strengthened, bolstered by government-subsidised loans. Household spending was supported by rising real disposable incomes and robust credit expansion. Public consumption also made a contribution to growth, mainly due to public sector wage increases. However, net exports detracted from GDP growth.

Graph III.33.1: **North Macedonia - Real GDP growth and contributions**



The current account balance deteriorated significantly in 2025, as remittances from abroad declined and the surplus in the services balance dropped. The economy is projected to grow at a slower pace, as net exports continue to act as a drag. Despite negative repercussions from the conflict in the Middle East, in particular for energy and food prices, consumer spending is likely to remain robust, supported by continued increases in real disposable income and spillovers from ongoing public infrastructure works into the domestic economy. Investment is projected to be driven by a further intensification of public roads works and resilient private investment. Any impact from rising prices for imported inputs will likely be offset by ongoing fiscal support, further boosting investment. Net exports are likely to weigh on growth, albeit to a gradually lower degree. Because the country's production is energy-intensive, its dependence on imported gas and oil has a negative impact on the trade balance. The current account is projected to deteriorate in 2026, reflecting a weaker services balance—driven by the rising demand for imported services related public infrastructure works on Road Corridor 8—and a decline in the balance of current transfers. The current account is expected to recover somewhat in 2027, in line with a projected improvement in the goods trade balance.

Energy price shock to challenge disinflation

Sticky core inflation, partly driven by rising wages, a major cost component in the services sectors, as well as high food prices, which make up about 40% of the CPI, kept headline inflation elevated throughout 2025, although wage growth has been slowing down gradually. The government's temporary food price controls, which ended in April 2025, did not have a lasting impact on inflation. Headline inflation is projected to rise in 2026, mainly because of the recent rise in energy costs, which make up almost a quarter of the CPI. Inflation is expected to abate thereafter, in line with declining pressures from international commodity markets and domestic wage costs.

Employment growth to slow down

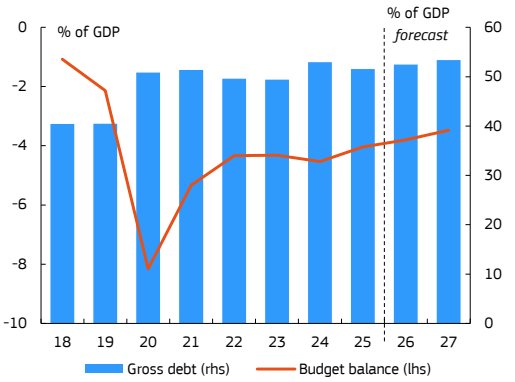
Higher labour market participation by both men and women led to an exceptional increase in the labour force in 2025. However, despite further gains in employment and declining unemployment,

long-standing structural problems remain, such as high inactivity among the working-age population, and elevated youth unemployment. Although wage growth slowed gradually throughout 2025, it still averaged 9.6%, down from 12.9% in 2024. Many sectors suffer from severe labour shortage, as emigration of young and skilled workers constrains the labour force. As a result, further employment gains and decreases in unemployment are likely to diminish.

Fiscal space is waning

In 2025, public revenue remained well below the government's target, while expenditure pressures from wages and social transfers increased. Capital expenditure was cut and redirected in the mid-year budget reallocation to pay for previously unbudgeted spending commitments. Still, it was heavily under-implemented compared to the revised target. The deficit is projected to remain above 3% of GDP-the limit set by the new fiscal rule-throughout the forecast horizon. The government has not defined concrete measures to support fiscal consolidation. With mandatory spending accounting for a growing share of total expenditure and rising debt service costs, fiscal buffers are further eroding. The government has high financing needs in the forecasting period.

Graph III.33.2: **North Macedonia - General government budget balance and gross debt**



Risks mainly on the downside

The course of the conflict in the Middle East and its impact on oil prices pose major risks to the macro-fiscal scenario. As an energy-intensive and import-dependent economy, a drawn-out conflict might worsen the outlook for growth and public finances, with lower government revenue and higher expenditure for fiscal measures to mitigate the price shock for households and companies. This could also reduce public investment spending. Conversely, faster progress with structural reforms, outlined in the EU Growth Plan, could accelerate growth and productivity.

Table III.33.1: **Main features of country forecast - NORTH MACEDONIA**

	2025			Annual percentage change					
	bn MKD	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1043.9	100.0	2.6	2.8	2.6	3.0	**3.5**	**3.2**	**3.1**
Private Consumption		685.1	65.6	2.4	5.5	1.7	2.1	**2.1**	**2.1**	**2.1**
Public Consumption		171.1	16.4	2.0	-4.3	-1.1	0.4	**5.3**	**2.9**	**2.8**
Gross fixed capital formation		250.3	24.0	5.3	3.7	5.6	5.0	**9.4**	**9.8**	**8.8**
Exports (goods and services)		622.7	59.6	7.2	10.6	-3.0	-4.0	**6.1**	**5.4**	**4.6**
Imports (goods and services)		766.1	73.4	6.6	13.6	-10.2	-1.4	**6.7**	**5.9**	**5.0**
GNI (GDP deflator)		992.6	95.1	2.5	2.5	1.9	2.8	**3.8**	**2.9**	**3.1**
Contribution to GDP growth:		Domestic demand		3.3	3.9	2.3	2.7	**4.5**	**4.2**	**4.0**
		Inventories		0.3	3.0	-7.1	1.8	**0.2**	**0.0**	**0.0**
		Net exports		-0.9	-4.1	7.3	-1.6	**-1.2**	**-1.1**	**-1.0**
Employment				1.9	-6.2	-0.5	1.3	**1.2**	**1.0**	**0.9**
Unemployment rate (a)				23.1	13.5	12.3	11.6	**10.8**	**10.5**	**10.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.8	8.9	7.9	3.7	**4.6**	**4.9**	**4.5**
Consumer price index				:	14.2	9.4	3.5	**4.1**	**4.4**	**3.1**
Terms of trade goods				0.5	-0.7	-1.2	:	:	:	:
Trade balance (goods) (c)				-21.4	-26.3	-18.0	-19.7	**-19.6**	**-20.0**	**-19.5**
Current-account balance (c)				-3.1	-6.1	0.4	-2.2	**-4.4**	**-4.9**	**-4.3**
General government balance (c)				-2.9	-4.3	-4.3	-4.5	**-4.0**	**-3.8**	**-3.5**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				34.8	49.6	49.4	52.9	**51.6**	**52.5**	**53.3**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

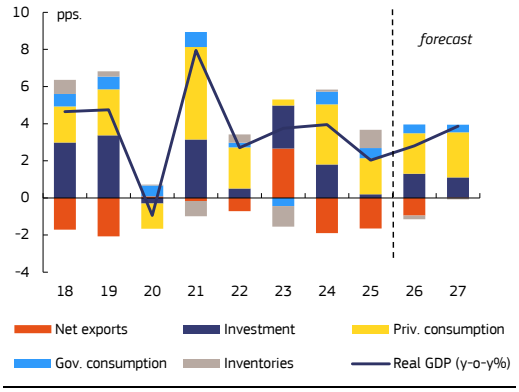
34. SERBIA

Serbia's economic growth slowed markedly to 2% in 2025, due to domestic and external factors. It is projected to rebound to 2.8% in 2026 and 3.9% in 2027 as domestic demand benefits from large-scale public investments related to the specialised EXPO27 and from rising wages and pensions. These factors are expected to add to the current account deficit and inflationary pressures. The fiscal deficit is set to temporarily rise to 3.2% in 2026, as the government has cut fuel excises in response to the Middle East conflict. Public debt is projected to rise slightly to 45% of GDP by 2027.

Upcoming specialised Expo 2027 boosting growth

Economic growth slowed from 3.9% in 2024 to 2% in 2025, due to slowing growth in investment and private consumption (affected by continuous political unrest amid student-led protests), along with a negative contribution from net exports. Notably, net FDI inflows halved compared to 2024. The current account deficit widened slightly to 4.8% of GDP in 2025, up from 4.7% in 2024.

Graph III.34.1: **Serbia - Real GDP growth and contributions**



Short-term indicators suggest a mixed start for 2026. The economic sentiment indicator, while still below its long-term average, has exhibited an improving trend in the first quarter. This upturn in confidence is also evident in retail trade data, which shows a substantial increase in real growth to over 5% y-o-y in the first two months of 2026. In contrast, industrial production has been declining in most sub-sectors, except for car manufacturing, where the production of specific models in Serbia continues to thrive. Overall, in 2026, GDP growth is forecast to accelerate to 2.8%, helped by sustained household income growth and rising investment. Public investment, which underperformed in 2025, is expected to gain momentum in 2026, ahead of the EXPO 2027 in Belgrade and the 'Leap to the Future – Serbia 2027' investment programme. Serbia's energy-intensive economy and large agricultural sector, which is vulnerable to fertilizer price increases, make it susceptible to the spillover effects of the conflict in the Middle East. To mitigate the impact of the global fuel price shock, the government has implemented a 25% cut in fuel excise duties, which will partly shift the burden from consumers and farmers to the fiscal balance. Looking ahead to 2027, growth is expected to strengthen further to 3.9%, driven by private consumption amid rising incomes, the expected EXPO-related tourist inflows and improving global economic conditions. Meanwhile, imports are projected to outpace exports in 2026 and, to a lesser extent, in 2027, as the EXPO boosts tourism revenue.

Although the outlook appears positive, several downside risks remain, including the ongoing domestic political instability and the recent decline in FDI, which could potentially undermine the country's medium-term growth prospects. The rapid growth in wages may also lead to a lower-than-expected external competitiveness.

Wage growth still elevated

The labour market has weakened as employment was flat in 2025 and unemployment rose by 0.3 percentage points to 8.9%. Despite this, wages continued to grow at a robust pace, with an 11.6% increase in 2025 and a 12.8% surge in Q4. While earnings picked up broadly equally in the public and private sectors in 2025, by 2025-Q4 public sector wage growth had accelerated to 15% (led by education, health and local government). The growth in wages, accompanied by substantial increases in pensions and minimum wage, is set to propel income growth in 2026. In 2027,

inflation is expected to ease and wage growth align more closely with productivity. As the labour supply continues to contract due to a declining population, employment growth is expected to be subdued while labour shortages in various sectors persist. The unemployment rate is nearing its structural floor, and as a result, only a minimal decrease is forecasted for the 2026-2027 period.

Inflation to remain relatively contained

Consumer price inflation decreased from 4.7% to 3.8% in 2025, largely due to the government's intervention into the retail market, introducing temporary retail margin caps for a large number of food categories and some basic goods, valid from September 2025 until February 2026. During this period, inflation remained stable at approximately 2.7%. Although the price caps expired, inflation only rose slightly to 2.8% y-o-y in March, as food prices remained stable. However, inflation is expected to rise to 4.1% in 2026 (close to the upper band of the central bank's target range of 3% ±1.5 pps.), driven by global price shocks (only partly mitigated by the lower fuel excises). In addition, the removal of the retail margin caps will likely eventually lead to a bounce-back of food prices. In 2027 inflation is forecast to reach 3.9%, as the influx of tourists from EXPO is set to boost demand, offsetting the anticipated decline in energy prices.

Deficit target temporarily overshot

Preliminary data indicate that the general government deficit in 2025 stood at 2.4% of GDP, a 0.4 pps. increase from 2024. Revenue growth of 7.9% was driven by social contributions and the personal income tax, while VAT revenue was constrained by sluggish economic activity. Expenditure increased at a faster rate of 9%, primarily due to rises in public wages, pensions, and purchases of goods and services, despite investment spending falling short of plans. The government's fiscal ceiling of a deficit of 3% of GDP is likely to be exceeded in 2026, in light of the 25% cut in fuel excises, which is expected to cost around 0.5% of GDP annually. As a result, the fiscal deficit is projected to reach 3.2% of GDP in 2026 but aligning again with the 3% fiscal ceiling by 2027, aided by stronger economic growth. Serbia's public debt is expected to increase marginally, from 44.4% of GDP in 2025 to 45% by 2027, as robust nominal GDP growth offsets the impact of the higher deficit. However, several downside risks remain, as the ongoing domestic turmoil may give rise to higher than planned spending in politically important areas and the time-critical EXPO projects can face unforeseen cost overruns.

Table III.34.1: **Main features of country forecast - SERBIA**

	2025			Annual percentage change						
	bn RSD	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		10392.7	100.0	2.2	2.7	3.7	3.9	**2.0**	**2.8**	**3.9**
Private Consumption		6489.5	62.4	1.8	3.5	0.5	5.2	**3.1**	**3.5**	**3.8**
Public Consumption		1919.9	18.5	1.5	1.3	-2.4	4.0	**3.1**	**2.5**	**2.4**
Gross fixed capital formation		2373.6	22.8	4.9	2.2	9.7	7.7	**0.8**	**5.7**	**4.6**
Exports (goods and services)		5644.6	54.3	7.1	17.0	2.7	5.2	**5.6**	**4.1**	**5.9**
Imports (goods and services)		6091.2	58.6	6.1	16.1	-1.4	8.0	**8.0**	**5.4**	**5.3**
GNI (GDP deflator)		9731.1	93.6	2.3	1.5	3.0	3.9	**1.0**	**2.3**	**3.9**
Contribution to GDP growth:		Domestic demand		2.6	3.0	2.2	5.7	**2.7**	**4.0**	**3.9**
		Inventories		0.1	0.5	-1.1	0.1	**1.0**	**-0.2**	**-0.1**
		Net exports		-0.4	-0.7	2.7	-1.9	**-1.6**	**-0.9**	**0.0**
Employment				0.0	2.3	0.8	2.0	**0.1**	**0.2**	**0.6**
Unemployment rate (a)				16.6	9.5	9.4	8.6	**8.9**	**8.8**	**8.7**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				5.7	10.5	13.9	6.3	**4.5**	**1.4**	**5.0**
Consumer price index				:	12.0	12.4	4.7	**3.8**	**4.1**	**3.9**
Terms of trade goods				1.0	-4.0	2.3	1.8	**3.0**	**-2.1**	**2.5**
Trade balance (goods) (c)				-12.1	-14.2	-8.5	-7.9	**-7.0**	**-8.7**	**-7.7**
Current-account balance (c)				-6.5	-6.6	-2.5	-4.7	**-4.8**	**-6.1**	**-4.9**
General government balance (c)				-3.1	-3.0	-2.1	-2.0	**-2.4**	**-3.2**	**-3.0**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				48.2	52.9	48.4	46.9	**44.4**	**45.8**	**45.0**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

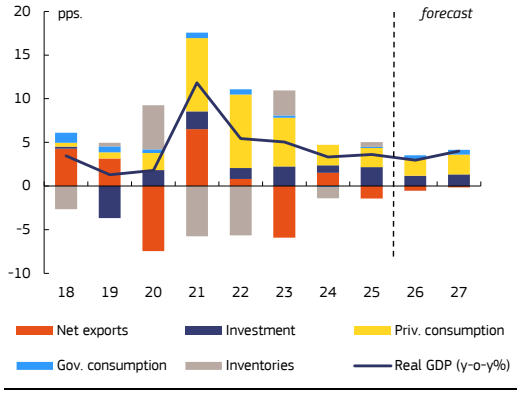
35. TÜRKIYE

Economic growth is expected to slow down to 3% in 2026, before rebounding to 4% in 2027. The international oil price is the most important factor from the conflict in the Middle East affecting the Turkish economy. The supply shock is expected to raise the current account deficit and delay the disinflation process, despite a tight monetary policy stance. Fiscal space will allow for a more accommodative fiscal stance, but government debt is forecast to increase only marginally from a low level.

Slowing economic growth and increasing imbalances due to the conflict in the Middle East

Real GDP increased by 3.6% in 2025, slightly up from 2024. However, growth had already slowed down by the end of the year and in the beginning of 2026, before the conflict in the Middle East negatively affected economic sentiment. In March, confidence declined across the board, particularly pronounced in construction and industry, and still moderate in retail trade and consumer sentiment. There are various channels through which the conflict is affecting the Turkish economy – trade, energy prices, tourism, risk perception, financial flows, exchange rate pressure – but the most important channel in the short term is the high international oil price.

Graph III.35.1: **Türkiye - Real GDP growth and contributions**



Economic growth is expected to slow down to 3.0% in 2026, but to rebound in 2027 to 4.0% as effects from the regional conflict dissipate. Higher uncertainty is projected to increase precautionary savings, with households' purchasing power taking a hit from higher energy prices. Private consumption growth is forecast to soften temporarily in 2026, although remaining the main driver of growth. Fiscal space has already been mobilised to finance higher transfers to households and businesses, such as the sliding scale scheme to limit the increase in domestic fuel prices. Public consumption is also expected to support economic activity in both 2026 and 2027, although this should be limited by the government's commitment to disinflation efforts. Gross fixed capital formation is also projected to contribute positively to GDP growth, although its increase should decelerate markedly due to higher uncertainty and tighter financing conditions. Exports are forecast to remain stagnant in 2026 as external demand weakens, especially for tourism and transport services. While external trade is expected to largely recover in 2027, net exports' contribution to growth is projected to remain marginal in view of rebounding imports. The trade and current account deficits are projected to increase as a result, approaching their long-term averages.

The unemployment rate remains elevated

The labour market weakened somewhat in the beginning of 2026. Employment growth is expected to slowly pick up but not sufficiently to lower the unemployment rate, which is forecast to remain largely unchanged. Cost pressures are expected to be limited due to the significant slack on the labour market, in view of elevated underemployment and a large potential labour force.

Disinflation remains a priority, but an elusive target

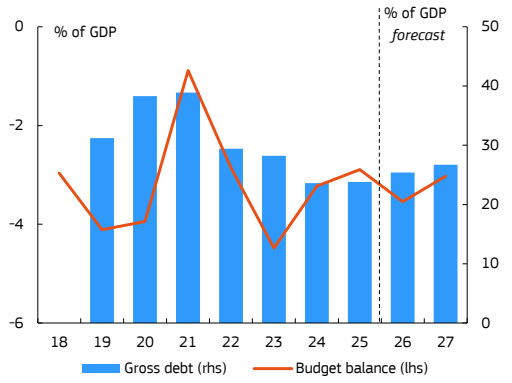
Disinflation stalled in the first quarter of 2026 with consumer price inflation at 30.9% y-o-y in March. Inflationary pressures remained elevated due to administered price adjustments in the beginning of the year and strong food price increases. Rising international energy prices in March have seeped into domestic prices only partially, as the authorities applied a sliding scale mechanism of adjusting special taxes on fuels. Indicative of the still persistent inflationary

pressures, monthly service inflation, including rent, remained above the headline inflation rate. Disinflation remains a key policy priority. While risks are on the upside, backed by tight monetary policy, inflation is expected to come down slowly over the next two years, and to average 28.3% in 2026 and 20.1% in 2027.

Broadly neutral fiscal stance

The 2025 central government budget deficit was 2.9% of GDP, below the revised deficit target of 3.6%, underpinned by robust revenue growth and spending discipline. In view of fiscal measures to cushion the negative economic effects of the regional conflict, the 2026 budget deficit is projected to increase to 3.5% of GDP before retracting to 3.0% in 2027. Although less supportive of disinflation efforts than originally planned, the fiscal stance will remain broadly neutral. Despite higher deficits, the government debt ratio is forecast to stay moderate in the next two years.

Graph III.35.2: **Türkiye - General government budget balance and gross debt**



Policy commitment to disinflation and available buffers to help navigate increased risks

As a reaction to the conflict in the Middle East, the authorities have appropriately tightened monetary policy and took measures to limit exchange-rate and price volatility, restoring market confidence and signalling continued commitment to disinflation. Although the balance of risks is on the downside, the recent track record of sound policies, lower economic imbalances, and higher foreign exchange reserves have helped Türkiye weather the challenges of the conflict so far.

Table III.35.1: **Main features of country forecast – TÜRKIYE**

	2025			Annual percentage change					
	bn TRY	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		63020.9	100.0	5.0	5.4	5.0	3.3	**3.6**	**3.0**	**4.0**
Private Consumption		34475.6	54.7	4.8	16.2	10.5	4.3	**4.0**	**3.5**	**4.0**
Public Consumption		8736.9	13.9	6.5	4.5	2.3	-0.8	**0.8**	**3.0**	**3.9**
Gross fixed capital formation		19278.9	30.6	3.5	4.4	7.3	2.7	**7.0**	**3.9**	**4.5**
Exports (goods and services)		15660.6	24.8	6.0	10.5	-2.3	0.1	**-0.3**	**0.1**	**3.5**
Imports (goods and services)		15808.7	25.1	2.7	8.3	12.1	-4.4	**4.9**	**2.2**	**3.9**
GNI (GDP deflator)		61978.8	98.3	:	5.7	5.0	3.1	**3.1**	**3.0**	**4.0**
Contribution to GDP growth:		Domestic demand		4.9	10.3	8.1	3.1	**4.5**	**3.5**	**4.1**
		Inventories		-0.3	-5.6	2.9	-1.3	**0.5**	**0.0**	**0.0**
		Net exports		0.4	0.8	-5.9	1.5	**-1.4**	**-0.5**	**-0.1**
Employment				2.3	6.6	2.9	3.1	**-0.2**	**1.1**	**2.0**
Unemployment rate (a)				10.5	10.5	9.4	8.8	**8.4**	**8.5**	**8.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				12.2	95.5	68.3	59.3	**36.4**	**25.7**	**18.2**
Consumer price index				:	72.3	53.9	58.5	**34.9**	**28.3**	**20.1**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-5.9	-10.0	-7.5	-4.5	**-4.2**	**-4.7**	**-4.6**
Current-account balance (c)				-2.9	-4.6	-2.8	-0.7	**-1.9**	**-3.0**	**-3.1**
General government balance (c)				-1.9	-2.9	-4.5	-3.2	**-2.9**	**-3.5**	**-3.0**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				36.1	29.4	28.2	23.6	**23.8**	**25.4**	**26.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

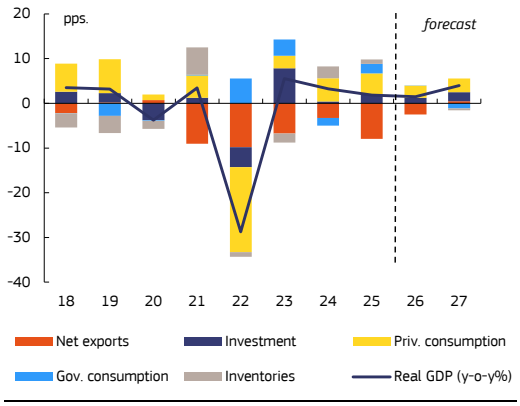
36. UKRAINE

Russia's war of aggression continues taking a heavy toll on Ukraine's economy. Relentless attacks on critical infrastructure disrupt energy supply, while agricultural output weakened in 2025. The prolonged war, compounded by the recent oil price shock, is expected to further weigh on domestic productive capacity throughout 2026. Nonetheless, growth is projected to be positive at 1.5%, driven by private consumption as well as reconstruction- and defence-related investment. In 2027, growth is set to rebound as reconstruction efforts are expected to start in earnest. Inflation is projected to rise to 9.3% in 2026 on account of higher energy and labour costs, and to remain elevated also in 2027, as supply constraints are expected to linger. Persistent spending needs are expected to keep the public deficit elevated throughout the forecast horizon.

Economic growth decelerated in 2025 as the war takes a toll on the economy

After losing momentum in mid-2024, economic growth remained subdued in 2025. Relentless Russian attacks on energy infrastructure and unfavourable weather conditions reducing agricultural output aggravated the pre-existing supply-side constraints that drove up imports and slashed exports. Persistent labour shortages supported wage growth but also required tight monetary conditions that further weighed on growth. Nevertheless, a sustained strong private consumption supported by rising real wages and a surge in public spending at the end of 2025 lifted the growth rate to 1.8%.

Graph III.36.1: **Ukraine - Real GDP growth and contributions**



In 2026, economic output is set to remain constrained by the security situation that continues to cause labour shortages and disrupt supply chains, which has been further exacerbated by the conflict in the Middle East. GDP growth is forecast at 1.5%, mainly driven by domestic demand, as private consumption is expected to continue benefitting from rising real wages. Continued defence spending and ongoing emergency repairs are set to continue driving investment growth. Exports are projected to recover, on the back of a strong recovery of agricultural output. However, strong import demand for energy, coal, and materials related to defence and reconstruction is set to keep import levels elevated, leading to a large negative contribution of net exports to GDP growth. Provided that conditions for a comprehensive reconstruction are in place from the start of 2027, growth is projected to pick up significantly, to 4%. Reconstruction investment, easing labour shortages, and fewer export bottlenecks are expected to outweigh the dampening effect of a gradual decline in defence-related spending. The current account balance is projected to remain negative throughout the forecast horizon due to a persistent large trade deficit. The outlook is particularly uncertain largely due to factors outside of Ukraine's control, where a worsened security situation could further damage infrastructure and deepen labour shortages. Conversely, faster-than-expected repairs and diversification of energy infrastructure could alleviate the drag on industrial output and private consumption.

Inflation set to rebound in 2026

After declining steadily since mid-2025 thanks to tight monetary policy and falling energy prices, consumer prices are on the rise again. Driven by higher oil and gas prices caused by the conflict in the Middle East, growing production costs and war-related disruptions, inflationary pressures are expected to remain elevated, with the inflation rate to reach 9.3% in 2026. In 2027, easing supply bottlenecks are expected to reduce some of the inflationary pressures. However, large-scale

reconstruction and the release of pent-up demand are forecast to offset the disinflationary factors, keeping price growth broadly unchanged at 9%.

War-related disruptions in the labour market persist

Large-scale displacement and conscription have significantly reduced the labour force, resulting in shortages and rising real wages in 2025. Labour shortages are expected to remain pronounced over the forecast horizon due to slow reintegration, the lasting impact of the war on the workforce, and persistent regional and skills mismatches. As a result, the unemployment rate is set to remain high, albeit on a gradually declining path.

Public deficit to remain high amid sizeable war-related expenditure needs

In 2025, robust nominal GDP growth and discretionary tax measures, yielding 2.2% of GDP in revenue, supported revenue performance. Nevertheless, this was more than offset by strong expenditure growth, driven by higher military wages and increased defence-related subsidies and procurement, pushing defence and security expenditure to 42.8% of GDP in 2025. As a result, the general government deficit widened to 19.5% of GDP in 2025, up from 18.1% in 2024.

Looking ahead, the fiscal deficit [56] is expected to amount to 13.3% of GDP, as elevated defence and security needs continue to weigh on public finances. Expenditure is expected to be predominantly driven by military spending, while non-military spending is set to increase moderately, reflecting measures such as increases in teachers' salaries (0.5% of GDP) and targeted support for pensioners and vulnerable groups (0.2% of GDP). On the revenue side, further gains are expected from new measures to reduce informality in customs (0.6% of GDP), the extension of the temporary 50% tax on bank profits (0.4% of GDP), and the expiration of the VAT exemption on imports of electric vehicles (0.2% of GDP), alongside continued support from strong nominal wage and GDP growth. In 2027, the deficit is expected to decrease to 9.2% of GDP, supported by increased tax collection and a gradual moderation in defence spending. Public debt [57] is projected to reach approximately 94% of GDP by 2027, net of the USL and ERA loans.

Table III.36.1: **Main features of country forecast - UKRAINE**

	2025			Annual percentage change						
	bn UAH	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		8931.2	100.0	:	-28.8	5.5	3.2	**1.8**	**1.5**	**4.0**
Private Consumption		5965.4	66.8	:	-27.5	4.3	8.5	**7.4**	**4.0**	**4.5**
Public Consumption		3478.0	38.9	:	31.4	9.2	-4.1	**5.7**	**0.1**	**-3.1**
Gross fixed capital formation		1729.5	19.4	:	-33.9	65.9	2.1	**10.9**	**6.5**	**10.0**
Exports (goods and services)		2262.6	25.3	:	-42.0	-5.9	10.3	**-12.8**	**3.1**	**10.9**
Imports (goods and services)		4630.5	51.8	:	-17.4	8.9	12.5	**8.3**	**6.4**	**4.1**
GNI (GDP deflator)		8855.5	99.2	:	-22.7	3.0	0.7	**0.7**	**0.8**	**4.2**
Contribution to GDP growth:	Domestic demand			2.7	-17.9	14.3	3.9	**8.8**	**4.0**	**3.9**
	Inventories			-0.2	-1.1	-2.0	2.6	**1.0**	**0.0**	**-0.4**
	Net exports			-2.5	-9.8	-6.7	-3.3	**-8.0**	**-2.5**	**0.5**
Employment				:	-31.7	-1.6	2.8	**1.9**	**0.5**	**5.0**
Unemployment rate (a)				9.0	24.3	19.2	14.8	**13.3**	**12.4**	**11.2**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	34.9	19.9	12.0	**14.5**	**9.6**	**9.8**
Consumer price index				12.1	20.2	12.8	6.5	**12.7**	**9.3**	**9.0**
Terms of trade goods				:	0.4	-2.4	5.2	**2.3**	**-3.3**	**1.6**
Trade balance (goods) (c)				-7.7	-9.8	-16.8	-17.4	**-24.0**	**-25.5**	**-22.4**
Current-account balance (c)				-2.0	4.9	-5.3	-7.8	**-14.8**	**-9.3**	**-8.2**
General government balance (c)				-0.2	-16.1	-20.0	-18.1	**-19.5**	**-13.3**	**-9.2**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				59.8	77.8	83.3	91.1	**101.2**	**97.7**	**93.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

(56) The fiscal deficit projections account for the budget support part of the USL. Excluding international grants and USL, the fiscal deficit would reach 22.6% of GDP in 2026 and 16.8% of GDP in 2027.

(57) Public debt projections exclude ERA loans and USL, in line with the treatment applied in the Debt Sustainability Analysis of the IMF programme. Were all ERA loans and USL included, public debt would increase to 139.9% of GDP in 2026, and 151.8% of GDP in 2027.

Other non-EU Countries

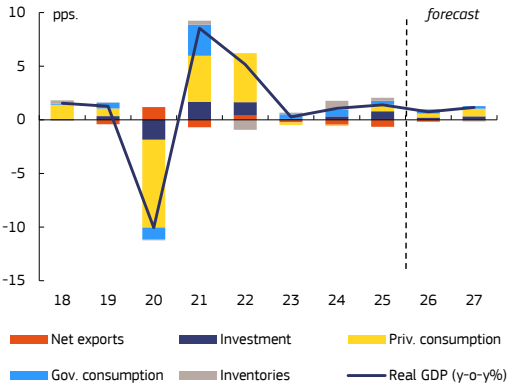
37. THE UNITED KINGDOM

After a stronger than expected 2025, the UK economy is set to slow sharply in 2026 and recover modestly in 2027. The energy price shock that emerged in early 2026 weighs temporarily on activity and lifts inflation, which is likely to remain materially above target in both 2026 and 2027. The labour market is loosening, and unemployment is set to rise further. Fiscal policy remains restrictive, but the general government debt continues to rise over the forecast horizon. Risks are tilted to the downside. While a faster reduction in the household saving rate or stronger productivity gains from artificial intelligence adoption could lift growth, inflation persistence and its interaction with gilt yields and the fiscal position remain the principal concerns.

Activity held up through 2025 but is set to slow sharply in 2026

Real GDP grew by 1.4% in 2025, driven primarily by domestic demand. Gross fixed capital formation expanded by 3.4%, reflecting a pickup in both public and private investment, and public consumption rose by 1.7%. Private consumption was more muted, at 1.0%, as households continued to rebuild their balance sheets. Net exports subtracted from growth as imports expanded more quickly than exports. The energy price shock that emerged in early 2026 is expected to have a notable but transitory impact on both growth and inflation, as the UK enters this crisis in a materially different position than in 2022. Gas demand has fallen since the last energy crisis and the transmission into broader electricity prices has been reduced. Moreover, second-round effects on inflation are expected to be low as the labour market has loosened, the output gap is assessed as negative, and the fiscal stance is restrictive rather than supportive, all of which point to demand-side weakness.

Graph III.37.1: **The United Kingdom - Real GDP growth and contributions**



GDP growth is projected at 0.7% in 2026, a downward revision of 0.4 percentage points relative to the Commission's 2025 Autumn Forecast. Private consumption is expected to slow to 0.6% as real incomes are weakened by higher energy and food prices. Investment growth will moderate to 1.1%, with business investment dampened by persistent uncertainty and weaker external demand. Export growth is expected to slow to 0.7% as external conditions deteriorate, while imports decelerate more sharply in line with the weak domestic demand. Conversely, public consumption is set to continue to support activity, at 1.8%. Growth is projected to recover to 1.2% in 2027 as the energy shock unwinds and household consumption strengthens. The saving rate, which stood at 9.8% of disposable income in 2025, is expected to ease only gradually to 8.4% by 2027, as households remain cautious in the face of elevated inflation and uncertainty.

Despite labour market loosening, inflation higher and more persistent than expected

The labour market continued to loosen through 2025, with unemployment rising to 4.8%. It is projected to reach 5.2%, before edging back to 5.0% in 2027. Employment is expected to contract slightly in 2026, consistent with weaker activity and the continued unwinding of labour hoarding accumulated post-pandemic, growing modestly by 0.3% in 2027. Compensation per employee is projected to decelerate sharply, from 5.7% in 2025 to 2.9% in 2026 and 2.7% in 2027, reflecting easing wage pressures as slack accumulates. Similarly, unit labour cost growth is expected to moderate from 5.9% in 2025 to 2.0% in 2026 and 1.8% in 2027.

CPI inflation is projected at 3.7% in 2026, materially higher than the Autumn Forecast, before falling to 2.4% in 2027, reflecting the pass-through of higher oil and food prices. The UK enters

this shock with stickier underlying inflation than most advanced economies because services inflation in particular has shown limited progress in coming down. Household inflation expectations had already been edging up before the oil shock and have risen markedly in its aftermath, which raises the risk of a slower return to target, even as the direct energy contribution fades.

Fiscal consolidation continues, but the debt trajectory remains upward

The general government deficit is projected to narrow from 5.4% in 2025 to 4.9% in 2026 and 4.5% in 2027. Frozen personal income tax thresholds provide most of the revenue increase as higher nominal wages push employees into higher tax bands. On the expenditure side, inflation-linked welfare spending is set to rise steadily in 2026, partially offsetting the revenue gains. The energy relief package announced in response to the energy shock is expected to be targeted at vulnerable households and materially smaller than the largely universal support measures deployed in 2022. This is consistent with the government's commitment to the fiscal rule and to preserving market confidence after the gilt market dislocation of autumn 2022. Despite the declining deficit, general government gross debt continues to rise, from 102.2% of GDP in 2025 to 103.6% in 2026 and 104.7% in 2027, as primary balances remain insufficient to stabilise the debt ratio at prevailing interest costs.

Risks are tilted to the downside

The principal downside risks surround the inflation trajectory and its interaction with monetary and fiscal dynamics. A substantial share of UK firms appears to conduct annual wage reviews anchored to realised inflation, and with household expectations still elevated, the 2026 bargaining rounds could deliver stronger wage growth than assumed, feeding core inflation. Gilt yields face upside pressure from higher inflation, given the high share of index linked issuance, and from a more hawkish monetary stance, compressing the already narrow fiscal headroom; political uncertainty undermining fiscal discipline would likely trigger rapid debt repricing. Tighter monetary conditions would also weigh on consumption as a large cohort of fixed rate mortgages refinances at higher rates in 2026. Upside risks stem from a faster unwinding of the high household saving rate and stronger than assumed productivity gains, potentially driven by adoption of artificial intelligence.

Table III.37.1: **Main features of country forecast – THE UNITED KINGDOM**

	2025			Annual percentage change					
	bn GBP	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		3039.9	100.0	1.1	5.1	0.3	1.1	**1.4**	**0.7**	**1.2**
Private Consumption		1837.2	60.4	0.9	7.6	-0.4	-0.2	**1.0**	**0.6**	**1.2**
Public Consumption		645.2	21.2	1.4	0.1	2.1	2.9	**1.7**	**1.8**	**1.1**
Gross fixed capital formation		574.0	18.9	1.6	6.8	0.5	1.8	**4.3**	**1.1**	**1.6**
Exports (goods and services)		930.1	30.6	1.8	15.2	-2.3	1.3	**2.1**	**0.7**	**1.2**
Imports (goods and services)		968.5	31.9	1.8	13.9	-1.6	2.7	**4.1**	**1.2**	**1.2**
GNI (GDP deflator)		3021.0	99.4	1.0	5.2	-1.5	1.1	**2.4**	**0.8**	**1.2**
Contribution to GDP growth:		Domestic demand		1.2	5.8	0.3	0.8	**1.8**	**1.0**	**1.3**
		Inventories		0.0	-0.9	0.2	0.8	**0.3**	**0.0**	**-0.1**
		Net exports		-0.1	0.4	-0.2	-0.5	**-0.6**	**-0.2**	**0.0**
Employment				0.8	1.2	1.2	0.8	**1.6**	**-0.1**	**0.3**
Unemployment rate (a)				5.8	3.8	4.0	4.3	**4.8**	**5.2**	**5.0**
Compensation of employees / head				2.5	6.3	5.7	5.0	**5.7**	**2.9**	**2.7**
Unit labour costs whole economy				2.2	2.4	6.7	4.7	**5.9**	**2.0**	**1.8**
Saving rate of households (b)				9.3	5.5	6.5	9.9	**9.8**	**9.6**	**9.1**
GDP deflator				2.1	5.7	6.3	3.9	**3.7**	**2.6**	**2.1**
Consumer price index (CPIH) (e)				2.2	7.9	6.8	3.3	**3.9**	**3.2**	**1.9**
Terms of trade goods				0.6	-3.7	-0.3	2.2	**-0.9**	**-1.4**	**0.3**
Trade balance (goods) (c)				-6.2	-7.6	-7.0	-7.1	**-8.0**	**-8.5**	**-8.4**
Current-account balance (c)				-3.4	-1.9	-3.6	-3.0	**-2.4**	**-2.7**	**-2.6**
General government balance (c)				-5.7	-4.7	-6.0	-6.1	**-5.5**	**-4.9**	**-4.5**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				78.2	97.5	98.8	99.8	**102.2**	**103.8**	**104.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP. (e) CPIH is consumer price index which includes costs of owner-occupied housing

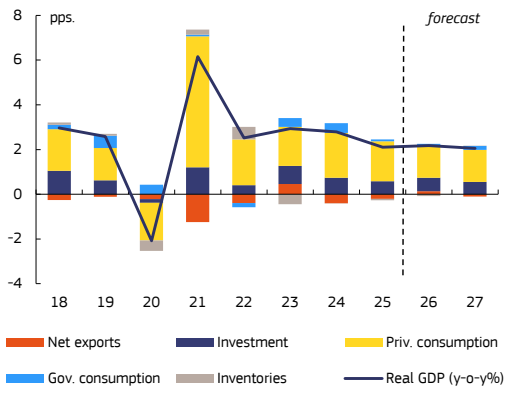
38. THE UNITED STATES

US economic growth is projected to remain steady at above 2% over the forecast horizon, supported by resilient household consumption, continued surge in technology investments and loose fiscal policy. Higher energy prices are expected to temporarily lift inflation to 3.5% and weigh on household consumption. The fiscal deficit is set to widen again in the coming years as tax cuts are projected to more than offset a moderate increase in customs revenue.

Solid growth amidst large policy shifts in 2025

Amid significant policy changes, the US economy expanded by a solid 2.1% in 2025. The negative effects of higher tariffs and a softening labour market were offset by robust technology-related investment, accommodative financial conditions and supportive fiscal policy. Both corporate and household balance sheets remained sound, the latter further supported by solid wage growth. Nevertheless, economic growth was uneven across sectors: investment outside technology-related areas remained subdued, and employment gains were concentrated in a narrow set of industries, particularly healthcare and social services. Employment growth slowed markedly over 2025, reflecting tighter immigration policies, but the unemployment rate edged up only marginally to 4.3% in 2025 from 4% the year before.

Graph III.38.1: **The United States - Real GDP growth and contributions**



Steady growth ahead despite some negative impact from the Middle East conflict

As the US is a net energy exporter, its economy is relatively more insulated from the adverse effects of the Middle East conflict compared to other advanced economies. However, higher oil prices are forecast to increase headline consumer price inflation and weigh on household consumption, which would only be partially offset by higher energy exports.

With restrictive immigration policies assumed to remain in place over the forecast horizon, employment growth is expected to remain subdued but without fuelling a jump in the unemployment rate, which is set to stabilise at around 4.4%. Household consumption growth is expected to soften reflecting slower job creation, moderating wage gains, low household savings rates, and a temporary pickup in headline inflation. Nevertheless, consumer spending is set to remain resilient—supported by still-healthy household balance sheets—and expand at a steady pace of around 2% over the forecast horizon. Investment is forecast to remain a key driver of growth, particularly in technology-related sectors, underpinned by strong corporate balance sheets and sizeable investment commitments by major technology firms.

Tax cuts incorporated in the One Big Beautiful Bill Act (OBBBA) are set to provide additional support to economic activity while the ongoing repayment of the unlawfully collected International Emergency Economic Powers Act (IEEPA) tariffs would help US businesses to cushion further negative impacts of the Middle East conflict. Growth in 2026 should also benefit from a recovery following the late-2025 government shutdown. Net exports are forecast to provide a positive contribution in 2026, reflecting a base effect from the imports surge in the first part 2025 (driven by frontloading ahead of tariff increases). Overall, real GDP growth is forecast at just above 2% in 2026 and 2027 amid still substantial tailwinds from technology investment, resilient consumption and the waning oil price shock.

Temporary surge of inflation ahead due to rising energy prices

Consumer price inflation has remained above the Federal Reserve's 2% target. Services inflation (excluding energy) continues to show persistence, while goods inflation has been pushed up by the pass-through from higher tariffs. Higher energy prices are expected to lift CPI inflation from 2.6% in 2025 to 3.5% in 2026. As the impact of tariffs wanes and energy prices begin to decline, inflation is projected to moderate starting from the second half of 2026 and decline to 2.1% in 2027. In light of the robust underlying growth and the supply nature of the ongoing energy shock, the Fed is assumed to maintain a broadly neutral monetary policy through the forecast period.

The fiscal deficit is forecast to increase in 2026-2027

The general government deficit narrowed to 7.4% of GDP in 2025, down from 8.0% in 2024, mainly due to higher customs revenue (constituting nearly 0.6% of GDP). The deficit is expected to widen again in 2026 and 2027, to 8% and 7.9% of GDP, respectively, as frontloaded tax cuts under the OBBBA are set to more than offset a further moderate increase in customs revenue. The repayment of the unlawfully collected IEEPA tariff revenues is set to further increase the fiscal deficit. The primary deficit is expected to approach 3% of GDP over 2026-2027, while interest expenses are set to continue increasing over the forecast horizon. The general government debt is projected to keep increasing from 125.2% of GDP in 2025 to 129% of GDP in 2027.

Risks remain elevated

On the downside, further escalation of the Middle East conflict could intensify inflationary pressures and tighten financial conditions. A sharp correction in equity markets—whether triggered by geopolitical developments or a reassessment of productivity gains from AI—could dampen consumption and investment. Trade policy remains subject to elevated uncertainty, and large hikes would weigh on economic growth. Deterioration of institutional quality could weaken confidence, negatively impact financial markets and reduce the effectiveness of policy tools. Medium-term concerns about US fiscal sustainability have increased amid persistently high fiscal deficits. On the upside, additional fiscal easing in the form of increased military spending could boost government consumption and manufacturing production. The surge in AI-related investment and acceleration in the adoption of AI could substantially increase productivity and boost medium-term growth.

Table III.38.1: **Main features of country forecast - UNITED STATES**

	2025			Annual percentage change						
	bn USD	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		30762.1	100.0	1.8	2.5	2.9	2.8	**2.1**	**2.2**	**2.1**
Private Consumption		20954.9	68.1	2.0	3.0	2.6	2.9	**2.6**	**2.1**	**2.1**
Public Consumption		4165.3	13.5	0.9	-1.3	3.0	3.3	**0.6**	**0.8**	**1.3**
Gross fixed capital formation		6553.3	21.3	1.8	1.9	3.8	3.5	**2.7**	**2.8**	**2.6**
Exports (goods and services)		3319.7	10.8	2.9	7.6	2.8	3.6	**1.6**	**2.6**	**2.2**
Imports (goods and services)		4246.1	13.8	2.5	8.5	-0.9	5.8	**2.7**	**1.1**	**2.5**
GNI (GDP deflator)		30797.2	100.1	1.8	2.5	2.7	2.4	**2.3**	**2.1**	**1.9**
Contribution to GDP growth:		Domestic demand		1.9	2.3	3.0	3.2	**2.4**	**2.1**	**2.2**
		Inventories		0.0	0.6	-0.4	0.0	**-0.1**	**-0.1**	**0.0**
		Net exports		0.0	-0.4	0.5	-0.4	**-0.2**	**0.1**	**-0.1**
Employment				0.5	3.8	1.8	1.2	**0.1**	**0.2**	**0.3**
Unemployment rate (a)				6.3	3.6	3.6	4.0	**4.3**	**4.5**	**4.4**
Compensation of employees / head				3.1	2.9	3.7	4.6	**4.7**	**3.7**	**3.4**
Unit labour costs whole economy				1.8	4.2	2.5	2.9	**2.6**	**1.7**	**1.6**
Saving rate of households (b)				12.2	9.8	11.8	11.6	**10.4**	**10.2**	**9.3**
GDP deflator				2.0	7.1	3.7	2.5	**2.8**	**3.3**	**2.1**
Consumer price index				2.1	8.0	4.1	2.9	**2.6**	**3.5**	**2.1**
Terms of trade goods				0.5	3.9	-1.1	-0.8	**0.8**	**1.3**	**-0.2**
Trade balance (goods) (c)				-4.6	-4.6	-3.8	-4.1	**-4.0**	**-3.7**	**-3.6**
Current-account balance (c)				-3.0	-3.8	-3.4	-4.0	**-3.7**	**-3.5**	**-3.6**
General government balance (c)				-7.8	-3.7	-8.0	-8.0	**-7.4**	**-8.0**	**-7.9**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				97.8	120.6	122.3	123.6	**125.2**	**126.4**	**129.0**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
(*) Employment data from the BLS household survey.

39. JAPAN

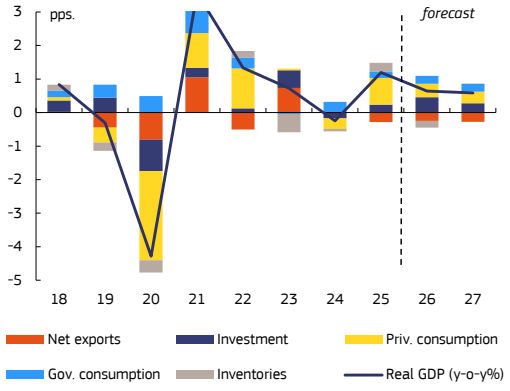
GDP growth in Japan is set to moderate to 0.6% in 2026 and 2027 following the strong growth of last year. As external demand is expected to be weak, domestic demand is projected to remain the main driver, though downside geopolitical risks and higher energy prices may weigh especially on consumption. The labour market is expected to remain tight, with robust but uneven wage growth. Inflation is set to rise temporarily and exceed the 2% target due to higher energy prices in both 2026 and 2027. The fiscal deficit is projected to widen again from 2026 amid continued support measures and structural spending pressures, while public debt is projected to gradually decline toward around 200% of GDP.

Growth is set to moderate amid external headwinds

Japan's economy expanded by 1.2% in 2025 despite uneven growth momentum. Output contracted in the third quarter, driven by a slump in exports and investment amid a sharp drop in housing investment and a slowdown in capital spending, particularly for manufacturing, reflecting trade tensions. Economic activity rebounded in the final quarter, supported by resilient domestic consumption and business investment. Early 2026 indicators pointed to solid but moderating growth. The composite PMI declined in March due to cooling manufacturing activity, while business sentiment reached multi-year highs supported by solid order books and corporate profits. Consumer confidence fell sharply in March from a nearly 7-year high in February due to concerns over soaring fuel prices linked to the Middle East conflict.

Growth is projected to moderate but to remain positive over the forecast horizon, with real GDP expected to increase by 0.6% in both 2026 and 2027, driven mainly by domestic demand. Private consumption is set to grow only moderately, as deteriorating confidence and higher energy prices weigh on households despite mitigating measures and renewed real wage growth after several years of decline. Investment is expected to be the main driver, supported by strong corporate profits and continued spending on digitalisation, automation and green technologies aimed at addressing labour shortages. The construction sector is set to stabilise after the 2025 downturn. Net exports are projected to detract from growth in both years amid weak external demand.

Graph III.39.1: **Japan - Real GDP growth and contributions**



Risks to the outlook are tilted to the downside, as a prolonged Middle East conflict could disrupt supply chains—particularly in South and Southeast Asia—and persistent inflation could further dampen household confidence, curbing private spending. On the positive side, additional fiscal support could provide a boost.

The labour market remains structurally tight

In the second quarter of 2025, the Bank of Japan's Tankan survey indicated one of the lowest levels of labour availability in three decades. The unemployment rate edged up to 2.6% in the second half of 2025 and remained broadly unchanged until early 2026, while the jobs-to-applicants ratio hovered around 1.2. Given structural labour shortages linked to population ageing, limited room for further increase in participation rate, and low, though increasing, immigration, the labour market is set to remain tight, with the unemployment rate at 2.5% in both 2026 and 2027. Wage growth remains overall robust. The 2026 "Shunto" wage negotiations delivered high headline wage gains above 5%, following a similar rise in 2025. However, economy-wide wage growth is

expected to be more moderate, at around 3% in 2026-2027, reflecting limited coverage of the wage negotiations mainly to unionised workers in large firms and constraints among smaller firms.

Inflation set to moderate despite a temporary rebound

In 2025, inflation moderated from 4% in January to 2.1% in December, averaging 3.2% for the whole year, supported by falling energy prices—reflecting government subsidies—alongside broader easing in price pressures. The trend continued in the first months of 2026, with inflation falling to 1.3% in February, the lowest level since 2022. Nevertheless, higher global energy prices as of March are expected to push up inflation temporarily in 2026 before it gradually returns on the easing path. Government measures—including fuel subsidies and price caps—are expected to mitigate the full pass-through of higher energy costs, but inflation is forecast to remain above the 2% Bank of Japan target in both 2026 and 2027. Monetary policy is expected to continue tightening gradually, although it is expected to remain accommodative overall, with real interest rates staying negative.

Public deficit set to widen again while public debt-to-GDP ratio stabilises

The general government deficit narrowed further to 1.1% of GDP in 2025, down from 1.7% in 2024, supported by strong tax revenue driven by inflation and nominal GDP growth. The budget deficit is projected to widen to 2% in 2026, reflecting sizeable fiscal packages. In November 2025, the government adopted a supplementary stimulus package of around JPY 18 trillion to cushion households from rising costs and support strategic sectors such as semiconductors, AI and green technologies. The 2026 fiscal year budget, the largest on record, includes key measures such as energy subsidies, household tax relief, and increased defence and industrial policy spending. Under unchanged policies and continued spending pressures from social security, subsidies and interest costs, the deficit is forecast to widen further to 2¼% of GDP in 2027. The public debt-to-GDP ratio is expected to gradually decline toward 200% of GDP by the end of the forecast horizon, driven by nominal growth and still-low effective interest rates on the outstanding debt.

Table III.39.1: **Main features of country forecast - JAPAN**

	2025			Annual percentage change					
	bn JPY	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		663757.3	100.0	0.5	1.3	0.7	-0.2	**1.2**	**0.6**	**0.6**
Private Consumption		351588.0	53.0	0.2	2.3	0.1	-0.6	**1.5**	**0.8**	**0.7**
Public Consumption		131654.5	19.8	1.6	1.6	-0.2	1.6	**1.0**	**1.2**	**1.1**
Gross fixed capital formation		183487.9	27.6	0.1	0.5	1.9	-0.6	**0.9**	**1.6**	**1.0**
Exports (goods and services)		144090.0	21.7	2.4	5.3	3.1	0.9	**2.9**	**0.4**	**1.0**
Imports (goods and services)		147618.9	22.2	1.8	8.0	-0.4	0.9	**4.0**	**1.5**	**2.1**
GNI (GDP deflator)		704240.4	106.1	0.7	2.6	0.6	0.1	**1.2**	**-0.2**	**0.3**
Contribution to GDP growth:		Domestic demand		0.4	1.6	0.5	-0.2	**1.2**	**1.1**	**0.8**
		Inventories		0.0	0.2	-0.5	-0.1	**0.3**	**-0.2**	**0.0**
		Net exports		0.1	-0.5	0.7	0.0	**-0.3**	**-0.3**	**-0.3**
Employment				0.3	0.3	0.5	0.6	**0.7**	**0.2**	**0.2**
Unemployment rate (a)				3.6	2.6	2.6	2.5	**2.5**	**2.5**	**2.5**
Compensation of employees / head				0.0	2.1	1.0	2.8	**2.8**	**2.7**	**2.6**
Unit labour costs whole economy				-0.3	1.1	0.8	3.7	**2.3**	**2.2**	**2.2**
Saving rate of households (b)				10.9	10.9	8.1	9.4	**7.8**	**8.4**	**8.3**
GDP deflator				-0.1	0.6	4.6	3.2	**3.4**	**1.6**	**2.2**
Consumer price index				0.3	2.5	3.3	2.7	**3.2**	**2.3**	**2.4**
Terms of trade goods				-1.6	-13.2	7.4	4.1	**3.4**	**-1.8**	**1.6**
Trade balance (goods) (c)				0.4	-2.7	-1.1	-0.6	**-0.1**	**-0.5**	**-0.4**
Current-account balance (c)				2.9	2.0	3.6	4.5	**4.9**	**3.4**	**3.2**
General government balance (c)				-5.6	-4.2	-2.3	-1.7	**-1.2**	**-2.0**	**-2.3**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				191.7	227.8	220.3	214.5	**206.5**	**203.3**	**200.1**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

40. CHINA

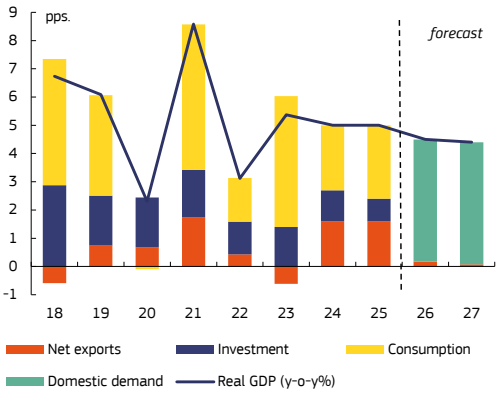
China met its growth target of 5% for the second consecutive year in 2025, though domestic demand remained weak and growth was driven mainly by the external sector. Limits to growth persist, such as structural factors holding back consumption, a depressed property market, weak income growth and an inadequate social safety net. Against this backdrop, growth is forecast to moderate to 4.5% in 2026 and 4.4% in 2027, with downside risks stemming from the conflict in the Middle East adding to the challenges.

Growth hits the mark but remains unbalanced

China's economy grew by 5.0% in 2025, meeting its official target range for the second consecutive year. Growth surpassed the previous forecast, buoyed by a strong export performance that reflected China's successful export diversification. GDP rose 5.4% y-o-y in the first quarter, supported by policy stimulus and pre-tariff export front-running by US importers, before decelerating to 4.5% in the fourth quarter as external demand softened and stimulus effects faded. Domestic demand disappointed and high-frequency investment contracted by 3.8%, the first full-year decline on record, driven by a fall of over 17% in real estate investment. Household consumption provided only partial offset, with retail sales decelerating sharply towards year end. The external sector remained the primary growth driver, with goods exports rising 6.1% while imports grew only 0.5%.

Growth in the first quarter of 2026 reached 5.0% y-o-y. Investment and retail sales grew by 1.7% and 2.4% respectively in nominal terms, while a surge in imports likely limited the contribution from net exports. On the supply side, services expanded around 5% and industrial output grew 6.1%. Inflation remains low, reflecting persistent excess capacity and weak consumer demand, though producer prices turned positive in March for the first time in 41 months. This reversal was driven primarily by the energy price shock stemming from the situation in the Middle East rather than a recovery in domestic demand, and its durability remains uncertain.

Graph III.40.1: **China - Real GDP growth and contributions**



Domestic demand rebalancing remains elusive as external environment worsens

Growth is expected to moderate over the forecast horizon. China set its 2026 official growth target at 4.5% - 5%, and growth is expected at 4.5%, at the lower end of that range, mainly due to the deteriorating external environment. For 2027, growth is projected to ease further to 4.4%, as the fiscal stimulus loses traction and structural weaknesses in domestic demand constrain the outlook.

Consumption is expected to remain weak. Despite the authorities' stated commitment to boost household spending, the impact of policy support on private consumption has so far been limited and unlikely to solve quickly due to structural factors weighing on confidence, a depressed property market, weak income growth and an inadequate social safety net. The trade-in subsidy schemes that provided some impetus in 2025 are losing traction, and without more durable reforms, consumption is not expected to become a reliable engine of growth in the near term. On investment, the picture is somewhat more supportive but uneven. Government-led infrastructure spending, underpinned by continued elevated bond issuance, is expected to remain a positive contributor, and large-scale equipment renewal programs continue to encourage industrial upgrading. However, private investment remains subdued, constrained by weak demand, excess capacity in several sectors, margin-depressing competition and cautious business sentiment, while

real estate investment is not expected to recover substantially until the property sector stabilises more broadly.

The outlook for net exports points to a gradual erosion of the external buffer that has supported growth in recent years. While Chinese exports have shown remarkable resilience through trade diversification toward non-US markets, including the EU as well as many emerging economies, momentum is expected to soften as front-loading effects fade and global demand moderates. At the same time, imports in value terms are set to remain elevated, partly reflecting higher energy costs stemming from the conflict in the Middle East. As a result, the current account surplus is forecast to narrow to 3% of GDP in 2026 and 2.8% of GDP in 2027.

Policy restraint and mounting risks cloud the path to rebalancing

At the March National People's Congress, China set a softer growth target than in previous years, signalling both an acknowledgement of economic headwinds and a preference for structural resilience over short-term stimulus. Expanding domestic demand has been declared a top policy priority, and efforts to address “involution” are intended to restore firm profitability as a precondition for stronger employment and wages. However, the fiscal plan remains only marginally more expansionary than in 2025. Monetary policy is also expected to remain cautious, as stronger than expected first quarter growth and the return of producer prices to positive territory have lessened the case for further easing. Additionally, depreciation pressures on the Renminbi constrain the central bank’s room for manoeuvre, as a more accommodative monetary policy could widen interest rate differentials with major economies and incentivise capital outflows.

Risks are tilted to the downside, though China is relatively well positioned to weather a short-term disruption to energy markets. Oil accounts for only around 18% of its primary energy mix given its heavy reliance on domestically sourced coal, and proactive stockpiling has left strategic reserves sufficient to cover several months of consumption. A protracted conflict in the Middle East would pose more serious risks to China’s growth, curbing external demand while driving up energy and input costs. New investigations in the US, under Section 301 and IEEPA, threaten to impose additional barriers on Chinese exports, adding to existing headwinds. On the domestic side, if weak consumer confidence and an unresolved property sector prove more persistent than assumed, growth would become overly dependent on external demand at a time when the external environment is itself deteriorating.

Table III.40.1: **Main features of country forecast - CHINA**

	2024			Annual percentage change					
	bn CNY	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		134806.6	100.0	8.3	3.1	5.4	5.0	**5.0**	**4.5**	**4.4**
Private consumption		53882.8	40.0	-	-	-	-	-	-	-
Public consumption		22524.2	16.7	-	-	-	-	-	-	-
Gross fixed capital formation		53453.4	39.7	-	-	-	-	-	-	-
Exports (goods and services)		26963.8	20.0	7.1	-0.2	2.6	12.6	**8.6**	**3.9**	**2.5**
Imports (goods and services)		23134.9	17.2	7.7	-2.9	7.4	6.0	**0.5**	**3.6**	**2.6**
GNI (GDP deflator)		-	-	-	-	-	-	-	-	-
Contribution to GDP growth:	Domestic demand			-	-	-	-	-	-	-
	Inventories			-	-	-	-	-	-	-
	Net exports			-	-	-	-	-	-	-
Employment				-	-	-	-	-	-	-
Unemployment rate (a)				4.4	5.5	5.1	5.1	**5.1**	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs whole economy				-	-	-	-	-	-	-
Saving rate of households				-	-	-	-	-	-	-
GDP deflator				3.5	1.9	-0.5	-0.8	**-0.9**	**-0.2**	**0.0**
Consumer price index (c)				2.6	2.0	0.2	0.2	**0.0**	-	-
Terms of trade goods (b)				-	-	-	-	-	-	-
Trade balance (goods) (b)				3.9	3.6	3.3	4.1	**4.9**	**4.7**	**4.4**
Current-account balance (b)				3.4	2.4	1.4	2.3	**3.3**	**3.0**	**2.8**
General government balance (b)				-	-	-	-	-	-	-
Structural budget balance				-	-	-	-	-	-	-
General government gross debt (b)				-	-	-	-	-	-	-

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

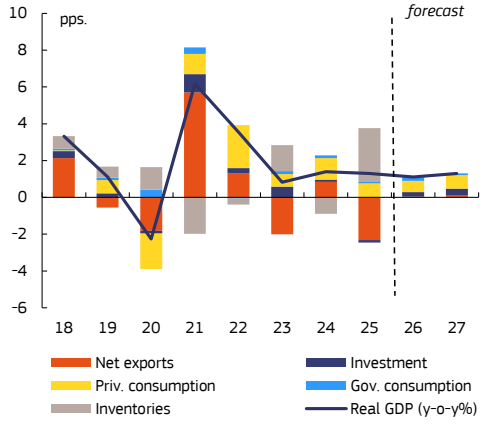
41. EFTA

Continued uncertainties and weak external demand affected the EFTA economies in 2025. However, solid domestic demand and monetary policy easing supported output growth in Switzerland and Iceland. Moderate economic growth is forecast in EFTA countries in 2026 and 2027, reflecting weakened external demand and higher energy prices, while domestic demand is projected to remain resilient. Overall, GDP growth in 2027 is expected to reach 2½% in Iceland, 1% in Norway and 1¼% Switzerland. Inflation is projected to continue moderating in Iceland and Norway, to 3.5% and 2.5% by 2027 respectively, while remaining below 1% in Switzerland. This supports disposable income and domestic demand. Public finances are expected to remain sound despite a challenging environment.

Switzerland

Economic growth remained largely stable in 2025 at 1.3%, which is below the country's long-term average. The main factor for the muted performance in 2025 was weak external demand from key trading partners, partly due to the temporary US import tariffs. However, in the fourth quarter, output growth accelerated slightly on the back of strengthening external demand for chemical and pharmaceutical products. Private consumption was the key growth driver, benefiting from a resilient labour market and low inflation, down to 0.2% in 2025 after 1.2% the year before. This drop in inflation was supported by low import prices as well as the Swiss franc's recent appreciation, reflecting its status as a safe-haven currency. In response to weakening inflation, the Swiss National Bank lowered its policy rate in two steps, from 0.5% in December 2024 to 0.0% in June 2025 and has maintained this stance since then. Nominal goods exports rose by 4% in 2025, despite the turmoil around US import tariffs. Investment remained subdued as a result of elevated global uncertainty.

Graph III.41.1: **Switzerland - Real GDP growth and contributions**



During the forecast period, private consumption is expected to remain the primary driver of growth, fuelled by a robust labour market and a solid increase in real disposable income. Investment growth is projected to remain subdued in view of the uncertain international environment. Exports are set to be affected by weak external demand and the recent exchange rate appreciations, although less price-sensitive products, such as watches and machinery, make up a large share of exports and might perform better. In 2027, the projected recovery of global demand is expected to help raise GDP growth (to about 1¼%). In view of muted output growth, employment increase will also remain subdued, which will translate into slightly higher unemployment rates. Inflation is expected to increase slightly in 2026 due to higher energy prices, although the strong currency and the low share of energy imports in total imports will help to contain inflationary pressures. The deficit is expected to remain close to balance, reflecting the country's balanced budget rule. As a result, the debt-to-GDP ratio is set to continue declining.

Among the country-specific risks to the outlook is the possibility of a continued currency appreciation, resulting from the currency's safe-haven status, which could impede export growth.

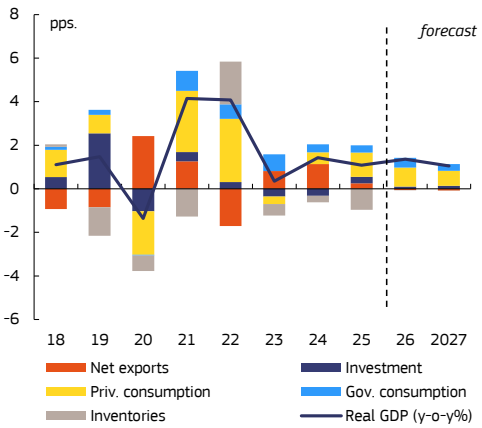
Norway

Economic activity decelerated in 2025, with real GDP growing by 1.1%, down from 1.4% the year before. The slight slowdown was primarily due to a weaker positive contribution of net exports to

growth, as imports grew at a faster rate than exports, reflecting robust domestic demand, as well as a decline in inventories. Growth was largely driven by private consumption, supported by higher real disposable income as real wages continued to rise strongly. Investment recovered on the back of a strong acceleration in petroleum investment growth and a more moderate decrease in housing investment. Higher global commodity prices and strong wage growth contributed to keeping consumer price inflation at 3% in 2025, slightly below the 3.2% recorded in 2024. In the first three months of 2026, inflation picked up to 3.3% y-o-y, still well above the central bank's target of 2%. On 25 March, the Central Bank kept the policy rate at 4%, unchanged since its last 25 bps. cut in September 2025.

Economic growth is projected to strengthen slightly in 2026. Private consumption is expected to be the main growth driver, supported by further increases in real wages and moderate employment growth. Public consumption growth is set to accelerate, partly due to increased spending on healthcare and defence. Investment growth is projected to lose steam, with business investment set to grow at roughly the same pace as in 2025, while oil-sector investment is projected to level off after three years of strong growth. The recovery in housing investment is expected to be sluggish due to high input prices and elevated interest rates. The growth contribution from net exports is expected to turn slightly negative on the back of weaker external demand and increased imports.

Graph III.41.2: **Norway - Real GDP growth and contributions**



Annual output growth is forecast to ease slightly in 2027, mainly driven by a slowdown in private consumption growth, as households' real disposable income growth decelerates. Imports are projected to grow at a slightly faster pace than exports, resulting in a slightly negative contribution of the external sector to growth. The government's fiscal surplus, which stood at 10.4% of GDP in 2025, is projected to diminish during 2026-27. The 2026 budget implies a slightly expansionary fiscal stance, underpinning economic growth. The structural non-oil fiscal deficit is expected to increase to 13.1% of mainland GDP, while the overall balance is projected to remain comfortably in surplus, with oil revenue spending equivalent to 2.8% of the sovereign wealth fund's assets. Domestic risks to the outlook are tilted to the downside. Inflationary pressures could intensify if the Krone depreciates, subject mainly to the development of prices for hydrocarbons. This could also dampen household spending. Housing investment may continue to face uncertainty around interest rates. Regarding the external environment, the volatility of energy prices presents both upside and downside risks while the uncertainty about the conflict in the Middle East is expected to weigh on exports of goods other than oil and gas.

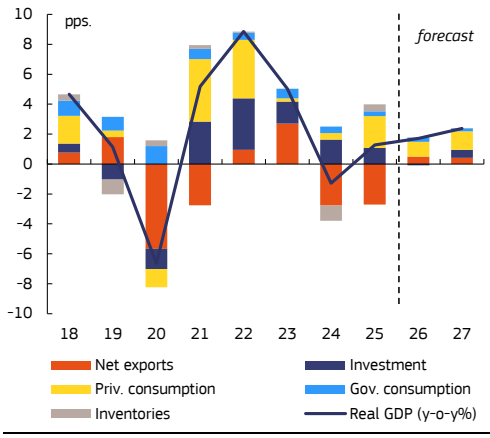
Iceland

Real GDP increased by 1.3% in 2025, on the back of private consumption and investment. The contribution of foreign trade was negative, as imports grew strongly, while export performance was mixed. Exports of IT and financial services expanded, while exports of tourism, aluminium, and marine products contracted. Moderating inflation and monetary easing provided a boost to private consumption and investment, with the latter also benefiting from data centre-related capital goods and frontloaded imports of rental cars. As inflation moderated to 4.1% in 2025, the central bank undertook several cuts to the key policy rate, which was lowered to 7.25% in November 2025 before being raised to 7.5% in March 2026 as inflation increased in early 2026.

The outlook for 2026 is for subdued growth amid high uncertainties. In line with rising inflation and monetary tightening, private consumption is likely to slow, while investment is forecast to contract due to the completion of large-scale industrial projects in 2025. Export growth is set to

decelerate due to a contraction in aluminium production, while the outlook for fishing and tourism is muted. The tourism sector is partially affected by fewer flight offerings due to the bankruptcy of a domestic airline. In addition, exports face downside risks from higher fuel prices, which weigh on Iceland's large fishing fleet, while the tourism industry faces pressure from rising global airfares. Imports are projected to contract in line with declining investment and decelerating household consumption. The slowdown of exports is expected to be temporary followed by a recovery in traditional sectors in 2027 and further support to exports coming from innovation-based sectors (pharmaceuticals, biotechnologies, data centres) and land-based aquaculture. Imports are set to increase in line with growing private consumption and investment in 2027.

Graph III.41.3: **Iceland - Real GDP growth and contributions**



The unemployment rate edged up to 4.2% in 2025 due to the weak performance of traditional export sectors such as metals and tourism. Employment growth is set to be muted over the forecast horizon. In January-March 2026, monthly inflation exceeded 5% y-o-y, partially driven by new public levies. The outlook is for a temporary increase in inflation in 2026 due to domestic factors, such as changes to vehicle-related taxes, continued pay increases from collective bargaining agreements, and the impact of higher fuel prices, which is set to moderate in 2027 but remain above the target of 2.5%. The 2025 budget deficit is estimated at 2.8% of GDP, which is broadly in line with the target. In 2026-27 the government aims for ambitious fiscal consolidation with the budget deficit declining to 0.8% of GDP in 2026 and achieving a balanced budget by 2027. Streamlining social benefits is expected to restrain public spending while budget revenue is set to benefit from new taxation of cars and multinational corporations. Due to slower GDP growth, fiscal projections for 2026-27 assume a more gradual consolidation profile than expected before the outbreak of the conflict in the Middle East. Risks to the outlook are tilted to the downside amid a challenging global environment.

Table III.41.1: **Main features of country forecast – EFTA**

		Iceland				Norway				Switzerland			
(Annual percentage change)		**2024**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**	**2027**
GDP		-1.3	**1.3**	**1.7**	**2.4**	1.4	**1.1**	**1.4**	**1.0**	1.4	**1.3**	**1.1**	**1.3**
Private Consumption		0.9	**4.3**	**2.0**	**2.5**	1.3	**2.7**	**2.1**	**1.6**	2.4	**1.5**	**1.2**	**1.5**
Public Consumption		1.8	**1.2**	**1.1**	**0.8**	1.7	**1.5**	**2.0**	**1.4**	1.3	**1.0**	**1.5**	**0.8**
Gross fixed capital formation		6.5	**4.0**	**-0.3**	**2.0**	-1.4	**1.3**	**0.5**	**0.6**	0.5	**-0.5**	**1.0**	**1.5**
Exports (good and services)		-2.2	**1.0**	**0.3**	**3.8**	5.8	**2.4**	**1.3**	**0.7**	1.7	**4.8**	**1.0**	**2.0**
Imports (goods and services)		4.2	**7.2**	**-0.9**	**2.5**	5.0	**2.6**	**1.9**	**1.2**	0.6	**9.7**	**1.1**	**2.1**
GNI (GDP deflator)		-1.2	**2.0**	**1.7**	**2.4**	1.5	**1.3**	**0.9**	**1.0**	6.8	**1.3**	**1.1**	**1.3**
Contribution to GDP growth:	Domestic demand	2.5	**3.5**	**1.2**	**2.0**	0.6	**1.7**	**1.4**	**1.1**	1.4	**0.7**	**1.0**	**1.2**
	Inventories	-1.0	**0.5**	**0.0**	**0.0**	-0.3	**-1.0**	**0.0**	**0.0**	-0.9	**2.9**	**0.0**	**0.0**
	Net exports	-2.8	**-2.7**	**0.5**	**0.4**	1.1	**0.3**	**-0.1**	**-0.1**	0.8	**-2.3**	**0.0**	**0.1**
Employment		1.7	**1.1**	**0.5**	**1.0**	0.7	**0.7**	**0.5**	**0.5**	0.7	**0.4**	**0.3**	**0.7**
Unemployment rate (a)		3.6	**4.2**	**4.5**	**4.2**	4.0	**4.5**	**4.5**	**4.4**	4.3	**4.9**	**5.1**	**5.1**
Compensation of employees / head		4.8	**6.1**	**5.3**	**3.9**	5.3	**4.1**	**5.5**	**3.6**	2.5	**0.7**	**1.0**	**0.8**
Unit labour cost whole economy		8.0	**6.0**	**4.1**	**2.6**	4.5	**3.6**	**4.5**	**3.0**	1.9	**-0.2**	**0.2**	**0.2**
Saving rate of households (b)		12.4	:	:	:	:	:	:	:	:	:	:	:
GDP deflator		6.1	**6.9**	**4.8**	**3.3**	0.0	**1.4**	**4.5**	**1.4**	1.0	**0.3**	**0.7**	**0.4**
National index of consumer prices		5.9	**4.1**	**5.0**	**3.6**	3.1	**3.1**	**3.2**	**2.5**	1.1	**0.2**	**0.8**	**0.7**
Terms of trade goods		0.1	**4.5**	**-1.0**	**-0.5**	-7.2	**-4.2**	**4.7**	**-3.0**	1.3	**-2.3**	**-0.5**	**-0.3**
Trade balance (goods) (c)		-7.1	**-7.8**	**-7.2**	**-6.9**	14.0	**12.9**	**13.5**	**12.5**	13.5	**10.4**	**10.1**	**10.0**
Current account balance (c)		-3.2	**-3.6**	**-3.6**	**-3.1**	15.0	**13.8**	**13.7**	**12.6**	7.5	**6.7**	**7.0**	**6.9**
General government balance (c)		-3.7	**-2.8**	**-1.4**	**-0.6**	12.7	**10.4**	**9.8**	**9.9**	0.5	**0.3**	**-0.1**	**0.1**
General government gross debt (c)		59.6	**46.9**	**45.6**	**43.8**	53.2	**51.8**	**47.3**	**44.2**	24.6	**23.8**	**23.5**	**23.0**

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c)as a % of GDP.

42. RUSSIAN FEDERATION

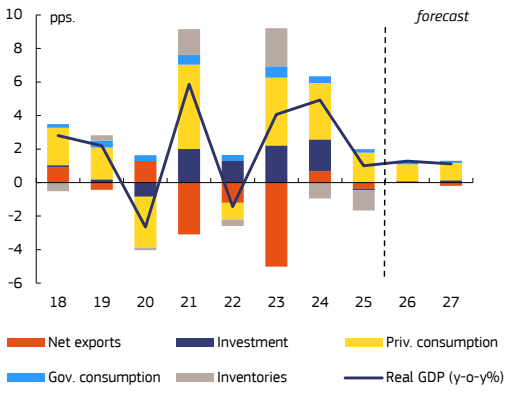
After easing markedly in 2025, real GDP growth is forecast to only marginally pick up in 2026 and lose some speed again in 2027. Investment is set to remain a drag on growth, and private consumption is expected to weaken further, despite some spillovers from windfall export revenues from oil and gas. Inflation is expected to continue its downward trajectory, although disinflation slowed recently and faces persistent and partly new upward price pressures. With the expected windfall revenues, the general government budget deficit is projected to narrow somewhat in 2026 before widening again 2027.

Commodity prices mend but do not solve Russian economic troubles

Russian economic growth slowed sharply to 1% in 2025, from an upwardly revised figure of 4.9% in 2024, as its full-scale war of aggression in Ukraine was increasingly taking its toll domestically.[58] Growth slowed in all GDP components, with investment growth down to -0.4%. The Russian economy is by now two-tiered, with a military industrial complex that remains supported by government contracts and has access to preferential lending, while civilian industries are crowded out. Growth in both private and government consumption roughly halved compared to 2024 but remained positive. Relatively resilient private consumption in particular was key in preventing an even more marked deceleration in economic activity in 2025, as a persistently tight labour market continued to drive real wage increases. The macroeconomic imbalances that built over the last years have widened, exacerbated by sanctions from the EU and its allies, as reflected in particular by the deteriorating fiscal situation and rising private debt levels.

High-frequency indicators point to a continued weak performance in the first quarter of 2026. Real year-on-year GDP growth dropped to -0.3% in 2026-Q1, after two extraordinarily weak months in January with -1.8% y-o-y growth and in February with -1.1%. The Manufacturing PMI has remained in contractionary territory since June 2025, decreasing again to 48.1 points in April 2026. Business confidence dropped to its lowest value since late 2022. On the household side, retail sales growth slowed in January and February to around 2%, but picked up again in March at 6.2%, supported by solid real wage growth in early 2026.

Graph III.42.1: **Russia - Real GDP growth and contributions**



The surge of hydrocarbon prices caused by the conflict in the Middle East is set to support Russian GDP through different channels, however, much of the effect of the windfall gains is expected to be muted as structural weaknesses persist. Investment is forecast to start growing slowly again due to improved monetary conditions and the hydrocarbon windfall gains, although most of the latter is expected to be used to meet the established federal budget deficit targets and to reduce the corporate debt burden. Private consumption growth is forecast to moderate further, as wage growth is set to slow despite the oil price boom and consumer sentiment has worsened. Only a slight increase in export volumes is forecast, as oil production is close to potential and limited by OPEC+ quotas. Overall, GDP growth is projected to pick up to 1.3% in 2026 before slowing to 1.1% in 2027.

[58] Some analysts have argued that the situation is worse than depicted by official Russian macroeconomic data. While not all economic arguments presented to that end are convincing, data manipulation cannot be fully excluded as a possibility, in the context of Russia's war of aggression. It is striking, however, that even the official data by now clearly indicate an economic deterioration.

Disinflation slowly continues, despite persistent price pressures

Partly driven by a 2 pps. VAT hike, the disinflationary process observed since March 2025 halted in January 2026, when inflation rose 0.4 pps. to 6% y-o-y, to remain broadly unchanged in February and March. The labour market remains tight, with average unemployment in 2025 at a historic low of 2.2% and projected to only edge up marginally to 2.4% by 2027. Continued military spending, paired with the projected limited pickup in economic activity due to the increase in oil and gas prices, is set to exert further upward price pressures. First round price effects of the commodity shock are expected to be largely muted due to fuel subsidies. For these reasons the central bank has so far only cautiously cut its policy interest rate, resulting in still high real interest rates. In sum, inflation is expected to stay on its downward trajectory, averaging 5.7% in 2026 and 4.8% in 2027, amounting to only a slight upward revision compared to the autumn forecast.

Global commodity prices offer support to Russian public finances

Russia ran its largest federal budget deficit since the pandemic in 2025 at 2.6% of GDP, as low global oil prices, a strong Ruble and Western sanctions weighed on federal oil and gas revenues, which fell by 24% y-o-y. In 2026-Q1, oil and gas revenues slumped even more drastically, by 45% y-o-y. The conflict in the Middle East materially changed that situation. Russia's official federal budget for 2026 and 2027 appeared, at the time of its adoption, optimistic both on the revenue and the expenditure side. The surge in global hydrocarbon prices now renders planned revenues attainable. However, budgeted expenditures in the context of Russia's ongoing war of aggression seem unrealistically low and are expected to see upward deviations. In combination these forces would result in a projected general government deficit of 2.2% for 2026 and 2.8% for 2027, which would cause general government gross debt to increase to 18.9% in 2026 and 21.2% in 2027.

Risks to the Russian economic outlook remain substantial

The key upside risk to Russian growth is a longer conflict or a larger fallout on the energy infrastructure in the Middle East, which would generate more windfall gains. On the downside, more damage to the Russian hydrocarbon infrastructure due to Ukrainian attacks would deteriorate economic prospects. In addition, the Russian debt levels rose considerably over the last years due to high interest rates and tightening sanctions, which could weigh on growth in case a credit event is triggered. Furthermore, if inflation remains more entrenched than expected, renewed monetary tightening would weigh further on growth.

Table III.42.1: **Main features of country forecast - RUSSIA**

	2025			Annual percentage change					
	bn RUB	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		214261.0	100.0	2.3	-1.4	4.1	4.9	**1.0**	**1.3**	**1.1**
Private Consumption		109840.7	51.3	3.7	-2.0	8.6	6.7	**3.6**	**2.0**	**2.1**
Public Consumption		40925.5	19.1	1.0	2.0	4.0	2.2	**1.1**	**1.0**	**0.7**
Gross fixed capital formation		49472.0	23.1	3.2	6.7	11.0	8.6	**-0.4**	**0.1**	**0.6**
Exports (goods and services)		39002.1	18.2	2.5	-13.8	-11.0	3.0	**-0.9**	**0.9**	**-0.4**
Imports (goods and services)		33225.4	15.5	3.9	-14.3	13.0	0.0	**1.0**	**0.7**	**0.9**
GNI (GDP deflator)		212762.9	99.3	2.3	-1.1	4.9	5.0	**1.6**	**1.4**	**1.2**
Contribution to GDP growth:		Domestic demand		2.8	0.7	7.4	5.8	**1.9**	**1.2**	**1.3**
		Inventories		-0.1	-0.4	2.3	-0.9	**-1.2**	**0.0**	**0.0**
		Net exports		-0.3	-1.2	-5.0	0.7	**-0.4**	**0.1**	**-0.2**
Employment				0.3	0.4	-0.1	0.5	**0.1**	**0.1**	**0.1**
Unemployment rate (a)				5.9	3.9	3.2	2.5	**2.2**	**2.3**	**2.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				9.1	18.2	6.7	10.7	**4.9**	**8.0**	**3.6**
Consumer price index				7.6	13.7	5.9	8.4	**8.7**	**5.7**	**4.8**
Terms of trade goods				:	29.5	-16.6	-0.5	**-1.7**	**15.4**	**-8.9**
Trade balance (goods) (c)				9.3	13.6	6.0	6.1	**4.6**	**6.2**	**4.4**
Current-account balance (c)				4.4	10.4	2.4	2.9	**1.7**	**3.8**	**2.1**
General government balance (c)				1.1	-1.3	-2.2	-1.6	**-3.2**	**-2.2**	**-2.8**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				12.6	15.1	15.2	14.8	**17.5**	**18.9**	**21.2**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

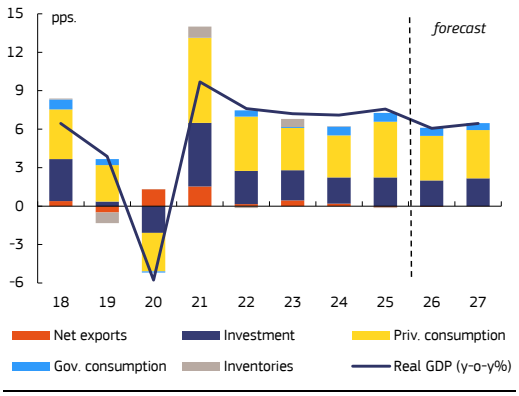
43. INDIA

Given India's significant exposure to the impacts of the conflict in the Middle East as a major energy importer, growth is set to slow to 6.1% this fiscal year as rising inflation dampens private consumption, which remains the main growth driver. Spending on public infrastructure is expected to keep supporting investment. Measures to mitigate the impact of the conflict are expected to result in a temporary fiscal worsening, while elevated inflation and pressure on the rupee could bring monetary easing to an end. The current account is set to deteriorate amid high energy prices, despite resilient services exports and support from lower US tariffs. Large downside risks include worse-than-expected disruptions from the conflict in the Middle East, as well as new tariff tensions and weather-related shocks.

Improved domestic fundamentals help cushion substantial exposure to the conflict in the Middle East

Before the escalation in the Middle East, India's economy was experiencing dynamic growth and low inflation, driven by resilient domestic demand and improved macroeconomic fundamentals. Having seen the fastest post-pandemic annual growth among G20 economies, the economy also expanded healthily in Fiscal Year (FY) 2025-26, with annual real GDP growth estimated at 7.6% (up from 7.1% in 2024-25), as moderating inflation and looser monetary policy supported private consumption (+7.7%). Likewise, investment expanded at a brisk pace (+7.1%). Growth slowed from 8.4% y-o-y in 2025-Q3 to a still strong 7.8% in Q4.

Graph III.43.1: **India - Real GDP growth and contributions**



Growth is now projected to decrease to 6.1% in FY2026-27 as the effects of the energy price shock and disruptions triggered by the conflict in the Middle East are only partly offset by a higher-than expected carryover from FY 2025-26 and the tailwinds from lower US tariffs. Growth is expected to increase to 6.4% in FY2027-28 as domestic demand benefits from slowing inflation amid an improving external environment.

In a central scenario where disruptions of domestic production are a clear risk, domestic demand is set to remain the main growth driver over the forecast horizon, supported by continued real income growth despite the energy-induced rise in inflation. Private consumption is set to slow to 6.1% in FY2026-27 amid continued employment growth, picking up to 6.6% in FY2027-28 as inflation eases. Investment is set to continue supporting growth, driven by continued public capital expenditure in transport, energy and digital infrastructure. Amid heightened uncertainty and reduced prospects for further monetary easing, private investment is expected to ease but remain robust given improved trade prospects on the back of recent free trade agreements and healthy corporate balance sheets.

External position set to deteriorate amid terms-of-trade shock

Despite strong domestic demand, the current account deficit held steady at close to 1.0% of GDP in FY2025-26. Given that India imports around 90% of its crude oil and more than half of its LNG and LPG requirements, it is particularly exposed to the conflict in the Middle East. As a result, the current account deficit is set to nearly double temporarily, to 1.9% of GDP in FY 2026-27, despite resilient IT and business services exports and broader benefits for exports due to the reduction in US tariffs and the weaker rupee. Downside risks are substantial, particularly owing to India's trade and remittance links with Gulf countries. The current account deficit is then expected to narrow to 1.5% of GDP in FY 2027-28, supported by an improvement in the external environment.

Middle East conflict brings pressure for the public finances and may end the monetary easing

Amid ongoing fiscal consolidation, the general government deficit is estimated to have reached 7.4% of GDP in FY2025-26. The federal budget presented in February 2026 targeted a slight fiscal improvement in FY 2026-2027, amid sustained revenues and expenditure growth, with a continued focus on investment (which is targeted to remain constant as a share of GDP). In response to the conflict in the Middle East, the government has established an Economic Stabilisation Fund of around 0.3% of GDP and lowered excise duties on fuels. Spending on fertiliser subsidies—which accounted for 0.5% of GDP in FY 2025-26—is set to increase, while lower economic growth could imply revenue shortfalls. Overall, the general government deficit is projected to temporarily widen slightly to 7.6% of GDP in FY2026-27 before edging down to 7.4% of GDP again in FY2027-28. Against this background, public debt is projected to come down only marginally by around 1 pp. over the forecast horizon, from 84.3% in FY 2025-26.

Inflation moderated markedly in 2025, supported by declining food prices. Consumer price inflation averaged 2.2% for the year (down from 5.0% in 2024), while inflation excluding energy and food remained at 4.6%. While the pass-through of the energy price shock from the conflict in the Middle East conflict has been limited as administered fuel prices shielded consumers, it is expected to drive the headline rate to an average of 4.6% this FY, before moderating to 4.1% in FY 2027-28, thus well within the Reserve Bank of India's inflation target range of 4% ±2pps. However, the conflict in the Middle East poses further upside risks to inflation including from energy-related supply bottlenecks, notably relating to fertilisers and food production. If a protracted Middle East conflict puts the rupee under further depreciation pressure, this would increase the need to tighten monetary policy following the easing cycle throughout 2025.

The outlook is subject to substantial risks, largely tilted to the downside. On the external side, crucially, deeper or longer-than expected disruptions relating to the conflict in the Middle East would pose upside risks to inflation while weighing on growth, public finances and current account developments, as would further worsening investor sentiment. In addition, renewed tariff tensions would pose a significant risk to India's exports while recently concluded free trade agreements—including with the EU—could also benefit India more than expected. Domestically, climate-related risks, such as the predicted weak monsoon in 2026, could weigh on rural incomes and drive food inflation, especially if exacerbated by interactions with high fertiliser prices or related shortages.

Table III.43.1: **Main features of country forecast - INDIA**

	2024			Annual percentage change					
bn INR	Curr. prices	% GDP	12-21	2022	2023	2024	2025	2026	2027
GDP	318073.1	100.0	5.7	7.6	7.2	7.1	**7.6**	**6.1**	**6.4**
Private consumption	179706.1	56.5	6.0	7.5	5.8	5.8	**7.7**	**6.1**	**6.6**
Public consumption	33953.4	10.7	4.4	4.3	0.6	6.5	**6.6**	**5.8**	**5.1**
Gross fixed capital formation	100649.3	31.6	5.5	8.4	7.3	6.4	**7.1**	**6.3**	**6.8**
Exports (goods and services)	70179.6	22.1	5.1	10.3	0.7	6.6	**6.5**	**3.9**	**5.6**
Imports (goods and services)	75869.1	23.9	3.2	8.9	-1.0	5.3	**6.4**	**3.9**	**5.0**
GNI (GDP deflator)	313981.9	98.7	10.5	7.4	7.2	7.2	**7.6**	**6.1**	**6.5**
Contribution to GDP growth:	Domestic demand		5.4	7.3	5.7	6.0	**7.3**	**6.1**	**6.5**
	Inventories		-0.2	0.1	1.1	0.9	**0.4**	**0.0**	**0.0**
	Net exports		0.5	0.2	0.4	0.2	**-0.1**	**-0.1**	**0.0**
Employment			5.1	9.5	5.8	2.0	**2.0**	**1.8**	**2.0**
Unemployment rate (a)			-	5.8	5.1	5.0	**5.1**	**5.1**	**5.1**
Compensation of employees/head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Saving rate of households			-	-	-	-	**-**	**-**	**-**
GDP deflator			4.6	5.9	3.5	2.5	**1.0**	**3.4**	**4.3**
Consumer price index (c)			0.9	6.7	5.7	4.9	**2.2**	**4.6**	**4.1**
Terms of trade goods (b)			-0.5	-3.9	1.6	-2.0	**0.2**	**-3.4**	**-0.1**
Trade balance (goods) (b)			-3.5	-7.3	-6.4	-7.0	**-7.0**	**-7.9**	**-7.6**
Current-account balance (b)			-0.3	-2.0	-0.7	-0.6	**-1.0**	**-1.9**	**-1.5**
General government balance (b)			-7.9	-9.1	-8.3	-8.1	**-7.4**	**-7.6**	**-7.4**
Structural budget balance			-	-	-	-	**-**	**-**	**-**
General government gross debt (b)			73.9	84.6	85.0	84.8	**84.3**	**84.4**	**83.4**

(a) as % of total labour force. (b) as a percentage of GDP. (c) national indicator. National accounts, Balance of Payments, and Government Finance variables are reported in fiscal years (April to March).

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	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.4	1.0	1.4	4.0	1.6	1.1	**1.0**	**0.7**	**0.9**	*1.0*	*1.1*	*1.3*
Bulgaria	2.6	1.5	2.7	4.1	1.7	3.4	**3.1**	**2.5**	**2.2**	*3.0*	*2.7*	*2.1*
Germany	1.2	1.4	0.9	1.8	-0.9	-0.5	**0.2**	**0.6**	**0.9**	*0.2*	*1.2*	*1.2*
Estonia	-0.8	2.7	3.6	-1.2	-2.7	-0.1	**0.6**	**1.6**	**1.7**	*0.6*	*2.1*	*2.0*
Ireland	-0.3	7.0	9.2	7.5	-2.5	2.6	**12.3**	**-1.2**	**3.4**	*10.7*	*0.2*	*2.9*
Greece	-3.3	-2.1	0.9	5.5	2.1	2.1	**2.1**	**1.8**	**1.6**	*2.1*	*2.2*	*1.7*
Spain	0.0	0.8	0.4	6.4	2.5	3.5	**2.8**	**2.4**	**1.9**	*2.9*	*2.3*	*2.0*
France	0.9	0.8	0.9	2.7	1.4	1.2	**0.8**	**0.8**	**1.1**	*0.7*	*0.9*	*1.1*
Croatia	-0.3	0.6	2.5	7.3	3.8	3.8	**3.4**	**2.7**	**2.5**	*3.2*	*2.9*	*2.5*
Italy	-0.6	-0.6	0.4	4.8	0.9	0.8	**0.5**	**0.5**	**0.6**	*0.4*	*0.8*	*0.8*
Cyprus	1.9	-0.5	5.1	8.7	3.6	3.9	**3.8**	**2.3**	**2.7**	*3.4*	*2.6*	*2.4*
Latvia	-2.3	3.5	2.3	1.9	-0.9	0.0	**2.1**	**1.4**	**1.6**	*1.0*	*1.7*	*1.9*
Lithuania	0.7	3.5	4.1	2.5	0.7	3.0	**2.9**	**3.0**	**2.1**	*2.4*	*3.0*	*2.2*
Luxembourg	1.8	2.9	2.4	-1.1	0.1	0.4	**0.6**	**1.6**	**2.0**	*0.9*	*1.9*	*2.2*
Malta	3.0	6.3	6.6	2.6	10.6	6.2	**4.0**	**3.7**	**3.6**	*4.0*	*3.8*	*3.5*
Netherlands	1.1	1.0	1.9	5.0	-0.6	1.1	**1.8**	**1.0**	**1.1**	*1.7*	*1.3*	*1.7*
Austria	1.2	0.9	0.9	5.3	-0.8	-0.7	**0.6**	**0.6**	**0.9**	*0.3*	*0.9*	*1.2*
Portugal	-0.1	-0.2	1.2	7.0	3.1	2.2	**1.9**	**1.7**	**1.8**	*1.9*	*2.2*	*2.1*
Slovakia	3.9	2.4	2.4	0.5	2.1	1.9	**0.8**	**0.8**	**1.5**	*0.8*	*1.0*	*1.4*
Slovenia	0.8	0.9	3.4	2.7	2.4	1.7	**1.1**	**1.9**	**2.3**	*1.0*	*2.4*	*2.6*
Finland	0.6	0.0	1.2	0.8	-1.3	0.4	**0.2**	**0.8**	**1.4**	*0.1*	*0.9*	*1.2*
Euro area (21)	0.5	0.8	1.2	3.6	0.4	0.9	**1.4**	**0.9**	**1.2**	*1.3*	*1.2*	*1.4*
Czechia	1.5	1.8	2.0	2.8	0.0	1.3	**2.6**	**1.8**	**2.4**	*2.4*	*1.9*	*2.4*
Denmark	-0.3	1.6	2.2	0.4	0.6	3.5	**2.9**	**1.9**	**1.8**	*2.0*	*2.1*	*1.7*
Hungary	-0.5	2.2	3.5	4.2	-0.8	0.7	**0.5**	**1.8**	**2.1**	*0.4*	*2.3*	*2.1*
Poland	4.4	2.7	4.1	5.3	0.2	3.2	**3.6**	**3.5**	**2.8**	*3.2*	*3.5*	*2.8*
Romania	2.1	2.5	3.8	4.2	2.3	0.9	**0.7**	**0.1**	**2.3**	*0.7*	*1.1*	*2.1*
Sweden	1.3	1.9	1.9	1.3	-0.2	1.0	**1.5**	**1.8**	**2.2**	*1.5*	*2.6*	*2.3*
EU	0.7	1.0	1.4	3.5	0.4	1.1	**1.5**	**1.1**	**1.4**	*1.4*	*1.4*	*1.5*
United Kingdom	0.2	2.1	0.7	5.1	0.3	1.1	**1.4**	**0.7**	**1.2**	*1.4*	*1.2*	*1.4*
Japan	-0.3	1.4	0.3	1.3	0.7	-0.2	**1.2**	**0.6**	**0.6**	*1.1*	*0.7*	*0.7*
United States	0.7	2.2	2.3	2.5	2.9	2.8	**2.1**	**2.2**	**2.1**	*1.8*	*1.9*	*2.1*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2025-27) 04.05.2026

	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4	2027/1	2027/2	2027/3	2027/4
Belgium	0.4	0.2	0.2	0.1	0.2	0.1	0.1	0.2	0.2	0.3	0.3	0.3
Bulgaria	0.6	0.9	0.7	0.8	0.6	0.4	0.5	0.5	0.5	0.6	0.6	0.7
Germany	0.4	-0.2	0.0	0.2	0.3	-0.2	0.0	0.1	0.3	0.3	0.3	0.3
Estonia	0.1	0.7	0.1	-0.1	0.6	0.4	0.6	0.6	0.4	0.4	0.4	0.4
Ireland	7.7	-0.6	0.0	-3.8	-2.0	:	:	:	:	:	:	:
Greece	0.4	0.5	0.7	0.8	:	:	:	:	:	:	:	:
Spain	0.5	0.7	0.6	0.8	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4
France	0.2	0.4	0.6	0.2	0.0	0.0	0.2	0.2	0.2	0.3	0.3	0.4
Croatia	0.7	0.9	0.5	1.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6
Italy	0.3	0.0	0.2	0.3	0.2	-0.1	0.0	0.1	0.2	0.2	0.2	0.2
Cyprus	1.3	0.8	0.9	1.4	:	:	:	:	:	:	:	:
Latvia	0.7	0.4	0.8	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Lithuania	0.4	0.7	0.3	1.9	-0.4	1.4	0.9	0.7	0.3	0.3	0.3	0.3
Luxembourg	0.6	0.6	1.2	-0.1	0.4	0.2	0.4	0.5	0.5	0.6	0.6	0.3
Malta	1.4	1.7	1.1	2.1	:	:	:	:	:	:	:	:
Netherlands	0.4	0.3	0.5	0.4	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.4
Austria	0.3	0.0	0.3	0.0	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.3
Portugal	-0.3	0.7	0.6	0.9	0.0	0.2	0.4	0.5	0.5	0.5	0.5	0.5
Slovakia	0.1	0.2	0.3	0.3	0.2	0.1	0.2	0.1	0.5	0.5	0.6	0.6
Slovenia	-0.6	0.9	0.9	0.4	0.5	0.1	0.4	0.5	0.6	0.7	0.7	0.7
Finland	0.1	-0.1	-0.1	0.3	0.9	-0.1	-0.1	-0.1	0.6	0.6	0.6	0.6
Euro area (21)	0.6	0.1	0.3	0.2	0.1	0.1	0.2	0.3	0.3	0.3	0.4	0.4
Czechia	0.7	0.4	0.8	0.7	0.2	0.5	0.3	0.3	0.9	0.6	0.7	0.7
Denmark	-0.7	1.2	2.3	0.2	-0.2	0.2	0.3	0.4	0.5	0.5	0.5	0.5
Hungary	-0.2	0.6	0.1	0.2	0.8	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Poland	0.7	0.9	1.2	1.1	:	:	:	:	:	:	:	:
Romania	-0.5	1.0	-0.1	-1.8	:	:	:	:	:	:	:	:
Sweden	-0.2	0.9	0.7	0.4	-0.2	0.7	0.7	0.6	0.5	0.5	0.5	0.5
EU	0.5	0.3	0.4	0.2	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.4
United Kingdom	0.7	0.2	0.1	0.1	0.2	0.3	0.3	0.3	0.2	0.4	0.3	0.5
Japan	0.3	0.6	-0.7	0.3	0.2	0.2	0.3	0.3	0.1	0.1	0.1	0.0
United States	-0.2	0.9	1.1	0.1	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2025-27) **04.05.2026**

	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4	2027/1	2027/2	2027/3	2027/4
Belgium	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.7	0.7	0.9	1.0	1.2
Bulgaria	3.5	3.3	3.1	3.0	3.0	2.5	2.3	2.0	1.9	2.1	2.2	2.4
Germany	0.3	0.4	0.3	0.4	0.3	0.4	0.4	0.2	0.2	0.6	1.0	1.2
Estonia	-0.4	0.7	1.0	0.8	1.3	1.1	1.5	2.3	2.1	2.0	1.7	1.4
Ireland	18.4	18.1	11.1	3.0	-6.3	:	:	:	:	:	:	:
Greece	2.4	1.7	2.1	2.4	:	:	:	:	:	:	:	:
Spain	3.1	2.9	2.7	2.6	2.7	2.5	2.3	2.1	2.0	2.0	2.0	1.9
France	0.6	0.8	1.0	1.3	1.1	0.8	0.4	0.5	0.7	0.9	1.0	1.2
Croatia	3.8	3.5	2.9	3.6	3.5	3.2	3.2	2.3	2.2	2.2	2.1	2.1
Italy	0.6	0.4	0.7	0.9	0.7	0.6	0.4	0.1	0.2	0.5	0.7	0.8
Cyprus	3.4	3.6	3.6	4.5	:	:	:	:	:	:	:	:
Latvia	1.9	1.7	2.3	2.5	2.2	2.0	1.5	1.2	1.1	1.2	1.4	1.5
Lithuania	3.0	3.2	2.2	3.3	2.5	3.1	3.7	2.5	3.3	2.2	1.6	1.2
Luxembourg	-2.4	-0.6	3.2	2.4	2.2	1.8	1.0	1.5	1.7	2.0	2.3	2.1
Malta	3.2	2.5	3.8	6.4	:	:	:	:	:	:	:	:
Netherlands	2.4	1.6	1.6	1.6	1.3	1.0	0.8	0.6	0.9	1.1	1.2	1.4
Austria	0.4	0.7	1.1	0.7	0.6	0.7	0.5	0.7	0.7	0.9	1.0	1.0
Portugal	1.6	1.7	2.2	1.9	2.3	1.8	1.6	1.1	1.6	1.9	1.9	1.9
Slovakia	0.8	0.7	0.9	0.9	0.9	0.8	0.8	0.6	0.9	1.3	1.7	2.2
Slovenia	-0.5	1.0	1.8	1.6	2.8	2.0	1.5	1.6	1.7	2.2	2.5	2.7
Finland	0.7	0.3	-0.4	0.1	0.9	0.9	1.0	0.5	0.3	1.0	1.7	2.5
Euro area (21)	1.6	1.6	1.4	1.3	0.8	0.7	0.6	0.7	0.8	1.1	1.3	1.4
Czechia	2.4	2.6	2.8	2.7	2.1	2.2	1.7	1.2	2.0	2.2	2.6	3.0
Denmark	2.6	2.0	4.0	3.1	3.6	2.7	0.7	0.8	1.4	1.7	1.9	2.0
Hungary	-0.3	0.4	0.9	0.7	1.7	1.6	1.8	2.1	1.9	2.0	2.2	2.3
Poland	3.6	2.9	4.2	3.9	:	:	:	:	:	:	:	:
Romania	0.6	2.1	1.4	-1.4	:	:	:	:	:	:	:	:
Sweden	0.6	2.3	2.4	1.9	1.9	1.6	1.6	1.8	2.5	2.3	2.1	1.9
EU	1.7	1.7	1.7	1.4	1.0	0.9	0.8	0.9	1.1	1.3	1.5	1.6
United Kingdom	1.8	1.4	1.3	1.0	0.5	0.6	0.8	1.1	1.1	1.1	1.1	1.3
Japan	1.6	2.0	0.7	0.5	0.5	0.1	1.0	0.9	0.8	0.7	0.5	0.3
United States	2.0	2.1	2.3	2.0	2.7	2.3	1.7	2.1	2.1	2.0	2.0	2.1

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 4: Gross domestic product per capita (percentage change on preceding year, 2007-2027) **04.05.2026**

	5-year averages						Spring 2026 Forecast			*Autumn 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2025*	*2026*	*2027*
Belgium	0.4	0.5	0.9	3.2	0.7	0.5	**0.5**	**0.3**	**0.6**	*0.5*	*0.7*	*0.9*
Bulgaria	3.5	2.8	3.8	4.8	2.0	3.5	**3.4**	**2.7**	**2.5**	*3.1*	*2.8*	*2.4*
Germany	1.4	1.0	0.9	1.2	-1.8	-0.8	**0.2**	**0.7**	**1.0**	*0.1*	*1.2*	*1.3*
Estonia	-0.5	2.9	3.4	-1.4	-5.2	-0.7	**0.9**	**1.4**	**1.7**	*0.8*	*2.4*	*2.3*
Ireland	-1.7	6.2	7.7	5.3	-4.3	0.9	**10.6**	**-2.4**	**2.3**	*9.1*	*-0.8*	*2.0*
Greece	-3.5	-1.5	1.1	6.1	2.4	2.2	**2.0**	**1.8**	**1.7**	*2.1*	*2.3*	*1.8*
Spain	-1.1	0.9	0.0	5.4	1.3	2.4	**1.9**	**1.5**	**1.1**	*1.7*	*1.2*	*1.1*
France	0.4	0.3	0.5	2.3	1.2	0.9	**0.6**	**0.6**	**0.9**	*0.4*	*0.7*	*0.8*
Croatia	-0.2	1.4	3.7	7.8	3.7	3.5	**3.1**	**2.6**	**2.6**	*3.0*	*2.9*	*2.6*
Italy	-1.1	-0.6	0.8	5.0	1.0	0.8	**0.6**	**0.6**	**0.7**	*0.5*	*0.9*	*0.9*
Cyprus	-0.7	-0.8	3.8	6.7	1.6	2.1	**2.2**	**0.9**	**1.8**	*2.0*	*1.4*	*1.3*
Latvia	-0.9	4.6	3.1	1.8	-0.7	0.9	**3.6**	**2.7**	**2.4**	*2.2*	*2.8*	*2.9*
Lithuania	2.3	4.6	4.6	1.6	-0.7	2.4	**2.9**	**3.2**	**2.3**	*2.3*	*3.3*	*2.4*
Luxembourg	-0.1	0.5	0.5	-3.2	-1.8	-1.2	**-0.6**	**0.3**	**0.6**	*-0.5*	*0.4*	*0.6*
Malta	2.5	4.5	3.9	-0.1	6.3	3.3	**1.5**	**1.3**	**1.3**	*1.1*	*1.4*	*1.2*
Netherlands	0.6	0.6	1.3	4.0	-1.6	0.4	**1.3**	**0.5**	**0.7**	*1.2*	*0.8*	*1.2*
Austria	0.9	0.1	0.5	4.2	-1.6	-1.2	**0.3**	**0.3**	**0.7**	*0.0*	*0.6*	*1.0*
Portugal	-0.2	0.3	1.1	6.4	2.0	1.1	**0.8**	**1.1**	**1.2**	*1.2*	*1.6*	*1.5*
Slovakia	3.8	2.3	2.4	0.2	2.1	1.9	**0.9**	**0.9**	**1.7**	*1.0*	*1.2*	*1.7*
Slovenia	0.4	0.7	3.0	2.6	1.8	1.4	**0.8**	**1.8**	**2.2**	*0.7*	*2.2*	*2.4*
Finland	0.1	-0.4	1.0	0.5	-1.7	-0.4	**-0.2**	**0.6**	**1.2**	*-0.3*	*0.7*	*1.0*
Euro area (21)	0.2	0.7	1.1	3.2	-0.2	0.5	**1.1**	**0.7**	**1.0**	*0.9*	*1.0*	*1.2*
Czechia	1.1	1.7	2.0	0.4	-1.0	1.1	**2.6**	**1.6**	**2.3**	*2.2*	*1.7*	*2.3*
Denmark	-0.8	1.0	1.8	-0.4	-0.1	3.0	**2.4**	**1.6**	**1.4**	*1.6*	*1.7*	*1.4*
Hungary	-0.3	2.6	3.7	4.4	-0.7	1.0	**1.0**	**2.0**	**2.3**	*0.6*	*2.5*	*2.3*
Poland	4.5	2.8	4.7	3.0	0.6	3.5	**4.0**	**3.7**	**3.0**	*3.5*	*3.7*	*3.0*
Romania	3.2	2.9	4.4	4.7	2.2	0.9	**0.8**	**0.1**	**2.3**	*0.9*	*1.2*	*2.1*
Sweden	0.5	0.9	0.9	0.2	-0.9	0.7	**1.1**	**1.6**	**2.1**	*1.2*	*2.4*	*2.2*
EU	0.4	0.9	1.4	2.9	-0.1	0.8	**1.3**	**0.9**	**1.3**	*1.1*	*1.2*	*1.4*
United Kingdom	-0.5	1.4	0.3	4.1	-1.0	0.0	**1.1**	**0.0**	**0.5**	*0.7*	*0.5*	*0.7*
Japan	-0.3	1.5	0.5	1.8	1.4	0.0	**1.7**	**1.1**	**1.1**	*1.7*	*1.3*	*1.2*
United States	-0.1	1.4	1.8	2.0	2.1	1.9	**1.6**	**1.9**	**1.8**	*1.3*	*1.4*	*1.6*

Table 5: Domestic demand, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.8	1.3	0.8	4.4	0.9	1.4	**1.3**	**0.7**	**0.9**	1.3	1.3	1.4
Bulgaria	0.6	0.9	4.2	5.9	-2.1	4.8	**7.7**	**2.4**	**1.8**	4.8	2.6	2.5
Germany	1.1	1.3	1.2	3.1	-0.9	0.2	**1.9**	**1.2**	**1.2**	1.6	1.8	1.6
Estonia	-2.8	3.9	4.3	-1.3	-2.7	-0.1	**1.8**	**3.1**	**2.1**	1.7	4.0	2.1
Ireland	-2.5	8.2	1.5	7.7	8.0	-9.8	**14.8**	**2.4**	**2.4**	11.1	3.9	2.2
Greece	-4.2	-2.4	1.6	7.7	1.0	3.8	**0.7**	**2.4**	**1.3**	1.1	2.8	1.6
Spain	-1.3	0.1	1.0	4.1	1.6	3.4	**3.7**	**2.9**	**2.1**	3.5	2.4	2.0
France	1.1	0.9	1.0	2.8	0.4	-0.1	**1.4**	**0.6**	**1.0**	1.1	0.6	1.0
Croatia	-1.2	0.1	3.1	7.7	1.8	7.4	**4.3**	**3.1**	**2.6**	4.5	3.5	2.7
Italy	-0.6	-1.1	0.5	5.6	0.3	0.6	**1.3**	**0.8**	**0.6**	1.1	1.1	0.8
Cyprus	1.9	-1.1	4.3	8.8	6.7	2.8	**1.4**	**2.3**	**2.6**	3.5	2.9	2.3
Latvia	-4.1	2.3	3.7	1.2	0.3	-1.3	**5.8**	**1.8**	**1.8**	4.2	1.9	2.4
Lithuania	-0.7	3.4	2.5	3.0	-1.0	2.9	**5.7**	**4.1**	**2.3**	4.6	4.1	2.2
Luxembourg	3.1	2.3	3.3	0.2	0.9	2.4	**1.9**	**1.3**	**2.6**	1.7	2.3	2.6
Malta	1.8	5.3	5.8	9.5	2.0	4.9	**3.6**	**3.3**	**3.7**	4.8	3.2	3.4
Netherlands	0.7	0.7	2.0	5.0	-1.3	1.4	**1.7**	**0.9**	**1.2**	2.0	1.6	1.8
Austria	1.1	0.9	1.2	4.1	-3.0	-1.1	**1.3**	**0.5**	**0.8**	1.4	1.0	1.1
Portugal	-0.8	-0.6	1.9	4.7	2.2	2.9	**3.7**	**2.3**	**1.9**	3.1	2.8	2.4
Slovakia	2.4	1.5	2.4	1.8	-5.0	4.3	**0.6**	**0.5**	**0.6**	1.5	0.9	1.1
Slovenia	0.2	-0.3	3.8	3.9	0.0	3.3	**2.6**	**2.8**	**2.5**	3.2	2.5	2.6
Finland	1.3	0.4	1.0	2.7	-3.9	-0.1	**-0.3**	**1.7**	**1.2**	0.0	1.3	1.4
Euro area (21)	0.3	0.6	1.2	4.0	0.0	0.6	**2.2**	**1.3**	**1.2**	1.9	1.6	1.5
Czechia	1.0	1.4	2.8	3.3	-2.5	0.6	**3.2**	**2.3**	**2.5**	2.9	2.5	2.5
Denmark	-0.6	1.9	2.7	-0.3	-3.7	1.2	**0.6**	**2.1**	**2.1**	1.5	2.0	2.1
Hungary	-2.2	1.7	4.9	4.3	-5.4	0.0	**2.3**	**2.3**	**2.0**	1.4	2.9	2.3
Poland	4.4	2.1	4.2	4.8	-3.0	4.8	**4.2**	**3.9**	**2.9**	3.9	3.9	2.9
Romania	2.4	1.9	5.3	4.4	1.9	3.5	**1.1**	**-0.4**	**2.2**	1.0	0.5	2.2
Sweden	2.0	2.4	1.5	2.8	-1.9	0.9	**1.7**	**2.3**	**2.1**	1.5	2.7	2.0
EU	0.4	0.8	1.5	3.9	-0.3	0.9	**2.2**	**1.5**	**1.4**	2.0	1.8	1.6
United Kingdom	0.0	2.7	0.6	4.9	0.4	1.6	**2.0**	**0.9**	**1.1**	2.0	1.5	1.4
Japan	-0.5	1.4	0.2	1.8	0.0	-0.2	**1.5**	**0.9**	**0.9**	1.4	0.8	0.7
United States	0.2	2.3	2.6	2.7	2.4	3.1	**2.3**	**2.0**	**2.1**	2.2	1.5	2.2

Table 6: Final demand, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.8	2.0	2.0	3.8	-3.0	0.0	**0.6**	**0.7**	**1.3**	0.3	1.4	1.6
Bulgaria	2.3	2.8	3.5	8.3	-1.2	3.6	**4.1**	**2.5**	**2.3**	2.8	2.7	2.7
Germany	1.6	1.7	1.3	3.4	-1.0	-0.5	**1.2**	**0.9**	**1.1**	1.1	1.5	1.6
Estonia	1.2	3.4	5.0	1.7	-5.7	-0.7	**3.2**	**2.5**	**1.9**	1.9	3.1	2.3
Ireland	0.6	11.0	7.4	10.7	-0.4	2.6	**11.2**	**0.7**	**3.3**	7.8	1.5	3.3
Greece	-3.5	-1.2	2.1	7.3	1.4	3.0	**1.0**	**2.2**	**1.8**	1.3	2.7	2.0
Spain	-0.6	1.0	0.7	6.7	1.8	3.3	**3.7**	**2.4**	**2.2**	3.6	2.4	2.0
France	1.2	1.4	0.9	4.3	1.0	0.6	**1.4**	**0.6**	**1.3**	1.1	0.9	1.4
Croatia	-1.0	1.6	3.3	14.0	0.6	5.4	**3.2**	**2.8**	**2.6**	3.5	3.2	2.7
Italy	-0.6	-0.4	0.7	6.6	0.2	0.3	**1.3**	**0.8**	**0.9**	0.9	1.2	1.1
Cyprus	2.1	1.0	7.2	18.0	2.4	4.3	**3.2**	**1.8**	**2.9**	3.5	2.3	2.6
Latvia	-1.4	3.2	3.7	5.2	-2.8	-0.7	**3.6**	**1.8**	**1.8**	2.8	2.1	2.4
Lithuania	1.6	3.9	5.4	7.0	-2.1	2.8	**5.5**	**3.4**	**2.5**	4.0	3.5	2.5
Luxembourg	2.5	4.2	4.2	1.2	0.6	-8.7	**1.4**	**1.8**	**2.5**	1.1	2.2	2.6
Malta	3.4	7.5	7.6	10.8	3.9	5.7	**4.2**	**3.3**	**3.3**	4.1	3.5	3.2
Netherlands	1.5	2.4	2.7	4.7	-2.1	0.6	**2.0**	**1.1**	**1.3**	2.0	1.5	1.8
Austria	1.5	1.3	1.6	6.0	-2.1	-1.5	**0.9**	**0.9**	**1.3**	0.7	1.3	1.6
Portugal	-0.1	0.9	1.8	8.3	2.9	3.0	**2.6**	**1.8**	**2.0**	2.5	2.4	2.4
Slovakia	3.5	3.6	2.6	2.3	-2.9	2.3	**2.1**	**0.8**	**2.0**	2.4	1.0	2.0
Slovenia	1.4	1.7	4.4	5.6	-0.9	2.8	**1.5**	**2.3**	**2.3**	1.7	2.6	2.8
Finland	0.9	0.5	1.5	3.2	-3.1	0.4	**0.8**	**1.8**	**1.6**	0.3	1.6	1.9
Euro area (21)	0.8	1.6	1.7	5.1	-0.4	0.6	**2.1**	**1.1**	**1.5**	1.8	1.5	1.7
Czechia	2.8	2.8	2.5	4.1	-0.5	1.0	**3.5**	**2.3**	**2.5**	3.1	2.3	2.5
Denmark	0.2	2.1	2.7	2.4	1.3	3.7	**1.7**	**2.3**	**2.3**	1.4	2.8	2.2
Hungary	1.2	3.1	4.3	7.1	-2.1	-0.2	**0.8**	**1.8**	**2.6**	0.6	3.3	3.1
Poland	4.9	3.3	5.0	5.8	-0.4	3.7	**4.7**	**3.5**	**2.9**	3.3	3.4	2.9
Romania	4.1	4.1	4.9	5.8	1.0	1.9	**1.9**	**0.1**	**2.3**	1.6	1.1	2.4
Sweden	1.8	2.5	2.3	3.9	-0.3	1.5	**2.5**	**1.7**	**2.1**	2.7	2.6	2.2
EU	1.0	1.8	2.0	5.0	-0.4	0.9	**2.2**	**1.3**	**1.7**	1.9	1.7	1.9
United Kingdom	0.3	2.6	0.4	7.1	-0.2	1.6	**2.0**	**0.9**	**1.1**	2.2	1.5	1.5
Japan	-0.3	1.7	0.4	2.3	0.5	0.0	**1.7**	**0.8**	**0.9**	1.7	0.9	0.9
United States	0.7	2.3	2.4	3.2	2.5	3.1	**2.2**	**2.0**	**2.1**	2.0	1.5	2.2

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.9	1.4	0.6	3.7	1.1	2.0	**1.7**	**0.6**	**1.1**	2.1	1.3	1.4
Bulgaria	2.9	1.2	4.0	4.0	1.1	4.9	**7.8**	**2.4**	**2.2**	5.8	2.6	2.3
Germany	0.4	1.3	-0.1	6.5	-0.7	0.5	**1.6**	**0.6**	**0.7**	1.1	1.2	1.0
Estonia	-1.8	4.6	3.5	2.9	-1.3	0.1	**-0.1**	**1.8**	**2.5**	0.5	2.6	2.7
Ireland	0.0	1.7	1.9	10.8	4.4	3.0	**2.9**	**2.2**	**2.3**	2.9	2.5	2.3
Greece	-1.8	-2.4	1.2	9.3	2.3	2.4	**2.0**	**1.6**	**1.7**	1.8	1.9	1.8
Spain	-0.6	0.2	0.0	4.9	1.8	3.1	**3.4**	**2.9**	**2.0**	3.4	2.3	1.9
France	1.3	0.9	0.5	3.3	0.7	1.1	**0.4**	**0.2**	**0.7**	0.4	0.6	0.8
Croatia	-0.4	-0.6	3.1	6.9	3.3	6.0	**2.5**	**3.0**	**2.8**	4.2	3.8	3.2
Italy	0.0	-0.6	-0.8	5.3	0.5	1.2	**1.1**	**0.5**	**0.6**	0.6	1.1	1.0
Cyprus	2.9	-0.4	2.7	8.9	6.0	4.0	**3.3**	**2.0**	**2.6**	2.4	2.0	2.0
Latvia	-3.0	3.8	1.8	5.1	-0.9	0.1	**0.8**	**1.6**	**1.9**	0.3	1.8	2.6
Lithuania	-0.8	3.7	2.8	1.9	-0.1	3.1	**2.1**	**4.6**	**2.2**	2.6	5.6	2.1
Luxembourg	2.4	2.5	2.2	6.6	3.8	3.2	**2.3**	**1.6**	**2.1**	1.4	1.8	1.9
Malta	1.7	2.8	4.3	9.5	12.8	5.8	**3.3**	**3.3**	**3.5**	3.6	3.8	3.8
Netherlands	0.2	0.5	0.7	6.9	0.7	1.1	**1.5**	**0.7**	**1.0**	1.6	1.6	1.6
Austria	1.1	0.7	0.1	5.4	-0.2	1.0	**0.5**	**0.5**	**0.6**	0.7	0.7	0.9
Portugal	0.0	-0.1	1.1	5.6	2.4	3.0	**3.5**	**1.9**	**2.3**	3.5	2.6	2.9
Slovakia	2.8	1.6	3.3	4.9	-2.9	3.5	**0.2**	**-0.1**	**1.2**	1.1	0.7	1.2
Slovenia	2.6	0.2	3.1	3.9	0.0	3.8	**1.7**	**2.1**	**2.8**	2.8	2.5	3.2
Finland	1.5	0.7	0.3	0.9	-0.3	-0.2	**-0.2**	**0.6**	**1.2**	-1.4	1.2	1.4
Euro area (21)	0.4	0.6	0.2	5.3	0.5	1.4	**1.5**	**0.9**	**1.0**	1.3	1.3	1.3
Czechia	1.8	1.7	1.7	0.5	-2.6	2.4	**3.0**	**2.9**	**2.7**	3.3	3.2	3.2
Denmark	0.0	1.4	2.5	-2.2	-2.5	1.0	**2.3**	**1.9**	**2.1**	2.0	2.0	2.0
Hungary	-1.6	1.9	4.2	6.6	-2.2	7.3	**3.1**	**2.9**	**1.9**	3.5	3.7	2.4
Poland	4.4	2.3	3.4	5.2	-0.3	2.9	**3.7**	**3.3**	**2.8**	3.5	3.1	2.7
Romania	2.8	2.5	5.3	5.4	2.5	5.7	**0.5**	**-1.9**	**2.8**	0.7	-0.8	2.4
Sweden	2.2	2.4	1.5	2.8	-1.6	0.8	**1.6**	**2.1**	**2.4**	1.7	2.9	2.7
EU	0.6	0.8	0.6	5.0	0.3	1.6	**1.7**	**1.1**	**1.3**	1.5	1.5	1.5
United Kingdom	0.3	2.7	-0.3	7.6	-0.4	-0.2	**1.0**	**0.6**	**1.2**	1.0	1.3	1.6
Japan	0.1	0.8	-0.6	2.3	0.1	-0.6	**1.5**	**0.8**	**0.7**	1.2	1.0	0.8
United States	1.0	2.3	2.6	3.0	2.6	2.9	**2.6**	**2.1**	**2.1**	2.4	1.6	1.8

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.5	0.6	1.5	3.0	2.6	1.5	**1.6**	**0.6**	**0.1**	1.5	1.5	1.3
Bulgaria	-0.2	0.5	4.1	8.0	1.1	3.6	**7.0**	**2.9**	**2.3**	2.0	2.6	2.7
Germany	2.2	2.3	2.7	0.6	-0.2	2.6	**1.3**	**2.3**	**1.5**	2.3	2.4	1.3
Estonia	1.8	2.6	2.8	-1.6	0.6	1.8	**2.6**	**2.7**	**0.6**	1.7	3.3	0.3
Ireland	0.3	1.1	6.5	3.7	6.4	4.8	**3.9**	**4.8**	**3.9**	3.9	4.5	3.1
Greece	-1.4	-1.9	0.5	0.0	2.8	-2.6	**0.3**	**1.2**	**0.2**	1.5	2.5	0.9
Spain	3.0	-0.8	2.5	0.8	4.5	2.9	**2.4**	**1.7**	**1.8**	1.7	1.8	1.7
France	1.7	1.4	1.1	2.7	1.4	1.4	**1.6**	**1.5**	**1.5**	1.0	0.1	1.1
Croatia	2.1	0.3	2.6	2.4	6.9	7.2	**4.1**	**3.2**	**2.3**	4.7	3.0	2.3
Italy	-0.1	-0.6	0.5	0.8	1.0	1.5	**0.6**	**0.3**	**0.2**	0.7	0.6	-0.2
Cyprus	3.6	-2.6	7.1	5.5	2.9	1.6	**2.0**	**2.5**	**2.0**	4.7	3.6	3.0
Latvia	-2.2	2.0	3.8	0.4	2.5	-0.4	**7.0**	**0.4**	**0.3**	1.4	0.2	0.4
Lithuania	-0.5	0.5	-0.1	1.9	0.0	1.6	**1.0**	**0.1**	**0.1**	0.6	0.1	0.1
Luxembourg	3.0	2.4	4.9	4.0	1.6	4.9	**3.7**	**3.3**	**3.1**	5.2	2.8	2.9
Malta	2.8	6.1	8.4	-0.2	3.7	4.8	**5.9**	**4.6**	**3.9**	6.9	4.1	3.1
Netherlands	2.3	0.2	2.4	1.3	2.8	3.6	**1.9**	**1.7**	**1.5**	2.5	1.8	2.3
Austria	1.4	0.7	1.9	0.0	0.6	3.8	**2.4**	**0.3**	**0.2**	2.9	1.0	0.7
Portugal	-0.3	-0.9	1.4	1.7	1.8	1.5	**1.6**	**2.1**	**1.1**	1.6	1.7	1.3
Slovakia	2.2	2.3	1.6	-2.9	-2.5	4.0	**1.1**	**0.6**	**0.1**	2.2	-0.2	1.1
Slovenia	1.6	0.0	3.1	-0.6	2.1	7.3	**1.6**	**4.4**	**1.8**	2.6	2.1	1.4
Finland	0.8	0.7	1.9	-0.6	4.2	2.0	**-0.2**	**-0.2**	**0.4**	-0.3	0.4	0.2
Euro area (21)	1.5	0.9	1.9	1.3	1.5	2.3	**1.6**	**1.6**	**1.3**	1.8	1.5	1.2
Czechia	0.3	1.1	2.7	0.4	3.2	3.1	**2.1**	**1.4**	**2.1**	1.5	1.4	1.4
Denmark	1.7	1.0	1.1	-2.4	0.2	1.0	**1.5**	**2.5**	**1.4**	3.7	2.1	1.5
Hungary	-0.1	1.9	2.5	2.7	3.9	-2.8	**2.4**	**1.7**	**0.4**	1.1	1.6	0.6
Poland	2.3	2.1	4.5	0.6	4.5	8.7	**5.3**	**2.8**	**1.7**	4.7	3.6	2.2
Romania	0.1	1.9	3.5	-1.4	4.0	1.2	**-2.6**	**-1.6**	**0.2**	-0.6	-1.7	0.9
Sweden	1.3	2.0	0.6	0.7	1.0	1.2	**0.7**	**2.2**	**1.2**	0.4	1.5	0.4
EU	1.5	1.0	2.0	1.1	1.6	2.4	**1.7**	**1.7**	**1.3**	1.8	1.5	1.2
United Kingdom	0.9	1.1	2.1	0.1	2.1	2.9	**1.7**	**1.8**	**1.1**	2.4	2.4	1.0
Japan	1.6	1.5	1.9	1.6	-0.2	1.6	**1.0**	**1.2**	**1.1**	0.3	1.1	0.9
United States	1.0	-0.1	1.7	-1.3	3.0	3.3	**0.6**	**0.8**	**1.3**	0.7	0.6	1.5

Table 9: Total investment, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.4	2.3	1.5	2.5	3.0	2.1	**0.1**	**1.1**	**1.6**	-1.0	1.2	1.5
Bulgaria	-2.2	0.3	1.0	6.5	10.2	1.5	**11.4**	**2.1**	**0.4**	5.5	3.0	3.0
Germany	1.5	1.5	1.2	-0.1	-2.0	-3.3	**-0.2**	**1.8**	**2.4**	-0.8	3.5	3.8
Estonia	-4.4	2.4	10.2	-14.4	2.3	-6.5	**3.2**	**7.4**	**2.6**	4.3	7.9	2.6
Ireland	-9.0	23.6	-1.1	2.8	13.4	-28.5	**42.6**	**1.5**	**1.8**	34.4	2.0	1.9
Greece	-12.2	-5.9	4.7	22.1	6.5	4.5	**8.9**	**7.3**	**1.3**	6.9	7.1	1.5
Spain	-6.2	0.1	2.2	4.2	5.9	3.6	**5.8**	**4.4**	**2.8**	5.6	3.4	2.5
France	0.1	0.4	2.9	-0.4	0.4	-1.1	**0.5**	**0.5**	**1.2**	-0.1	1.0	1.5
Croatia	-4.3	1.0	3.3	10.7	22.7	5.3	**6.1**	**3.0**	**2.5**	4.8	3.2	2.0
Italy	-2.8	-2.7	4.1	7.4	10.1	-3.1	**3.5**	**1.7**	**0.7**	2.6	2.1	1.2
Cyprus	-2.6	-1.6	5.8	12.5	15.4	-2.0	**0.0**	**2.9**	**3.2**	5.6	4.6	2.4
Latvia	-7.7	-0.2	5.5	0.3	5.0	-7.0	**9.8**	**3.0**	**3.0**	10.5	3.8	3.7
Lithuania	-2.4	3.9	7.8	4.4	11.3	-1.7	**8.0**	**5.8**	**4.5**	5.1	4.0	4.0
Luxembourg	4.9	1.0	4.0	-13.9	-5.1	-2.7	**-0.5**	**-1.7**	**2.9**	-1.8	2.8	3.7
Malta	1.7	10.8	6.9	14.4	-15.8	4.0	**-0.1**	**2.0**	**4.0**	6.0	1.0	3.0
Netherlands	-0.1	1.1	3.2	3.4	1.5	-0.5	**1.1**	**0.5**	**1.4**	0.8	0.9	1.6
Austria	0.5	1.7	2.6	-0.3	-1.3	-4.3	**1.4**	**0.7**	**1.8**	1.5	1.7	2.2
Portugal	-3.7	-2.4	5.6	3.3	6.0	4.3	**3.6**	**3.9**	**1.6**	3.3	4.4	2.1
Slovakia	2.4	0.5	0.6	4.3	4.0	1.6	**2.2**	**1.4**	**-0.5**	3.1	2.5	0.7
Slovenia	-5.3	-1.5	5.7	4.7	5.5	-0.3	**4.1**	**3.0**	**2.5**	0.3	3.2	2.5
Finland	0.9	0.3	1.8	1.5	-7.1	-5.0	**0.8**	**5.5**	**2.0**	2.0	4.0	3.0
Euro area (21)	-1.4	0.8	2.4	2.1	2.5	-2.5	**3.0**	**1.8**	**1.7**	2.2	2.5	2.3
Czechia	1.2	0.8	4.1	6.3	4.2	-2.7	**2.4**	**3.1**	**2.6**	0.6	3.2	2.6
Denmark	-4.2	4.5	4.8	1.8	-3.8	3.0	**-3.5**	**2.2**	**3.0**	-2.0	1.9	2.9
Hungary	-3.0	2.4	9.0	-1.0	-5.9	-8.6	**-2.8**	**1.3**	**3.9**	-5.4	2.2	4.1
Poland	5.8	1.6	4.1	1.7	12.7	0.4	**4.4**	**6.9**	**4.8**	3.7	7.4	4.6
Romania	4.5	1.3	4.3	5.4	12.3	-2.5	**3.4**	**4.1**	**2.3**	2.7	5.4	2.6
Sweden	1.4	3.2	2.8	0.2	0.1	0.3	**2.0**	**4.1**	**2.1**	0.6	3.2	2.7
EU	-1.0	1.0	2.6	2.1	2.6	-2.2	**2.8**	**2.2**	**2.0**	2.0	2.7	2.5
United Kingdom	-1.4	5.3	0.8	6.8	0.5	1.8	**4.3**	**1.1**	**1.6**	2.8	1.6	1.7
Japan	-3.2	2.9	0.4	0.5	1.9	-0.6	**0.9**	**1.6**	**1.0**	1.9	0.9	0.8
United States	-2.3	4.3	3.3	1.9	3.8	3.5	**2.7**	**2.8**	**2.6**	2.9	1.8	3.3

Table 10: Investment in construction, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.5	1.5	1.1	-1.5	3.0	-1.8	**-1.7**	**0.8**	**1.4**	-1.2	1.2	1.4
Bulgaria	-2.0	-0.4	-4.3	10.7	2.5	1.6	**6.7**	**2.5**	**0.7**	2.6	4.0	0.7
Germany	1.3	0.7	1.1	-4.3	-5.9	-3.4	**-0.6**	**1.3**	**1.5**	-1.9	2.1	3.1
Estonia	-5.5	1.5	8.2	0.2	-0.4	-13.1	**-0.1**	**4.9**	**3.0**	-4.8	2.3	3.0
Ireland	-18.4	7.4	3.7	2.2	6.0	-4.8	**9.2**	**6.9**	**5.0**	9.6	7.6	6.8
Greece	-13.2	-9.8	-2.3	27.2	16.8	9.9	**13.8**	**9.9**	**3.2**	6.9	10.1	3.5
Spain	-8.8	-2.5	3.2	4.0	5.5	4.0	**5.2**	**4.5**	**2.7**	4.3	3.3	2.7
France	-0.6	-0.9	3.1	-2.9	-2.3	-1.9	**0.5**	**-0.5**	**0.4**	-0.5	0.5	1.5
Croatia	-5.4	-1.6	2.2	5.4	23.7	9.3	**8.0**	**3.7**	**2.4**	5.6	3.1	1.0
Italy	-3.9	-5.7	5.7	9.2	17.7	-5.7	**3.3**	**1.9**	**0.8**	2.8	2.3	0.9
Cyprus	-4.0	-7.9	13.7	5.0	2.3	4.3	**4.5**	**2.4**	**3.6**	3.5	4.1	2.5
Latvia	-9.0	-2.1	4.1	-3.1	1.0	-5.0	**9.0**	**5.0**	**3.4**	10.0	5.6	2.7
Lithuania	-3.6	1.3	6.1	8.0	13.2	0.4	**3.4**	**3.1**	**2.9**	1.9	2.9	2.9
Luxembourg	3.1	1.2	2.2	-8.1	-9.2	0.5	**-2.9**	**2.3**	**3.4**	-1.6	3.3	3.4
Malta	-0.3	3.7	12.4	-25.1	0.9	5.5	**0.2**	**1.5**	**2.7**	5.5	1.5	2.8
Netherlands	-2.3	1.3	4.2	1.6	-0.1	-2.9	**1.5**	**0.9**	**1.5**	1.6	1.4	1.6
Austria	-1.6	0.2	2.4	-2.1	-4.5	-5.9	**-2.9**	**-0.1**	**1.5**	-0.5	1.4	2.2
Portugal	-4.9	-6.2	6.2	0.9	4.5	3.1	**5.5**	**5.0**	**2.4**	5.1	5.0	2.6
Slovakia	-2.1	-1.1	2.6	4.6	8.3	-14.7	**-1.7**	**0.8**	**0.0**	3.4	3.2	0.8
Slovenia	-7.8	-4.4	5.5	6.8	9.8	-2.0	**7.5**	**6.0**	**3.8**	1.1	4.4	2.3
Finland	1.4	0.5	0.7	-0.5	-12.1	-9.4	**-0.1**	**1.9**	**2.6**	-1.1	2.0	3.0
Euro area (21)	-2.8	-1.2	2.8	-0.1	1.1	-2.6	**1.5**	**1.7**	**1.5**	0.8	2.2	2.2
Czechia	-0.6	-1.2	4.0	1.1	3.8	-2.8	**5.3**	**4.7**	**4.1**	1.9	4.7	4.1
Denmark	-6.1	3.2	5.7	-1.3	-6.6	-2.2	**-0.1**	**2.6**	**2.5**	1.8	3.4	2.2
Hungary	-5.8	-1.1	11.1	2.0	-10.8	-12.4	**-7.1**	**1.4**	**4.5**	-7.6	2.8	4.5
Poland	6.7	-0.3	4.7	1.0	8.0	-3.7	**-2.6**	**3.3**	**3.8**	-3.5	3.7	4.4
Romania	6.0	6.7	6.1	9.5	-15.3	-0.3	**7.6**	**7.4**	**2.3**	5.3	6.5	2.3
Sweden	-0.8	4.3	2.2	-0.5	-4.5	-1.0	**-1.3**	**3.5**	**1.7**	-2.3	3.8	2.7
EU	-2.5	-0.7	3.0	0.2	0.4	-2.7	**1.3**	**2.0**	**1.7**	0.6	2.5	2.4
United Kingdom	-3.7	4.9	0.8	5.8	-2.6	3.8	**6.2**	**-0.2**	**2.0**	5.7	2.1	2.0
Japan	-4.4	2.1	-0.8	-1.8	1.3	-2.4	**-1.4**	**0.7**	**0.8**	0.1	0.5	0.7
United States	-8.1	4.4	1.8	-4.3	3.2	3.3	**-2.3**	**-3.2**	**0.4**	-1.8	0.3	2.7

Table 11: Investment in equipment, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	-0.6	3.1	-0.1	5.5	5.1	6.0	**2.0**	**0.8**	**1.8**	-2.6	1.0	1.5
Bulgaria	-3.7	0.5	5.4	2.3	16.3	4.3	**15.2**	**1.1**	**-0.8**	10.1	1.7	5.1
Germany	1.0	1.8	0.5	4.7	-0.5	-5.4	**-1.9**	**1.6**	**3.1**	-1.9	5.5	4.7
Estonia	-5.0	2.8	7.3	-21.5	-1.7	7.3	**2.1**	**15.8**	**2.9**	19.3	18.4	1.8
Ireland	-0.9	10.7	0.5	21.4	4.7	-14.1	**6.8**	**0.9**	**0.8**	-2.1	-2.0	-1.6
Greece	-12.5	-1.9	9.9	23.1	0.4	0.9	**6.6**	**6.7**	**-0.3**	7.4	6.1	-0.4
Spain	-4.3	2.5	0.6	2.1	2.6	1.9	**7.4**	**3.3**	**2.7**	8.6	3.7	2.4
France	0.0	2.1	1.1	0.6	2.6	-2.9	**-1.8**	**1.9**	**2.0**	-2.6	1.1	0.9
Croatia	-3.4	3.2	4.0	16.1	17.9	0.4	**3.9**	**2.2**	**3.2**	4.4	3.7	3.6
Italy	-2.3	-1.3	3.2	3.7	3.4	-1.6	**3.5**	**1.1**	**0.5**	1.0	2.4	1.5
Cyprus	:	:	-11.3	-8.8	107.5	-4.9	**-19.4**	**-2.0**	**3.0**	1.4	3.8	1.9
Latvia	-8.0	1.5	7.6	2.4	10.1	-9.5	**13.2**	**1.2**	**2.4**	10.6	3.6	5.3
Lithuania	-3.4	8.1	10.3	0.0	12.8	-8.5	**16.5**	**11.9**	**7.8**	17.3	6.4	6.2
Luxembourg	8.2	0.5	5.8	-27.0	1.0	-11.1	**3.5**	**-12.3**	**0.4**	-3.4	0.8	3.6
Malta	1.3	20.8	-1.4	63.5	-41.5	0.3	**-7.4**	**:**	**:**	:	:	:
Netherlands	2.7	0.0	2.6	7.0	5.7	3.3	**0.0**	**-0.3**	**0.7**	-0.6	-0.1	1.6
Austria	1.3	2.6	1.9	-1.7	1.2	-4.4	**9.2**	**0.6**	**1.2**	3.6	2.2	2.1
Portugal	-4.5	4.8	4.6	7.4	11.3	7.8	**-0.2**	**2.1**	**0.4**	0.9	4.6	2.2
Slovakia	7.2	1.3	-2.4	1.6	-1.1	26.8	**2.8**	**1.9**	**-1.3**	3.2	2.0	0.7
Slovenia	-5.0	1.3	6.1	3.0	1.8	-0.1	**0.7**	**0.4**	**1.0**	0.5	1.9	2.9
Finland	0.6	3.6	2.5	3.9	-3.8	5.3	**0.3**	**14.5**	**0.2**	7.3	8.7	3.0
Euro area (21)	-0.8	1.6	1.5	4.1	2.4	-1.8	**1.6**	**1.8**	**1.7**	0.5	3.0	2.4
Czechia	3.2	1.5	2.4	12.3	7.2	-5.1	**-0.8**	**1.5**	**1.2**	-1.3	2.0	1.2
Denmark	-6.8	7.2	2.3	-8.6	0.4	13.0	**-3.5**	**5.5**	**3.3**	-4.1	-0.1	4.0
Hungary	-1.2	5.9	7.8	-3.2	-2.5	-6.1	**1.7**	**2.5**	**4.0**	-4.9	1.7	4.3
Poland	4.7	3.5	2.4	2.0	20.9	7.2	**13.2**	**9.9**	**6.1**	15.4	9.3	3.3
Romania	3.2	-4.5	-0.2	-5.4	82.8	-4.9	**-0.2**	**0.9**	**2.7**	1.2	4.8	3.1
Sweden	3.2	2.9	0.7	-1.0	3.1	2.3	**8.1**	**6.3**	**2.2**	3.9	2.9	2.1
EU	-0.4	1.7	1.6	3.4	4.5	-1.3	**2.2**	**2.4**	**2.1**	1.1	3.3	2.5
United Kingdom	-1.0	5.8	-2.9	16.3	4.0	-0.8	**-1.1**	**-0.1**	**1.2**	-2.0	0.4	1.2
Japan	-2.8	3.3	0.7	-1.8	1.9	-1.2	**4.0**	**2.3**	**1.0**	5.1	1.2	0.8
United States	1.5	3.9	1.5	2.0	3.0	3.4	**7.9**	**7.4**	**4.4**	7.7	1.6	3.2

Table 12: Public investment (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.2	2.5	2.7	2.7	2.9	3.1	**3.1**	**3.3**	**3.3**	3.2	3.2	3.3
Bulgaria	4.7	4.4	3.0	2.4	3.8	3.2	**4.5**	**4.4**	**4.0**	4.2	3.8	4.2
Germany	2.5	2.4	2.7	2.9	2.9	3.1	**3.3**	**3.5**	**3.7**	3.2	3.4	3.4
Estonia	5.6	5.3	5.5	5.4	6.5	6.2	**6.7**	**7.9**	**7.2**	6.9	8.0	7.8
Ireland	3.9	2.0	2.1	2.0	2.3	2.5	**2.7**	**3.0**	**3.0**	2.5	2.9	2.9
Greece	4.5	3.5	3.4	4.0	4.0	4.3	**4.8**	**4.8**	**5.8**	4.4	4.2	5.0
Spain	4.6	2.4	2.3	2.7	3.0	2.7	**2.9**	**3.2**	**3.0**	2.9	3.1	2.9
France	4.6	4.3	4.0	4.2	4.2	4.3	**4.4**	**4.3**	**4.3**	4.3	4.2	4.3
Croatia	5.0	3.6	4.2	4.1	5.7	5.2	**6.0**	**6.4**	**5.8**	5.7	5.6	5.4
Italy	3.2	2.4	2.4	2.6	3.2	3.6	**3.8**	**3.8**	**3.8**	3.7	3.9	3.9
Cyprus	4.2	2.7	3.2	2.4	3.1	2.8	**3.3**	**3.5**	**3.5**	3.2	3.5	3.0
Latvia	5.5	4.8	5.5	4.8	5.6	6.3	**6.3**	**7.2**	**6.7**	7.3	7.7	7.8
Lithuania	5.0	3.8	3.5	3.2	4.2	4.2	**4.1**	**4.7**	**4.5**	4.8	5.6	5.0
Luxembourg	4.1	3.7	4.2	4.3	4.7	4.7	**5.0**	**4.9**	**4.9**	4.8	4.9	4.9
Malta	2.7	3.2	3.3	3.3	3.5	3.2	**3.1**	**3.4**	**3.6**	3.7	3.6	3.5
Netherlands	4.2	3.6	3.4	3.2	3.3	3.2	**3.5**	**3.4**	**3.6**	3.4	3.5	3.6
Austria	3.2	3.0	3.2	3.4	3.7	3.9	**3.9**	**4.1**	**4.1**	4.0	4.0	4.1
Portugal	4.0	2.1	2.1	2.4	2.6	2.7	**3.0**	**4.3**	**2.8**	3.5	3.8	2.4
Slovakia	3.6	4.1	3.4	3.1	3.7	3.6	**4.5**	**4.9**	**4.5**	5.2	5.4	5.0
Slovenia	4.7	4.3	3.9	5.5	5.5	5.1	**5.6**	**5.5**	**5.1**	5.3	5.3	5.3
Finland	3.7	4.1	4.4	4.1	4.0	4.4	**4.5**	**5.5**	**5.3**	5.0	5.1	5.1
Euro area (21)	3.6	3.0	3.0	3.1	3.3	3.5	**3.6**	**3.8**	**3.8**	3.6	3.7	3.7
Czechia	5.0	4.0	4.2	4.5	4.8	4.7	**5.2**	**5.0**	**4.7**	4.8	4.8	4.7
Denmark	3.1	3.7	3.3	3.1	3.2	3.2	**3.4**	**3.8**	**3.9**	3.8	4.2	4.3
Hungary	3.6	4.6	5.8	5.3	5.4	4.4	**3.8**	**4.0**	**4.1**	4.1	4.2	4.2
Poland	5.1	4.3	4.2	3.8	5.1	4.8	**5.2**	**5.3**	**5.4**	5.0	5.4	5.6
Romania	5.8	4.5	3.4	4.3	5.4	5.9	**6.0**	**6.8**	**6.3**	6.4	6.5	6.5
Sweden	4.4	4.6	5.1	5.1	5.4	5.5	**5.9**	**6.2**	**6.2**	5.7	6.0	6.0
EU	3.7	3.2	3.2	3.3	3.6	3.7	**3.9**	**4.0**	**4.0**	3.8	4.0	4.0
United Kingdom	3.0	2.6	2.9	3.1	3.2	3.2	**3.3**	**3.6**	**3.6**	3.2	3.3	3.3
Japan	3.6	3.7	3.9	3.8	3.8	3.8	**3.8**	**3.9**	**4.0**	3.9	3.9	4.0
United States	4.0	3.3	3.4	3.2	3.3	3.4	**3.4**	**3.3**	**3.3**	3.4	3.4	3.3

Table 13: Potential GDP, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.6	1.1	1.5	1.9	2.0	1.8	**1.5**	**1.4**	**1.3**	*1.6*	*1.5*	*1.4*
Bulgaria	2.9	1.7	2.4	2.5	2.9	3.7	**3.4**	**2.9**	**2.8**	*3.3*	*2.8*	*2.7*
Germany	1.0	1.6	1.0	0.7	0.7	0.5	**0.4**	**0.4**	**0.4**	*0.4*	*0.5*	*0.6*
Estonia	1.2	2.2	3.4	0.6	0.6	-0.3	**-0.2**	**0.4**	**0.4**	*0.0*	*0.4*	*0.5*
Ireland	0.4	6.5	8.5	5.1	5.0	3.8	**4.9**	**3.9**	**3.7**	*4.5*	*3.7*	*3.5*
Greece	0.1	-2.2	-0.8	-0.2	0.4	0.9	**1.6**	**1.7**	**1.7**	*1.5*	*1.8*	*1.8*
Spain	2.0	-0.1	0.7	1.9	2.4	2.5	**2.7**	**2.7**	**2.5**	*2.8*	*2.6*	*2.4*
France	1.4	0.9	1.0	1.3	1.4	1.3	**1.2**	**1.1**	**1.0**	*1.2*	*1.1*	*1.0*
Croatia	0.9	0.6	2.0	3.7	4.6	4.6	**4.3**	**3.7**	**3.2**	*4.2*	*3.6*	*3.1*
Italy	0.2	-0.3	0.3	1.3	1.0	1.2	**0.8**	**0.9**	**0.7**	*0.9*	*0.9*	*0.9*
Cyprus	2.8	-0.2	4.4	4.8	4.9	4.4	**4.0**	**3.5**	**3.1**	*3.8*	*3.5*	*3.2*
Latvia	0.9	1.6	2.4	1.1	1.0	0.6	**0.9**	**1.1**	**1.4**	*0.9*	*1.1*	*1.5*
Lithuania	2.9	2.2	3.9	3.3	3.2	2.8	**2.4**	**2.1**	**2.1**	*2.3*	*2.1*	*2.1*
Luxembourg	2.5	2.3	2.3	1.6	1.5	1.1	**1.1**	**1.0**	**1.1**	*1.1*	*1.2*	*1.3*
Malta	3.3	6.0	6.6	6.3	6.5	5.4	**5.3**	**4.7**	**4.6**	*5.4*	*4.7*	*4.6*
Netherlands	1.3	0.9	1.9	2.0	2.0	1.8	**1.6**	**1.4**	**1.3**	*1.7*	*1.4*	*1.3*
Austria	1.2	1.1	1.2	1.1	1.3	0.8	**0.5**	**0.7**	**0.6**	*0.5*	*0.7*	*0.7*
Portugal	0.1	-0.3	1.7	2.4	2.7	2.7	**2.3**	**2.0**	**1.8**	*2.5*	*2.2*	*2.0*
Slovakia	4.5	2.3	2.0	1.4	2.2	2.3	**1.6**	**1.4**	**1.2**	*1.5*	*1.4*	*1.3*
Slovenia	2.4	0.9	2.1	2.3	2.6	2.4	**2.2**	**2.2**	**2.2**	*2.3*	*2.3*	*2.3*
Finland	0.9	0.3	0.9	0.9	0.8	0.4	**0.4**	**0.5**	**0.6**	*0.5*	*0.5*	*0.6*
Euro area (21)	1.1	0.9	1.2	1.4	1.5	1.4	**1.3**	**1.2**	**1.2**	*1.3*	*1.2*	*1.2*
Czechia	2.6	1.6	2.1	1.4	2.3	1.4	**1.6**	**1.6**	**1.5**	*1.5*	*1.5*	*1.4*
Denmark	1.2	1.2	1.9	2.6	2.5	2.4	**2.1**	**1.9**	**1.9**	*1.7*	*1.5*	*1.4*
Hungary	0.9	1.2	3.4	2.6	2.0	1.2	**1.0**	**1.1**	**1.3**	*1.0*	*1.1*	*1.2*
Poland	4.2	3.4	3.6	4.6	2.9	2.8	**3.2**	**3.1**	**3.0**	*2.9*	*2.9*	*2.8*
Romania	3.8	2.3	3.9	2.2	2.5	1.5	**0.7**	**1.3**	**1.5**	*1.3*	*1.4*	*1.5*
Sweden	1.9	1.8	2.0	1.6	1.3	1.3	**1.4**	**1.4**	**1.5**	*1.5*	*1.5*	*1.6*
EU	1.3	1.0	1.4	1.6	1.6	1.4	**1.4**	**1.3**	**1.3**	*1.4*	*1.3*	*1.3*
United Kingdom	1.2	1.6	1.3	1.0	1.4	1.4	**1.2**	**1.1**	**1.1**	*1.2*	*1.2*	*1.3*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	1.4	1.8	2.3	2.4	2.5	2.8	**2.5**	**2.3**	**2.2**	*2.4*	*2.3*	*2.2*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.5	-0.6	-1.1	1.1	0.6	-0.1	**-0.6**	**-1.3**	**-1.6**	*-0.8*	*-1.1*	*-1.2*
Bulgaria	1.0	-0.8	-0.6	2.2	1.0	0.7	**0.4**	**0.0**	**-0.6**	*0.3*	*0.2*	*-0.4*
Germany	-0.3	-0.2	0.1	0.9	-0.6	-1.6	**-1.7**	**-1.5**	**-1.0**	*-2.0*	*-1.3*	*-0.6*
Estonia	-1.9	0.2	1.2	-0.3	-3.6	-3.5	**-2.7**	**-1.4**	**-0.2**	*-3.1*	*-1.5*	*0.0*
Ireland	-1.5	0.8	-1.5	6.6	-1.0	-2.2	**4.8**	**-0.3**	**-0.6**	*3.8*	*0.3*	*-0.2*
Greece	-4.1	-16.4	-9.4	-0.7	1.0	2.2	**2.7**	**2.8**	**2.7**	*2.6*	*3.0*	*2.9*
Spain	-2.2	-6.6	-1.3	0.9	1.0	1.9	**2.0**	**1.7**	**1.2**	*1.9*	*1.5*	*1.1*
France	-0.3	-1.6	-1.1	-0.2	-0.1	-0.3	**-0.6**	**-0.9**	**-0.8**	*-0.3*	*-0.5*	*-0.4*
Croatia	1.8	-4.2	-0.6	4.0	3.2	2.4	**1.5**	**0.6**	**-0.1**	*1.3*	*0.6*	*0.0*
Italy	-0.1	-3.8	-2.8	1.6	1.5	1.1	**0.8**	**0.5**	**0.4**	*0.4*	*0.3*	*0.2*
Cyprus	1.7	-6.3	0.1	4.7	3.5	3.1	**2.9**	**1.6**	**1.3**	*2.9*	*2.1*	*1.3*
Latvia	-2.9	0.0	0.7	1.3	-0.7	-1.3	**-0.1**	**0.3**	**0.4**	*-0.5*	*0.1*	*0.5*
Lithuania	-2.3	-0.6	2.1	0.8	-1.6	-1.4	**-0.9**	**-0.1**	**-0.1**	*-1.2*	*-0.3*	*-0.2*
Luxembourg	0.5	-1.2	-0.6	-1.3	-2.7	-3.4	**-3.8**	**-3.2**	**-2.4**	*-3.8*	*-3.2*	*-2.4*
Malta	-0.1	0.1	0.6	-3.4	0.3	1.1	**-0.2**	**-1.2**	**-2.1**	*0.0*	*-0.9*	*-1.9*
Netherlands	-0.3	-2.0	-0.5	2.4	-0.2	-0.9	**-0.7**	**-1.1**	**-1.4**	*-0.9*	*-1.1*	*-0.7*
Austria	0.1	-0.8	-0.6	2.3	0.2	-1.2	**-1.1**	**-1.2**	**-0.9**	*-1.3*	*-1.2*	*-0.7*
Portugal	-0.6	-2.9	-1.0	0.7	1.1	0.7	**0.2**	**0.0**	**0.0**	*0.2*	*0.2*	*0.4*
Slovakia	1.6	-1.8	0.5	0.7	0.6	0.2	**-0.5**	**-1.1**	**-0.8**	*-0.5*	*-0.9*	*-0.8*
Slovenia	1.7	-5.9	1.3	3.2	3.0	2.3	**1.2**	**0.9**	**1.0**	*0.7*	*0.8*	*1.2*
Finland	0.4	-2.4	0.1	-0.3	-2.4	-2.4	**-2.6**	**-2.3**	**-1.6**	*-2.6*	*-2.2*	*-1.6*
Euro area (21)	-0.5	-2.3	-1.0	1.1	0.1	-0.3	**-0.2**	**-0.5**	**-0.5**	*-0.4*	*-0.4*	*-0.2*
Czechia	1.3	-1.9	0.7	0.8	-1.4	-1.5	**-0.5**	**-0.4**	**0.5**	*-0.8*	*-0.5*	*0.5*
Denmark	-0.9	-2.6	-0.6	-1.7	-3.5	-2.5	**-1.7**	**-1.7**	**-1.9**	*-1.4*	*-0.8*	*-0.5*
Hungary	-3.0	-1.9	1.8	2.5	-0.3	-0.8	**-1.3**	**-0.6**	**0.2**	*-1.8*	*-0.6*	*0.2*
Poland	2.0	-1.5	0.5	1.6	-1.0	-0.6	**-0.2**	**0.1**	**-0.1**	*-0.5*	*0.1*	*0.0*
Romania	0.4	-1.8	-0.9	-0.5	-0.8	-1.4	**-1.4**	**-2.5**	**-1.7**	*-1.7*	*-1.9*	*-1.4*
Sweden	-0.6	-0.9	-0.4	-0.1	-1.6	-1.9	**-1.8**	**-1.4**	**-0.8**	*-2.1*	*-1.0*	*-0.4*
EU	-0.4	-2.2	-0.9	1.0	-0.1	-0.5	**-0.3**	**-0.6**	**-0.5**	*-0.5*	*-0.4*	*-0.2*
United Kingdom	-1.4	-1.3	-2.2	0.8	-0.3	-0.6	**-0.4**	**-0.8**	**-0.8**	*-0.6*	*-0.6*	*-0.6*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	-1.3	-0.5	-0.5	0.0	0.4	0.4	**0.0**	**-0.1**	**-0.3**	*0.0*	*-0.4*	*-0.5*

[1] When comparing output gaps between successive forecasts it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: Deflator of gross domestic product (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.7	1.5	2.0	6.7	5.5	1.9	**2.6**	**2.2**	**2.1**	2.5	1.9	2.0
Bulgaria	5.9	1.8	5.1	15.9	8.0	7.2	**7.4**	**1.9**	**2.2**	5.8	3.5	2.5
Germany	1.3	1.7	2.0	6.4	6.7	3.1	**3.0**	**2.5**	**3.0**	3.0	2.7	2.1
Estonia	5.1	3.0	3.5	16.8	8.6	4.0	**3.8**	**3.5**	**3.2**	4.0	4.3	2.5
Ireland	-1.0	2.6	0.9	8.0	3.4	4.5	**1.0**	**2.0**	**2.1**	2.1	2.0	1.8
Greece	2.4	-1.0	0.2	6.3	6.3	3.2	**2.8**	**2.9**	**2.7**	2.8	2.5	2.3
Spain	1.3	0.2	1.5	4.7	6.2	2.9	**2.9**	**2.6**	**2.5**	2.5	2.1	2.0
France	1.3	0.8	1.4	3.0	5.0	2.1	**1.2**	**1.8**	**2.0**	1.5	1.7	1.8
Croatia	3.1	0.5	1.6	8.0	12.9	4.5	**4.7**	**4.7**	**2.9**	4.6	3.6	2.5
Italy	1.8	1.2	1.1	3.5	6.3	2.0	**2.0**	**1.9**	**2.0**	2.2	1.8	1.9
Cyprus	2.5	-0.4	1.0	6.2	5.6	3.1	**1.1**	**2.5**	**2.2**	1.6	1.7	1.9
Latvia	5.7	1.5	3.3	9.7	10.7	2.8	**3.6**	**3.1**	**2.1**	4.8	3.6	2.5
Lithuania	4.5	1.0	3.6	15.4	10.0	3.2	**3.6**	**3.4**	**3.3**	3.5	3.9	2.6
Luxembourg	3.5	1.9	2.9	6.2	6.9	4.6	**3.2**	**2.8**	**2.3**	3.0	3.0	3.1
Malta	2.4	2.6	2.2	5.1	5.2	4.1	**2.2**	**2.3**	**2.1**	2.7	2.2	2.0
Netherlands	1.2	0.9	2.4	6.2	6.3	5.7	**3.3**	**3.2**	**2.5**	3.2	3.3	2.1
Austria	1.7	2.0	1.7	5.0	7.2	4.1	**3.2**	**2.1**	**2.9**	3.6	2.8	2.6
Portugal	1.3	1.3	1.9	5.3	7.5	4.9	**3.9**	**2.8**	**2.6**	3.2	2.8	2.0
Slovakia	1.0	0.2	2.1	7.3	10.0	3.4	**4.2**	**3.7**	**2.8**	3.8	3.6	2.9
Slovenia	2.4	0.8	1.9	6.5	10.0	3.5	**3.5**	**3.6**	**2.9**	3.8	2.7	2.4
Finland	2.1	1.8	1.7	6.2	3.9	0.7	**1.5**	**2.3**	**2.0**	0.9	1.7	1.8
Euro area (21)	1.5	1.2	1.7	5.3	6.1	3.0	**2.5**	**2.3**	**2.4**	2.5	2.3	2.0
Czechia	1.5	1.6	3.4	8.7	8.6	3.9	**3.5**	**2.7**	**3.1**	3.4	3.0	2.3
Denmark	2.2	1.0	1.7	10.4	-2.1	1.5	**1.7**	**1.3**	**2.2**	1.4	1.3	1.7
Hungary	3.8	2.7	5.2	14.0	15.0	7.6	**6.3**	**3.9**	**3.1**	6.4	4.3	3.0
Poland	3.2	0.9	3.1	10.7	9.9	4.1	**2.9**	**3.2**	**2.9**	3.6	3.1	3.1
Romania	9.0	2.6	5.5	12.1	12.4	9.6	**8.2**	**7.4**	**4.8**	7.8	6.8	5.8
Sweden	2.2	1.5	2.4	6.0	5.8	3.0	**1.2**	**1.2**	**1.7**	1.6	1.4	2.2
EU	1.7	1.2	1.9	5.9	6.3	3.2	**2.6**	**2.4**	**2.5**	2.7	2.4	2.2
United Kingdom	2.2	1.5	2.3	5.7	6.3	3.9	**3.7**	**2.6**	**2.1**	3.3	2.0	1.7
Japan	-1.2	0.7	0.4	0.6	4.6	3.2	**3.4**	**1.6**	**2.2**	3.0	1.9	1.8
United States	1.7	1.6	2.4	7.1	3.7	2.5	**2.8**	**3.3**	**2.1**	2.7	2.8	2.1

Table 16: Price deflator of private consumption (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.9	1.3	1.8	10.6	6.3	1.7	**2.3**	**3.1**	**2.2**	2.0	1.6	2.0
Bulgaria	4.2	1.4	2.9	16.0	8.1	5.0	**4.9**	**2.9**	**2.6**	3.7	2.7	2.6
Germany	1.5	1.1	1.7	6.7	6.6	2.4	**2.6**	**2.9**	**3.0**	2.4	2.3	2.0
Estonia	4.7	2.0	2.8	17.5	8.8	3.4	**3.1**	**4.4**	**2.9**	3.3	3.3	2.2
Ireland	-0.6	1.1	1.4	7.5	8.7	4.1	**1.5**	**3.6**	**2.8**	2.5	2.3	2.1
Greece	2.9	-1.0	0.0	6.4	3.5	2.1	**3.4**	**3.5**	**2.2**	3.1	2.4	2.4
Spain	2.0	0.6	1.3	6.6	5.1	3.2	**2.8**	**3.3**	**2.7**	2.5	2.1	1.9
France	1.2	0.5	1.1	4.8	6.9	2.2	**0.7**	**2.5**	**1.7**	0.6	1.2	1.6
Croatia	3.0	0.7	1.3	10.6	8.7	3.4	**3.7**	**4.2**	**2.3**	3.8	2.5	2.1
Italy	1.9	0.9	1.1	6.8	5.0	1.7	**1.4**	**2.9**	**2.0**	1.8	1.4	2.0
Cyprus	2.9	-0.6	0.5	7.8	3.6	1.7	**0.4**	**3.2**	**2.0**	0.7	1.3	1.7
Latvia	5.7	0.8	2.3	13.8	7.8	3.4	**3.6**	**3.6**	**2.2**	3.6	2.2	2.4
Lithuania	5.3	0.9	2.9	18.4	8.6	1.3	**3.5**	**4.4**	**2.7**	2.5	3.1	2.2
Luxembourg	1.8	1.2	1.6	5.5	4.7	2.7	**2.1**	**3.1**	**2.0**	2.4	2.0	1.8
Malta	2.4	1.3	1.2	5.4	6.3	3.4	**2.0**	**2.6**	**2.3**	2.4	2.0	1.9
Netherlands	1.5	0.9	2.6	7.5	6.9	2.5	**2.6**	**3.0**	**2.5**	2.5	2.3	1.8
Austria	1.9	1.8	1.8	7.7	8.1	3.3	**2.7**	**3.0**	**2.5**	3.5	2.4	2.2
Portugal	1.6	1.0	1.3	7.3	4.8	2.8	**2.5**	**2.9**	**2.2**	2.2	2.1	2.1
Slovakia	2.3	0.8	2.1	11.5	10.1	3.0	**4.2**	**4.2**	**2.9**	4.1	3.9	2.9
Slovenia	2.7	0.4	1.6	9.6	7.6	2.1	**1.7**	**3.5**	**2.5**	2.5	2.3	2.2
Finland	2.4	1.4	1.2	6.5	4.3	1.0	**1.1**	**2.4**	**1.9**	1.5	1.9	2.0
Euro area (21)	1.7	0.9	1.5	6.8	6.3	2.4	**2.0**	**2.9**	**2.4**	2.0	1.9	1.9
Czechia	2.4	1.0	3.2	14.3	8.6	3.1	**3.0**	**3.7**	**2.6**	2.9	2.0	2.2
Denmark	2.2	0.8	0.9	7.8	3.0	1.8	**2.4**	**1.8**	**1.8**	1.9	1.0	1.8
Hungary	4.7	1.8	4.0	15.4	13.8	5.7	**5.7**	**4.3**	**3.2**	5.7	3.6	3.5
Poland	3.3	0.4	2.9	14.1	9.5	3.4	**3.8**	**3.4**	**2.6**	3.4	2.8	3.4
Romania	6.9	1.7	3.8	13.9	9.0	6.4	**7.6**	**7.6**	**4.0**	7.3	6.4	4.5
Sweden	1.8	0.8	1.9	6.7	6.7	2.6	**2.7**	**1.5**	**1.8**	2.3	0.6	1.6
EU	1.9	0.9	1.6	7.5	6.5	2.6	**2.3**	**3.0**	**2.4**	2.3	2.1	2.1
United Kingdom	2.2	1.2	1.7	8.5	6.9	3.0	**3.5**	**2.7**	**2.2**	3.7	2.0	1.6
Japan	-0.8	0.3	0.8	3.3	3.4	2.6	**2.9**	**1.6**	**1.7**	2.6	1.6	1.4
United States	1.9	1.2	2.1	6.5	3.8	2.6	**2.6**	**3.4**	**2.2**	2.7	2.9	2.1

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.4	1.4	1.9	10.3	2.3	4.3	**3.0**	**3.4**	**2.6**	2.8	1.8	2.0
Bulgaria	5.7	-0.2	2.1	13.0	8.6	2.6	**3.5**	**4.2**	**2.6**	3.5	2.9	3.7
Germany	1.8	1.1	1.7	8.7	6.0	2.5	**2.3**	**2.9**	**2.7**	2.3	2.2	1.9
Estonia	5.1	1.8	2.6	19.4	9.1	3.7	**4.8**	**4.4**	**2.9**	4.8	2.8	2.2
Ireland	0.8	0.5	0.8	8.1	5.2	1.3	**2.1**	**3.5**	**2.6**	1.9	1.9	1.7
Greece	3.3	-0.5	0.3	9.3	4.2	3.0	**2.9**	**3.7**	**2.4**	2.8	2.3	2.4
Spain	2.4	0.6	1.4	8.3	3.4	2.9	**2.7**	**3.0**	**2.5**	2.6	2.0	2.0
France	1.8	0.8	1.4	5.9	5.7	2.3	**0.9**	**2.4**	**1.8**	1.0	1.3	1.8
Croatia	2.8	1.0	1.3	10.7	8.4	4.0	**4.4**	**4.6**	**2.7**	4.3	2.8	2.2
Italy	2.2	1.0	1.0	8.7	5.9	1.1	**1.7**	**3.2**	**1.8**	1.7	1.3	2.0
Cyprus	2.6	0.1	0.6	8.1	3.9	2.3	**0.8**	**3.6**	**2.2**	0.9	1.5	1.9
Latvia	6.3	0.7	2.3	17.2	9.1	1.3	**3.8**	**3.6**	**2.2**	3.6	2.2	2.4
Lithuania	5.3	0.9	2.8	18.9	8.7	0.9	**3.4**	**4.4**	**2.7**	3.4	2.8	2.7
Luxembourg	2.7	1.1	1.9	8.2	2.9	2.3	**2.5**	**2.7**	**1.8**	2.3	1.7	1.9
Malta	2.4	1.4	1.2	6.1	5.6	2.4	**2.4**	**2.7**	**2.3**	2.4	2.1	2.0
Netherlands	1.6	1.2	1.9	11.6	4.1	3.2	**3.0**	**3.2**	**2.5**	3.0	2.5	2.1
Austria	2.2	1.6	2.0	8.6	7.7	2.9	**3.6**	**3.0**	**2.5**	3.5	2.4	2.2
Portugal	1.8	0.8	0.8	8.1	5.3	2.7	**2.2**	**3.0**	**2.3**	2.2	2.0	2.0
Slovakia	2.3	0.9	2.3	12.1	11.0	3.2	**4.2**	**4.3**	**3.2**	4.2	4.1	3.1
Slovenia	2.9	0.8	1.4	9.3	7.2	2.0	**2.5**	**3.5**	**2.5**	2.5	2.3	2.1
Finland	2.4	1.4	1.1	7.2	4.3	1.0	**1.8**	**2.4**	**1.9**	1.9	1.6	2.0
Euro area (21)	2.1	0.9	1.5	8.4	5.5	2.4	**2.1**	**3.0**	**2.3**	2.1	1.9	2.0
Czechia	2.6	1.3	2.7	14.8	12.0	2.7	**2.3**	**2.7**	**2.8**	2.3	2.1	2.4
Denmark	2.2	0.7	1.0	8.6	3.4	1.3	**1.8**	**1.8**	**1.9**	1.9	1.0	1.8
Hungary	5.3	1.6	3.5	15.3	17.0	3.7	**4.4**	**3.2**	**3.1**	4.5	3.6	3.5
Poland	3.5	0.7	2.8	13.2	10.8	3.7	**3.3**	**3.6**	**2.9**	3.4	2.9	3.7
Romania	6.1	1.3	3.1	12.0	9.7	5.8	**6.8**	**7.0**	**3.7**	6.7	5.9	3.8
Sweden	2.0	0.7	1.8	8.1	5.9	2.0	**2.6**	**1.5**	**1.8**	2.5	0.6	1.6
EU	2.3	0.9	1.7	9.2	6.4	2.6	**2.5**	**3.1**	**2.4**	2.5	2.1	2.2
United Kingdom	2.8	1.5	2.0	7.9	6.8	3.3	**3.9**	**3.2**	**1.9**	3.7	2.6	2.0
Japan	-0.2	0.7	0.3	2.5	3.3	2.7	**3.2**	**2.3**	**2.4**	3.2	2.2	2.0
United States	2.2	1.3	2.5	8.0	4.1	2.9	**2.6**	**3.5**	**2.1**	2.8	3.0	2.3

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.6	1.6	1.4	4.0	6.0	3.4	**2.4**	**2.4**	**2.4**	2.1	1.8	1.6
Bulgaria	4.7	-0.4	1.2	7.6	8.9	3.1	**2.9**	**3.6**	**3.2**	2.9	2.5	2.1
Germany	1.3	1.3	1.4	3.9	5.1	3.2	**2.8**	**2.6**	**2.9**	2.8	2.5	2.4
Estonia	3.2	1.7	1.8	10.3	8.7	5.1	**5.9**	**3.3**	**3.5**	6.0	3.9	2.6
Ireland	0.0	0.8	0.6	4.6	4.4	2.3	**2.0**	**2.8**	**2.7**	1.9	1.9	1.8
Greece	2.4	-0.8	-0.2	4.6	5.3	3.6	**3.6**	**2.9**	**3.2**	3.5	2.6	2.2
Spain	1.6	0.7	0.9	3.8	4.1	2.8	**2.6**	**2.8**	**2.6**	2.5	2.0	1.9
France	1.4	0.9	0.8	3.4	4.0	2.3	**1.6**	**1.5**	**1.7**	1.7	1.6	1.4
Croatia	1.9	0.7	0.9	7.6	8.8	4.8	**4.1**	**3.7**	**2.8**	4.1	2.7	1.7
Italy	1.9	1.0	0.6	3.3	4.5	2.2	**1.9**	**2.1**	**2.5**	2.0	2.0	1.8
Cyprus	1.5	0.1	0.4	5.0	3.8	2.6	**1.9**	**2.7**	**3.3**	2.0	2.1	2.0
Latvia	3.1	0.9	1.7	7.6	8.4	3.7	**3.5**	**2.8**	**2.5**	3.4	2.7	2.3
Lithuania	2.1	1.5	2.6	10.5	9.6	3.2	**3.0**	**3.5**	**2.9**	3.1	3.3	2.9
Luxembourg	2.0	1.6	1.4	4.2	3.9	2.5	**1.8**	**2.0**	**2.0**	1.9	1.8	1.6
Malta	1.3	1.3	1.0	5.8	4.9	2.1	**2.4**	**2.7**	**2.3**	2.3	2.0	1.9
Netherlands	1.3	1.4	1.5	4.8	6.4	3.2	**2.8**	**2.5**	**2.4**	2.8	2.7	1.9
Austria	1.8	1.9	2.0	5.1	7.3	3.9	**3.1**	**2.8**	**2.8**	3.1	2.7	2.5
Portugal	1.3	0.6	0.5	5.0	5.4	2.7	**2.3**	**2.4**	**2.4**	2.3	2.1	2.2
Slovakia	1.6	1.3	2.2	8.2	9.5	4.3	**5.6**	**3.4**	**2.3**	5.4	2.6	2.1
Slovenia	1.5	0.6	1.1	5.9	6.7	2.8	**2.4**	**2.4**	**2.2**	2.4	2.2	2.0
Finland	1.8	1.5	0.6	3.6	4.1	2.2	**2.4**	**1.1**	**1.8**	2.4	1.4	1.7
Euro area (21)	1.5	1.1	1.0	4.0	5.0	2.8	**2.4**	**2.3**	**2.5**	2.4	2.1	2.0
Czechia	1.2	0.9	2.5	12.0	9.3	4.1	**2.9**	**3.0**	**2.5**	3.0	2.7	2.2
Denmark	1.6	0.9	0.7	4.3	4.6	1.3	**1.6**	**2.0**	**2.1**	1.6	1.6	1.5
Hungary	3.5	2.1	2.4	10.7	14.0	5.9	**5.3**	**4.0**	**3.6**	5.3	4.4	3.7
Poland	1.8	0.8	2.4	9.8	9.3	3.9	**2.8**	**2.5**	**2.7**	2.8	2.6	2.6
Romania	4.4	1.9	2.1	6.0	9.7	8.4	**6.6**	**6.5**	**4.2**	6.5	5.6	3.9
Sweden	1.4	0.7	1.4	4.7	6.5	3.2	**2.4**	**1.7**	**2.2**	2.4	1.8	2.1
EU	1.6	1.0	1.2	4.7	5.7	3.1	**2.6**	**2.5**	**2.6**	2.6	2.3	2.1

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2025-27) 04.05.2026

	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4	2027/1	2027/2	2027/3	2027/4
Belgium	4.1	2.9	2.6	2.4	1.6	3.8	3.9	4.1	3.7	2.6	2.1	2.0
Bulgaria	3.9	2.9	3.7	3.7	2.4	5.8	4.5	3.9	3.5	1.9	2.4	2.8
Germany	2.6	2.1	2.1	2.3	2.3	2.8	3.0	3.3	3.2	2.7	2.5	2.3
Estonia	4.4	4.8	5.7	4.4	3.5	5.0	4.4	4.5	3.5	2.4	2.8	2.8
Ireland	1.6	1.7	2.0	2.9	2.9	3.8	3.8	3.6	3.3	2.4	2.3	2.3
Greece	3.1	3.2	2.9	2.4	3.1	4.5	3.7	3.5	3.1	1.9	2.3	2.4
Spain	2.7	2.2	2.8	3.1	2.8	3.5	3.1	2.9	2.6	2.4	2.4	2.4
France	1.2	0.8	0.9	0.8	1.1	2.7	2.9	2.7	2.6	1.9	1.5	1.4
Croatia	4.7	4.2	4.6	4.0	4.1	5.2	4.8	4.5	3.7	2.6	2.3	2.3
Italy	1.8	1.8	1.7	1.2	1.3	3.5	3.8	4.3	3.5	1.6	1.1	1.1
Cyprus	2.4	0.8	0.0	0.1	1.2	4.8	4.6	4.0	3.7	1.3	1.6	2.2
Latvia	3.4	3.9	4.1	3.8	2.9	3.5	4.1	3.9	3.3	2.0	1.6	1.7
Lithuania	3.4	3.3	3.6	3.5	3.5	4.6	4.9	4.4	3.3	2.5	2.4	2.4
Luxembourg	1.9	2.1	2.8	3.3	2.4	2.8	2.9	2.9	2.5	1.8	1.5	1.4
Malta	2.0	2.6	2.5	2.5	2.3	2.7	2.6	2.7	2.8	2.4	2.3	2.2
Netherlands	3.3	3.2	2.6	2.8	2.3	2.9	3.5	4.1	3.6	2.6	2.1	1.8
Austria	3.3	3.2	3.9	3.9	2.5	3.3	3.0	3.3	3.0	2.4	2.3	2.2
Portugal	2.3	2.0	2.3	2.2	2.2	3.5	3.2	3.1	2.8	2.2	2.2	2.1
Slovakia	4.2	4.3	4.5	4.0	4.0	4.0	4.2	4.7	4.0	3.8	3.0	2.3
Slovenia	2.1	2.2	2.9	2.7	2.5	3.6	3.9	3.7	3.3	2.8	2.0	1.9
Finland	1.7	1.9	2.1	1.5	1.8	3.1	2.2	2.5	2.2	1.2	2.0	2.2
Euro area (21)	2.4	2.0	2.1	2.1	2.0	3.2	3.3	3.4	3.1	2.2	2.0	1.9
Czechia	2.8	2.2	2.3	1.9	1.2	2.4	3.1	4.2	4.6	3.3	2.0	1.4
Denmark	1.6	1.6	2.1	2.0	0.7	1.9	1.9	2.6	3.2	2.4	1.2	0.6
Hungary	5.4	4.4	4.2	3.7	2.0	3.0	3.7	3.9	4.0	3.3	2.5	2.7
Poland	4.3	3.6	2.8	2.7	2.7	3.8	4.0	4.0	3.7	2.5	2.5	2.8
Romania	5.2	5.4	7.9	8.6	8.6	8.4	5.8	5.4	4.4	3.6	3.5	3.2
Sweden	2.3	2.4	3.2	2.5	1.7	1.3	1.4	1.4	1.2	2.0	2.0	2.0
EU	2.7	2.3	2.5	2.4	2.3	3.4	3.4	3.5	3.2	2.3	2.1	2.0
United Kingdom	3.7	4.1	4.1	3.7	3.3	3.4	3.2	2.8	2.5	2.2	1.5	1.5
Japan	3.8	3.4	2.9	2.7	1.4	2.1	2.8	2.9	3.6	2.6	2.0	1.4
United States	2.7	2.5	2.9	2.8	2.7	4.4	3.6	2.9	2.7	1.6	2.0	2.2

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.8	-1.1	2.3	15.8	0.3	-0.6	**-2.1**	**3.7**	**0.4**	*0.5*	*0.9*	*1.7*
Bulgaria	6.5	-2.1	5.2	26.1	-5.9	-2.4	**1.1**	**2.2**	**1.6**	*0.0*	*1.0*	*1.3*
Germany	1.0	0.0	1.3	12.6	1.6	0.3	**1.0**	**2.2**	**0.8**	*1.0*	*-0.3*	*0.8*
Estonia	3.6	-0.6	2.9	23.9	1.2	0.9	**2.5**	**3.1**	**2.4**	*2.4*	*1.1*	*1.5*
Ireland	-0.6	1.1	-2.6	5.0	-0.3	1.3	**-2.4**	**1.0**	**0.4**	*-0.8*	*-0.3*	*0.1*
Greece	3.7	-3.9	2.6	32.9	-9.0	-0.8	**-5.6**	**6.4**	**-1.8**	*-2.6*	*-0.2*	*1.0*
Spain	1.8	-0.3	2.6	18.3	0.8	0.3	**0.3**	**2.1**	**0.9**	*0.5*	*0.4*	*0.3*
France	1.2	-0.3	1.5	17.1	-2.3	-2.6	**-0.3**	**1.5**	**0.5**	*-0.3*	*-0.5*	*1.0*
Croatia	3.8	-1.3	1.0	12.2	2.7	-0.7	**0.0**	**2.5**	**2.1**	*0.2*	*0.7*	*1.4*
Italy	1.9	0.0	1.9	12.4	1.7	-0.4	**0.8**	**1.7**	**1.9**	*1.1*	*1.0*	*1.3*
Cyprus	2.4	0.7	0.6	5.1	1.9	1.0	**1.2**	**1.2**	**1.3**	*0.9*	*0.6*	*0.7*
Latvia	6.1	0.3	4.1	17.6	-2.3	-0.9	**0.8**	**3.0**	**1.4**	*1.6*	*1.4*	*1.4*
Lithuania	4.9	-2.3	1.9	13.1	-3.0	0.1	**-0.9**	**2.7**	**1.5**	*0.0*	*0.4*	*1.5*
Luxembourg	3.6	0.4	2.6	14.0	0.5	-1.3	**0.9**	**2.8**	**1.4**	*1.2*	*1.8*	*1.7*
Malta	1.8	1.6	-1.2	7.7	4.9	3.3	**2.4**	**2.9**	**2.1**	*2.0*	*1.8*	*1.7*
Netherlands	1.8	-1.5	2.3	23.9	-3.8	-0.4	**-0.3**	**3.5**	**0.2**	*-1.8*	*-1.0*	*1.1*
Austria	1.5	-0.5	1.5	12.0	0.2	-0.8	**0.6**	**1.5**	**1.3**	*1.2*	*1.4*	*1.3*
Portugal	1.6	-1.5	2.1	17.0	-1.2	-1.4	**-1.6**	**3.2**	**-0.5**	*-1.3*	*-0.9*	*1.2*
Slovakia	0.5	-1.6	1.2	15.8	4.1	-2.1	**0.2**	**2.9**	**1.2**	*0.4*	*0.1*	*1.3*
Slovenia	1.5	-0.9	1.5	17.5	0.5	-1.1	**0.6**	**3.5**	**1.5**	*0.3*	*-0.5*	*0.8*
Finland	0.3	-1.6	3.0	24.1	-6.2	-4.3	**-1.2**	**3.5**	**0.7**	*-1.0*	*-0.3*	*1.3*
Euro area (21)	1.4	-0.4	1.5	15.3	-0.3	-0.5	**-0.1**	**2.3**	**0.8**	*0.1*	*0.0*	*1.0*
Czechia	-1.0	0.8	1.1	9.5	-0.6	3.8	**-1.1**	**2.7**	**0.1**	*0.3*	*0.6*	*1.6*
Denmark	2.5	0.0	0.7	12.3	0.1	-2.2	**1.2**	**-0.7**	**0.8**	*0.6*	*-0.5*	*1.5*
Hungary	0.6	0.5	3.7	22.8	0.0	0.9	**2.7**	**-2.7**	**-0.6**	*2.5*	*-0.8*	*1.5*
Poland	4.3	1.4	3.8	19.7	-4.7	-8.0	**-4.7**	**1.8**	**1.5**	*-2.2*	*-0.3*	*1.0*
Romania	8.3	-2.6	4.4	17.0	2.1	0.5	**1.8**	**3.2**	**2.3**	*3.1*	*3.2*	*3.3*
Sweden	1.0	-0.6	2.8	18.5	4.9	-0.8	**-4.4**	**0.0**	**0.9**	*-3.5*	*-0.6*	*1.3*
EU	1.5	-0.3	1.7	15.6	-0.3	-0.8	**-0.4**	**2.1**	**0.8**	*0.0*	*0.0*	*1.1*
United Kingdom	4.7	-1.1	3.1	15.1	-0.3	-0.9	**-0.5**	**1.2**	**1.9**	*-0.1*	*0.4*	*0.8*
Japan	-3.7	0.3	1.1	14.8	4.2	7.1	**-0.1**	**4.5**	**3.3**	*-2.6*	*0.3*	*2.0*
United States	2.7	-2.5	2.8	11.7	-4.3	-0.4	**0.8**	**4.8**	**-0.7**	*0.8*	*0.3*	*0.0*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.6	-1.7	2.8	22.5	-1.5	-0.9	**0.0**	**4.7**	**0.1**	-0.2	-0.2	1.7
Bulgaria	4.3	-2.2	3.7	23.2	-3.6	-1.0	**0.4**	**4.8**	**2.4**	-0.4	0.7	1.6
Germany	1.1	-1.7	1.8	18.5	-3.5	-1.4	**0.1**	**3.9**	**0.5**	-0.4	-0.9	1.1
Estonia	3.6	-0.3	2.3	24.0	-2.9	0.3	**1.5**	**5.0**	**2.5**	1.4	0.4	1.2
Ireland	-1.1	0.1	1.1	7.0	0.3	1.7	**-0.1**	**3.5**	**0.6**	-0.5	-0.2	0.1
Greece	4.1	-4.3	3.9	25.3	-10.9	-1.5	**-2.1**	**7.1**	**-2.3**	-0.9	-0.1	0.9
Spain	2.7	-0.6	2.1	25.3	-5.8	-0.7	**-1.2**	**3.4**	**1.3**	0.2	0.3	0.4
France	1.4	-1.9	2.1	22.1	-3.2	-2.2	**-3.1**	**3.2**	**0.0**	-2.9	-1.5	1.0
Croatia	2.5	-0.4	2.2	16.1	0.9	-0.9	**1.4**	**4.2**	**1.5**	0.9	1.0	1.1
Italy	2.6	-2.3	2.7	25.2	-8.3	-2.5	**-0.8**	**3.6**	**1.1**	-1.2	-0.6	1.2
Cyprus	2.5	-1.5	1.5	6.4	0.8	0.5	**0.3**	**2.8**	**0.7**	0.8	0.5	0.6
Latvia	4.4	-0.2	2.1	21.6	-4.0	-1.8	**0.0**	**5.0**	**2.0**	-0.2	-0.1	1.3
Lithuania	4.9	-3.0	2.7	25.7	-8.1	-2.7	**-2.4**	**5.9**	**0.4**	-0.8	-1.0	1.0
Luxembourg	2.6	-0.4	2.3	21.6	-0.3	-1.9	**-1.2**	**3.0**	**0.2**	-0.5	-0.5	-0.3
Malta	1.6	0.9	-1.2	6.4	4.2	3.1	**2.4**	**3.0**	**2.1**	1.8	1.7	1.6
Netherlands	2.6	-2.3	2.3	29.1	-5.5	-3.6	**-1.3**	**3.3**	**0.3**	-2.3	-2.5	0.9
Austria	2.2	-1.2	2.1	20.1	0.4	-1.9	**-0.7**	**2.8**	**-0.4**	-1.3	-0.8	-0.2
Portugal	1.7	-2.9	2.0	20.5	-4.4	-3.9	**-1.8**	**3.9**	**-0.9**	-1.8	-1.5	1.2
Slovakia	1.8	-1.2	1.9	21.1	3.7	-3.5	**-0.3**	**3.8**	**1.5**	0.7	0.4	1.4
Slovenia	2.3	-1.5	1.9	21.0	-3.3	-2.6	**-0.2**	**4.0**	**1.1**	-0.5	-0.6	0.6
Finland	1.0	-2.5	2.6	23.3	-5.1	-1.9	**-2.0**	**4.0**	**0.5**	-0.5	-0.3	1.3
Euro area (21)	1.9	-1.8	2.2	22.0	-4.1	-1.8	**-1.0**	**3.7**	**0.5**	-1.1	-0.9	1.0
Czechia	-0.4	0.0	1.0	14.3	-3.7	2.1	**-1.7**	**4.6**	**-1.1**	-0.9	-0.7	1.2
Denmark	2.1	-1.2	1.6	20.0	-3.3	-0.2	**1.1**	**3.2**	**0.6**	0.6	-0.3	1.5
Hungary	1.1	0.0	4.2	31.8	-5.8	2.0	**-0.2**	**-1.0**	**-1.4**	2.4	-1.1	1.4
Poland	4.1	0.1	3.5	24.3	-6.3	-7.1	**-3.0**	**3.0**	**1.5**	-2.4	-0.4	1.0
Romania	5.4	-2.0	3.5	18.7	0.7	-0.8	**1.1**	**3.2**	**1.8**	1.9	1.7	1.8
Sweden	0.4	-1.4	2.5	23.7	4.4	-1.5	**-3.6**	**0.9**	**0.7**	-3.5	-1.1	1.0
EU	1.9	-1.6	2.3	22.1	-3.9	-1.9	**-1.1**	**3.5**	**0.5**	-1.0	-0.8	1.0
United Kingdom	4.2	-1.7	2.5	19.6	0.0	-3.0	**0.4**	**2.6**	**1.6**	0.4	0.4	0.8
Japan	0.0	-2.3	3.7	32.3	-2.9	2.9	**-3.3**	**6.4**	**1.7**	-4.6	0.4	1.3
United States	3.0	-3.4	1.5	7.5	-3.2	0.5	**0.0**	**3.5**	**-0.5**	0.2	0.9	-0.1

Table 21: Terms of trade of goods (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	-0.8	0.6	-0.4	-5.5	1.8	0.3	**-2.1**	**-0.9**	**0.3**	0.7	1.1	0.0
Bulgaria	2.1	0.2	1.5	2.4	-2.4	-1.4	**0.7**	**-2.5**	**-0.8**	0.4	0.3	-0.3
Germany	-0.1	1.7	-0.5	-5.0	5.3	1.7	**0.9**	**-1.6**	**0.3**	1.3	0.6	-0.3
Estonia	0.0	-0.3	0.6	-0.1	4.2	0.6	**1.0**	**-1.8**	**-0.1**	1.0	0.7	0.3
Ireland	0.6	1.0	-3.6	-1.9	-0.6	-0.4	**-2.3**	**-2.4**	**-0.2**	-0.3	-0.1	0.0
Greece	-0.4	0.4	-1.2	6.1	2.2	0.6	**-3.6**	**-0.7**	**0.5**	-1.7	-0.1	0.2
Spain	-0.8	0.3	0.4	-5.5	7.0	0.9	**1.5**	**-1.2**	**-0.4**	0.3	0.1	-0.1
France	-0.2	1.6	-0.6	-4.1	0.9	-0.5	**2.9**	**-1.6**	**0.5**	2.7	1.0	0.0
Croatia	1.3	-0.9	-1.2	-3.3	1.8	0.2	**-1.3**	**-1.6**	**0.6**	-0.7	-0.3	0.3
Italy	-0.8	2.4	-0.7	-10.2	10.9	2.2	**1.6**	**-1.8**	**0.8**	2.3	1.6	0.0
Cyprus	-0.1	2.3	-0.9	-1.2	1.1	0.5	**1.0**	**-1.6**	**0.6**	0.1	0.1	0.1
Latvia	1.7	0.5	1.9	-3.3	1.8	1.0	**0.8**	**-1.9**	**-0.6**	1.8	1.5	0.1
Lithuania	0.0	0.7	-0.8	-10.1	5.4	2.9	**1.5**	**-3.0**	**1.1**	0.8	1.4	0.5
Luxembourg	1.0	0.8	0.3	-6.3	0.7	0.6	**2.1**	**-0.2**	**1.2**	1.7	2.3	2.0
Malta	0.2	0.7	0.1	1.3	0.7	0.2	**0.0**	**-0.1**	**0.0**	0.2	0.1	0.1
Netherlands	-0.7	0.8	0.0	-4.1	1.8	3.3	**1.0**	**0.2**	**-0.1**	0.5	1.5	0.2
Austria	-0.7	0.7	-0.6	-6.8	-0.2	1.1	**1.3**	**-1.3**	**1.7**	2.5	2.2	1.5
Portugal	-0.1	1.4	0.1	-2.9	3.3	2.6	**0.2**	**-0.7**	**0.4**	0.5	0.6	0.0
Slovakia	-1.3	-0.4	-0.7	-4.4	0.5	1.5	**0.4**	**-0.8**	**-0.3**	-0.3	-0.3	-0.1
Slovenia	-0.7	0.6	-0.4	-2.9	4.0	1.5	**0.9**	**-0.5**	**0.4**	0.7	0.1	0.2
Finland	-0.7	0.9	0.5	0.7	-1.1	-2.5	**0.8**	**-0.5**	**0.2**	-0.5	-0.1	0.0
Euro area (21)	-0.5	1.4	-0.6	-5.6	4.1	1.3	**0.7**	**-1.2**	**0.3**	1.1	1.0	0.0
Czechia	-0.6	0.8	0.1	-4.2	3.3	1.7	**0.6**	**-1.8**	**1.2**	1.2	1.3	0.4
Denmark	0.4	1.3	-0.9	-6.4	3.5	-1.9	**0.1**	**-3.7**	**0.2**	0.0	-0.2	0.0
Hungary	-0.4	0.5	-0.5	-6.9	6.1	-1.0	**2.9**	**-1.7**	**0.8**	0.1	0.3	0.1
Poland	0.2	1.3	0.3	-3.7	1.7	-0.9	**-1.8**	**-1.2**	**0.0**	0.2	0.1	0.0
Romania	2.8	-0.6	0.9	-1.4	1.3	1.3	**0.7**	**0.0**	**0.5**	1.2	1.5	1.5
Sweden	0.6	0.8	0.2	-4.2	0.5	0.8	**-0.8**	**-0.9**	**0.2**	0.0	0.5	0.3
EU	-0.4	1.3	-0.5	-5.4	3.8	1.0	**0.5**	**-1.3**	**0.3**	1.0	0.9	0.0
United Kingdom	0.5	0.7	0.6	-3.7	-0.3	2.2	**-0.9**	**-1.4**	**0.3**	-0.5	0.0	0.0
Japan	-3.7	2.7	-2.5	-13.2	7.4	4.1	**3.4**	**-1.8**	**1.6**	2.1	-0.1	0.7
United States	-0.3	0.9	1.3	3.9	-1.1	-0.8	**0.8**	**1.3**	**-0.2**	0.6	-0.6	0.1

Table 22: Total population (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.9	0.5	0.4	0.8	0.9	0.6	**0.5**	**0.4**	**0.4**	*0.5*	*0.4*	*0.4*
Bulgaria	-0.9	-1.3	-1.1	-0.6	-0.3	-0.1	**-0.3**	**-0.2**	**-0.3**	*0.0*	*-0.1*	*-0.3*
Germany	-0.2	0.4	0.0	0.7	0.9	0.3	**0.0**	**-0.1**	**-0.1**	*0.1*	*0.0*	*0.0*
Estonia	-0.3	-0.2	0.2	0.1	2.6	0.6	**-0.3**	**0.2**	**0.1**	*-0.2*	*-0.2*	*-0.3*
Ireland	1.4	0.7	1.4	2.1	1.8	1.7	**1.6**	**1.2**	**1.1**	*1.4*	*1.0*	*0.9*
Greece	0.2	-0.6	-0.3	-0.6	-0.3	-0.2	**0.1**	**0.0**	**-0.1**	*0.0*	*0.0*	*-0.1*
Spain	1.0	-0.1	0.4	0.9	1.2	1.0	**0.9**	**0.9**	**0.9**	*1.1*	*1.0*	*0.9*
France	0.5	0.5	0.4	0.4	0.3	0.3	**0.2**	**0.2**	**0.2**	*0.3*	*0.3*	*0.3*
Croatia	-0.1	-0.9	-1.1	-0.5	0.1	0.3	**0.3**	**0.1**	**-0.1**	*0.2*	*0.0*	*-0.1*
Italy	0.6	0.0	-0.3	-0.2	0.0	0.0	**0.0**	**0.0**	**-0.1**	*-0.1*	*-0.1*	*-0.1*
Cyprus	2.5	0.4	1.2	1.9	1.9	1.8	**1.6**	**1.3**	**1.0**	*1.4*	*1.2*	*1.1*
Latvia	-1.5	-1.0	-0.8	0.1	-0.2	-0.9	**-1.4**	**-1.2**	**-0.8**	*-1.2*	*-1.0*	*-0.9*
Lithuania	-1.5	-1.0	-0.5	0.8	1.4	0.6	**0.0**	**-0.3**	**-0.2**	*0.1*	*-0.3*	*-0.2*
Luxembourg	1.9	2.4	1.9	2.2	1.9	1.6	**1.3**	**1.3**	**1.4**	*1.5*	*1.5*	*1.6*
Malta	0.5	1.8	2.7	2.7	4.1	2.8	**2.4**	**2.4**	**2.3**	*2.8*	*2.4*	*2.3*
Netherlands	0.4	0.4	0.6	1.0	1.0	0.7	**0.5**	**0.5**	**0.4**	*0.5*	*0.5*	*0.5*
Austria	0.3	0.8	0.5	1.1	0.9	0.5	**0.3**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
Portugal	0.1	-0.4	0.1	0.6	1.0	1.1	**1.0**	**0.6**	**0.6**	*0.7*	*0.6*	*0.6*
Slovakia	0.0	0.1	0.0	0.3	0.0	0.0	**0.0**	**-0.1**	**-0.1**	*-0.2*	*-0.2*	*-0.2*
Slovenia	0.4	0.1	0.4	0.1	0.5	0.3	**0.2**	**0.2**	**0.1**	*0.2*	*0.2*	*0.2*
Finland	0.5	0.4	0.2	0.3	0.4	0.8	**0.4**	**0.2**	**0.2**	*0.4*	*0.2*	*0.2*
Euro area (21)	0.3	0.2	0.1	0.5	0.6	0.4	**0.3**	**0.2**	**0.2**	*0.3*	*0.3*	*0.2*
Czechia	0.4	0.0	0.0	2.5	1.1	0.2	**0.0**	**0.2**	**0.1**	*0.2*	*0.2*	*0.1*
Denmark	0.5	0.6	0.4	0.9	0.7	0.5	**0.5**	**0.3**	**0.3**	*0.4*	*0.3*	*0.3*
Hungary	-0.2	-0.4	-0.3	-0.3	-0.1	-0.3	**-0.5**	**-0.2**	**-0.2**	*-0.3*	*-0.2*	*-0.2*
Poland	0.0	0.0	-0.5	2.2	-0.4	-0.3	**-0.4**	**-0.2**	**-0.2**	*-0.3*	*-0.2*	*-0.2*
Romania	-1.0	-0.4	-0.6	-0.5	0.1	0.0	**-0.1**	**0.0**	**0.0**	*-0.2*	*-0.1*	*0.0*
Sweden	0.8	1.0	1.0	1.1	0.7	0.3	**0.4**	**0.2**	**0.1**	*0.3*	*0.2*	*0.1*
EU	0.2	0.1	0.1	0.6	0.5	0.3	**0.2**	**0.2**	**0.1**	*0.2*	*0.2*	*0.2*
United Kingdom	0.8	0.7	0.4	1.0	1.3	1.1	**0.3**	**0.7**	**0.7**	*0.7*	*0.7*	*0.7*
Japan	0.0	-0.1	-0.2	-0.4	-0.6	-0.2	**-0.5**	**-0.5**	**-0.5**	*-0.5*	*-0.5*	*-0.5*
United States	0.9	0.8	0.5	0.6	0.8	0.9	**0.5**	**0.2**	**0.2**	*0.5*	*0.5*	*0.5*

Table 23: Total employment in persons (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.0	0.5	1.2	1.9	0.8	0.3	**0.4**	**0.6**	**0.7**	*0.5*	*0.7*	*0.8*
Bulgaria	-0.5	-0.3	-0.3	1.1	1.1	1.1	**2.2**	**0.3**	**0.2**	*1.1*	*0.3*	*0.3*
Germany	1.0	1.0	0.6	1.3	0.7	0.1	**0.0**	**-0.1**	**0.1**	*0.0*	*0.2*	*0.1*
Estonia	-1.7	1.4	0.5	4.6	3.2	0.2	**-0.5**	**0.0**	**0.3**	*-0.1*	*0.2*	*0.2*
Ireland	-2.3	2.5	2.7	6.9	3.5	2.7	**2.0**	**1.6**	**1.4**	*2.1*	*1.5*	*1.4*
Greece	-1.0	-0.1	1.8	3.5	2.0	0.9	**0.8**	**0.8**	**0.4**	*1.1*	*0.9*	*0.5*
Spain	-1.4	-0.1	1.1	3.8	3.3	2.3	**2.7**	**2.3**	**1.4**	*2.6*	*1.9*	*1.4*
France	0.3	0.4	1.2	2.3	1.1	0.8	**0.1**	**-0.1**	**0.1**	*-0.1*	*0.0*	*0.2*
Croatia	-0.7	-0.6	0.8	1.9	1.7	5.6	**1.5**	**1.0**	**0.7**	*2.1*	*1.5*	*0.9*
Italy	-0.1	0.0	0.3	1.9	2.1	1.8	**1.1**	**0.2**	**0.2**	*1.0*	*0.5*	*0.4*
Cyprus	1.8	-1.0	3.7	4.0	2.9	2.3	**1.7**	**1.3**	**1.1**	*1.3*	*1.2*	*1.1*
Latvia	-3.3	0.7	0.4	0.2	1.8	-1.5	**-0.5**	**-0.4**	**-0.3**	*-1.3*	*-0.6*	*-0.5*
Lithuania	-2.3	1.8	0.2	5.0	1.4	1.5	**-0.7**	**-0.2**	**-0.2**	*-0.2*	*0.0*	*-0.1*
Luxembourg	3.0	2.5	3.0	3.3	1.9	1.0	**1.2**	**1.3**	**1.5**	*1.0*	*1.4*	*1.6*
Malta	1.5	4.1	4.8	5.1	6.8	5.0	**3.9**	**3.2**	**3.1**	*3.7*	*2.9*	*2.9*
Netherlands	0.8	0.1	1.7	3.2	1.7	1.0	**0.5**	**0.1**	**0.2**	*0.4*	*0.3*	*0.3*
Austria	1.1	0.9	1.0	2.7	0.8	0.1	**0.0**	**0.3**	**0.6**	*0.1*	*0.4*	*0.6*
Portugal	-1.1	-0.4	1.2	3.7	2.0	0.7	**2.3**	**1.1**	**0.9**	*1.7*	*1.1*	*0.9*
Slovakia	0.7	1.0	0.6	1.8	0.3	-0.2	**-0.1**	**-0.5**	**-0.2**	*-0.4*	*-0.5*	*-0.2*
Slovenia	0.1	0.3	1.8	2.9	1.5	0.5	**-0.4**	**0.0**	**0.0**	*-0.2*	*0.3*	*0.3*
Finland	0.5	0.0	0.9	3.5	1.0	-1.1	**-0.5**	**0.2**	**0.5**	*-0.7*	*0.4*	*0.6*
Euro area (21)	0.1	0.4	0.9	2.4	1.5	1.0	**0.7**	**0.4**	**0.4**	*0.6*	*0.5*	*0.5*
Czechia	0.2	0.8	0.2	1.0	1.6	0.6	**1.1**	**0.1**	**0.0**	*0.7*	*0.1*	*0.0*
Denmark	-0.4	0.6	1.1	4.0	1.1	0.7	**1.2**	**0.2**	**0.5**	*0.9*	*0.2*	*0.3*
Hungary	-1.1	2.5	1.1	1.6	0.6	0.2	**0.4**	**-0.1**	**0.1**	*0.2*	*0.2*	*0.1*
Poland	1.3	0.8	1.5	1.1	0.1	-0.6	**0.1**	**0.2**	**0.1**	*-0.2*	*0.1*	*0.0*
Romania	-1.8	-0.2	0.3	0.7	-1.2	1.6	**-3.5**	**-0.4**	**0.5**	*-1.0*	*0.3*	*0.5*
Sweden	0.7	1.4	1.0	3.5	1.2	-0.3	**-0.1**	**0.6**	**0.9**	*0.1*	*0.9*	*1.1*
EU	0.1	0.5	0.9	2.2	1.3	0.8	**0.5**	**0.3**	**0.4**	*0.5*	*0.5*	*0.4*
United Kingdom	0.2	1.6	0.5	1.2	1.2	0.8	**1.6**	**-0.1**	**0.3**	*0.0*	*0.2*	*0.3*
Japan	-0.2	0.2	0.7	0.3	0.5	0.6	**0.7**	**0.2**	**0.2**	*0.4*	*0.2*	*0.2*
United States	-0.8	1.7	0.3	3.8	1.8	1.2	**0.1**	**0.2**	**0.3**	*0.7*	*0.2*	*0.6*

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2007-2027) 04.05.2026

	5-year averages			Spring 2026 Forecast						*Autumn 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2025*	*2026*	*2027*
Belgium	7.7	8.3	6.2	5.6	5.5	5.7	**6.2**	**6.6**	**6.5**	*6.0*	*6.2*	*6.1*
Bulgaria	9.2	11.7	6.0	4.2	4.3	4.2	**3.5**	**3.7**	**3.9**	*3.5*	*3.7*	*3.8*
Germany	6.9	4.6	3.4	3.1	3.1	3.4	**3.8**	**4.0**	**3.9**	*3.6*	*3.5*	*3.3*
Estonia	10.5	7.8	5.8	5.6	6.4	7.6	**7.5**	**7.1**	**6.8**	*7.6*	*7.2*	*7.1*
Ireland	10.9	11.9	5.9	4.5	4.3	4.3	**4.7**	**4.8**	**4.9**	*4.6*	*4.7*	*4.7*
Greece	11.5	25.6	18.3	12.5	11.1	10.1	**8.9**	**8.3**	**7.9**	*9.3*	*8.6*	*8.2*
Spain	15.7	23.4	15.4	13.0	12.2	11.4	**10.5**	**9.9**	**9.6**	*10.4*	*9.8*	*9.6*
France	8.6	10.2	8.5	7.3	7.3	7.4	**7.7**	**8.3**	**8.7**	*7.6*	*8.0*	*8.2*
Croatia	10.6	16.0	8.2	6.8	6.1	5.0	**4.9**	**4.8**	**4.8**	*4.7*	*4.5*	*4.6*
Italy	7.6	12.0	10.1	8.1	7.7	6.5	**6.1**	**5.7**	**5.7**	*6.2*	*6.1*	*6.0*
Cyprus	5.4	14.4	8.3	6.3	5.8	4.9	**4.4**	**4.2**	**4.2**	*4.7*	*4.5*	*4.3*
Latvia	13.5	11.5	7.6	6.9	6.5	6.9	**6.9**	**6.8**	**6.7**	*6.8*	*6.6*	*6.5*
Lithuania	11.4	10.6	7.0	6.0	6.9	7.1	**6.9**	**6.7**	**6.7**	*7.1*	*6.8*	*6.8*
Luxembourg	4.7	6.0	5.8	4.6	5.2	6.4	**6.5**	**6.6**	**6.5**	*6.6*	*6.7*	*6.5*
Malta	6.5	5.6	4.2	3.5	3.5	3.2	**3.1**	**3.0**	**3.1**	*3.0*	*2.9*	*2.9*
Netherlands	5.4	7.7	4.9	3.5	3.6	3.7	**3.9**	**4.2**	**4.4**	*3.9*	*4.1*	*4.3*
Austria	5.1	5.9	5.6	4.8	5.1	5.2	**5.7**	**5.8**	**5.6**	*5.6*	*5.5*	*5.3*
Portugal	11.2	14.6	7.4	6.2	6.5	6.5	**6.0**	**5.9**	**5.8**	*6.3*	*6.2*	*6.1*
Slovakia	12.1	12.4	6.8	6.1	5.8	5.3	**5.4**	**5.7**	**5.7**	*5.4*	*5.6*	*5.6*
Slovenia	6.1	9.1	5.2	4.0	3.7	3.7	**3.9**	**3.8**	**3.8**	*3.4*	*3.5*	*3.5*
Finland	7.7	8.6	7.7	6.8	7.2	8.4	**9.7**	**10.1**	**9.8**	*9.5*	*9.3*	*9.0*
Euro area (21)	6.6	11.3	8.1	6.7	6.5	6.3	**6.3**	**6.4**	**6.4**	*6.3*	*6.2*	*6.1*
Czechia	6.1	5.8	2.5	2.2	2.6	2.6	**2.8**	**3.1**	**3.2**	*2.7*	*3.0*	*3.1*
Denmark	5.9	6.9	5.3	4.5	5.1	6.2	**6.4**	**6.5**	**6.5**	*6.1*	*6.1*	*6.0*
Hungary	9.2	7.9	3.8	3.6	4.1	4.5	**4.4**	**4.5**	**4.4**	*4.5*	*4.4*	*4.3*
Poland	9.2	8.8	3.8	2.9	2.8	2.9	**3.1**	**3.1**	**3.0**	*3.1*	*3.1*	*3.0*
Romania	8.3	8.4	5.6	5.6	5.6	5.4	**6.1**	**6.3**	**5.9**	*6.1*	*5.8*	*5.6*
Sweden	7.5	7.8	7.5	7.5	7.7	8.4	**8.8**	**8.5**	**7.9**	*9.0*	*8.4*	*7.9*
EU	8.9	10.6	7.4	6.2	6.1	5.9	**6.0**	**6.0**	**6.0**	*5.9*	*5.9*	*5.8*
United Kingdom	6.9	6.4	4.3	3.8	4.0	4.3	**4.8**	**5.2**	**5.0**	*4.6*	*4.7*	*4.6*
Japan	4.5	3.7	2.6	2.6	2.6	2.5	**2.5**	**2.5**	**2.5**	*2.5*	*2.5*	*2.5*
United States	7.6	6.4	5.1	3.6	3.6	4.0	**4.3**	**4.5**	**4.4**	*4.2*	*4.4*	*4.3*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages			Spring 2026 Forecast						*Autumn 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2025*	*2026*	*2027*
Belgium	2.6	1.5	1.9	7.5	7.5	3.4	**3.3**	**2.4**	**2.2**	*3.7*	*2.5*	*2.3*
Bulgaria	10.8	6.7	9.1	14.2	13.4	14.1	**10.4**	**5.7**	**4.3**	*12.4*	*6.3*	*4.6*
Germany	1.8	2.6	2.5	4.3	6.2	5.1	**5.0**	**3.6**	**3.5**	*4.2*	*3.1*	*3.3*
Estonia	6.9	5.6	7.6	7.6	8.6	7.0	**4.4**	**4.9**	**4.9**	*5.3*	*4.9*	*4.7*
Ireland	2.3	1.2	3.1	2.5	6.8	4.2	**3.4**	**3.8**	**3.9**	*3.3*	*3.1*	*3.0*
Greece	1.3	-4.2	-0.3	2.0	3.3	5.8	**3.5**	**3.6**	**4.0**	*3.0*	*3.4*	*3.7*
Spain	3.2	0.0	2.3	4.7	5.0	4.6	**4.3**	**3.4**	**2.9**	*3.5*	*2.8*	*2.3*
France	2.4	1.6	0.9	5.0	4.1	3.2	**2.2**	**2.3**	**2.9**	*2.4*	*2.3*	*2.2*
Croatia	3.1	-0.7	3.3	12.3	13.5	8.9	**10.9**	**7.0**	**5.2**	*9.8*	*5.9*	*4.5*
Italy	1.8	0.2	1.2	3.7	2.6	3.3	**3.0**	**2.7**	**2.7**	*3.2*	*2.7*	*2.3*
Cyprus	2.8	-1.9	2.8	7.3	9.4	3.3	**4.2**	**4.0**	**5.0**	*3.7*	*3.3*	*3.6*
Latvia	6.2	7.2	6.1	13.1	5.8	10.5	**8.4**	**7.0**	**5.8**	*8.3*	*6.0*	*4.9*
Lithuania	4.5	5.2	9.3	11.6	12.1	7.2	**10.0**	**7.4**	**6.2**	*7.9*	*7.0*	*6.1*
Luxembourg	2.8	1.7	2.9	4.5	7.5	3.5	**4.4**	**3.4**	**2.5**	*4.1*	*2.8*	*2.8*
Malta	3.6	3.5	4.4	6.3	2.4	7.6	**4.2**	**3.5**	**2.1**	*5.9*	*4.8*	*2.9*
Netherlands	2.4	1.5	2.6	3.7	6.2	6.6	**4.7**	**3.8**	**3.6**	*4.5*	*3.8*	*3.1*
Austria	2.2	2.2	2.4	4.8	6.8	7.2	**3.8**	**2.5**	**2.7**	*3.7*	*2.4*	*2.3*
Portugal	1.8	0.0	3.9	5.6	9.4	7.5	**4.8**	**4.4**	**3.7**	*5.1*	*3.8*	*3.7*
Slovakia	5.1	2.6	5.7	5.9	10.4	7.7	**6.2**	**4.1**	**4.2**	*5.7*	*3.7*	*4.0*
Slovenia	4.1	1.1	4.8	4.9	9.6	6.2	**7.9**	**6.5**	**5.6**	*7.9*	*5.7*	*5.4*
Finland	3.2	1.4	1.4	2.5	3.3	1.8	**2.6**	**2.7**	**2.9**	*2.8*	*2.8*	*3.2*
Euro area (21)	2.4	1.5	2.1	4.6	5.3	4.5	**3.9**	**3.2**	**3.2**	*3.6*	*2.9*	*2.8*
Czechia	3.3	2.5	6.7	6.9	7.0	6.1	**6.5**	**5.4**	**4.9**	*5.9*	*5.4*	*4.9*
Denmark	3.0	1.6	2.2	2.6	3.4	4.4	**3.3**	**3.3**	**3.2**	*3.5*	*3.3*	*3.5*
Hungary	3.3	1.7	6.9	17.0	15.1	12.6	**9.0**	**9.3**	**5.9**	*9.1*	*7.9*	*4.9*
Poland	6.4	2.8	5.7	12.3	14.4	13.0	**8.0**	**6.7**	**6.0**	*8.6*	*6.5*	*6.0*
Romania	8.7	6.2	9.8	13.7	20.3	17.3	**8.2**	**4.9**	**6.2**	*8.0*	*5.5*	*4.9*
Sweden	3.5	2.5	3.2	2.0	5.3	5.2	**1.7**	**3.4**	**3.7**	*4.1*	*3.1*	*3.5*
EU	2.6	1.5	2.4	5.1	6.0	5.2	**4.2**	**3.5**	**3.5**	*4.0*	*3.3*	*3.1*
United Kingdom	2.5	1.8	2.7	6.3	5.7	5.0	**5.7**	**2.9**	**2.7**	*4.0*	*2.4*	*2.2*
Japan	-1.3	0.5	0.7	2.1	1.0	2.8	**2.8**	**2.7**	**2.6**	*2.9*	*2.1*	*2.0*
United States	2.6	2.1	4.5	2.9	3.7	4.6	**4.7**	**3.7**	**3.4**	*3.8*	*3.4*	*3.2*

Note: See note 6 on concepts and sources.

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.7	0.3	0.1	-2.8	1.2	1.6	**1.0**	**-0.7**	**0.0**	1.7	0.9	0.3
Bulgaria	6.3	5.3	6.1	-1.6	4.9	8.7	**5.3**	**2.7**	**1.6**	8.4	3.5	1.9
Germany	0.3	1.5	0.8	-2.3	-0.4	2.7	**2.4**	**0.7**	**0.5**	1.7	0.8	1.2
Estonia	2.1	3.6	4.7	-8.4	-0.1	3.5	**1.3**	**0.5**	**2.0**	1.9	1.5	2.5
Ireland	2.9	0.1	1.7	-4.7	-1.8	0.1	**1.8**	**0.2**	**1.1**	0.8	0.8	0.8
Greece	-1.6	-3.2	-0.4	-4.2	-0.1	3.6	**0.1**	**0.1**	**1.8**	-0.1	1.1	1.3
Spain	1.1	-0.6	1.0	-1.8	-0.1	1.4	**1.5**	**0.1**	**0.2**	1.0	0.8	0.4
France	1.2	1.0	-0.2	0.1	-2.6	0.9	**1.5**	**-0.2**	**1.2**	1.8	1.1	0.6
Croatia	0.1	-1.4	1.9	1.5	4.4	5.3	**7.0**	**2.7**	**2.8**	5.7	3.3	2.4
Italy	-0.1	-0.7	0.1	-2.9	-2.2	1.6	**1.5**	**-0.2**	**0.6**	1.3	1.3	0.4
Cyprus	-0.1	-1.4	2.2	-0.4	5.5	1.5	**3.8**	**0.7**	**2.9**	3.0	1.9	1.9
Latvia	0.5	6.3	3.7	-0.6	-1.9	6.8	**4.6**	**3.3**	**3.6**	4.5	3.7	2.5
Lithuania	-0.8	4.3	6.2	-5.7	3.2	5.8	**6.2**	**2.9**	**3.4**	5.3	3.8	3.8
Luxembourg	1.0	0.5	1.3	-1.0	2.7	0.8	**2.2**	**0.3**	**0.5**	1.7	0.7	0.9
Malta	1.2	2.1	3.1	0.9	-3.7	4.0	**2.1**	**0.9**	**-0.2**	3.4	2.7	1.0
Netherlands	0.8	0.5	0.0	-3.6	-0.6	4.0	**2.1**	**0.7**	**1.1**	2.0	1.4	1.3
Austria	0.2	0.3	0.6	-2.7	-1.2	3.8	**1.0**	**-0.6**	**0.2**	0.1	0.0	0.2
Portugal	0.3	-1.0	2.5	-1.6	4.3	4.6	**2.2**	**1.4**	**1.4**	2.9	1.6	1.5
Slovakia	2.7	1.7	3.5	-5.0	0.3	4.6	**2.0**	**-0.1**	**1.2**	1.5	-0.2	1.1
Slovenia	1.4	0.7	3.2	-4.3	1.8	4.1	**6.1**	**3.0**	**3.0**	5.3	3.4	3.1
Finland	0.8	0.0	0.2	-3.7	-1.0	0.7	**1.4**	**0.3**	**1.0**	1.3	0.9	1.2
Euro area (21)	0.7	0.6	0.6	-2.1	-0.9	2.1	**1.8**	**0.2**	**0.8**	1.5	1.0	0.8
Czechia	0.9	1.4	3.4	-6.5	-1.5	3.0	**3.4**	**1.7**	**2.2**	2.9	3.3	2.6
Denmark	0.8	0.8	1.3	-4.8	0.3	2.5	**0.9**	**1.5**	**1.4**	1.5	2.3	1.7
Hungary	-1.3	-0.2	2.8	1.5	1.2	6.5	**3.2**	**4.8**	**2.6**	3.2	4.2	1.3
Poland	3.0	2.4	2.7	-1.6	4.5	9.3	**4.0**	**3.2**	**3.3**	5.0	3.6	2.5
Romania	1.6	4.4	5.8	-0.2	10.4	10.3	**0.6**	**-2.5**	**2.1**	0.6	-0.9	0.4
Sweden	1.7	1.7	1.4	-4.4	-1.3	2.5	**-1.0**	**1.9**	**1.8**	1.8	2.5	1.8
EU	0.8	0.7	0.8	-2.2	-0.5	2.5	**1.8**	**0.4**	**1.0**	1.7	1.2	0.9
United Kingdom	0.2	0.6	1.0	-2.0	-1.1	2.0	**2.1**	**0.2**	**0.4**	0.3	0.4	0.6
Japan	-0.5	0.2	-0.1	-1.2	-2.3	0.2	**-0.1**	**1.0**	**0.8**	0.3	0.5	0.6
United States	0.7	0.8	2.3	-3.4	-0.1	1.9	**2.0**	**0.3**	**1.2**	1.1	0.5	1.1

[1] Deflated by the price deflator of private consumption.

Note: See note 6 on concepts and sources.

Table 27: Labour productivity (real GDP per occupied person) (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.3	0.5	0.2	2.1	0.8	0.8	**0.6**	**0.0**	**0.2**	0.5	0.4	0.5
Bulgaria	3.1	1.9	3.0	3.0	0.6	2.3	**0.9**	**2.2**	**2.0**	1.9	2.3	1.7
Germany	0.2	0.4	0.3	0.5	-1.5	-0.6	**0.3**	**0.7**	**0.8**	0.2	1.0	1.1
Estonia	1.1	1.4	3.2	-5.6	-5.8	-0.3	**1.1**	**1.6**	**1.5**	0.7	1.9	1.8
Ireland	2.2	4.4	6.4	0.5	-5.8	-0.1	**10.1**	**-2.8**	**2.0**	8.4	-1.3	1.5
Greece	-2.3	-1.9	-0.8	1.9	0.2	1.1	**1.2**	**1.0**	**1.2**	1.0	1.3	1.3
Spain	1.5	0.9	-0.7	2.5	-0.8	1.1	**0.1**	**0.1**	**0.5**	0.3	0.4	0.6
France	0.5	0.4	-0.2	0.4	0.3	0.4	**0.7**	**0.9**	**1.1**	0.8	0.9	0.9
Croatia	0.4	1.2	1.7	5.3	2.0	-1.7	**1.9**	**1.6**	**1.7**	1.1	1.4	1.6
Italy	-0.5	-0.6	0.1	2.8	-1.1	-1.0	**-0.5**	**0.4**	**0.4**	-0.6	0.3	0.4
Cyprus	0.1	0.6	1.3	4.5	0.7	1.6	**2.1**	**0.9**	**1.7**	2.0	1.4	1.3
Latvia	1.3	2.8	1.9	1.7	-2.7	1.4	**2.7**	**1.9**	**1.9**	2.3	2.3	2.4
Lithuania	3.2	1.7	3.9	-2.4	-0.7	1.5	**3.7**	**3.1**	**2.3**	2.6	3.0	2.3
Luxembourg	-1.1	0.5	-0.6	-4.3	-1.8	-0.6	**-0.5**	**0.4**	**0.5**	-0.1	0.5	0.5
Malta	1.5	2.1	1.8	-2.3	3.6	1.2	**0.0**	**0.5**	**0.5**	0.2	0.8	0.6
Netherlands	0.3	0.9	0.2	1.8	-2.2	0.1	**1.3**	**0.8**	**0.9**	1.3	1.0	1.4
Austria	0.1	0.0	0.0	2.5	-1.6	-0.7	**0.6**	**0.3**	**0.3**	0.2	0.4	0.6
Portugal	1.1	0.3	0.0	3.1	1.1	1.5	**-0.4**	**0.6**	**0.9**	0.2	1.1	1.2
Slovakia	3.1	1.4	1.9	-1.2	1.8	2.1	**0.9**	**1.3**	**1.8**	1.2	1.4	1.6
Slovenia	0.8	0.6	1.6	-0.2	0.9	1.3	**1.5**	**1.9**	**2.2**	1.2	2.1	2.4
Finland	0.1	0.0	0.3	-2.7	-2.3	1.5	**0.7**	**0.6**	**0.9**	0.8	0.5	0.6
Euro area (21)	0.5	0.4	0.3	1.3	-1.1	0.0	**0.7**	**0.5**	**0.8**	0.6	0.7	0.9
Czechia	1.3	1.0	1.8	1.8	-1.5	0.7	**1.5**	**1.7**	**2.4**	1.7	1.8	2.3
Denmark	0.1	0.9	1.1	-3.5	-0.5	2.8	**1.7**	**1.7**	**1.2**	1.0	1.8	1.4
Hungary	0.5	-0.3	2.4	2.5	-1.4	0.5	**0.1**	**1.9**	**1.9**	0.2	2.1	2.0
Poland	3.1	1.9	2.6	4.1	0.2	3.9	**3.6**	**3.3**	**2.6**	3.4	3.3	2.7
Romania	4.1	2.7	3.6	3.4	3.5	-0.7	**4.3**	**0.6**	**1.9**	1.7	0.9	1.6
Sweden	0.6	0.5	0.9	-2.2	-1.4	1.3	**1.7**	**1.2**	**1.3**	1.5	1.8	1.2
EU	0.6	0.5	0.5	1.3	-0.8	0.3	**1.0**	**0.7**	**1.0**	0.9	1.0	1.1
United Kingdom	0.1	0.6	0.2	3.9	-0.9	0.3	**-0.2**	**0.9**	**0.9**	1.4	0.9	1.0
Japan	-0.2	1.2	-0.4	1.0	0.2	-0.9	**0.5**	**0.5**	**0.4**	0.7	0.5	0.5
United States	1.5	0.4	2.1	-1.2	1.2	1.6	**2.0**	**2.0**	**1.7**	1.1	1.7	1.5

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.3	1.0	1.7	5.4	6.7	2.5	**2.6**	**2.4**	**1.9**	3.2	2.1	1.7
Bulgaria	7.5	4.8	5.9	10.8	12.8	11.5	**9.4**	**3.4**	**2.2**	10.3	3.9	2.8
Germany	1.7	2.2	2.2	3.8	7.8	5.8	**4.7**	**2.9**	**2.7**	4.0	2.1	2.1
Estonia	5.8	4.2	4.3	13.9	15.3	7.3	**3.3**	**3.3**	**3.4**	4.6	2.9	2.9
Ireland	0.2	-3.1	-3.1	1.9	13.4	4.3	**-6.1**	**6.8**	**1.9**	-4.7	4.5	1.5
Greece	3.7	-2.3	0.5	0.1	3.2	4.6	**2.3**	**2.6**	**2.8**	2.0	2.1	2.4
Spain	1.7	-0.9	3.0	2.1	5.9	3.4	**4.2**	**3.2**	**2.4**	3.2	2.5	1.7
France	1.8	1.2	1.2	4.5	3.8	2.7	**1.4**	**1.4**	**1.8**	1.6	1.4	1.3
Croatia	2.7	-1.9	1.5	6.6	11.3	10.8	**8.9**	**5.3**	**3.4**	8.6	4.4	2.8
Italy	2.2	0.8	1.1	0.9	3.8	4.4	**3.5**	**2.4**	**2.3**	3.8	2.4	1.9
Cyprus	2.7	-2.5	1.4	2.7	8.6	1.6	**2.1**	**3.0**	**3.3**	1.6	1.8	2.2
Latvia	4.9	4.2	4.1	11.2	8.7	8.9	**5.5**	**5.0**	**3.9**	5.8	3.5	2.4
Lithuania	1.3	3.5	5.1	14.3	12.9	5.6	**6.1**	**4.1**	**3.8**	5.1	3.9	3.7
Luxembourg	4.0	1.3	3.6	9.1	9.5	4.1	**4.9**	**3.0**	**2.0**	4.2	2.2	2.2
Malta	2.1	1.3	2.6	8.9	-1.2	6.3	**4.1**	**3.0**	**1.7**	5.6	3.9	2.3
Netherlands	2.1	0.6	2.4	1.9	8.6	6.5	**3.4**	**2.9**	**2.7**	3.2	2.7	1.7
Austria	2.0	2.1	2.4	2.2	8.5	8.0	**3.2**	**2.2**	**2.4**	3.4	2.0	1.7
Portugal	0.7	-0.3	3.9	2.4	8.2	5.9	**5.3**	**3.7**	**2.7**	4.9	2.6	2.4
Slovakia	1.9	1.2	3.8	7.2	8.4	5.5	**5.3**	**2.7**	**2.4**	4.4	2.3	2.4
Slovenia	3.3	0.5	3.2	5.2	8.7	4.9	**6.3**	**4.5**	**3.3**	6.7	3.5	3.0
Finland	3.1	1.4	1.1	5.3	5.6	0.3	**1.9**	**2.1**	**2.0**	2.0	2.3	2.5
Euro area (21)	1.9	1.1	1.8	3.3	6.5	4.6	**3.2**	**2.7**	**2.3**	3.0	2.2	1.8
Czechia	1.9	1.5	4.8	5.0	8.6	5.5	**4.9**	**3.6**	**2.4**	4.2	3.5	2.5
Denmark	2.9	0.6	1.1	6.2	3.9	1.5	**1.6**	**1.6**	**2.0**	2.4	1.4	2.1
Hungary	2.8	2.0	4.4	14.2	16.8	12.0	**8.9**	**7.4**	**3.9**	8.9	5.7	2.8
Poland	3.2	1.0	3.0	7.9	14.2	8.7	**4.3**	**3.3**	**3.3**	4.9	3.1	3.2
Romania	4.4	3.4	6.0	9.9	16.2	18.0	**3.8**	**4.4**	**4.2**	6.2	4.6	3.3
Sweden	2.9	1.9	2.3	4.3	6.8	3.8	**0.0**	**2.2**	**2.4**	2.6	1.3	2.3
EU	2.0	1.0	1.9	3.7	6.9	4.9	**3.1**	**2.7**	**2.4**	3.2	2.3	1.9
United Kingdom	2.4	1.3	2.5	2.4	6.7	4.7	**5.9**	**2.0**	**1.8**	2.6	1.4	1.1
Japan	-1.2	-0.7	1.1	1.1	0.8	3.7	**2.3**	**2.2**	**2.2**	2.1	1.5	1.4
United States	1.1	1.6	2.4	4.2	2.5	2.9	**2.6**	**1.7**	**1.6**	2.7	1.7	1.7

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources.

Table 29: Real unit labour costs [1] (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.5	-0.5	-0.2	-1.2	1.1	0.6	**0.1**	**0.1**	**-0.2**	0.7	0.2	-0.3
Bulgaria	1.5	3.0	0.8	-4.4	4.4	4.0	**1.8**	**1.4**	**0.1**	4.3	0.4	0.3
Germany	0.3	0.5	0.3	-2.4	1.1	2.6	**1.7**	**0.4**	**-0.3**	1.0	-0.6	0.0
Estonia	0.6	1.2	0.8	-2.5	6.1	3.2	**-0.5**	**-0.3**	**0.2**	0.5	-1.3	0.4
Ireland	1.2	-5.5	-4.0	-5.6	9.6	-0.2	**-7.1**	**4.7**	**-0.1**	-6.6	2.5	-0.3
Greece	1.3	-1.3	0.3	-5.8	-2.9	1.3	**-0.5**	**-0.3**	**0.2**	-0.8	-0.4	0.1
Spain	0.4	-1.1	1.4	-2.5	-0.4	0.5	**1.3**	**0.6**	**-0.1**	0.7	0.4	-0.4
France	0.5	0.4	-0.2	1.5	-1.1	0.6	**0.2**	**-0.4**	**-0.1**	0.1	-0.3	-0.5
Croatia	-0.3	-2.4	-0.1	-1.3	-1.4	6.0	**4.0**	**0.6**	**0.5**	3.8	0.8	0.3
Italy	0.4	-0.3	0.0	-2.5	-2.3	2.3	**1.5**	**0.4**	**0.3**	1.5	0.6	0.0
Cyprus	0.2	-2.1	0.4	-3.3	2.9	-1.5	**1.0**	**0.6**	**1.0**	0.0	0.0	0.3
Latvia	-0.8	2.7	0.8	1.4	-1.8	6.0	**1.9**	**1.8**	**1.7**	1.0	0.0	0.0
Lithuania	-3.1	2.5	1.5	-1.0	2.6	2.3	**2.4**	**0.7**	**0.5**	1.6	0.0	1.0
Luxembourg	0.5	-0.6	0.6	2.7	2.4	-0.4	**1.7**	**0.2**	**-0.3**	1.1	-0.8	-0.9
Malta	-0.3	-1.2	0.4	3.6	-6.0	2.1	**1.9**	**0.7**	**-0.4**	2.9	1.7	0.2
Netherlands	0.9	-0.3	0.0	-4.0	2.2	0.8	**0.1**	**-0.3**	**0.3**	0.0	-0.5	-0.4
Austria	0.3	0.1	0.7	-2.7	1.3	3.8	**0.0**	**0.1**	**-0.5**	-0.1	-0.8	-0.9
Portugal	-0.5	-1.6	2.0	-2.8	0.6	1.0	**1.3**	**0.9**	**0.1**	1.7	-0.2	0.4
Slovakia	0.9	0.9	1.7	-0.1	-1.5	2.0	**1.0**	**-1.0**	**-0.4**	0.6	-1.3	-0.5
Slovenia	0.9	-0.3	1.2	-1.2	-1.2	1.4	**2.8**	**0.9**	**0.4**	2.7	0.8	0.5
Finland	1.0	-0.3	-0.5	-0.8	1.7	-0.4	**0.4**	**-0.2**	**0.0**	1.1	0.6	0.7
Euro area (21)	0.4	-0.1	0.1	-1.9	0.3	1.5	**0.7**	**0.3**	**-0.1**	0.4	-0.1	-0.2
Czechia	0.4	-0.1	1.4	-3.4	0.0	1.5	**1.3**	**1.0**	**-0.6**	0.8	0.6	0.1
Denmark	0.7	-0.4	-0.6	-3.8	6.1	0.1	**-0.1**	**0.3**	**-0.2**	1.0	0.1	0.4
Hungary	-1.0	-0.7	-0.8	0.2	1.5	4.1	**2.5**	**3.3**	**0.8**	2.4	1.3	-0.2
Poland	-0.1	0.1	-0.1	-2.5	3.9	4.5	**1.4**	**0.2**	**0.4**	1.3	0.1	0.0
Romania	-4.2	0.8	0.5	-1.9	3.4	7.7	**-4.1**	**-2.9**	**-0.5**	-1.6	-2.1	-2.3
Sweden	0.7	0.4	0.0	-1.6	0.9	0.8	**-1.2**	**1.0**	**0.6**	1.0	-0.1	0.1
EU	0.3	-0.2	0.0	-2.0	0.6	1.6	**0.5**	**0.3**	**-0.1**	0.5	-0.1	-0.3
United Kingdom	0.2	-0.3	0.2	-3.1	0.3	0.8	**2.1**	**-0.6**	**-0.3**	-0.7	-0.5	-0.5
Japan	0.0	-1.3	0.7	0.5	-3.6	0.4	**-1.1**	**0.6**	**0.0**	-0.8	-0.4	-0.4
United States	-0.6	0.0	0.0	-2.8	-1.2	0.4	**-0.2**	**-1.5**	**-0.4**	0.0	-1.1	-0.4

[1] Nominal unit labour costs divided by GDP price deflator.

Note: See note 6 on concepts and sources.

Table 30: Nominal bilateral exchange rates against ecu/euro (2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area (21)	:	:	:	:	:	:	:	:	:	:	:	:
Czechia	25.7968	26.5903	25.9434	24.5646	24.0011	25.1198	**24.6879**	**24.3412**	**24.3418**	*24.6942*	*24.3085*	*24.3085*
Denmark	7.4502	7.4521	7.4498	7.4396	7.4509	7.4589	**7.4634**	**7.4725**	**7.4731**	*7.4635*	*7.4691*	*7.4691*
Hungary	267.2718	303.1107	332.1528	390.7769	381.7764	395.3039	**397.7675**	**369.4185**	**364.1670**	*398.6058*	*390.0630*	*390.0630*
Poland	3.9461	4.2222	4.3643	4.6853	4.5402	4.3058	**4.2397**	**4.2395**	**4.2401**	*4.2418*	*4.2441*	*4.2441*
Romania	3.9409	4.4513	4.7454	4.9313	4.9467	4.9746	**5.0424**	**5.0945**	**5.0947**	*5.0423*	*5.0861*	*5.0861*
Sweden	9.6077	9.0530	10.2208	10.6270	11.4758	11.4325	**11.0663**	**10.7757**	**10.7988**	*11.0703*	*10.9676*	*10.9676*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.8193	0.8019	0.8775	0.8526	0.8697	0.8466	**0.8568**	**0.8687**	**0.8688**	*0.8555*	*0.8698*	*0.8698*
Japan	133.3502	124.9084	126.0927	137.9179	151.8171	163.8519	**169.0435**	**186.1299**	**187.0120**	*168.3609*	*176.4280*	*176.4280*
United States	1.3903	1.2310	1.1504	1.0519	1.0811	1.0824	**1.1300**	**1.1732**	**1.1745**	*1.1300*	*1.1620*	*1.1620*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.5	0.1	1.1	-1.5	2.9	1.1	**1.6**	**0.5**	**-0.1**	*1.6*	*0.8*	*0.0*
Bulgaria	1.0	1.0	2.4	0.9	4.8	2.7	**2.2**	**0.8**	**0.0**	*2.2*	*1.0*	*0.0*
Germany	0.5	0.0	1.3	-2.4	3.3	1.3	**2.0**	**0.5**	**-0.1**	*2.0*	*1.0*	*0.0*
Estonia	0.7	1.8	1.2	-2.1	4.1	1.2	**0.8**	**-0.1**	**-0.1**	*0.9*	*0.6*	*0.0*
Ireland	1.0	-1.0	1.1	-4.5	3.0	0.7	**2.5**	**1.2**	**0.0**	*2.5*	*1.5*	*0.0*
Greece	0.9	0.9	2.2	0.4	4.9	2.6	**2.4**	**1.0**	**0.0**	*2.4*	*1.1*	*0.0*
Spain	0.6	0.1	1.2	-1.4	3.0	1.3	**1.8**	**0.4**	**-0.1**	*1.8*	*0.8*	*0.0*
France	0.5	-0.1	1.2	-2.0	3.3	1.3	**2.0**	**0.6**	**0.0**	*2.0*	*1.0*	*0.0*
Croatia	0.3	0.8	1.3	-0.8	3.6	1.8	**1.1**	**0.1**	**-0.1**	*1.1*	*0.5*	*0.0*
Italy	0.5	0.1	1.4	-2.1	3.3	1.4	**2.1**	**0.7**	**0.0**	*2.1*	*1.1*	*0.0*
Cyprus	0.4	-0.3	1.5	-2.7	5.3	2.0	**2.5**	**0.4**	**-0.1**	*2.5*	*1.2*	*0.0*
Latvia	0.7	2.5	1.4	-2.4	4.6	1.4	**0.8**	**-0.1**	**-0.1**	*0.9*	*0.6*	*0.0*
Lithuania	1.1	3.0	1.5	-2.8	4.3	1.4	**1.1**	**0.0**	**-0.1**	*1.1*	*0.7*	*0.0*
Luxembourg	0.4	0.1	0.8	-1.1	2.2	0.9	**1.2**	**0.3**	**0.0**	*1.2*	*0.6*	*0.0*
Malta	0.3	-0.4	1.1	-1.5	4.0	1.7	**2.2**	**1.0**	**0.0**	*2.2*	*1.2*	*0.0*
Netherlands	0.6	0.0	1.0	-1.4	2.7	0.9	**1.4**	**0.3**	**-0.1**	*1.4*	*0.7*	*0.0*
Austria	3.6	-3.4	0.0	-0.3	-0.8	9.1	**1.3**	**0.3**	**-0.1**	*1.3*	*0.6*	*0.0*
Portugal	0.4	0.0	1.0	-1.3	2.4	1.0	**1.4**	**0.4**	**0.0**	*1.4*	*0.7*	*0.0*
Slovakia	4.9	0.7	0.8	-1.0	2.0	0.9	**0.9**	**0.1**	**-0.1**	*0.9*	*0.5*	*0.0*
Slovenia	0.6	0.9	0.9	-1.3	2.1	0.8	**0.8**	**-0.1**	**-0.1**	*0.8*	*0.4*	*0.0*
Finland	0.7	0.9	1.3	-2.3	4.1	1.3	**1.7**	**0.3**	**-0.1**	*1.7*	*1.0*	*0.0*
Euro area (21)	1.2	0.1	2.2	-3.3	5.6	2.2	**3.4**	**1.0**	**-0.1**	*3.4*	*1.7*	*0.0*
Czechia	3.5	-1.4	2.0	3.6	4.6	-3.8	**2.7**	**1.6**	**-0.1**	*2.7*	*2.1*	*0.0*
Denmark	0.4	0.2	1.3	-2.0	3.8	1.0	**1.6**	**0.0**	**-0.1**	*1.6*	*0.8*	*0.0*
Hungary	-0.5	-1.6	-1.8	-9.2	5.0	-2.4	**0.5**	**8.0**	**1.4**	*0.3*	*2.8*	*0.0*
Poland	-0.2	-0.3	0.1	-3.9	6.0	6.8	**2.6**	**0.1**	**-0.1**	*2.6*	*0.5*	*0.0*
Romania	-2.8	-0.3	-0.4	0.0	3.1	1.2	**0.1**	**-0.6**	**-0.1**	*0.1*	*-0.2*	*0.0*
Sweden	1.1	-0.6	-0.2	-6.6	-3.9	1.5	**5.1**	**2.8**	**-0.3**	*5.0*	*1.8*	*0.0*
EU	1.3	-0.1	2.5	-4.7	7.0	3.0	**4.6**	**1.7**	**-0.1**	*4.6*	*2.3*	*0.0*
United Kingdom	-4.5	0.9	0.4	-2.2	1.9	4.4	**1.2**	**-0.7**	**-0.1**	*1.3*	*-0.5*	*0.0*
Japan	6.6	-3.0	-0.3	-11.7	-4.6	-5.8	**1.0**	**-8.4**	**-0.6**	*1.4*	*-2.8*	*0.0*
United States	-1.9	5.6	0.3	7.0	0.5	2.3	**0.1**	**-3.8**	**-0.2**	*0.1*	*-1.4*	*0.0*

1) 42 countries: EU-27, TR, CH, NO, US, UK, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 32: Total expenditure, general government (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	52.6	55.0	54.0	52.5	52.8	54.1	**54.2**	**54.4**	**54.4**	54.6	54.9	54.9
Bulgaria	36.8	38.1	38.3	41.3	38.9	39.2	**41.7**	**43.5**	**42.5**	41.3	42.8	42.4
Germany	45.9	44.8	47.3	48.6	48.1	49.4	**50.5**	**52.0**	**52.4**	50.6	51.4	51.5
Estonia	39.6	38.7	40.7	40.0	43.1	44.0	**45.4**	**46.9**	**46.1**	44.7	46.2	45.3
Ireland	47.2	34.9	24.9	20.6	22.2	22.3	**21.0**	**22.5**	**22.6**	21.4	22.7	22.5
Greece	52.5	55.7	52.1	53.1	49.5	48.1	**48.3**	**50.2**	**48.2**	48.5	49.0	47.6
Spain	43.7	45.2	45.1	46.3	45.4	45.5	**45.3**	**45.8**	**45.5**	45.6	45.6	45.0
France	56.1	58.0	58.1	58.4	56.8	57.0	**57.2**	**57.4**	**57.8**	57.8	57.4	57.7
Croatia	47.8	47.5	47.6	45.1	46.6	48.4	**50.1**	**50.6**	**50.4**	49.6	49.9	49.5
Italy	48.8	50.3	51.7	54.9	53.6	50.4	**51.2**	**51.3**	**51.2**	50.7	50.9	50.5
Cyprus	43.1	47.2	42.3	37.7	40.6	38.3	**40.2**	**40.5**	**40.0**	39.6	39.9	39.3
Latvia	42.7	39.9	42.1	44.2	43.4	45.3	**46.1**	**47.7**	**47.8**	47.5	47.6	47.3
Lithuania	40.3	35.4	36.3	36.5	37.2	39.4	**41.2**	**42.6**	**43.0**	41.3	42.3	42.5
Luxembourg	40.3	40.8	43.2	44.3	46.4	46.8	**49.1**	**49.4**	**50.2**	48.2	48.6	48.8
Malta	41.2	38.9	36.7	38.4	35.8	37.2	**37.0**	**36.6**	**36.6**	36.4	35.7	35.5
Netherlands	46.5	46.2	44.2	43.3	44.0	44.3	**44.9**	**46.0**	**46.2**	45.0	45.9	45.6
Austria	51.9	51.7	52.3	53.0	52.3	55.3	**55.2**	**55.4**	**55.0**	55.2	54.9	54.4
Portugal	48.4	48.7	45.5	43.9	42.0	42.4	**42.7**	**44.7**	**42.8**	44.1	44.9	42.9
Slovakia	39.5	41.6	41.9	43.1	48.4	47.4	**47.9**	**48.3**	**47.4**	49.1	48.9	48.2
Slovenia	48.2	50.9	46.8	47.7	46.5	46.5	**49.6**	**50.6**	**50.2**	48.4	48.9	48.7
Finland	51.3	56.3	53.9	52.6	55.9	57.7	**57.5**	**58.5**	**57.9**	58.9	58.9	58.4
Euro area (21)	48.9	49.3	49.4	49.8	49.3	49.4	**49.7**	**50.5**	**50.5**	49.9	50.2	50.1
Czechia	42.4	42.0	42.0	43.2	44.0	43.2	**43.2**	**43.2**	**42.4**	42.4	42.2	41.7
Denmark	53.8	55.1	50.8	45.1	47.4	47.3	**48.0**	**49.4**	**49.6**	49.4	50.6	51.2
Hungary	49.5	49.3	47.5	49.1	49.7	47.3	**47.3**	**48.7**	**47.4**	47.4	47.2	46.2
Poland	44.4	42.3	43.0	43.2	46.9	49.2	**50.9**	**51.8**	**50.9**	50.2	52.0	51.0
Romania	38.5	35.6	37.2	40.9	41.1	43.3	**43.3**	**42.9**	**41.9**	44.1	42.8	42.7
Sweden	50.7	51.3	50.9	49.4	50.0	50.5	**49.9**	**50.8**	**50.0**	50.2	50.2	49.6
EU	48.7	49.0	48.9	49.2	48.9	49.1	**49.5**	**50.3**	**50.1**	49.6	50.0	49.7
United Kingdom	44.4	43.0	43.9	45.3	46.2	45.9	**45.8**	**46.0**	**45.9**	46.0	46.1	46.1
Japan	37.7	39.0	40.0	41.6	39.1	38.7	**38.3**	**39.2**	**39.3**	39.8	40.1	40.3
United States	41.0	38.6	41.3	38.4	39.2	39.6	**39.8**	**39.7**	**39.6**	39.6	39.8	39.9

Table 33: Total revenue, general government (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	49.5	51.8	50.3	48.9	48.7	49.7	**49.0**	**49.2**	**49.0**	49.3	49.3	49.1
Bulgaria	35.1	36.4	37.8	38.4	36.9	36.1	**38.1**	**39.4**	**38.2**	38.3	40.1	38.1
Germany	44.2	45.4	46.7	46.7	45.7	46.8	**47.9**	**48.3**	**48.3**	47.6	47.4	47.7
Estonia	39.1	38.8	38.9	39.1	40.4	42.8	**43.4**	**42.3**	**41.3**	43.4	41.8	40.9
Ireland	33.9	30.7	23.6	22.3	23.6	26.5	**22.7**	**23.9**	**23.8**	22.8	23.7	23.3
Greece	41.6	49.2	49.2	50.5	48.1	49.4	**50.0**	**51.0**	**48.8**	49.5	49.2	47.6
Spain	37.1	38.3	40.0	41.7	42.1	42.3	**42.9**	**43.4**	**43.4**	43.0	43.5	42.9
France	50.9	53.5	53.4	53.7	51.4	51.2	**52.1**	**52.3**	**52.1**	52.2	52.5	52.4
Croatia	42.6	43.4	45.7	45.2	45.5	46.1	**47.1**	**47.7**	**47.7**	46.8	47.1	46.8
Italy	45.5	47.6	46.8	46.8	46.5	47.0	**48.1**	**48.4**	**48.2**	47.7	48.1	47.9
Cyprus	40.5	41.2	40.9	40.4	42.4	42.4	**43.6**	**42.7**	**42.5**	42.9	42.9	42.5
Latvia	37.1	38.7	39.5	39.4	41.1	43.5	**43.6**	**44.4**	**43.5**	44.3	44.2	43.0
Lithuania	35.1	33.7	35.0	35.8	36.5	38.1	**39.4**	**40.4**	**40.3**	39.1	39.8	39.8
Luxembourg	41.9	42.0	44.3	44.5	45.7	47.7	**47.1**	**48.1**	**48.6**	47.4	48.0	47.9
Malta	38.3	37.6	34.8	33.1	31.3	33.8	**34.8**	**34.4**	**34.5**	33.3	33.0	32.8
Netherlands	43.5	44.1	44.0	43.3	43.6	43.6	**43.3**	**43.5**	**44.3**	43.1	43.2	43.6
Austria	48.8	50.1	49.5	49.6	49.7	50.6	**51.0**	**51.3**	**50.9**	50.8	50.8	50.2
Portugal	41.3	43.7	43.2	43.6	43.2	43.0	**43.4**	**44.6**	**42.4**	44.1	44.6	42.4
Slovakia	34.5	38.5	39.2	41.5	43.1	42.1	**43.5**	**43.6**	**42.0**	44.1	44.3	42.9
Slovenia	44.2	46.0	44.7	44.7	44.0	45.6	**47.1**	**47.3**	**46.8**	46.2	46.7	46.2
Finland	51.9	53.9	51.8	52.5	53.0	53.4	**54.1**	**54.0**	**53.3**	54.5	54.9	54.4
Euro area (21)	45.0	46.7	46.5	46.4	45.8	46.3	**46.8**	**47.2**	**47.0**	46.7	46.9	46.7
Czechia	39.4	40.6	40.5	40.2	40.3	41.2	**41.0**	**40.4**	**39.5**	40.5	40.1	39.6
Denmark	54.1	54.4	53.1	48.5	50.8	51.8	**50.9**	**50.3**	**50.1**	51.8	51.7	52.0
Hungary	44.8	47.0	43.3	42.9	42.8	42.2	**42.6**	**42.5**	**41.6**	42.8	42.1	41.1
Poland	39.4	39.0	40.8	39.9	41.7	42.8	**43.6**	**45.3**	**44.6**	43.4	45.7	44.9
Romania	32.4	33.6	32.0	34.4	34.5	34.0	**35.4**	**36.7**	**36.1**	35.7	36.6	36.7
Sweden	51.5	50.5	50.7	50.4	49.1	48.9	**48.6**	**48.1**	**47.5**	48.6	47.8	47.5
EU	45.0	46.5	46.3	46.0	45.5	46.0	**46.4**	**46.8**	**46.5**	46.3	46.6	46.3
United Kingdom	38.2	38.1	38.8	40.9	40.6	40.1	**40.6**	**41.2**	**41.4**	41.1	41.9	42.0
Japan	30.8	33.3	35.2	37.4	36.8	37.1	**37.1**	**37.2**	**37.1**	38.4	38.3	38.2
United States	31.5	32.5	32.4	34.7	31.3	31.5	**32.4**	**31.7**	**31.8**	32.1	32.0	32.1

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	-3.0	-3.1	-3.7	-3.5	-4.1	-4.4	**-5.2**	**-5.2**	**-5.4**	-5.3	-5.5	-5.9
Bulgaria	-1.7	-1.7	-0.5	-2.9	-2.0	-3.0	**-3.5**	**-4.1**	**-4.3**	-3.0	-2.7	-4.3
Germany	-1.7	0.6	-0.6	-1.9	-2.5	-2.7	**-2.7**	**-3.7**	**-4.1**	-3.1	-4.0	-3.8
Estonia	-0.5	0.1	-1.8	-0.9	-2.7	-1.1	**-2.0**	**-4.5**	**-4.8**	-1.3	-4.4	-4.4
Ireland	-13.3	-4.2	-1.2	1.6	1.4	4.1	**1.8**	**1.4**	**1.2**	1.5	1.0	0.8
Greece	-10.9	-6.5	-2.9	-2.6	-1.4	1.3	**1.7**	**0.8**	**0.6**	1.1	0.3	0.0
Spain	-6.6	-6.9	-5.0	-4.6	-3.3	-3.2	**-2.4**	**-2.4**	**-2.0**	-2.5	-2.1	-2.1
France	-5.3	-4.5	-4.7	-4.7	-5.4	-5.8	**-5.1**	**-5.1**	**-5.7**	-5.5	-4.9	-5.3
Croatia	-5.1	-4.1	-1.8	0.0	-1.1	-2.3	**-3.0**	**-2.9**	**-2.7**	-2.8	-2.9	-2.8
Italy	-3.3	-2.7	-4.9	-8.1	-7.1	-3.4	**-3.1**	**-2.9**	**-2.9**	-3.0	-2.8	-2.6
Cyprus	-2.6	-6.0	-1.5	2.7	1.7	4.1	**3.4**	**2.1**	**2.5**	3.3	3.0	3.2
Latvia	-5.6	-1.2	-2.6	-4.9	-2.3	-1.8	**-2.5**	**-3.3**	**-4.3**	-3.1	-3.5	-4.3
Lithuania	-5.2	-1.7	-1.3	-0.7	-0.7	-1.3	**-1.8**	**-2.2**	**-2.7**	-2.2	-2.5	-2.7
Luxembourg	1.6	1.2	1.0	0.2	-0.7	0.9	**-2.0**	**-1.2**	**-1.5**	-0.8	-0.5	-0.8
Malta	-2.9	-1.3	-1.9	-5.3	-4.4	-3.4	**-2.2**	**-2.2**	**-2.1**	-3.2	-2.8	-2.6
Netherlands	-3.0	-2.1	-0.2	0.0	-0.4	-0.7	**-1.6**	**-2.5**	**-1.9**	-1.9	-2.7	-2.1
Austria	-3.1	-1.6	-2.8	-3.4	-2.6	-4.6	**-4.2**	**-4.1**	**-4.1**	-4.4	-4.1	-4.3
Portugal	-7.1	-5.0	-2.4	-0.3	1.1	0.6	**0.7**	**-0.1**	**-0.4**	0.0	-0.3	-0.5
Slovakia	-5.0	-3.2	-2.7	-1.6	-5.3	-5.3	**-4.5**	**-4.6**	**-5.4**	-5.0	-4.6	-5.3
Slovenia	-3.9	-5.0	-2.1	-3.0	-2.6	-0.9	**-2.5**	**-3.3**	**-3.5**	-2.2	-2.3	-2.5
Finland	0.6	-2.4	-2.1	-0.2	-2.9	-4.4	**-3.4**	**-4.5**	**-4.6**	-4.5	-4.0	-3.9
Euro area (21)	-4.0	-2.6	-2.8	-3.4	-3.5	-3.0	**-2.9**	**-3.3**	**-3.5**	-3.2	-3.3	-3.4
Czechia	-3.0	-1.5	-1.6	-3.1	-3.7	-2.0	**-2.1**	**-2.8**	**-2.9**	-1.8	-2.0	-2.2
Denmark	0.3	-0.7	2.2	3.4	3.4	4.5	**2.9**	**0.9**	**0.5**	2.3	1.1	0.8
Hungary	-4.7	-2.3	-4.2	-6.2	-7.0	-5.1	**-4.7**	**-6.2**	**-5.8**	-4.6	-5.1	-5.1
Poland	-5.0	-3.3	-2.2	-3.4	-5.2	-6.4	**-7.3**	**-6.5**	**-6.3**	-6.8	-6.3	-6.1
Romania	-6.1	-2.1	-5.2	-6.5	-6.6	-9.3	**-7.9**	**-6.2**	**-5.8**	-8.4	-6.2	-5.9
Sweden	0.7	-0.8	-0.2	1.0	-0.9	-1.5	**-1.3**	**-2.8**	**-2.5**	-1.7	-2.4	-2.0
EU	-3.8	-2.5	-2.6	-3.2	-3.4	-3.1	**-3.1**	**-3.5**	**-3.6**	-3.3	-3.4	-3.4
United Kingdom	-7.0	-5.3	-5.6	-4.7	-6.0	-6.1	**-5.5**	**-4.9**	**-4.5**	-5.0	-4.2	-4.1
Japan	-6.9	-5.7	-4.8	-4.2	-2.3	-1.7	**-1.2**	**-2.0**	**-2.3**	-1.4	-1.9	-2.0
United States	-9.6	-6.0	-8.8	-3.7	-8.0	-8.0	**-7.4**	**-8.0**	**-7.9**	-7.5	-7.8	-7.8

Table 35: Interest expenditure, general government (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	3.8	3.2	2.1	1.6	1.9	2.2	**2.2**	**2.4**	**2.7**	2.4	2.6	2.8
Bulgaria	0.8	0.8	0.6	0.4	0.5	0.5	**0.8**	**1.2**	**1.3**	0.9	1.1	1.1
Germany	2.6	1.7	0.8	0.7	0.9	1.1	**1.1**	**1.2**	**1.2**	1.2	1.2	1.2
Estonia	0.2	0.1	0.1	0.1	0.4	0.6	**0.5**	**0.6**	**0.8**	0.5	0.6	0.7
Ireland	2.1	3.4	1.3	0.6	0.6	0.6	**0.5**	**0.5**	**0.6**	0.5	0.6	0.6
Greece	5.7	4.1	3.0	2.5	3.4	3.5	**3.2**	**3.2**	**3.2**	3.3	3.1	3.2
Spain	1.8	3.2	2.3	2.3	2.4	2.4	**2.4**	**2.5**	**2.5**	2.5	2.6	2.6
France	2.7	2.2	1.5	1.9	1.9	2.0	**2.2**	**2.6**	**2.8**	2.3	2.5	2.8
Croatia	2.1	3.2	2.1	1.4	1.6	1.6	**1.4**	**1.4**	**1.3**	1.5	1.5	1.5
Italy	4.6	4.5	3.5	4.1	3.6	3.9	**3.9**	**4.1**	**4.2**	3.9	4.0	4.1
Cyprus	2.4	3.1	2.1	1.3	1.2	1.2	**1.1**	**1.2**	**1.2**	1.3	1.3	1.3
Latvia	1.3	1.4	0.8	0.5	0.7	1.1	**1.1**	**1.3**	**1.4**	1.2	1.4	1.5
Lithuania	1.2	1.7	0.9	0.3	0.6	0.8	**0.9**	**1.1**	**1.3**	1.0	1.2	1.4
Luxembourg	0.4	0.4	0.3	0.2	0.3	0.3	**0.3**	**0.5**	**0.6**	0.4	0.5	0.5
Malta	3.2	2.5	1.3	0.9	1.0	1.2	**1.2**	**1.3**	**1.3**	1.2	1.3	1.3
Netherlands	2.0	1.5	0.8	0.6	0.7	0.7	**0.7**	**0.7**	**0.8**	0.7	0.7	0.8
Austria	3.0	2.5	1.5	0.9	1.2	1.5	**1.6**	**1.8**	**1.9**	1.7	1.8	1.9
Portugal	3.2	4.6	3.0	1.9	2.1	2.0	**1.9**	**2.0**	**2.1**	2.1	2.2	2.2
Slovakia	1.4	1.8	1.3	1.0	1.2	1.4	**1.5**	**1.7**	**1.8**	1.6	1.7	1.9
Slovenia	1.5	2.9	1.8	1.1	1.2	1.3	**1.3**	**1.3**	**1.4**	1.3	1.3	1.3
Finland	1.4	1.3	0.8	0.6	1.2	1.6	**1.6**	**1.9**	**2.0**	1.6	1.8	2.0
Euro area (21)	2.9	2.6	1.7	1.7	1.7	1.9	**1.9**	**2.1**	**2.2**	2.0	2.1	2.2
Czechia	1.2	1.2	0.7	1.1	1.3	1.3	**1.3**	**1.3**	**1.3**	1.3	1.3	1.3
Denmark	1.7	1.4	0.7	0.7	0.7	0.8	**0.8**	**0.8**	**0.8**	0.7	0.7	0.7
Hungary	4.2	3.9	2.3	2.8	4.7	4.9	**3.8**	**3.9**	**3.7**	4.0	3.9	4.0
Poland	2.4	2.1	1.3	1.5	2.1	2.2	**2.5**	**2.8**	**2.9**	2.5	2.7	2.8
Romania	1.4	1.7	1.2	1.5	2.0	2.4	**2.8**	**3.0**	**3.0**	3.1	3.3	3.3
Sweden	1.4	0.7	0.4	0.5	0.7	0.7	**0.6**	**0.6**	**0.7**	0.7	0.6	0.6
EU	2.8	2.4	1.6	1.6	1.7	1.9	**1.9**	**2.1**	**2.1**	2.0	2.0	2.1
United Kingdom	2.7	2.8	2.6	4.3	3.3	3.0	**3.4**	**3.4**	**3.4**	3.1	3.1	3.1
Japan	1.9	1.8	1.5	1.3	1.2	1.2	**1.2**	**1.3**	**1.3**	1.3	1.3	1.4
United States	4.2	3.9	3.8	3.7	4.3	4.7	**4.7**	**4.8**	**4.9**	4.9	5.0	5.0

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.8	0.1	-1.6	-2.0	-2.2	-2.2	**-2.9**	**-2.7**	**-2.7**	-2.9	-2.9	-3.1
Bulgaria	-0.9	-0.8	0.2	-2.6	-1.5	-2.5	**-2.7**	**-2.9**	**-3.0**	-2.1	-1.6	-3.1
Germany	0.9	2.2	0.2	-1.2	-1.6	-1.6	**-1.6**	**-2.5**	**-2.9**	-1.9	-2.8	-2.6
Estonia	-0.3	0.2	-1.8	-0.8	-2.3	-0.6	**-1.5**	**-3.9**	**-4.0**	-0.8	-3.9	-3.8
Ireland	-11.2	-0.8	0.1	2.3	2.1	4.7	**2.2**	**1.9**	**1.8**	2.0	1.5	1.4
Greece	-5.2	-2.4	0.0	-0.1	2.0	4.8	**4.9**	**4.0**	**3.7**	4.3	3.4	3.2
Spain	-4.8	-3.7	-2.7	-2.3	-1.0	-0.8	**0.0**	**0.1**	**0.5**	0.0	0.5	0.6
France	-2.6	-2.2	-3.2	-2.8	-3.5	-3.7	**-2.9**	**-2.5**	**-2.9**	-3.2	-2.3	-2.5
Croatia	-3.0	-0.9	0.3	1.4	0.5	-0.8	**-1.6**	**-1.5**	**-1.4**	-1.4	-1.4	-1.3
Italy	1.2	1.8	-1.4	-4.0	-3.5	0.5	**0.8**	**1.2**	**1.3**	0.9	1.2	1.5
Cyprus	-0.2	-2.9	0.7	4.0	2.9	5.4	**4.5**	**3.3**	**3.7**	4.6	4.3	4.5
Latvia	-4.4	0.2	-1.9	-4.4	-1.6	-0.7	**-1.4**	**-2.0**	**-2.9**	-1.9	-2.1	-2.8
Lithuania	-3.9	0.0	-0.4	-0.4	-0.1	-0.5	**-0.9**	**-1.1**	**-1.5**	-1.3	-1.4	-1.4
Luxembourg	2.0	1.6	1.3	0.4	-0.4	1.2	**-1.6**	**-0.7**	**-1.0**	-0.4	-0.1	-0.3
Malta	0.3	1.2	-0.6	-4.4	-3.4	-2.3	**-1.0**	**-0.9**	**-0.8**	-2.0	-1.4	-1.3
Netherlands	-1.0	-0.6	0.5	0.6	0.3	0.0	**-0.9**	**-1.8**	**-1.1**	-1.2	-1.9	-1.2
Austria	0.0	0.9	-1.3	-2.5	-1.4	-3.2	**-2.6**	**-2.4**	**-2.3**	-2.7	-2.3	-2.4
Portugal	-3.9	-0.4	0.7	1.6	3.2	2.7	**2.6**	**1.9**	**1.6**	2.2	2.0	1.8
Slovakia	-3.5	-1.4	-1.5	-0.5	-4.2	-3.9	**-2.9**	**-3.0**	**-3.6**	-3.4	-2.9	-3.4
Slovenia	-2.5	-2.1	-0.3	-1.9	-1.3	0.4	**-1.3**	**-2.0**	**-2.1**	-0.9	-0.9	-1.2
Finland	2.0	-1.1	-1.3	0.4	-1.7	-2.8	**-1.8**	**-2.7**	**-2.6**	-2.8	-2.2	-2.0
Euro area (21)	-1.1	0.0	-1.1	-1.7	-1.8	-1.2	**-1.0**	**-1.3**	**-1.3**	-1.2	-1.3	-1.2
Czechia	-1.8	-0.3	-0.9	-2.0	-2.4	-0.7	**-0.8**	**-1.5**	**-1.6**	-0.5	-0.7	-0.8
Denmark	2.0	0.7	2.9	4.1	4.1	5.2	**3.7**	**1.7**	**1.3**	3.1	1.8	1.6
Hungary	-0.5	1.6	-1.9	-3.4	-2.3	-0.3	**-0.9**	**-2.3**	**-2.1**	-0.6	-1.2	-1.1
Poland	-2.7	-1.2	-0.9	-1.8	-3.1	-4.3	**-4.7**	**-3.7**	**-3.3**	-4.3	-3.6	-3.3
Romania	-4.7	-0.4	-4.0	-5.0	-4.6	-6.8	**-5.0**	**-3.2**	**-2.8**	-5.3	-3.0	-2.6
Sweden	2.1	-0.1	0.2	1.5	-0.2	-0.8	**-0.7**	**-2.1**	**-1.8**	-0.9	-1.8	-1.4
EU	-1.0	-0.1	-1.0	-1.6	-1.7	-1.2	**-1.2**	**-1.4**	**-1.5**	-1.3	-1.4	-1.3
United Kingdom	-4.3	-2.5	-3.0	-0.4	-2.7	-3.1	**-2.1**	**-1.4**	**-1.1**	-1.9	-1.1	-1.0
Japan	-5.0	-3.9	-3.3	-2.9	-1.1	-0.5	**0.0**	**-0.7**	**-1.0**	-0.1	-0.5	-0.7
United States	-5.4	-2.1	-5.0	-0.1	-3.6	-3.3	**-2.7**	**-3.2**	**-3.0**	-2.6	-2.8	-2.8

[1] Net lending/borrowing excluding interest expenditure.

Table 37: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.5	0.5	-0.9	-2.6	-2.5	-2.1	**-2.6**	**-1.9**	**-1.7**	-2.4	-2.2	-2.4
Bulgaria	-1.2	-0.6	0.3	-3.2	-1.8	-2.7	**-2.8**	**-2.9**	**-2.9**	-2.2	-1.7	-3.0
Germany	1.0	2.3	0.1	-1.7	-1.3	-0.8	**-0.7**	**-1.8**	**-2.3**	-0.9	-2.1	-2.3
Estonia	0.5	0.1	-2.3	-0.6	-0.5	1.1	**-0.2**	**-3.2**	**-3.9**	0.7	-3.1	-3.8
Ireland	-10.9	-1.2	0.8	-1.2	2.6	5.9	**-0.3**	**2.1**	**2.1**	0.0	1.4	1.5
Greece	-3.2	6.1	4.8	0.3	1.4	3.7	**3.5**	**2.5**	**2.3**	3.0	1.8	1.7
Spain	-3.5	0.2	-2.0	-2.8	-1.5	-1.9	**-1.2**	**-1.0**	**-0.2**	-1.1	-0.4	-0.1
France	-2.4	-1.3	-2.5	-2.7	-3.4	-3.5	**-2.5**	**-2.0**	**-2.4**	-3.0	-2.1	-2.3
Croatia	-3.8	0.9	0.6	-0.4	-0.9	-1.8	**-2.3**	**-1.7**	**-1.3**	-2.0	-1.7	-1.3
Italy	1.3	3.9	0.1	-4.9	-4.3	-0.1	**0.3**	**1.0**	**1.1**	0.7	1.0	1.4
Cyprus	-1.1	0.2	0.6	1.6	1.2	3.8	**3.1**	**2.5**	**3.1**	3.1	3.3	3.9
Latvia	-3.3	0.3	-2.2	-4.9	-1.4	-0.2	**-1.4**	**-2.1**	**-3.1**	-1.7	-2.1	-3.0
Lithuania	-3.0	0.3	-1.3	-0.7	0.6	0.1	**-0.6**	**-1.1**	**-1.4**	-0.8	-1.3	-1.3
Luxembourg	1.7	2.2	1.6	1.0	0.9	2.8	**0.1**	**0.8**	**0.1**	1.3	1.4	0.8
Malta	0.4	1.1	-0.9	-2.7	-3.6	-2.8	**-0.9**	**-0.3**	**0.2**	-2.0	-1.0	-0.4
Netherlands	-0.8	0.6	0.8	-0.9	0.4	0.5	**-0.5**	**-1.1**	**-0.3**	-0.6	-1.3	-0.8
Austria	-0.1	1.3	-1.0	-3.8	-1.5	-2.5	**-2.0**	**-1.7**	**-1.8**	-2.0	-1.6	-2.0
Portugal	-3.6	1.1	1.2	1.2	2.6	2.3	**2.5**	**1.9**	**1.6**	2.1	1.8	1.6
Slovakia	-4.2	-0.7	-1.7	-0.8	-4.4	-4.0	**-2.7**	**-2.6**	**-3.3**	-3.2	-2.5	-3.1
Slovenia	-3.3	0.6	-1.0	-3.4	-2.7	-0.7	**-1.8**	**-2.4**	**-2.6**	-1.2	-1.3	-1.7
Finland	1.8	0.3	-1.4	0.6	-0.3	-1.4	**-0.3**	**-1.3**	**-1.6**	-1.3	-0.9	-1.0
Euro area (21)	-0.8	1.3	-0.6	-2.3	-1.8	-1.0	**-0.9**	**-1.0**	**-1.1**	-1.0	-1.1	-1.1
Czechia	-2.3	0.5	-1.2	-2.3	-1.9	-0.1	**-0.6**	**-1.3**	**-1.8**	-0.2	-0.5	-1.0
Denmark	2.6	2.2	3.3	5.1	6.2	6.7	**4.7**	**2.7**	**2.4**	3.9	2.3	1.9
Hungary	0.9	2.5	-2.7	-4.5	-2.1	0.1	**-0.3**	**-2.0**	**-2.2**	0.2	-0.9	-1.2
Poland	-3.7	-0.5	-1.1	-2.6	-2.6	-3.9	**-4.6**	**-3.8**	**-3.3**	-4.1	-3.6	-3.3
Romania	-4.8	0.2	-3.7	-4.8	-4.3	-6.4	**-4.6**	**-2.4**	**-2.2**	-4.7	-2.3	-2.2
Sweden	2.5	0.4	0.4	1.5	0.7	0.2	**0.3**	**-1.3**	**-1.4**	0.2	-1.2	-1.2
EU	-0.8	1.2	-0.6	-2.1	-1.7	-1.0	**-1.0**	**-1.1**	**-1.2**	-1.1	-1.1	-1.2

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 38: Structural budget balance, general government[1] (as a percentage of potential GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	:	:	-3.2	-4.2	-4.2	-4.1	**-4.9**	**-4.4**	**-4.4**	-4.8	-4.9	-5.1
Bulgaria	:	:	-0.3	-3.6	-2.8	-2.7	**-4.1**	**-4.1**	**-4.1**	-3.5	-2.7	-4.1
Germany	:	:	-0.6	-2.1	-2.2	-1.9	**-1.8**	**-2.9**	**-3.5**	-2.0	-3.3	-3.5
Estonia	:	:	-2.6	-0.9	-0.9	-0.1	**-0.8**	**-3.8**	**-4.7**	0.2	-3.7	-4.4
Ireland	:	:	-0.5	-1.8	1.9	2.8	**-0.7**	**1.6**	**1.5**	-0.5	0.8	0.9
Greece	:	:	1.4	-2.8	-1.8	0.3	**0.5**	**-0.7**	**-0.9**	-0.1	-1.3	-1.5
Spain	:	:	-4.0	-5.1	-3.8	-3.5	**-3.2**	**-2.9**	**-2.5**	-3.2	-2.8	-2.7
France	:	:	-3.7	-4.6	-5.2	-5.5	**-4.7**	**-4.6**	**-5.2**	-5.3	-4.6	-5.0
Croatia	:	:	-1.5	-1.5	-2.5	-3.4	**-3.7**	**-3.1**	**-2.6**	-3.4	-3.1	-2.8
Italy	:	:	-3.5	-9.2	-8.3	-4.1	**-3.7**	**-3.2**	**-3.1**	-3.3	-2.9	-2.7
Cyprus	:	:	0.2	0.3	-0.1	2.6	**1.9**	**1.3**	**1.9**	2.0	2.0	2.6
Latvia	:	:	-3.0	-5.4	-2.1	-1.3	**-2.5**	**-3.4**	**-4.5**	-2.9	-3.5	-4.5
Lithuania	:	:	-2.2	-1.2	0.0	-0.7	**-1.6**	**-2.2**	**-2.7**	-1.9	-2.4	-2.7
Luxembourg	:	:	1.3	0.8	0.6	2.5	**-0.2**	**0.3**	**-0.5**	1.0	0.9	0.3
Malta	:	:	-2.2	-3.7	-4.6	-3.9	**-1.8**	**-1.6**	**-1.1**	-3.2	-2.3	-1.7
Netherlands	:	:	0.0	-1.4	-0.8	-0.2	**-1.1**	**-1.1**	**-1.1**	-1.3	-1.3	-1.6
Austria	:	:	:	-4.7	-2.7	-4.0	**-3.6**	**-3.5**	**-3.6**	-3.7	-3.4	-3.9
Portugal	:	:	-1.1	-0.6	0.9	0.3	**0.6**	**0.2**	**-0.4**	0.1	-0.4	-0.7
Slovakia	:	:	-2.9	-1.8	-5.5	-5.4	**-4.3**	**-4.3**	**-5.1**	-4.8	-4.3	-5.0
Slovenia	:	:	-2.7	-4.5	-3.4	-1.6	**-2.6**	**-3.7**	**-3.9**	-2.1	-2.7	-3.0
Finland	:	:	:	0.0	-1.5	-2.9	**-1.9**	**-3.2**	**-3.7**	-2.9	-2.7	-3.0
Euro area (21)	:	-1.2	-2.2	-4.0	-3.6	-2.9	**-2.8**	**-10.2**	**-9.4**	-3.0	-3.1	-3.2
Czechia	:	:	-1.9	-3.4	-3.2	-1.4	**-1.8**	**-2.6**	**-3.1**	-1.4	-1.8	-2.3
Denmark	:	:	2.6	4.4	5.7	6.6	**3.9**	**2.0**	**1.6**	3.1	1.6	1.1
Hungary	:	:	-5.1	-7.3	-6.8	-4.8	**-4.1**	**-5.9**	**-5.9**	-3.8	-4.8	-5.2
Poland	:	:	-2.6	-4.4	-4.7	-6.1	**-7.1**	**-6.6**	**-6.2**	-6.5	-6.3	-6.1
Romania	:	:	-4.8	-6.3	-6.4	-8.8	**-7.3**	**-5.4**	**-5.3**	-7.9	-5.6	-5.5
Sweden	:	:	0.0	0.9	0.0	-0.5	**-0.3**	**-2.0**	**-2.1**	-0.5	-1.9	-1.8
EU	:	:	:	-3.7	-3.4	-2.9	**-2.9**	**-6.0**	**-5.2**	-3.0	-3.1	-3.3

Table 39: Gross debt, general government (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	96.7	105.5	104.1	103.3	102.5	103.9	**107.9**	**110.5**	**112.8**	107.1	109.9	112.2
Bulgaria	14.7	23.1	23.1	22.5	22.9	23.8	**29.9**	**32.3**	**35.5**	28.5	30.6	32.6
Germany	72.1	74.3	63.9	64.4	62.3	62.2	**63.5**	**65.8**	**68.0**	63.5	65.2	67.0
Estonia	6.4	11.0	12.9	19.2	20.2	23.5	**24.1**	**26.9**	**30.5**	23.4	25.9	29.2
Ireland	64.8	96.9	58.3	43.0	41.8	38.3	**32.9**	**32.4**	**31.6**	33.1	32.5	31.3
Greece	133.4	178.0	192.2	177.8	164.3	154.2	**146.1**	**140.7**	**134.4**	147.6	142.1	138.0
Spain	51.6	99.7	106.7	109.3	105.2	101.6	**100.7**	**99.6**	**98.9**	100.0	98.2	97.1
France	78.9	95.5	104.6	111.4	109.5	112.6	**115.6**	**118.1**	**120.2**	116.3	118.1	120.0
Croatia	48.8	78.7	76.9	68.5	60.9	57.4	**56.3**	**55.9**	**55.6**	56.2	56.1	55.9
Italy	112.7	132.3	140.4	138.4	133.9	134.7	**137.1**	**138.5**	**139.2**	136.4	137.9	137.2
Cyprus	58.1	104.9	99.9	80.1	71.1	62.7	**55.0**	**50.4**	**45.5**	56.4	51.0	45.7
Latvia	32.3	41.8	41.3	44.4	44.4	46.2	**46.9**	**48.8**	**53.8**	48.3	49.9	54.5
Lithuania	26.5	40.3	39.5	38.3	37.1	38.0	**39.5**	**44.6**	**48.4**	39.8	44.7	48.2
Luxembourg	15.1	21.2	22.7	24.9	24.7	26.3	**26.5**	**29.2**	**30.2**	26.8	27.1	27.2
Malta	64.7	59.9	45.0	50.3	46.9	45.9	**46.4**	**46.2**	**46.2**	47.0	47.2	47.3
Netherlands	54.7	65.0	51.8	48.4	45.8	43.8	**44.4**	**46.9**	**47.0**	45.2	47.9	48.1
Austria	76.6	83.9	78.0	78.1	77.8	80.0	**81.5**	**83.4**	**84.9**	81.4	82.8	83.9
Portugal	89.9	130.8	124.2	111.2	96.9	93.5	**89.7**	**87.6**	**86.0**	91.3	89.2	88.2
Slovakia	35.9	52.7	53.5	57.8	55.8	59.7	**61.4**	**63.7**	**66.9**	61.9	64.0	66.9
Slovenia	33.0	73.8	73.4	72.8	68.3	66.4	**65.7**	**64.9**	**65.1**	65.2	63.7	63.1
Finland	43.4	64.2	69.1	74.0	77.0	82.4	**88.5**	**91.2**	**93.1**	88.1	90.9	92.3
Euro area (21)	77.6	93.4	91.0	90.6	88.0	88.0	**88.7**	**90.2**	**91.2**	88.8	89.8	90.4
Czechia	33.0	41.0	34.5	42.5	42.2	43.3	**44.3**	**45.8**	**47.2**	43.4	44.1	45.1
Denmark	40.8	46.3	40.4	33.3	33.0	30.5	**27.9**	**27.0**	**26.2**	28.9	27.7	26.8
Hungary	75.2	76.5	72.1	74.1	73.3	73.5	**74.6**	**75.1**	**76.8**	73.7	73.9	74.9
Poland	49.8	53.5	50.7	48.8	49.5	54.8	**59.7**	**64.5**	**68.3**	59.5	64.9	69.2
Romania	21.5	37.6	40.1	48.1	49.3	54.8	**59.3**	**61.6**	**63.4**	59.1	61.1	62.7
Sweden	39.0	42.7	39.2	34.4	32.2	34.2	**35.1**	**36.6**	**37.7**	34.5	35.3	35.8
EU	73.2	87.5	84.6	83.8	81.8	81.9	**82.8**	**84.2**	**85.3**	82.8	83.8	84.5

Table 40: Gross national saving (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	25.8	24.1	24.9	25.3	25.5	24.2	**23.5**	**23.1**	**23.1**	23.2	23.2	23.2
Bulgaria	17.3	21.8	21.8	20.1	20.5	19.8	**17.8**	**16.8**	**16.4**	19.0	19.2	18.8
Germany	26.0	27.4	29.2	27.3	27.9	27.5	**26.6**	**25.9**	**25.8**	26.8	26.7	26.8
Estonia	24.6	26.8	27.9	25.8	23.9	24.0	**24.3**	**23.4**	**23.2**	23.6	23.6	23.5
Ireland	17.6	26.3	34.1	32.1	34.2	34.9	**31.5**	**32.2**	**31.5**	31.5	30.8	30.1
Greece	8.5	9.5	8.4	8.0	8.4	10.9	**11.3**	**11.0**	**11.8**	11.3	11.7	12.1
Spain	19.4	20.4	22.4	23.1	23.9	24.4	**24.2**	**23.6**	**23.5**	24.3	24.4	24.4
France	22.1	21.2	22.3	22.5	21.6	21.4	**21.7**	**21.5**	**21.6**	21.9	22.4	22.5
Croatia	18.6	19.0	22.8	22.4	24.9	22.2	**22.0**	**22.1**	**22.0**	21.4	21.6	21.4
Italy	18.8	18.7	21.8	22.9	23.3	23.3	**23.4**	**22.9**	**22.9**	23.7	23.7	23.7
Cyprus	11.1	11.7	13.9	13.7	11.7	12.5	**12.8**	**12.2**	**12.8**	13.2	13.8	13.9
Latvia	24.7	23.7	23.5	19.2	20.9	19.2	**19.0**	**18.9**	**18.1**	19.8	20.8	20.2
Lithuania	16.7	20.8	22.8	21.6	23.7	23.9	**23.8**	**22.2**	**22.7**	24.0	22.7	23.2
Luxembourg	22.6	22.0	20.3	13.2	15.7	12.4	**12.6**	**12.0**	**12.2**	11.5	12.3	13.1
Malta	16.8	21.8	27.7	28.8	25.6	25.2	**27.0**	**24.8**	**24.6**	24.3	24.2	24.1
Netherlands	26.1	26.5	29.1	29.6	29.5	28.8	**27.7**	**27.6**	**27.4**	29.0	29.2	29.0
Austria	26.9	26.1	28.0	28.1	27.7	25.4	**25.0**	**24.5**	**25.1**	24.5	24.8	25.4
Portugal	12.0	15.6	19.0	19.1	20.9	22.3	**22.0**	**21.7**	**21.7**	21.4	21.5	21.1
Slovakia	21.9	23.2	20.4	14.0	17.9	16.4	**17.3**	**17.2**	**17.2**	15.3	15.6	15.8
Slovenia	24.2	22.9	27.1	23.7	27.2	26.1	**25.7**	**24.6**	**24.2**	24.7	24.5	24.2
Finland	25.8	20.9	24.5	24.9	22.1	22.0	**23.2**	**23.1**	**23.3**	21.8	21.6	21.6
Euro area (21)	22.3	22.9	25.1	24.8	25.0	24.8	**24.4**	**23.9**	**23.9**	24.5	24.6	24.6
Czechia	23.9	24.1	25.8	26.8	28.3	28.4	**28.5**	**27.4**	**27.5**	28.4	28.2	28.0
Denmark	25.1	27.6	30.0	35.9	34.6	35.4	**34.6**	**33.7**	**33.6**	34.3	34.1	33.7
Hungary	19.3	24.6	26.6	25.3	26.2	25.5	**23.9**	**21.4**	**22.3**	22.8	22.3	22.7
Poland	17.3	18.0	20.0	19.2	19.2	18.1	**17.5**	**17.7**	**18.1**	17.6	17.9	17.8
Romania	21.4	23.3	19.3	17.4	19.4	16.6	**17.9**	**20.0**	**20.3**	17.5	19.7	20.3
Sweden	29.0	26.3	28.8	30.6	31.2	31.3	**30.7**	**29.9**	**29.5**	30.3	30.2	30.3
EU	22.4	23.0	25.1	24.9	25.1	24.8	**24.4**	**24.0**	**24.0**	24.5	24.6	24.6
United Kingdom	14.3	13.3	16.2	16.4	14.9	16.1	**17.2**	**17.0**	**17.0**	16.7	16.4	16.4
Japan	28.3	27.8	30.6	30.3	31.4	32.2	**32.1**	**31.5**	**31.5**	30.6	30.4	30.4
United States	15.5	18.9	18.6	18.2	17.0	16.5	**17.0**	**17.7**	**17.5**	17.3	17.6	17.8

Table 41: Gross saving, private sector (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	25.6	24.0	25.7	25.9	26.4	25.1	**25.2**	**24.8**	**25.0**	25.1	25.2	25.5
Bulgaria	14.7	19.9	19.3	21.4	19.8	20.8	**19.0**	**19.2**	**18.8**	19.1	20.2	20.0
Germany	24.3	23.9	26.4	24.9	26.3	25.7	**24.9**	**24.8**	**24.9**	25.2	25.7	25.7
Estonia	20.3	21.9	24.7	21.4	20.5	18.8	**19.2**	**19.8**	**19.7**	18.6	20.7	20.6
Ireland	21.1	28.2	33.1	28.4	30.3	30.6	**26.6**	**27.4**	**27.0**	27.1	26.6	26.2
Greece	15.6	10.4	8.0	7.1	6.0	5.5	**5.7**	**6.7**	**6.9**	6.3	7.2	7.6
Spain	21.0	24.0	25.0	25.0	24.8	24.7	**24.0**	**23.3**	**23.0**	23.9	23.6	24.1
France	21.8	20.5	22.0	22.3	22.3	22.2	**21.7**	**21.6**	**22.3**	22.3	22.3	22.8
Croatia	16.4	18.7	20.3	17.6	20.7	18.6	**19.4**	**19.1**	**19.2**	18.3	18.7	18.6
Italy	18.3	18.2	22.3	23.8	22.4	21.7	**21.3**	**21.0**	**21.2**	21.7	21.8	21.7
Cyprus	8.8	10.7	11.2	8.9	6.1	5.8	**5.6**	**6.7**	**6.8**	6.8	7.7	8.1
Latvia	24.9	21.3	21.5	18.4	18.1	14.9	**17.1**	**16.9**	**16.5**	16.7	17.8	17.3
Lithuania	17.9	19.3	20.8	18.9	20.3	20.9	**21.6**	**20.5**	**20.9**	22.0	21.0	21.5
Luxembourg	16.0	16.4	14.0	7.7	10.5	5.6	**7.7**	**6.9**	**7.3**	6.3	6.7	7.8
Malta	17.4	20.9	26.6	31.2	26.1	23.3	**25.2**	**23.6**	**22.8**	24.0	23.9	23.6
Netherlands	24.8	25.0	26.1	26.1	26.3	25.8	**25.5**	**26.0**	**25.6**	27.1	27.6	27.5
Austria	25.5	23.7	27.0	26.7	25.7	25.0	**24.3**	**23.9**	**24.5**	24.1	24.3	25.0
Portugal	15.2	17.7	18.3	16.4	16.8	19.1	**18.7**	**18.8**	**19.7**	18.5	18.8	18.9
Slovakia	23.1	23.0	19.9	12.9	19.8	18.4	**17.8**	**17.5**	**18.1**	16.0	15.8	16.2
Slovenia	22.9	22.4	25.4	21.5	24.7	21.7	**22.5**	**22.8**	**22.8**	22.0	22.0	21.8
Finland	21.5	19.2	22.4	21.0	20.9	22.0	**22.4**	**22.4**	**22.9**	21.4	20.6	20.5
Euro area (21)	21.9	21.9	24.2	23.7	24.0	23.6	**23.0**	**22.9**	**23.0**	23.3	23.5	23.6
Czechia	21.8	21.3	23.2	25.3	27.6	26.0	**25.8**	**25.5**	**25.8**	25.9	26.1	25.8
Denmark	21.3	23.5	24.2	29.1	27.1	26.7	**27.3**	**28.0**	**28.2**	27.1	27.6	27.4
Hungary	20.0	22.7	23.8	23.4	26.9	25.3	**23.4**	**22.4**	**22.9**	22.3	22.4	23.1
Poland	17.4	17.7	18.3	17.9	19.0	19.2	**19.2**	**19.0**	**18.6**	18.8	19.0	18.1
Romania	21.4	21.4	21.1	19.6	21.6	20.1	**20.2**	**20.0**	**20.5**	20.8	20.8	21.3
Sweden	23.9	22.6	24.0	24.4	26.7	26.7	**26.0**	**26.0**	**25.6**	25.7	26.1	25.8
EU	21.7	21.8	23.9	23.6	24.0	23.5	**23.0**	**22.9**	**23.0**	23.3	23.4	23.5
United Kingdom	17.4	15.4	17.9	17.8	15.5	16.5	**17.8**	**16.8**	**16.5**	16.0	14.8	14.7
Japan	30.8	29.6	31.2	30.4	29.9	30.0	**29.5**	**29.6**	**29.7**	28.0	28.2	28.3
United States	20.7	21.6	24.2	19.2	21.1	20.9	**20.9**	**22.3**	**22.1**	21.5	21.9	22.1

Table 42: Saving rate of households (2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	16.6	12.6	14.0	12.9	14.0	12.9	12.4	12.0	12.0	12.4	12.5	12.5
Bulgaria	-4.3	-1.6	-1.1	-6.6	-5.2	-2.1	-6.5	-4.2	-5.2	-0.9	1.9	1.9
Germany	16.9	16.9	19.8	18.9	19.3	20.0	19.2	19.0	18.6	19.6	19.2	18.9
Estonia	8.3	7.0	10.1	2.0	3.5	7.3	8.4	9.2	8.5	6.7	8.2	7.9
Ireland	12.3	13.1	17.7	14.6	11.8	13.5	13.6	13.3	13.6	13.4	13.4	13.3
Greece	7.0	-3.2	-1.7	-5.0	-2.5	-2.5	-2.7	-0.4	1.7	-2.1	0.1	1.8
Spain	9.3	7.6	10.6	9.0	11.7	12.7	12.0	11.8	11.6	12.6	12.5	12.4
France	15.0	14.0	16.0	16.5	16.7	17.9	18.2	17.6	18.0	18.7	18.1	18.0
Croatia	7.7	7.8	9.3	6.9	6.8	7.9	9.7	8.9	8.9	8.2	8.3	8.1
Italy	13.8	11.2	13.1	11.4	11.3	11.2	11.0	10.6	10.7	12.2	12.2	11.8
Cyprus	7.4	2.5	8.3	5.6	5.7	5.6	7.8	7.9	9.1	7.3	8.3	9.1
Latvia	7.0	1.2	9.1	3.8	1.7	4.9	6.4	6.5	6.8	6.4	7.0	5.7
Lithuania	0.3	-0.7	3.4	4.8	5.7	7.6	9.7	8.2	8.9	10.0	8.1	9.6
Luxembourg	11.7	13.8	16.9	13.4	13.0	12.2	13.1	13.2	12.6	13.6	13.2	12.8
Malta	2.5	5.9	16.6	19.1	14.7	18.8	:	:	:	:	:	:
Netherlands	12.1	14.2	16.7	14.4	14.8	16.5	17.3	17.5	16.8	18.2	18.3	17.6
Austria	16.4	13.6	15.1	15.2	14.7	17.3	16.7	16.2	16.1	16.5	16.3	16.0
Portugal	8.8	8.0	8.7	7.3	8.9	12.5	12.1	11.7	11.7	12.4	11.5	11.1
Slovakia	8.9	8.5	10.1	6.0	7.7	8.1	8.6	8.5	8.8	6.3	5.2	5.3
Slovenia	13.6	11.0	15.9	14.0	14.7	13.3	15.4	16.1	15.9	15.0	15.1	15.0
Finland	8.9	8.4	11.2	10.0	10.9	12.4	12.4	12.4	12.5	13.2	12.9	12.8
Euro area (21)	14.1	13.2	15.6	14.6	15.1	16.0	15.7	15.4	15.2	16.2	16.0	15.7
Czechia	12.8	11.3	14.5	18.2	20.6	19.9	19.4	18.0	17.5	18.7	18.4	17.8
Denmark	4.8	5.7	8.6	11.1	14.7	14.3	14.3	15.3	15.0	15.1	15.8	15.4
Hungary	10.7	12.5	15.8	16.0	20.6	19.0	17.1	17.2	17.1	16.7	16.5	16.4
Poland	6.7	6.6	6.9	1.0	4.7	7.8	7.9	7.3	7.2	7.6	7.2	6.6
Romania	-11.6	-8.2	-4.4	-7.6	-2.9	-0.9	1.8	-0.5	-1.3	-2.1	-4.1	-6.3
Sweden	11.7	15.0	16.3	15.8	17.0	18.7	17.1	17.1	16.7	17.7	17.2	16.4
EU	12.4	11.5	13.9	12.6	13.5	14.4	14.2	14.4	14.3	15.2	14.9	14.5
United Kingdom	10.3	8.5	9.3	5.5	6.5	9.9	9.8	9.6	9.1	9.5	9.1	8.8
Japan	11.9	8.9	11.7	10.9	8.1	9.4	7.8	8.4	8.3	7.6	7.3	7.2
United States	10.7	11.5	14.9	9.8	11.8	11.6	10.4	10.2	9.3	10.0	9.9	9.9

Table 43: Gross saving, general government (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.3	0.1	-0.9	-0.7	-0.9	-0.9	-1.7	-1.7	-1.9	-1.9	-2.0	-2.3
Bulgaria	2.6	1.9	2.5	-1.3	0.7	-0.9	-1.2	-2.4	-2.4	-0.1	-1.0	-1.2
Germany	1.8	3.4	2.8	2.4	1.6	1.8	1.8	1.0	0.9	1.6	0.9	1.1
Estonia	4.3	4.9	3.2	4.4	3.3	5.2	5.1	3.5	3.5	5.1	2.8	2.9
Ireland	-3.6	-1.8	1.0	3.7	3.9	4.3	4.9	4.8	4.5	4.4	4.2	3.9
Greece	-7.2	-1.0	0.4	0.9	2.4	5.4	5.6	4.3	4.8	5.0	4.5	4.4
Spain	-1.6	-3.6	-2.5	-1.9	-1.0	-0.4	0.2	0.4	0.5	0.4	0.8	0.3
France	0.3	0.7	0.2	0.2	-0.6	-0.8	0.0	-0.1	-0.7	-0.4	0.1	-0.3
Croatia	2.2	0.3	2.6	4.8	4.2	3.6	2.6	3.0	2.9	3.1	2.9	2.8
Italy	0.5	0.5	-0.5	-0.9	0.9	1.6	2.2	1.9	1.8	2.0	1.8	2.0
Cyprus	2.2	1.0	2.7	4.8	5.7	6.6	7.2	5.6	6.0	6.4	6.1	5.8
Latvia	-0.1	2.4	2.0	0.8	2.7	4.3	1.9	2.0	1.6	3.0	3.1	2.9
Lithuania	-1.2	1.4	2.1	2.6	3.4	2.9	2.3	1.6	1.8	2.0	1.7	1.7
Luxembourg	6.6	5.7	6.2	5.5	5.2	6.8	4.9	5.1	4.9	5.3	5.6	5.3
Malta	-0.6	0.9	1.2	-2.3	-0.5	1.9	1.8	1.2	1.8	0.3	0.3	0.5
Netherlands	1.3	1.5	3.0	3.5	3.2	3.0	2.1	1.6	1.8	1.9	1.6	1.5
Austria	1.3	2.4	1.0	1.4	2.0	0.4	0.7	0.6	0.6	0.5	0.5	0.4
Portugal	-3.1	-2.1	0.7	2.7	4.0	3.2	3.3	2.9	2.0	3.0	2.7	2.2
Slovakia	-1.2	0.2	0.5	1.1	-1.9	-2.0	-0.6	-0.3	-0.9	-0.7	-0.1	-0.4
Slovenia	1.3	0.5	1.7	2.2	2.6	4.3	3.2	1.8	1.5	2.7	2.5	2.4
Finland	4.3	1.7	2.1	3.8	1.2	-0.1	0.8	0.7	0.4	0.4	1.0	1.1
Euro area (21)	0.4	1.0	0.9	1.0	1.0	1.2	1.4	1.0	0.9	1.2	1.1	1.0
Czechia	2.1	2.8	2.6	1.5	0.8	2.3	2.6	1.9	1.7	2.4	2.1	2.2
Denmark	3.8	4.1	5.8	6.8	7.5	8.7	7.3	5.8	5.4	7.2	6.5	6.3
Hungary	-0.7	1.9	2.8	1.9	-0.7	0.2	0.5	-1.0	-0.6	0.5	-0.1	-0.4
Poland	-0.2	0.3	1.7	1.3	0.2	-1.1	-1.7	-1.3	-0.5	-1.1	-1.1	-0.4
Romania	0.1	1.9	-1.8	-2.2	-2.1	-3.4	-2.3	0.0	-0.2	-3.3	-1.1	-1.0
Sweden	5.1	3.7	4.8	6.2	4.5	4.6	4.7	3.9	3.9	4.6	4.2	4.5
EU	0.6	1.2	1.2	1.3	1.1	1.3	1.4	1.1	1.0	1.2	1.1	1.1
United Kingdom	-3.1	-2.0	-1.6	-1.4	-0.6	-0.5	-0.6	0.2	0.5	0.7	1.6	1.6
Japan	-2.5	-1.9	-0.6	-0.2	1.5	2.2	2.6	1.9	1.7	2.6	2.2	2.1
United States	-5.2	-2.7	-5.6	-1.0	-4.0	-4.4	-4.0	-4.6	-4.5	-4.2	-4.3	-4.3

Table 44: Exports of goods and services, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.0	2.9	3.5	3.1	-7.2	-1.7	-0.3	0.6	1.9	-0.9	1.5	2.0
Bulgaria	6.2	5.9	2.4	12.1	0.0	1.8	-2.1	2.8	3.1	-0.6	2.7	3.2
Germany	3.0	2.8	1.6	3.9	-1.4	-2.1	-0.4	-0.1	0.9	-0.2	0.9	1.6
Estonia	6.9	2.7	6.1	5.5	-9.1	-1.5	5.0	1.6	1.6	2.1	2.0	2.4
Ireland	3.7	13.0	10.7	12.0	-3.9	8.6	9.7	-0.1	3.7	6.4	0.4	3.8
Greece	-0.2	3.3	3.9	6.2	2.2	1.0	1.7	1.7	3.1	1.8	2.4	3.1
Spain	2.3	3.9	-0.1	14.2	2.2	3.2	3.6	1.1	2.3	3.6	2.3	2.2
France	1.4	2.9	0.5	9.1	2.5	2.5	1.3	0.7	2.2	1.0	1.9	2.4
Croatia	-0.5	5.1	3.8	27.0	-1.4	1.6	0.9	2.1	2.4	1.5	2.4	2.7
Italy	-0.2	2.2	1.4	9.9	-0.2	-0.4	1.2	0.5	1.9	0.4	1.5	1.9
Cyprus	2.6	4.5	10.8	27.8	-1.6	5.7	5.0	1.2	3.1	3.5	1.6	3.0
Latvia	5.3	4.7	3.7	11.4	-7.0	0.1	0.1	1.7	1.9	0.5	2.3	2.4
Lithuania	5.8	4.6	9.3	11.7	-3.3	2.6	5.3	2.6	2.8	3.2	2.6	2.8
Luxembourg	2.2	5.0	4.4	1.5	0.6	-12.2	1.2	2.0	2.5	0.9	2.1	2.5
Malta	5.1	9.4	8.8	11.6	5.2	6.3	4.5	3.4	3.1	3.6	3.6	3.1
Netherlands	2.6	4.4	3.4	4.4	-3.0	-0.2	2.4	1.2	1.5	1.9	1.4	1.8
Austria	2.4	2.2	2.4	9.4	-0.6	-2.3	0.3	1.6	2.1	-0.3	1.7	2.4
Portugal	2.2	5.1	1.5	17.2	4.3	3.2	0.4	0.6	2.2	1.2	1.5	2.3
Slovakia	5.1	5.9	2.8	2.8	-0.7	0.0	4.0	1.2	3.7	3.6	1.0	3.1
Slovenia	3.1	4.2	5.2	7.4	-1.9	2.3	0.3	1.6	2.1	0.0	2.6	3.1
Finland	0.1	0.8	2.8	4.4	-1.4	1.8	3.4	2.0	2.6	0.9	2.2	3.0
Euro area (21)	2.2	3.7	2.8	7.4	-1.2	0.5	2.0	0.7	2.0	1.5	1.4	2.3
Czechia	5.5	4.6	2.1	5.1	2.3	1.5	3.9	2.1	2.4	3.4	2.0	2.5
Denmark	1.6	2.5	2.7	6.6	7.8	7.1	3.0	2.6	2.5	1.3	3.9	2.3
Hungary	5.5	4.5	3.7	10.7	1.8	-0.5	-1.1	1.1	3.5	-0.4	3.8	4.1
Poland	6.1	6.0	6.4	7.4	3.7	1.9	5.5	2.6	2.8	2.1	2.3	2.7
Romania	11.0	10.0	4.0	9.3	-1.3	-2.5	4.3	1.4	2.6	3.4	2.7	2.9
Sweden	1.4	2.5	4.0	6.1	2.6	2.6	3.9	0.7	2.2	5.0	2.6	2.6
EU	2.4	3.8	3.0	7.3	-0.4	0.8	2.3	0.9	2.1	1.6	1.6	2.3
United Kingdom	1.1	1.9	0.4	15.2	-2.3	1.3	2.1	0.7	1.2	2.8	1.5	1.8
Japan	1.1	3.0	1.5	5.3	3.1	0.9	2.9	0.4	1.0	3.1	1.2	1.8
United States	5.0	2.3	0.1	7.6	2.8	3.6	1.6	2.6	2.2	0.6	1.1	2.0

Table 45: Imports of goods and services, volume (percentage change on preceding year, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.6	3.3	2.9	3.5	-7.6	-1.3	0.1	0.7	1.9	-0.6	1.7	2.0
Bulgaria	2.0	4.9	4.8	15.3	-5.5	3.9	5.9	2.6	2.4	2.5	2.7	4.1
Germany	3.1	2.8	2.6	7.6	-1.4	-0.6	3.6	1.6	1.6	3.5	2.4	2.5
Estonia	2.6	3.7	7.3	5.1	-7.3	0.4	5.0	3.6	2.1	3.5	4.4	2.6
Ireland	1.5	13.9	5.4	15.0	2.2	2.7	9.5	2.9	3.5	4.9	2.8	3.6
Greece	-4.1	1.5	5.3	10.9	0.0	4.8	-1.3	3.3	2.3	-0.3	3.7	2.5
Spain	-2.5	1.6	1.8	7.7	0.0	2.9	6.2	2.4	2.8	5.7	2.7	2.2
France	2.3	3.4	0.9	9.0	-0.3	-1.2	2.9	0.1	1.9	2.2	0.9	2.3
Croatia	-2.7	4.0	5.0	26.8	-4.2	8.4	2.8	2.9	2.7	4.2	3.7	3.2
Italy	-0.4	0.5	1.8	12.9	-1.9	-1.0	3.6	1.4	1.8	2.8	2.6	2.0
Cyprus	2.5	3.4	10.0	28.8	1.2	4.6	2.5	1.3	3.0	3.7	1.9	2.9
Latvia	-0.1	2.6	6.0	9.9	-5.0	-1.8	5.7	2.2	2.3	5.4	2.6	3.1
Lithuania	3.1	4.5	7.3	13.0	-5.3	2.4	9.3	4.1	3.2	6.4	4.1	2.9
Luxembourg	3.1	5.1	5.2	2.4	0.9	-13.6	1.8	2.0	2.8	1.2	2.3	2.8
Malta	3.7	8.7	8.4	18.8	-1.9	5.2	4.4	3.0	3.0	4.3	3.1	2.9
Netherlands	2.3	4.4	3.8	4.4	-3.9	0.1	2.4	1.2	1.6	2.4	1.8	2.0
Austria	2.2	2.4	3.2	6.9	-4.3	-2.6	1.7	1.5	2.0	1.6	2.0	2.2
Portugal	-0.2	3.8	3.4	11.3	2.3	4.7	4.3	2.0	2.5	4.0	2.8	3.1
Slovakia	3.2	5.0	2.8	4.1	-7.7	2.6	3.7	0.8	2.7	4.4	1.0	2.7
Slovenia	2.2	2.8	5.8	9.3	-4.5	4.3	2.1	2.7	2.4	2.7	2.8	3.2
Finland	1.7	1.6	2.6	9.3	-6.8	-0.8	1.7	4.0	2.2	0.7	3.2	3.5
Euro area (21)	1.5	3.4	2.8	8.4	-2.0	-0.1	3.7	1.6	2.1	2.9	2.2	2.5
Czechia	4.9	4.3	3.4	5.9	-1.2	0.5	5.0	3.0	2.6	4.3	3.0	2.8
Denmark	1.2	3.3	3.6	6.0	2.5	4.1	-0.4	3.0	3.1	0.3	4.1	3.0
Hungary	3.4	4.1	5.4	10.8	-3.4	-1.4	1.2	1.7	3.4	0.9	4.7	4.5
Poland	6.0	4.6	6.7	6.8	-1.5	4.6	6.8	3.5	3.2	3.4	3.2	3.1
Romania	9.1	8.0	7.5	9.3	-1.5	4.0	4.9	-0.1	2.3	3.6	0.9	3.2
Sweden	2.9	3.8	3.3	9.8	-0.6	2.5	4.3	1.7	2.0	5.0	2.6	2.1
EU	1.9	3.5	3.2	8.3	-1.8	0.4	3.7	1.7	2.2	3.0	2.3	2.6
United Kingdom	0.2	4.0	-0.4	13.9	-1.6	2.7	4.1	1.2	1.2	4.4	2.3	1.8
Japan	0.5	3.2	1.1	8.0	-0.4	0.9	4.0	1.5	2.1	4.2	1.3	1.7
United States	0.8	3.1	2.8	8.5	-0.9	5.8	2.7	1.1	2.5	3.2	-1.7	2.5

Table 46: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	-0.1	-0.6	1.0	-1.0	1.3	1.7	**0.2**	**-0.2**	**0.0**	1.2	1.6	1.6
Bulgaria	-15.3	-6.2	-3.7	-5.9	-4.2	-4.8	**-8.0**	**-9.1**	**-9.2**	-5.6	-5.4	-6.0
Germany	6.4	7.5	6.0	3.3	5.5	5.5	**4.1**	**3.0**	**2.8**	4.3	3.6	3.1
Estonia	-7.6	-5.2	-3.6	-7.3	-6.0	-7.1	**-6.6**	**-8.6**	**-8.5**	-7.2	-8.0	-7.6
Ireland	20.7	28.0	34.9	39.4	29.9	31.2	**36.1**	**29.5**	**28.4**	34.7	29.3	28.3
Greece	-15.0	-10.8	-12.4	-19.1	-14.5	-15.2	**-13.6**	**-14.7**	**-13.9**	-14.3	-14.5	-14.3
Spain	-5.8	-1.8	-1.7	-4.4	-2.3	-2.1	**-2.9**	**-4.0**	**-4.3**	-3.0	-3.1	-3.1
France	-2.1	-1.7	-2.0	-5.0	-2.8	-1.9	**-1.7**	**-1.9**	**-1.8**	-1.7	-1.1	-1.1
Croatia	-17.4	-15.1	-18.2	-27.1	-22.1	-22.1	**-20.6**	**-21.0**	**-20.7**	-21.1	-20.8	-20.7
Italy	-0.4	2.6	3.0	-1.3	1.7	2.5	**2.3**	**1.6**	**1.8**	2.3	2.4	2.4
Cyprus	-25.0	-19.2	-20.1	-19.5	-22.7	-19.9	**-19.4**	**-20.0**	**-19.8**	-19.9	-19.6	-19.5
Latvia	-15.0	-11.2	-8.2	-11.4	-9.1	-7.4	**-9.2**	**-10.6**	**-11.0**	-8.6	-8.1	-8.4
Lithuania	-8.9	-3.9	-4.3	-10.9	-6.1	-5.8	**-8.0**	**-10.3**	**-9.7**	-7.2	-7.0	-6.6
Luxembourg	-0.2	3.7	3.0	-0.6	1.7	2.2	**2.3**	**2.3**	**2.7**	2.5	2.7	3.3
Malta	-19.0	-16.6	-11.2	-17.8	-15.2	-11.7	**-11.7**	**-11.6**	**-11.4**	-12.0	-11.6	-11.4
Netherlands	8.0	9.7	8.5	5.5	6.4	7.2	**7.4**	**7.7**	**7.4**	7.0	7.1	7.1
Austria	0.0	0.1	0.6	-2.1	0.6	1.2	**1.0**	**0.6**	**1.2**	1.2	1.8	2.3
Portugal	-11.1	-5.5	-7.4	-11.2	-9.6	-9.0	**-9.8**	**-10.5**	**-10.2**	-9.5	-9.5	-9.7
Slovakia	-0.5	3.1	-0.7	-6.5	0.7	-0.8	**-0.4**	**-0.8**	**-0.3**	-1.5	-1.7	-1.5
Slovenia	-2.9	2.3	3.1	-4.2	0.9	0.6	**-0.2**	**-1.5**	**-1.5**	-0.8	-0.9	0.0
Finland	5.1	0.8	0.8	-0.1	3.0	2.2	**2.9**	**2.1**	**2.1**	2.3	2.1	2.0
Euro area (21)	0.7	2.8	2.9	0.2	2.0	2.5	**2.2**	**1.3**	**1.2**	2.2	2.0	1.8
Euro area 21, adjusted [2]	0.3	2.1	2.6	-0.5	1.7	2.3	**2.3**	**1.3**	**1.3**	:	:	:
Czechia	1.0	4.3	3.9	-0.3	3.8	5.2	**4.6**	**3.3**	**3.8**	5.4	5.5	5.6
Denmark	3.1	4.7	4.2	2.3	7.6	9.4	**10.6**	**8.9**	**8.8**	9.4	9.3	9.1
Hungary	0.8	2.5	-1.6	-9.4	-0.6	-0.5	**-0.8**	**-2.5**	**-1.7**	-1.7	-2.3	-2.4
Poland	-4.5	-1.2	-0.8	-3.3	0.6	-0.8	**-1.5**	**-2.1**	**-2.2**	-0.9	-1.2	-1.3
Romania	-10.6	-5.3	-8.1	-11.4	-9.0	-9.3	**-8.6**	**-7.7**	**-7.3**	-8.9	-7.7	-7.3
Sweden	5.1	3.2	3.4	3.3	4.4	4.5	**4.0**	**3.0**	**3.1**	4.7	4.9	5.1
EU	0.6	2.7	2.6	-0.1	2.0	2.3	**2.1**	**1.1**	**1.1**	2.1	1.9	1.7
EU, adjusted [2]	0.0	2.0	2.2	-0.8	1.5	2.0	**2.1**	**1.1**	**1.1**	1.8	1.6	1.5
United Kingdom	-6.0	-6.6	-6.1	-7.6	-7.0	-7.1	**-8.0**	**-8.5**	**-8.4**	-8.2	-8.5	-8.4
Japan	1.3	-0.7	0.4	-2.7	-1.1	-0.6	**-0.1**	**-0.5**	**-0.4**	-0.5	-0.6	-0.5
United States	-4.9	-4.4	-4.3	-4.6	-3.8	-4.1	**-4.0**	**-3.7**	**-3.6**	-4.2	-3.8	-3.7

1) See note 7 on concepts and sources.
2) See note 8 on concepts and sources.

Table 47: Current-account balance[1] (as a percentage of GDP, 2007-2027) 04.05.2026

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	2.0	0.7	0.2	-2.0	0.1	-0.4	**-2.3**	**-2.6**	**-2.6**	-0.6	-0.6	-0.6
Bulgaria	-11.3	0.9	1.1	-2.6	0.7	-0.6	**-3.9**	**-5.0**	**-5.0**	-1.8	-1.5	-2.0
Germany	5.9	7.6	7.6	4.0	5.9	6.0	**4.7**	**3.5**	**3.1**	4.8	4.2	3.6
Estonia	-3.6	0.2	-0.3	-3.1	-1.3	-1.3	**-0.7**	**-2.8**	**-3.0**	-1.5	-2.4	-2.3
Ireland	-4.0	1.2	-2.1	8.7	7.0	16.2	**8.1**	**7.9**	**7.3**	9.7	7.8	7.3
Greece	-12.1	-2.7	-5.2	-10.8	-7.7	-7.4	**-6.0**	**-7.1**	**-6.1**	-6.2	-6.4	-5.9
Spain	-5.7	1.8	1.7	0.4	2.7	3.2	**2.8**	**1.9**	**1.8**	2.7	2.7	2.7
France	-0.2	-0.5	-0.6	-1.6	-1.3	-0.1	**-0.2**	**-0.4**	**-0.2**	0.0	0.6	0.6
Croatia	-5.7	0.1	0.7	-3.8	0.4	-2.1	**-2.6**	**-3.2**	**-3.2**	-2.9	-3.2	-3.2
Italy	-2.4	1.3	2.8	-1.7	0.2	1.0	**1.2**	**0.5**	**0.6**	1.0	0.9	0.9
Cyprus	-12.4	-2.7	-5.9	-6.9	-9.7	-8.2	**-6.4**	**-7.2**	**-6.5**	-7.7	-7.4	-6.9
Latvia	-5.6	-1.2	0.0	-5.5	-3.8	-1.6	**-5.0**	**-5.8**	**-7.0**	-4.1	-3.3	-4.2
Lithuania	-6.1	0.0	2.7	-6.2	1.0	3.2	**1.6**	**-0.6**	**-0.3**	1.5	1.1	1.3
Luxembourg	3.9	3.5	2.0	-3.9	-0.7	-3.5	**-2.9**	**-2.8**	**-2.7**	-3.6	-2.8	-2.0
Malta	-4.3	2.3	7.1	2.5	5.8	6.5	**8.3**	**6.3**	**6.1**	5.1	5.6	5.6
Netherlands	4.9	7.2	7.9	6.8	9.4	9.2	**7.9**	**7.8**	**7.6**	9.1	9.5	9.4
Austria	3.1	2.1	2.0	-1.1	1.8	1.7	**1.1**	**0.7**	**1.3**	1.2	1.6	2.3
Portugal	-9.5	0.0	0.0	-2.3	0.4	2.0	**1.0**	**0.1**	**0.2**	1.1	1.0	0.6
Slovakia	-4.4	-0.1	-2.5	-9.3	-1.8	-3.8	**-2.8**	**-3.3**	**-2.9**	-5.1	-5.2	-5.0
Slovenia	-2.7	3.6	6.2	-0.9	4.7	4.5	**3.7**	**2.4**	**2.3**	2.9	2.8	2.9
Finland	1.7	-1.7	-0.3	-2.4	-0.9	-0.4	**1.3**	**0.1**	**0.2**	-0.9	-1.5	-1.9
Euro area (21)	0.3	3.0	3.2	0.9	2.6	3.3	**2.5**	**1.7**	**1.7**	2.7	2.5	2.4
Euro area 21, adjusted [2]	-0.5	2.2	2.6	-0.2	1.7	2.7	**1.7**	**1.0**	**1.0**	:	:	:
Czechia	-4.7	-1.4	-0.2	-4.3	0.1	2.1	**1.7**	**0.4**	**0.8**	2.2	2.3	2.3
Denmark	4.1	7.4	7.4	11.2	11.0	12.2	**12.5**	**11.4**	**11.1**	12.0	11.9	11.4
Hungary	-3.4	2.1	-0.9	-8.9	0.1	1.9	**1.7**	**-0.2**	**0.5**	0.1	-0.3	-0.4
Poland	-5.6	-2.3	-0.5	-2.9	1.5	0.3	**-0.7**	**-1.2**	**-1.2**	-0.1	-0.5	-0.8
Romania	-7.9	-1.9	-5.1	-9.6	-6.8	-8.3	**-7.9**	**-6.9**	**-6.4**	-7.9	-6.4	-6.0
Sweden	6.2	3.3	3.9	3.7	5.9	6.2	**5.2**	**4.2**	**3.9**	4.9	4.8	4.9
EU	0.2	2.8	2.9	0.7	2.6	3.2	**2.4**	**1.7**	**1.6**	2.5	2.4	2.3
EU, adjusted [2]	0.0	2.5	2.7	0.0	2.0	2.6	**1.9**	**1.2**	**1.2**	1.9	1.9	1.7
United Kingdom	-3.0	-4.5	-2.6	-1.9	-3.6	-3.0	**-2.4**	**-2.7**	**-2.6**	-2.5	-2.7	-2.7
Japan	3.2	1.9	3.5	2.0	3.6	4.5	**4.9**	**3.4**	**3.2**	4.1	3.9	3.8
United States	-3.7	-2.3	-2.5	-3.8	-3.4	-4.0	**-3.7**	**-3.5**	**-3.6**	-4.1	-3.7	-3.7

1) See note 7 on concepts and sources. 2) See note 8 on concepts and sources.

Table 48: **Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2007-2027)** **04.05.2026**

	5-year averages						Spring 2026 Forecast			Autumn 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	1.8	0.8	0.3	-1.9	0.3	-0.5	**-2.4**	**-2.8**	**-2.7**	*-0.8*	*-0.8*	*-0.7*
Bulgaria	-10.3	3.1	2.3	-1.7	1.1	0.0	**-1.5**	**-2.1**	**-3.0**	*-0.8*	*0.6*	*-1.2*
Germany	5.8	7.5	7.2	3.3	5.1	5.2	**3.8**	**2.7**	**2.4**	*3.9*	*3.4*	*2.9*
Estonia	-0.9	2.2	2.7	-2.7	-0.1	0.4	**1.2**	**-0.9**	**-1.0**	*0.3*	*-0.5*	*-0.3*
Ireland	-3.9	0.1	-9.3	8.6	5.4	15.7	**7.1**	**6.8**	**6.3**	*8.0*	*6.2*	*5.7*
Greece	-10.4	-0.6	-3.5	-8.4	-5.6	-5.5	**-2.8**	**-3.1**	**-3.0**	*-3.0*	*-2.4*	*-2.8*
Spain	-5.3	2.3	2.1	1.3	3.9	4.3	**4.0**	**3.1**	**3.0**	*3.9*	*3.9*	*4.0*
France	-0.2	-0.6	-0.5	-1.2	-1.0	0.1	**-0.1**	**-0.2**	**0.0**	*0.1*	*0.9*	*0.9*
Croatia	-5.5	0.8	2.4	-1.2	3.2	-0.6	**-0.5**	**-1.0**	**-1.1**	*-0.9*	*-0.9*	*-1.1*
Italy	-2.3	1.3	2.8	-1.2	1.0	1.1	**1.4**	**0.7**	**0.8**	*1.2*	*1.2*	*1.0*
Cyprus	-12.2	-2.4	-5.7	-6.8	-9.6	-8.8	**-7.0**	**-7.8**	**-7.0**	*-8.3*	*-7.9*	*-7.5*
Latvia	-3.6	1.4	1.5	-4.7	-1.9	-0.3	**-3.7**	**-4.3**	**-5.8**	*-2.5*	*-1.7*	*-3.3*
Lithuania	-2.9	2.6	4.2	-4.7	2.6	4.7	**3.1**	**1.0**	**1.4**	*3.1*	*2.7*	*2.9*
Luxembourg	2.4	2.6	0.1	-4.6	-1.4	-4.0	**-3.6**	**-3.5**	**-3.3**	*-4.4*	*-3.5*	*-2.6*
Malta	-3.1	3.9	8.7	4.0	7.6	8.0	**9.3**	**7.4**	**7.1**	*6.3*	*6.7*	*6.6*
Netherlands	4.8	5.8	7.6	17.4	9.2	9.0	**7.3**	**7.3**	**7.0**	*8.9*	*9.4*	*9.3*
Austria	3.0	2.0	1.9	-1.1	2.2	1.5	**0.9**	**0.5**	**1.1**	*1.0*	*1.4*	*2.1*
Portugal	-8.2	1.5	1.1	-1.3	1.7	3.0	**2.5**	**2.0**	**1.5**	*2.1*	*2.0*	*1.5*
Slovakia	-3.3	1.1	-2.3	-9.5	-2.1	-3.7	**0.0**	**-0.8**	**-0.8**	*-2.3*	*-2.7*	*-2.9*
Slovenia	-2.2	3.9	5.8	-1.1	4.7	4.5	**3.7**	**2.3**	**2.3**	*2.8*	*2.8*	*2.9*
Finland	1.8	-1.6	-0.2	-2.4	-0.9	-0.3	**1.5**	**0.3**	**0.4**	*-0.8*	*-1.4*	*-1.8*
Euro area (21)	0.4	3.0	3.0	1.8	2.7	3.3	**2.4**	**1.8**	**1.7**	*2.6*	*2.6*	*2.4*
Euro area 21, adjusted [2]	-0.4	2.1	2.4	0.7	1.8	2.7	**1.7**	**1.1**	**1.1**	*:*	*:*	*:*
Czechia	-3.2	0.2	0.8	-3.7	1.1	3.7	**3.4**	**2.0**	**2.1**	*3.9*	*3.9*	*3.7*
Denmark	4.1	7.3	7.4	11.2	10.7	11.8	**12.1**	**11.0**	**10.7**	*11.6*	*11.5*	*10.9*
Hungary	-1.8	5.0	1.0	-7.2	1.2	2.2	**2.2**	**0.6**	**1.3**	*0.8*	*0.5*	*0.4*
Poland	-4.2	-0.6	0.8	-2.7	1.7	0.1	**-1.0**	**-1.4**	**-1.4**	*-0.3*	*-0.7*	*-1.0*
Romania	-7.2	0.5	-3.6	-7.5	-4.0	-6.7	**-6.0**	**-4.8**	**-4.2**	*-6.2*	*-4.7*	*-4.1*
Sweden	6.1	3.2	4.0	3.8	5.9	6.2	**5.3**	**4.3**	**4.0**	*5.0*	*4.8*	*4.9*
EU	0.4	2.9	2.9	1.5	2.7	3.2	**2.4**	**1.8**	**1.7**	*2.6*	*2.6*	*2.4*
EU, adjusted [2]	0.1	2.6	2.6	0.9	2.2	2.6	**2.0**	**1.4**	**1.3**	*2.0*	*2.0*	*1.8*
United Kingdom	-3.0	-4.6	-2.8	-2.0	-3.8	-3.1	**-2.6**	**-2.9**	**-2.8**	*-2.7*	*-2.9*	*-2.8*
Japan	3.1	1.8	3.4	1.9	3.6	4.5	**4.9**	**3.4**	**3.1**	*4.1*	*3.8*	*3.7*
United States	-3.7	-2.3	-2.5	-3.8	-3.4	-4.0	**-3.7**	**-3.5**	**-3.6**	*-4.1*	*-3.7*	*-3.7*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 49: **Current-account balance[1] (in billions of euro, 2019-2027)** **04.05.2026**

							Spring 2026 Forecast			Autumn 2025 Forecast		
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium	0.6	4.3	9.2	-11.5	0.4	-2.3	**-14.5**	**-17.4**	**-17.5**	*-4.0*	*-4.1*	*-3.9*
Bulgaria	1.0	0.3	-0.2	-2.2	0.6	-0.6	**-4.5**	**-6.1**	**-6.4**	*-2.1*	*-1.8*	*-2.6*
Germany	282.3	220.2	257.0	159.7	247.9	261.2	**209.5**	**162.1**	**149.5**	*214.1*	*195.7*	*174.8*
Estonia	0.6	-0.7	-1.2	-1.1	-0.5	-0.5	**-0.3**	**-1.2**	**-1.4**	*-0.6*	*-1.1*	*-1.1*
Ireland	-75.7	-27.3	54.3	45.3	36.9	91.0	**52.0**	**50.6**	**49.7**	*61.7*	*50.7*	*49.7*
Greece	-5.0	-13.8	-15.2	-22.4	-17.4	-17.4	**-14.8**	**-18.4**	**-16.6**	*-15.5*	*-16.7*	*-16.1*
Spain	26.7	8.9	9.6	5.8	40.9	50.6	**47.1**	**33.3**	**32.4**	*45.5*	*46.8*	*50.2*
France	10.4	-44.4	1.2	-41.6	-36.4	-3.4	**-6.3**	**-13.6**	**-7.5**	*0.0*	*17.4*	*19.2*
Croatia	1.0	-1.1	0.1	-2.5	0.3	-1.8	**-2.4**	**-3.2**	**-3.3**	*-2.7*	*-3.1*	*-3.4*
Italy	57.0	62.8	38.7	-34.5	4.9	23.1	**26.7**	**11.1**	**14.8**	*22.7*	*21.3*	*21.7*
Cyprus	-1.3	-2.2	-1.4	-2.0	-3.2	-2.9	**-2.3**	**-2.8**	**-2.6**	*-2.8*	*-2.8*	*-2.8*
Latvia	-0.1	0.9	-1.3	-2.0	-1.5	-0.6	**-2.2**	**-2.6**	**-3.3**	*-1.8*	*-1.5*	*-2.0*
Lithuania	1.8	3.6	0.8	-4.2	0.8	2.5	**1.4**	**-0.6**	**-0.3**	*1.3*	*1.0*	*1.2*
Luxembourg	-0.3	1.7	0.9	-3.0	-0.6	-3.0	**-2.6**	**-2.6**	**-2.6**	*-3.3*	*-2.7*	*-1.9*
Malta	1.1	0.4	0.7	0.5	1.2	1.5	**2.0**	**1.6**	**1.7**	*1.3*	*1.5*	*1.5*
Netherlands	56.4	46.5	91.4	67.4	98.9	102.7	**92.6**	**96.4**	**96.2**	*107.5*	*117.2*	*120.4*
Austria	9.8	13.3	7.4	-4.9	8.5	8.4	**5.7**	**3.5**	**7.0**	*6.0*	*8.8*	*12.7*
Portugal	0.9	-1.9	-2.0	-5.5	1.0	5.7	**3.0**	**0.2**	**0.8**	*3.2*	*3.1*	*2.1*
Slovakia	-3.4	-0.6	-4.7	-10.2	-2.3	-4.9	**-3.9**	**-4.7**	**-4.4**	*-6.9*	*-7.4*	*-7.4*
Slovenia	3.1	3.6	1.8	-0.5	3.0	3.1	**2.6**	**1.8**	**1.8**	*2.0*	*2.1*	*2.3*
Finland	-0.3	1.0	0.8	-6.4	-2.5	-1.2	**3.5**	**0.3**	**0.5**	*-2.6*	*-4.4*	*-5.6*
Euro area (21)	366.8	275.5	447.7	124.0	381.1	511.2	**392.4**	**287.8**	**288.8**	*423.1*	*420.2*	*409.0*
Euro area 21, adjusted [2]	290.0	214.6	345.2	-28.3	257.5	415.9	**275.9**	**171.3**	**172.3**	*:*	*:*	*:*
Czechia	-1.8	1.0	-1.2	-12.3	0.4	6.6	**5.9**	**1.4**	**2.9**	*7.6*	*8.6*	*9.0*
Denmark	23.0	22.6	29.3	42.5	41.2	47.8	**51.2**	**48.1**	**48.9**	*48.8*	*50.0*	*49.2*
Hungary	-1.1	-1.4	-6.7	-15.1	0.1	3.9	**3.8**	**-0.5**	**1.3**	*0.2*	*-0.7*	*-1.1*
Poland	-1.6	12.3	-8.2	-19.1	11.4	2.7	**-6.8**	**-12.3**	**-12.3**	*-1.0*	*-4.6*	*-8.1*
Romania	-11.0	-11.3	-17.6	-27.0	-21.7	-29.5	**-30.2**	**-27.7**	**-27.8**	*-29.8*	*-26.1*	*-26.3*
Sweden	22.9	26.6	31.1	20.3	31.8	34.5	**30.9**	**26.4**	**25.3**	*29.4*	*29.7*	*32.0*
EU	397.1	325.4	474.4	113.2	444.2	577.2	**447.2**	**323.2**	**327.1**	*478.3*	*477.0*	*463.7*
EU, adjusted [2]	343.6	307.4	412.7	6.4	347.6	475.8	**365.3**	**241.3**	**245.2**	*362.6*	*361.4*	*348.0*
United Kingdom	-63.7	-65.0	-20.4	-58.0	-113.0	-101.2	**-86.0**	**-97.6**	**-98.3**	*-89.2*	*-97.5*	*-98.3*
Japan	157.8	131.3	165.3	83.0	146.7	175.1	**193.2**	**123.5**	**117.6**	*155.8*	*144.0*	*144.1*
United States	-399.6	-494.7	-735.2	-951.8	-867.4	-1090.1	**-1004.2**	**-957.4**	**-1037.7**	*-1117.2*	*-1029.9*	*-1062.9*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 50: Export markets (a) (percentage change on preceding year, 2019-2027) **04.05.2026**

								Spring 2026 Forecast			Autumn 2025 Forecast		
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium		2.8	-8.9	9.7	8.2	-0.5	1.2	**3.7**	**1.6**	**2.4**	3.1	2.1	2.6
Bulgaria		2.8	-7.5	11.9	8.0	0.7	2.4	**4.0**	**2.0**	**2.9**	3.2	2.7	3.2
Germany		1.9	-8.2	11.2	7.5	-0.2	2.3	**3.8**	**1.9**	**2.6**	2.9	2.0	2.6
Estonia		2.7	-6.1	11.2	8.4	-1.4	1.5	**4.1**	**2.6**	**2.5**	3.2	2.7	2.9
Ireland		1.6	-9.0	11.2	7.6	-0.8	2.8	**3.1**	**1.5**	**2.3**	2.9	1.7	2.6
Greece		2.7	-8.7	11.6	11.1	0.8	2.7	**4.4**	**1.8**	**3.4**	3.4	2.6	3.2
Spain		2.2	-9.7	10.4	9.1	0.4	1.8	**3.8**	**1.5**	**2.6**	3.1	2.2	2.7
France		2.3	-8.8	10.6	7.8	0.0	2.3	**4.0**	**1.9**	**2.7**	3.1	2.2	2.7
Croatia		3.2	-8.8	13.3	9.4	-1.3	1.9	**3.7**	**2.2**	**2.6**	3.1	2.7	2.9
Italy		2.1	-8.8	10.7	8.0	0.4	2.4	**4.0**	**1.7**	**2.8**	3.1	2.0	2.8
Cyprus		1.7	-11.3	10.7	9.9	1.9	4.3	**4.3**	**1.9**	**4.6**	3.2	2.6	3.1
Latvia		3.8	-5.9	13.2	7.1	-0.1	2.3	**4.8**	**2.8**	**2.6**	3.6	3.1	2.8
Lithuania		3.2	-6.2	11.4	7.1	0.6	2.2	**4.4**	**2.4**	**2.7**	3.3	2.7	2.9
Luxembourg		2.1	-8.8	10.4	7.4	-1.2	0.8	**3.5**	**1.5**	**2.3**	3.0	2.1	2.4
Malta		2.6	-9.6	8.7	7.7	0.5	2.8	**4.2**	**2.7**	**3.3**	3.1	2.5	2.8
Netherlands		2.6	-8.9	10.6	8.0	-1.1	1.3	**3.6**	**1.7**	**2.3**	2.9	2.2	2.6
Austria		2.6	-8.0	11.0	7.9	-0.8	1.7	**3.9**	**1.8**	**2.4**	3.1	2.2	2.7
Portugal		2.1	-10.9	10.9	8.3	0.0	2.1	**4.2**	**1.8**	**2.6**	3.5	2.1	2.6
Slovakia		2.7	-7.9	11.4	7.7	-0.4	1.5	**3.8**	**2.0**	**2.5**	3.1	2.5	2.8
Slovenia		2.5	-7.5	11.2	9.2	-0.8	1.6	**5.0**	**1.8**	**2.5**	3.0	2.4	2.7
Finland		2.0	-7.6	11.3	7.6	-0.2	2.5	**3.7**	**2.0**	**2.5**	3.2	2.2	2.6
Euro area (21)	**(b)**	2.2	-8.6	10.8	7.9	-0.3	2.0	**3.8**	**1.8**	**2.6**	3.0	2.1	2.7
Czechia		3.0	-7.9	10.7	7.7	-1.2	1.2	**3.8**	**1.8**	**2.3**	3.2	2.3	2.8
Denmark		2.3	-8.4	10.6	8.3	-0.4	2.6	**3.9**	**2.0**	**2.4**	3.3	2.1	2.7
Hungary		2.9	-8.1	11.7	7.9	-0.9	1.7	**3.9**	**1.8**	**2.4**	3.3	2.2	2.8
Poland		2.9	-8.2	10.6	7.6	-0.5	1.3	**3.8**	**1.9**	**2.3**	3.3	2.4	2.8
Romania		2.4	-8.3	10.9	8.8	-0.3	1.6	**4.0**	**1.9**	**2.8**	3.2	2.6	3.0
Sweden		2.3	-8.2	10.0	8.0	-0.5	2.5	**3.2**	**2.1**	**2.5**	2.7	2.3	2.7
EU	**(b)**	2.3	-8.5	10.8	7.9	-0.3	2.0	**3.8**	**1.8**	**2.5**	3.0	2.1	2.7
United Kingdom		4.0	-7.8	9.4	7.3	0.3	2.8	**4.1**	**1.9**	**2.9**	3.0	1.8	2.9
Japan		-0.5	-8.3	12.6	4.9	1.1	5.5	**4.5**	**2.8**	**3.3**	3.0	2.0	3.0
United States		0.4	-9.5	11.3	7.0	1.4	3.1	**3.5**	**2.5**	**3.0**	2.8	2.3	2.7

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

(b) Intra- and extra-EU trade.

Table 51: Export performance (a) (percentage change on preceding year, 2019-2027) **04.05.2026**

								Spring 2026 Forecast			Autumn 2025 Forecast		
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
Belgium		0.1	3.2	4.5	-4.7	-6.5	-2.8	**-3.8**	**-1.0**	**-0.4**	-3.9	-0.6	-0.6
Bulgaria		1.2	-2.4	-0.3	4.1	-0.2	-0.7	**-5.7**	**0.8**	**0.2**	-3.7	0.0	0.1
Germany		0.2	-1.4	-0.9	-3.4	-1.2	-4.3	**-4.1**	**-1.9**	**-1.7**	-2.9	-1.1	-1.0
Estonia		2.3	2.0	11.1	-2.5	-7.2	-2.9	**0.9**	**-0.9**	**-0.8**	-1.1	-0.6	-0.4
Ireland		9.6	24.6	1.7	4.4	-3.6	5.4	**7.2**	**-2.5**	**1.1**	4.1	-2.0	1.0
Greece		2.2	-15.6	11.4	-4.4	1.4	-1.7	**-2.6**	**-0.1**	**-0.3**	-1.5	-0.3	-0.1
Spain		0.1	-11.7	2.7	5.3	2.3	1.7	**0.0**	**-0.2**	**-0.3**	0.8	0.1	-0.6
France		-0.2	-8.5	0.6	1.1	2.5	0.3	**-2.6**	**-1.2**	**-0.4**	-2.0	-0.3	-0.2
Croatia		3.6	-16.4	17.1	16.2	0.2	-0.4	**-2.7**	**-0.1**	**-0.2**	-1.5	-0.3	-0.2
Italy		-0.8	-5.4	3.1	1.8	-0.5	-2.8	**-2.6**	**-1.2**	**-0.9**	-2.6	-0.6	-0.8
Cyprus		6.9	14.6	14.8	16.3	-3.4	1.4	**0.6**	**-0.7**	**-1.4**	0.3	-1.0	-0.2
Latvia		-4.2	5.9	-3.6	4.1	-6.8	-2.1	**-4.5**	**-1.1**	**-0.7**	-3.0	-0.8	-0.5
Lithuania		6.8	6.6	4.7	4.3	-4.2	-0.1	**0.4**	**0.1**	**0.2**	-0.2	-0.1	-0.1
Luxembourg		3.9	11.9	0.8	-5.5	1.7	-13.0	**-2.2**	**0.5**	**0.2**	-2.0	0.0	0.1
Malta		4.7	14.8	-3.8	3.7	4.7	3.4	**0.5**	**0.7**	**-0.2**	0.5	1.1	0.3
Netherlands		0.3	5.5	-3.4	-3.2	-1.8	-1.3	**-1.1**	**-0.5**	**-0.8**	-1.0	-0.8	-0.8
Austria		1.4	-2.7	-1.3	1.5	0.2	-3.9	**-3.5**	**-0.2**	**-0.3**	-3.3	-0.6	-0.3
Portugal		1.8	-8.6	1.1	8.5	4.4	1.1	**-3.6**	**-1.2**	**-0.4**	-2.2	-0.6	-0.2
Slovakia		-1.3	1.6	-0.6	-4.5	-0.3	-1.5	**0.2**	**-0.8**	**1.2**	0.4	-1.4	0.3
Slovenia		2.0	-1.2	2.6	-1.5	-1.1	0.7	**-4.4**	**-0.2**	**-0.3**	-2.9	0.2	0.5
Finland		4.9	-1.1	-4.8	-2.8	-1.2	-0.1	**-0.5**	**0.0**	**0.2**	-2.4	0.0	0.4
Euro area (21 countries)	**(b)**	1.0	-0.2	0.6	-0.4	-0.9	-1.4	**-1.6**	**-1.2**	**-0.6**	-1.4	-0.8	-0.4
Czechia		-1.6	-0.7	-2.3	-2.4	3.7	0.3	**0.1**	**0.4**	**0.1**	0.2	-0.3	-0.3
Denmark		2.0	2.1	-2.5	-1.7	7.7	4.7	**-0.5**	**0.6**	**0.0**	-1.7	1.6	-0.3
Hungary		2.5	2.2	-3.1	2.7	2.9	-2.2	**-4.8**	**-0.7**	**1.1**	-3.6	1.5	1.3
Poland		2.4	7.8	1.5	-0.2	4.1	0.6	**1.8**	**0.8**	**0.5**	-1.0	-0.1	0.0
Romania		2.9	-1.3	1.6	0.7	-1.1	-4.1	**0.3**	**-0.5**	**-0.2**	0.2	0.1	-0.1
Sweden		4.6	2.9	1.4	-1.8	3.4	0.4	**0.8**	**-1.3**	**-0.3**	2.3	0.3	-0.1
EU	**(b)**	1.2	0.3	0.4	-0.5	-0.1	-1.1	**-1.3**	**-1.0**	**-0.4**	-1.2	-0.6	-0.4
United Kingdom		-2.0	-4.6	-6.0	7.4	-2.4	-1.3	**-1.9**	**-1.2**	**-1.7**	-0.2	-0.3	-1.0
Japan		-0.9	-3.8	-0.8	0.4	2.1	-4.2	**-1.6**	**-2.4**	**-2.2**	0.2	-0.7	-1.2
United States		0.1	-3.5	-4.4	0.7	1.5	0.5	**-1.8**	**0.2**	**-0.8**	-2.1	-1.2	-0.7

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 52: World GDP, volume (percentage change on preceding year, 2021-2027) 04.05.2026

						Spring 2026 Forecast			*Autumn 2025 Forecast*		
	(a)	2021	2022	2023	2024	2025	2026	2027	*2025*	*2026*	*2027*
EU	14.0	6.4	3.5	0.4	1.1	**1.5**	**1.1**	**1.4**	*1.4*	*1.4*	*1.5*
Euro area (21)	11.4	6.4	3.6	0.4	0.9	**1.4**	**0.9**	**1.2**	*1.3*	*1.2*	*1.4*
Belgium	0.4	6.3	4.0	1.6	1.1	**1.0**	**0.7**	**0.9**	*1.0*	*1.1*	*1.3*
Bulgaria	0.1	7.8	4.1	1.7	3.4	**3.1**	**2.5**	**2.2**	*3.0*	*2.7*	*2.1*
Czechia	0.3	4.0	2.8	0.0	1.3	**2.6**	**1.8**	**2.4**	*2.4*	*1.9*	*2.4*
Denmark	0.2	6.5	0.4	0.6	3.5	**2.9**	**1.9**	**1.8**	*2.0*	*2.1*	*1.7*
Germany	2.9	3.9	1.8	-0.9	-0.5	**0.2**	**0.6**	**0.9**	*0.2*	*1.2*	*1.2*
Estonia	0.0	8.3	-1.2	-2.7	-0.1	**0.6**	**1.6**	**1.7**	*0.6*	*2.1*	*2.0*
Ireland	0.4	16.3	7.5	-2.5	2.6	**12.3**	**-1.2**	**3.4**	*10.7*	*0.2*	*2.9*
Greece	0.2	8.7	5.5	2.1	2.1	**2.1**	**1.8**	**1.6**	*2.1*	*2.2*	*1.7*
Spain	1.3	6.7	6.4	2.5	3.5	**2.8**	**2.4**	**1.9**	*2.9*	*2.3*	*2.0*
France	2.2	6.9	2.7	1.4	1.2	**0.8**	**0.8**	**1.1**	*0.7*	*0.9*	*1.1*
Croatia	0.1	12.6	7.3	3.8	3.8	**3.4**	**2.7**	**2.5**	*3.2*	*2.9*	*2.5*
Italy	1.8	8.9	4.8	0.9	0.8	**0.5**	**0.5**	**0.6**	*0.4*	*0.8*	*0.8*
Cyprus	0.0	11.4	8.7	3.6	3.9	**3.8**	**2.3**	**2.7**	*3.4*	*2.6*	*2.4*
Latvia	0.0	6.9	1.9	-0.9	0.0	**2.1**	**1.4**	**1.6**	*1.0*	*1.7*	*1.9*
Lithuania	0.1	6.4	2.5	0.7	3.0	**2.9**	**3.0**	**2.1**	*2.4*	*3.0*	*2.2*
Luxembourg	0.1	6.9	-1.1	0.1	0.4	**0.6**	**1.6**	**2.0**	*0.9*	*1.9*	*2.2*
Hungary	0.2	7.2	4.2	-0.8	0.7	**0.5**	**1.8**	**2.1**	*0.4*	*2.3*	*2.1*
Malta	0.0	13.4	2.6	10.6	6.2	**4.0**	**3.7**	**3.6**	*4.0*	*3.8*	*3.5*
Netherlands	0.7	6.3	5.0	-0.6	1.1	**1.8**	**1.0**	**1.1**	*1.7*	*1.3*	*1.7*
Austria	0.3	4.9	5.3	-0.8	-0.7	**0.6**	**0.6**	**0.9**	*0.3*	*0.9*	*1.2*
Poland	1.0	6.9	5.3	0.2	3.2	**3.6**	**3.5**	**2.8**	*3.2*	*3.5*	*2.8*
Portugal	0.3	5.6	7.0	3.1	2.2	**1.9**	**1.7**	**1.8**	*1.9*	*2.2*	*2.1*
Romania	0.4	5.6	4.2	2.3	0.9	**0.7**	**0.1**	**2.3**	*0.7*	*1.1*	*2.1*
Slovenia	0.1	8.4	2.7	2.4	1.7	**1.1**	**1.9**	**2.3**	*1.0*	*2.4*	*2.6*
Slovakia	0.1	5.7	0.5	2.1	1.9	**0.8**	**0.8**	**1.5**	*0.8*	*1.0*	*1.4*
Finland	0.2	2.7	0.8	-1.3	0.4	**0.2**	**0.8**	**1.4**	*0.1*	*0.9*	*1.2*
Sweden	0.4	5.2	1.3	-0.2	1.0	**1.5**	**1.8**	**2.2**	*1.5*	*2.6*	*2.3*
Candidate Countries	2.4	9.9	-1.3	4.9	3.4	**3.3**	**2.8**	**4.0**	*3.1*	*3.1*	*4.0*
- Albania	0.0	9.0	4.8	4.0	4.0	**3.8**	**3.3**	**3.3**	*3.6*	*3.5*	*3.5*
- Bosnia and Herzegovina	0.0	7.6	3.7	1.9	2.5	**2.1**	**1.8**	**2.2**	*1.8*	*2.2*	*2.5*
- Georgia	0.1	10.6	11.0	7.8	9.4	**7.5**	**5.5**	**5.2**	*7.3*	*5.3*	*5.0*
- Moldova	0.0	13.9	-4.6	1.2	0.3	**2.4**	**2.0**	**3.5**	*1.6*	*2.6*	*3.7*
- Montenegro	0.0	13.0	7.7	6.5	3.2	**2.7**	**2.8**	**3.0**	*3.0*	*3.1*	*3.1*
- North Macedonia	0.0	4.5	2.8	2.6	3.0	**3.5**	**3.2**	**3.1**	*3.2*	*3.3*	*3.3*
- Serbia	0.1	7.9	2.7	3.7	3.9	**2.0**	**2.8**	**3.9**	*2.2*	*3.3*	*4.2*
- Türkiye	1.8	11.8	5.4	5.0	3.3	**3.6**	**3.0**	**4.0**	*3.4*	*3.4*	*4.0*
- Ukraine	0.3	3.4	-28.8	5.5	3.2	**1.8**	**1.5**	**4.0**	*1.6*	*1.5*	*4.7*
Iceland	0.0	5.2	8.9	5.0	-1.3	**1.3**	**1.7**	**2.4**	*2.1*	*2.3*	*2.4*
Norway	0.3	4.1	4.1	0.4	1.4	**1.1**	**1.4**	**1.0**	*0.5*	*1.2*	*1.4*
Switzerland	0.4	6.2	3.5	0.8	1.4	**1.3**	**1.1**	**1.3**	*1.2*	*1.3*	*1.5*
Australia	1.0	5.4	4.2	2.1	1.1	**2.0**	**2.1**	**1.7**	*1.8*	*2.0*	*2.0*
Canada	1.3	6.0	4.7	2.0	2.0	**1.7**	**1.4**	**1.8**	*1.2*	*1.1*	*1.5*
Japan	3.3	3.6	1.3	0.7	-0.2	**1.2**	**0.6**	**0.6**	*1.1*	*0.7*	*0.7*
Korea	1.6	4.6	2.7	1.6	2.0	**1.0**	**2.3**	**1.9**	*1.0*	*1.9*	*2.0*
United Kingdom	2.2	8.5	5.1	0.3	1.1	**1.4**	**0.7**	**1.2**	*1.4*	*1.2*	*1.4*
United States	14.6	6.2	2.5	2.9	2.8	**2.1**	**2.2**	**2.1**	*1.8*	*1.9*	*2.1*
Advanced economies	43.1	6.4	2.9	1.8	2.0	**2.0**	**1.7**	**1.8**	*1.7*	*1.7*	*1.9*
Emerging and Developing Asia	35.6	7.5	4.7	5.4	5.4	**5.5**	**4.6**	**4.9**	*5.1*	*4.9*	*4.9*
- China	19.6	8.6	3.1	5.4	5.0	**4.9**	**4.5**	**4.4**	*4.8*	*4.6*	*4.4*
- India	8.2	9.7	7.6	7.2	7.1	**7.6**	**6.1**	**6.4**	*6.8*	*6.5*	*6.4*
- Indonesia	2.4	3.7	5.3	5.0	5.0	**5.1**	**4.6**	**4.8**	*5.0*	*4.8*	*4.8*
Eastern Neighbourhood and Central Asia	1.1	5.5	3.6	5.0	5.2	**5.4**	**4.1**	**4.0**	*4.9*	*4.1*	*3.9*
Russia	3.4	5.9	-1.4	4.1	4.9	**1.0**	**1.3**	**1.1**	*0.8*	*1.1*	*1.2*
Latin America	4.7	7.4	4.1	2.2	2.2	**2.3**	**2.1**	**2.2**	*2.2*	*2.0*	*2.3*
- Argentina	0.7	10.4	6.0	-1.9	-1.3	**4.4**	**2.8**	**3.0**	*4.2*	*3.4*	*3.2*
- Brazil	2.4	4.8	3.0	3.2	3.4	**2.3**	**2.0**	**1.8**	*2.2*	*1.8*	*2.0*
- Mexico	1.6	6.0	3.7	3.1	1.4	**0.6**	**1.0**	**1.5**	*0.9*	*1.2*	*1.7*
MENA	5.7	4.6	7.0	2.5	2.6	**3.1**	**0.9**	**4.4**	*3.2*	*3.6*	*3.6*
- Saudi Arabia	1.3	6.5	12.0	0.5	2.6	**4.5**	**3.0**	**4.4**	*4.0*	*4.1*	*3.6*
Sub-Saharan Africa	3.7	3.4	4.1	2.6	3.6	**4.2**	**4.1**	**4.3**	*3.8*	*4.1*	*4.5*
- South Africa	0.5	4.9	2.1	0.8	0.5	**1.1**	**1.0**	**1.2**	*1.1*	*1.2*	*1.5*
Emerging and Developing Economies	56.7	6.7	4.4	4.4	4.5	**4.5**	**3.7**	**4.2**	*4.2*	*4.2*	*4.2*
World	100.0	6.6	3.7	3.2	3.4	**3.4**	**2.8**	**3.2**	*3.1*	*3.1*	*3.2*
World excluding EU	85.8	6.6	3.7	3.7	3.8	**3.7**	**3.1**	**3.5**	*3.4*	*3.4*	*3.5*
World excluding euro area	88.3	6.6	3.7	3.6	3.7	**3.7**	**3.1**	**3.5**	*3.4*	*3.4*	*3.5*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2025.

Table 53: World exports of goods and services, volume (percentage change on preceding year, 2021-2027) 04.05.2026

						Spring 2026 Forecast			Autumn 2025 Forecast		
	(a)	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
EU (b)	31.0	11.3	7.3	-0.4	0.8	**2.3**	**0.9**	**2.1**	1.6	1.6	2.3
Euro area (21) (b)	25.7	11.5	7.4	-1.2	0.5	**2.0**	**0.7**	**2.0**	1.5	1.4	2.3
Candidate Countries	1.7	18.6	2.4	-1.7	1.5	**-0.5**	**1.2**	**4.5**	1.9	3.6	4.9
- Albania	0.0	52.1	17.0	8.6	0.1	**7.4**	**3.5**	**3.4**	3.7	3.4	3.3
- Bosnia and Herzegovina	0.0	25.4	11.8	-1.2	-3.1	**2.5**	**1.6**	**1.8**	2.0	2.5	2.8
- Georgia	0.1	23.5	37.4	9.5	5.9	**7.0**	**6.4**	**6.5**	6.9	6.4	5.5
- Moldova	0.0	17.5	29.7	4.8	-4.3	**4.4**	**5.9**	**9.5**	4.0	5.2	7.0
- Montenegro	0.0	79.1	19.3	9.0	-4.0	**-4.6**	**2.4**	**3.1**	-0.6	3.2	3.6
- North Macedonia	0.0	14.3	10.6	-3.0	-4.0	**6.1**	**5.4**	**4.6**	5.2	5.4	5.0
- Serbia	0.2	20.4	17.0	2.7	5.2	**5.6**	**4.1**	**5.9**	4.5	4.5	6.6
- Türkiye	1.2	25.1	10.5	-2.3	0.1	**-0.3**	**0.1**	**3.5**	1.8	3.4	3.9
- Ukraine	0.2	-8.6	-42.0	-5.9	10.3	**-12.8**	**3.1**	**10.9**	-2.4	2.9	13.0
Iceland	0.0	12.4	26.1	3.9	-2.2	**1.0**	**0.3**	**3.8**	2.4	2.4	3.1
Norway	0.7	5.8	4.9	0.9	5.8	**2.4**	**1.3**	**0.7**	-1.0	0.6	1.0
Switzerland	2.4	13.6	7.0	-2.7	1.7	**4.8**	**1.0**	**2.0**	2.5	1.8	2.2
Australia	1.3	-2.3	2.6	6.8	1.1	**2.6**	**4.1**	**3.4**	1.3	2.7	2.4
Canada	2.1	3.3	4.6	6.3	0.9	**-1.7**	**1.0**	**2.2**	-1.1	0.6	1.5
Japan	2.8	11.8	5.3	3.1	0.9	**2.9**	**0.4**	**1.0**	3.1	1.2	1.8
Korea	2.6	10.8	3.9	3.4	6.8	**4.2**	**6.2**	**2.6**	4.3	3.3	2.3
United Kingdom	3.6	2.9	15.2	-2.3	1.3	**2.1**	**0.7**	**1.2**	2.8	1.5	1.8
United States	9.8	6.5	7.6	2.8	3.6	**1.6**	**2.6**	**2.2**	0.6	1.1	2.0
Advanced economies	65.7	9.9	6.1	0.6	2.2	**3.2**	**1.7**	**2.3**	1.8	1.7	2.3
Emerging and Developing Asia	19.4	18.7	2.6	1.8	10.5	**8.0**	**3.7**	**3.3**	4.1	2.0	2.4
- China	11.9	18.3	-0.2	2.6	12.6	**8.6**	**3.9**	**2.5**	4.8	1.2	1.7
- India	2.6	29.6	10.3	0.7	6.6	**6.5**	**3.9**	**5.6**	3.1	3.4	3.7
- Indonesia	1.0	20.1	1.0	4.4	1.8	**5.2**	**2.1**	**2.7**	2.9	4.4	4.0
Easter Neighbourhood and Central Asia	0.7	3.2	7.8	11.9	2.8	**0.6**	**4.7**	**2.7**	3.4	4.1	3.6
Russia	1.4	3.2	-13.8	-11.0	3.0	**-0.9**	**0.9**	**-0.4**	-0.9	-0.1	-0.3
Latin America	5.4	7.5	7.6	-1.1	4.5	**5.8**	**2.9**	**3.9**	4.0	1.8	3.0
- Argentina	0.3	12.6	-4.9	-13.6	28.8	**11.5**	**3.0**	**3.4**	5.1	4.2	3.4
- Brazil	1.2	2.3	6.1	9.4	3.0	**4.9**	**3.7**	**4.4**	2.7	2.2	2.6
- Mexico	2.1	7.1	9.5	-7.1	3.5	**7.7**	**2.0**	**3.3**	5.5	1.1	3.2
MENA	6.0	5.1	13.7	3.5	2.0	**7.3**	**-3.5**	**9.5**	4.8	6.7	5.5
- Saudi Arabia	1.1	2.6	20.9	-5.7	-0.4	**12.2**	**1.1**	**8.4**	7.5	8.1	2.8
Sub-Saharan Africa	1.4	-0.8	6.4	2.0	1.2	**5.3**	**5.5**	**4.3**	4.6	5.3	4.9
- South Africa	0.4	9.7	7.8	5.1	-2.8	**-1.1**	**1.2**	**1.7**	0.3	1.8	2.3
Emerging and developing economies	34.3	13.1	4.4	1.2	7.1	**6.9**	**2.3**	**4.4**	4.0	2.8	3.0
World	100.0	11.0	5.5	0.8	3.8	**4.5**	**1.9**	**3.0**	2.5	2.1	2.6
World excluding EU	69.0	10.8	4.7	1.3	5.2	**5.5**	**2.3**	**3.4**	3.0	2.3	2.7
World excluding euro area	74.3	10.8	4.9	1.5	5.0	**5.3**	**2.3**	**3.3**	2.9	2.3	2.7

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2025.

(b) Intra- and extra-EU trade.

Table 54: Shares of main trading partners in goods export of EU and Member States (2024) 04.05.2026

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.2	48.9	2.9	7.9	5.3	1.0	7.5	3.7	1.0	0.5	3.1	2.5	1.2
Euro area (21 countries)	59.2	47.7	2.6	8.5	5.5	1.1	7.9	4.0	1.1	0.5	3.3	2.7	1.3
Belgium	69.4	61.5	1.5	5.5	6.3	0.8	4.5	1.5	0.7	0.4	2.5	2.3	2.6
Bulgaria	63.3	44.3	13.5	2.9	1.8	0.2	3.3	2.8	0.9	1.2	5.8	0.8	0.7
Czechia	80.4	65.4	3.1	2.7	3.1	0.5	3.4	1.6	0.4	0.3	1.5	1.2	0.4
Denmark	56.3	39.3	1.6	8.5	5.3	1.7	11.2	4.3	1.5	0.2	2.5	3.5	1.4
Germany	54.7	38.8	2.8	9.7	5.2	1.3	9.6	6.3	1.3	0.5	2.4	3.0	0.9
Estonia	73.6	56.7	2.4	3.3	2.1	0.8	7.4	1.6	0.4	2.4	1.2	1.2	0.6
Ireland	39.6	36.5	0.6	28.2	9.9	2.1	5.5	5.5	2.0	0.4	1.6	2.0	0.5
Greece	52.5	45.0	10.8	3.9	3.8	1.0	3.9	1.1	1.4	0.2	12.7	1.3	1.3
Spain	62.4	56.1	2.8	5.3	5.9	1.0	5.2	2.1	0.8	0.3	5.6	5.1	1.2
France	53.6	47.1	2.4	7.9	6.7	1.3	9.7	4.9	1.4	0.4	4.9	2.5	1.7
Croatia	67.4	53.9	17.0	3.3	1.6	0.3	2.9	0.5	0.6	1.1	1.8	0.6	1.5
Italy	50.6	42.1	3.7	10.8	4.3	1.5	10.3	3.6	1.2	0.8	5.7	3.4	1.0
Cyprus	30.9	24.8	0.9	2.0	5.3	0.0	5.2	0.6	7.5	0.3	27.2	8.9	5.3
Latvia	65.9	50.6	3.8	2.7	4.8	0.3	4.1	1.1	0.4	6.6	1.2	0.7	3.8
Lithuania	63.4	45.1	5.1	5.1	4.0	0.3	5.3	0.4	0.6	3.3	2.3	1.1	2.2
Luxembourg	76.0	69.0	1.8	3.2	3.4	0.4	6.4	1.3	0.5	0.1	2.5	1.9	0.7
Hungary	75.7	59.6	5.1	4.9	2.8	0.7	3.1	2.0	0.5	0.8	1.3	1.7	0.3
Malta	38.6	33.6	1.1	3.0	2.6	3.2	14.2	5.6	1.0	0.0	7.0	2.2	19.6
Netherlands	71.3	61.1	1.2	4.7	6.8	0.5	5.7	2.4	0.6	0.3	1.8	1.7	1.4
Austria	68.2	53.9	2.2	7.6	2.6	0.9	8.5	2.9	0.8	0.6	1.5	2.2	0.6
Poland	74.9	60.1	4.7	3.4	4.9	0.3	3.6	1.1	0.4	0.9	1.6	1.4	0.8
Portugal	65.9	60.6	1.9	7.2	4.8	0.6	5.2	2.2	0.3	0.2	3.8	2.8	3.8
Romania	68.8	56.3	9.1	3.1	3.8	1.1	3.1	1.8	0.7	0.3	5.0	1.1	0.4
Slovenia	59.5	46.3	5.9	3.4	1.2	0.4	22.6	0.7	0.4	1.7	1.7	0.6	0.2
Slovakia	74.7	44.7	3.5	5.7	3.3	0.4	3.4	4.4	0.1	0.4	2.0	1.0	0.3
Finland	55.8	38.9	2.3	9.8	3.4	1.7	9.7	5.2	1.5	0.8	2.2	3.0	1.3
Sweden	55.9	42.8	1.8	9.0	5.1	1.2	13.1	4.2	0.9	0.4	2.7	2.6	1.0

Table 55: World imports of goods and services, volume (percentage change on preceding year, 2021-2027) 04.05.2026

						Spring 2026 Forecast			*Autumn 2025 Forecast*		
	(a)	2021	2022	2023	2024	2025	2026	2027	*2025*	*2026*	*2027*
EU (b)	29.8	9.7	8.3	-1.8	0.4	**3.7**	**1.7**	**2.2**	*3.0*	*2.3*	*2.6*
Euro area 21 (b)	24.6	9.0	8.4	-2.0	-0.1	**3.7**	**1.6**	**2.1**	*2.9*	*2.2*	*2.5*
Candidate Countries	2.0	7.3	5.0	9.1	0.2	**5.9**	**3.6**	**4.2**	*4.4*	*4.3*	*4.8*
- Albania	0.0	32.5	11.5	0.2	6.0	**4.1**	**3.7**	**3.9**	*4.6*	*3.7*	*3.8*
- Bosnia and Herzegovina	0.1	20.6	6.2	-1.3	2.8	**4.8**	**2.9**	**2.6**	*3.1*	*3.3*	*3.1*
- Georgia	0.1	8.8	16.9	10.0	8.5	**5.7**	**7.0**	**6.0**	*6.2*	*7.4*	*5.8*
- Moldova	0.0	21.2	18.2	-5.1	5.7	**12.6**	**8.0**	**9.9**	*9.7*	*8.6*	*8.5*
- Montenegro	0.0	16.0	23.3	8.2	5.7	**2.5**	**3.8**	**3.1**	*4.4*	*3.7*	*3.3*
- North Macedonia	0.0	14.8	13.6	-10.2	-1.4	**6.7**	**5.9**	**5.0**	*5.4*	*5.2*	*4.8*
- Serbia	0.2	17.7	16.1	-1.4	8.0	**8.0**	**5.4**	**5.3**	*6.4*	*6.0*	*5.9*
- Türkiye	1.2	2.1	8.3	12.1	-4.4	**4.9**	**2.2**	**3.9**	*3.6*	*3.5*	*3.8*
- Ukraine	0.3	14.2	-17.4	8.9	12.5	**8.3**	**6.4**	**4.1**	*5.8*	*5.3*	*8.7*
Iceland	0.1	20.3	22.6	-1.9	4.2	**7.2**	**-0.9**	**2.5**	*5.1*	*1.5*	*3.0*
Norway	0.5	1.7	13.7	-1.2	5.0	**2.6**	**1.9**	**1.2**	*2.1*	*2.3*	*1.8*
Switzerland	2.2	5.1	6.2	0.0	0.6	**9.7**	**1.1**	**2.1**	*2.2*	*1.4*	*1.8*
Australia	1.3	5.3	13.7	6.7	5.8	**3.0**	**4.2**	**2.5**	*2.0*	*2.6*	*2.4*
Canada	2.3	8.3	7.6	1.2	0.7	**-0.4**	**1.1**	**1.9**	*0.2*	*-0.2*	*1.0*
Japan	3.0	4.7	8.0	-0.4	0.9	**4.0**	**1.5**	**2.1**	*4.2*	*1.3*	*1.7*
Korea	2.3	10.2	4.2	3.0	2.5	**3.8**	**4.5**	**2.6**	*4.2*	*3.7*	*2.2*
United Kingdom	3.9	5.3	13.9	-1.6	2.7	**4.1**	**1.2**	**1.2**	*4.4*	*2.3*	*1.8*
United States	13.0	14.6	8.5	-0.9	5.8	**2.7**	**1.1**	**2.5**	*3.2*	*-1.7*	*2.5*
Advanced economies	67.2	10.1	7.4	-0.7	2.4	**4.2**	**1.9**	**2.5**	*3.1*	*1.6*	*2.5*
Emerging and Developing Asia	17.9	14.0	1.4	3.2	6.9	**3.2**	**3.8**	**3.5**	*2.3*	*2.7*	*3.0*
- China	10.1	10.8	-2.9	7.4	6.0	**0.5**	**3.6**	**2.6**	*1.7*	*1.9*	*2.2*
- India	2.9	22.1	8.9	-1.0	5.3	**6.4**	**3.9**	**5.0**	*2.7*	*3.9*	*4.0*
- Indonesia	0.9	14.3	8.3	-3.2	6.3	**3.5**	**4.1**	**5.0**	*3.6*	*4.5*	*4.9*
Eastern Neighbourhood and Central Asia	0.8	-2.7	9.6	23.6	6.1	**5.9**	**5.3**	**4.8**	*3.9*	*4.4*	*4.2*
Russia	1.2	19.1	-14.3	13.0	0.0	**1.0**	**0.7**	**0.9**	*1.0*	*1.5*	*1.0*
Latin America	5.6	18.4	7.4	1.4	4.4	**4.8**	**3.4**	**3.7**	*3.8*	*2.5*	*3.1*
- Argentina	0.3	29.6	12.5	5.9	-23.4	**23.6**	**4.0**	**4.2**	*21.4*	*0.8*	*3.6*
- Brazil	1.2	16.7	1.0	0.7	18.0	**4.9**	**1.9**	**2.1**	*3.1*	*2.1*	*2.1*
- Mexico	2.3	15.7	8.6	3.7	3.3	**1.6**	**2.9**	**3.2**	*1.0*	*2.6*	*3.2*
MENA	5.8	4.1	13.1	9.9	5.2	**4.7**	**-1.0**	**8.2**	*3.9*	*5.1*	*5.8*
- Saudi Arabia	1.1	-3.3	18.0	16.4	9.6	**5.2**	**3.1**	**5.6**	*5.4*	*5.1*	*6.0*
Sub-Saharan Africa	1.5	0.7	9.0	-1.3	3.0	**3.9**	**5.3**	**4.4**	*2.9*	*5.5*	*5.3*
- South Africa	0.4	9.7	15.0	3.9	-6.4	**-0.7**	**2.1**	**2.6**	*-0.5*	*2.8*	*3.0*
Emerging and Developing Economies	32.8	12.3	3.9	4.5	5.8	**3.8**	**2.8**	**4.3**	*2.8*	*3.2*	*3.6*
World	100.0	10.8	6.3	1.0	3.5	**4.0**	**2.2**	**3.1**	*3.0*	*2.1*	*2.9*
World excluding EU	70.2	11.3	5.4	2.2	4.8	**4.2**	**2.5**	**3.5**	*3.0*	*2.0*	*3.0*
World excluding euro area	75.4	11.4	5.6	2.0	4.7	**4.2**	**2.5**	**3.4**	*3.1*	*2.1*	*3.0*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2025.

(b) Intra- and extra-EU trade.

Table 56: Shares of main trading partners in goods imports of EU and member states (2024) 04.05.2026

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	62.0	49.9	2.4	5.3	3.0	1.1	7.0	7.6	2.0	0.9	3.0	1.9	1.3
Euro area (21 countries)	60.4	48.8	2.2	5.8	3.3	1.1	7.1	7.5	2.1	0.8	3.4	2.1	1.5
Belgium	62.3	56.3	1.1	7.2	4.0	1.7	6.8	6.3	1.7	0.7	2.4	1.9	1.6
Bulgaria	62.1	43.1	13.9	1.0	0.9	0.3	2.7	5.2	1.0	5.9	1.7	2.0	0.5
Czechia	74.6	58.1	2.2	1.9	1.3	1.1	3.6	9.9	1.7	1.4	0.3	0.4	0.2
Denmark	68.5	48.8	1.3	4.5	2.5	0.5	9.7	6.6	1.9	0.3	0.5	1.8	0.3
Germany	66.0	46.6	2.3	5.2	2.5	1.3	8.2	6.9	2.2	0.2	1.4	1.4	0.9
Estonia	83.4	63.2	1.3	1.4	1.3	0.7	2.9	3.9	0.6	1.0	0.4	0.5	0.7
Ireland	39.8	35.7	0.7	14.7	23.2	1.4	7.4	5.2	1.5	0.0	0.8	1.3	0.3
Greece	48.7	42.5	5.6	1.9	1.4	0.4	3.5	11.3	0.9	2.7	13.2	1.7	0.9
Spain	56.2	49.4	2.8	5.5	2.5	0.8	3.9	8.5	2.1	0.6	6.3	5.0	2.9
France	65.5	58.0	1.5	5.8	3.6	0.8	6.0	5.5	1.5	0.4	4.7	1.1	1.5
Croatia	75.4	60.2	8.6	2.6	0.4	0.2	1.7	4.5	0.5	0.2	0.9	0.7	0.9
Italy	56.0	47.2	3.0	4.3	1.7	0.9	6.3	7.5	1.8	1.8	7.5	1.8	1.3
Cyprus	61.4	56.4	2.7	1.2	7.0	4.0	4.6	6.3	1.4	0.2	2.7	2.2	0.3
Latvia	77.1	59.7	2.5	2.3	1.3	0.1	2.9	3.5	1.3	4.2	0.3	1.3	0.3
Lithuania	70.9	48.3	2.5	6.5	2.0	0.2	6.4	4.2	0.5	0.7	3.5	0.4	0.2
Luxembourg	85.2	80.8	0.9	5.2	1.6	1.7	2.5	1.2	0.5	0.0	0.3	0.2	0.3
Hungary	71.4	55.2	3.8	1.8	1.0	1.2	7.2	7.2	1.4	3.5	0.3	0.4	0.1
Malta	44.3	42.2	5.3	2.4	3.2	1.0	12.5	7.7	1.1	1.3	15.7	1.9	0.2
Netherlands	42.1	35.5	1.1	9.9	4.4	1.7	9.1	13.8	4.0	1.0	2.5	3.8	2.8
Austria	77.9	64.4	2.2	2.5	1.0	0.7	6.8	2.8	1.7	1.6	1.1	0.3	0.1
Poland	67.3	56.2	3.1	2.9	1.8	1.0	6.4	9.4	1.6	0.6	2.9	1.2	0.4
Portugal	73.7	68.5	1.5	2.1	1.3	0.5	3.8	5.1	1.0	0.2	2.2	4.1	2.7
Romania	71.8	55.0	9.6	1.1	1.0	0.4	2.5	5.7	0.7	0.3	2.0	0.6	0.2
Slovenia	49.7	41.2	7.5	0.5	0.4	0.3	22.7	12.1	0.9	0.2	1.9	0.9	0.2
Slovakia	80.6	43.2	2.6	0.5	1.2	0.1	4.4	4.0	1.7	3.7	0.5	0.1	0.0
Finland	71.4	45.1	1.1	3.7	2.0	0.5	10.9	4.4	0.9	1.6	0.4	2.0	0.2
Sweden	68.7	54.2	1.2	4.1	3.2	0.8	12.0	5.3	1.6	0.0	0.7	0.9	0.6

Table 57 **World merchandise trade balances (fob-fob, in billions of US dollar, 2020-2027)** **04.05.2026**

						Spring 2026 Forecast			*Autumn 2025 Forecast*		
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	***2025***	***2026***	***2027***
EU	449.2	377.2	-10.8	364.6	450.2	**436.0**	**256.4**	**263.4**	*443.0*	*422.5*	*405.1*
EU, adjusted[1)]	395.7	313.0	-143.8	283.0	391.8	**436.7**	**257.2**	**264.2**	*386.8*	*364.8*	*347.3*
Euro area (21)	410.6	376.3	35.4	322.8	408.3	**396.4**	**243.5**	**246.1**	*398.5*	*374.8*	*355.9*
Euro area 21, adjusted[1)]	386.1	339.8	-67.6	272.6	373.7	**409.0**	**256.7**	**259.3**	*:*	*:*	*:*
Candidate Countries	-71.8	-69.6	-145.2	-151.7	-133.2	**-161.3**	**-193.9**	**-214.2**	*-157.4*	*-185.7*	*-211.7*
- Albania	-3.4	-4.5	-4.5	-4.9	-6.0	**-6.5**	**-7.2**	**-7.6**	*-6.9*	*-7.5*	*-8.0*
- Bosnia and Herzegovina	-3.7	-4.3	-5.5	-5.7	-6.5	**-7.2**	**-8.0**	**-8.4**	*-7.1*	*-7.7*	*-8.1*
- Georgia	-3.2	-3.8	-5.1	-6.1	-6.6	**-6.8**	**-8.4**	**-9.1**	*-7.1*	*-8.1*	*-9.1*
- Moldova	-3.1	-4.2	-5.2	-4.9	-5.6	**-7.0**	**-8.2**	**-9.2**	*-6.9*	*-8.0*	*-8.9*
- Montenegro	-1.9	-2.3	-2.8	-3.2	-3.6	**-4.2**	**-4.7**	**-5.0**	*-4.2*	*-4.6*	*-4.9*
- North Macedonia	-2.1	-2.8	-3.7	-2.8	-3.3	**-3.8**	**-4.3**	**-4.5**	*-3.7*	*-4.2*	*-4.4*
- Serbia	-5.8	-6.7	-9.5	-6.9	-7.1	**-7.0**	**-9.4**	**-9.0**	*-8.1*	*-9.6*	*-10.6*
- Türkiye	-40.9	-32.8	-93.0	-86.8	-61.2	**-67.5**	**-85.9**	**-103.5**	*-71.4*	*-89.7*	*-106.7*
- Ukraine	-7.8	-8.2	-16.0	-30.4	-33.2	**-51.4**	**-57.9**	**-57.9**	*-42.0*	*-46.4*	*-51.2*
Iceland	-0.6	-1.0	-1.5	-2.1	-2.3	**-3.0**	**-3.1**	**-3.1**	*-2.7*	*-2.8*	*-2.8*
Norway	-1.0	72.4	167.0	79.5	70.2	**68.5**	**83.5**	**79.8**	*67.6*	*68.1*	*67.7*
Switzerland	71.9	126.3	132.1	117.5	131.0	**108.9**	**114.2**	**114.3**	*134.3*	*137.8*	*144.5*
Australia	39.8	86.1	112.2	83.7	44.3	**28.6**	**30.3**	**31.4**	*37.3*	*33.5*	*31.1*
Canada	-30.3	3.0	16.7	-0.5	-5.0	**-22.0**	**9.8**	**-10.3**	*-16.4*	*-17.0*	*-17.5*
Japan	26.0	16.0	-118.3	-47.1	-24.2	**-5.7**	**-21.5**	**-19.2**	*-21.2*	*-26.2*	*-21.2*
Korea	82.1	79.7	18.3	44.6	110.9	**138.1**	**147.7**	**138.7**	*94.2*	*95.3*	*94.9*
United Kingdom	-151.0	-208.9	-241.1	-238.8	-262.1	**-320.4**	**-358.9**	**-370.5**	*-327.0*	*-352.1*	*-361.4*
United States	-883.4	-1092.4	-1186.6	-1068.2	-1209.3	**-1237.6**	**-1193.7**	**-1232.9**	*-1285.1*	*-1203.6*	*-1242.5*
Advanced economies	-295.3	-404.0	-1039.4	-584.5	-564.1	**-631.2**	**-796.5**	**-857.0**	*-765.6*	*-778.3*	*-863.7*
Emerging and Developing Asia	507.3	456.5	478.2	421.3	541.8	**757.8**	**696.7**	**676.9**	*573.9*	*481.9*	*403.6*
- China	511.1	562.7	665.0	594.0	768.0	**960.5**	**973.8**	**979.5**	*843.8*	*812.3*	*801.2*
- India	-102.2	-189.5	-265.3	-244.9	-286.9	**-273.7**	**-320.8**	**-341.4**	*-314.9*	*-361.8*	*-417.8*
- Indonesia	28.3	43.8	62.7	46.3	39.8	**49.8**	**48.2**	**45.6**	*37.8*	*37.4*	*34.1*
Eastern Neighbourhood and Central Asia	-0.7	25.7	50.8	10.0	2.8	**-13.2**	**-7.1**	**-10.2**	*-2.6*	*-3.6*	*-2.2*
Russia	92.7	192.6	309.2	121.9	132.4	**117.7**	**190.6**	**143.8**	*124.8*	*112.2*	*110.9*
Latin America	75.9	20.9	-24.3	34.4	44.5	**48.7**	**98.3**	**139.6**	*23.5*	*-7.8*	*-14.1*
- Argentina	14.6	18.7	12.4	-2.8	22.4	**15.4**	**18.8**	**19.8**	*13.2*	*15.5*	*14.8*
- Brazil	35.7	42.3	51.5	92.3	65.8	**59.7**	**78.8**	**98.6**	*45.3*	*31.9*	*27.8*
- Mexico	34.2	-10.7	-28.3	-12.4	-18.6	**0.8**	**13.7**	**17.9**	*2.8*	*-7.9*	*-4.9*
MENA	41.4	268.8	502.5	314.5	228.9	**141.8**	**180.0**	**177.0**	*77.4*	*56.8*	*43.3*
- Saudi Arabia	49.3	138.0	237.2	130.3	92.0	**73.6**	**96.5**	**99.8**	*53.9*	*53.3*	*47.1*
Sub-Saharan Africa	-2.8	35.1	32.9	16.4	28.9	**46.0**	**68.8**	**90.3**	*29.6*	*27.9*	*26.9*
- South Africa	17.7	30.8	14.6	7.5	11.7	**11.9**	**9.2**	**7.8**	*10.3*	*9.3*	*8.2*
Emerging and Developing Economies	713.8	999.6	1349.3	918.5	979.2	**1098.7**	**1227.3**	**1217.4**	*826.6*	*667.4*	*568.3*
World	418.5	595.6	309.9	334.0	415.1	**467.6**	**430.8**	**360.3**	*61.1*	*-110.9*	*-295.4*
World excluding EU	-30.7	218.4	320.6	-30.6	-35.0	**31.6**	**174.4**	**97.0**	*-381.9*	*-533.5*	*-700.4*
World excluding euro area	5.7	215.9	269.1	6.9	1.3	**60.7**	**174.3**	**100.5**	*-344.7*	*-493.3*	*-660.1*

1) See note 8 on concepts and sources.

Table 58: World current-account balances (in billions of US dollar, 2020-2027) 04.05.2026

						Spring 2026 Forecast			*Autumn 2025 Forecast*		
	2020	2021	2022	2023	2024	2025	2026	2027	*2025*	*2026*	*2027*
EU	371.3	561.0	119.1	480.2	624.7	**505.3**	**379.2**	**384.2**	*540.5*	*554.3*	*538.8*
EU, adjusted [1]	350.9	488.0	6.8	375.8	515.0	**412.8**	**283.1**	**288.0**	*409.8*	*419.9*	*404.4*
Euro area (21)	314.5	529.4	130.4	412.0	553.3	**443.4**	**337.6**	**339.2**	*478.1*	*488.2*	*475.3*
Euro area 21, adjusted [1]	245.0	408.2	-29.8	278.4	450.1	**311.8**	**200.9**	**202.4**	*:*	*:*	*:*
Candidate Countries	-33.6	-18.1	-46.8	-49.6	-36.8	**-75.9**	**-93.2**	**-108.1**	*-79.0*	*-90.0*	*-103.9*
- Albania	-1.3	-1.4	-1.1	-0.3	-0.7	**-0.2**	**-0.5**	**-0.7**	*-0.8*	*-0.9*	*-1.0*
- Bosnia and Herzegovina	-0.6	-0.3	-1.1	-0.6	-1.3	**-1.4**	**-1.5**	**-1.6**	*-1.3*	*-1.5*	*-1.6*
- Georgia	-2.0	-1.9	-1.1	-1.7	-1.8	**-1.0**	**-1.7**	**-1.5**	*-1.5*	*-1.7*	*-1.9*
- Moldova	-0.6	-1.3	-2.4	-1.9	-3.0	**-4.0**	**-4.8**	**-5.0**	*-3.9*	*-4.7*	*-5.0*
- Montenegro	-1.2	-0.5	-0.8	-0.8	-1.4	**-1.9**	**-2.0**	**-2.0**	*-1.6*	*-1.7*	*-1.8*
- North Macedonia	-0.4	-0.4	-0.8	0.1	-0.4	**-0.8**	**-1.1**	**-1.0**	*-0.4*	*-0.4*	*-0.5*
- Serbia	-2.3	-2.7	-4.4	-2.1	-4.2	**-4.8**	**-6.6**	**-5.8**	*-5.3*	*-6.7*	*-6.2*
- Türkiye	-30.3	-5.7	-43.0	-32.6	-9.2	**-30.0**	**-54.1**	**-69.2**	*-23.6*	*-29.7*	*-41.2*
- Ukraine	5.1	-3.8	8.0	-9.6	-14.9	**-31.7**	**-21.1**	**-21.2**	*-40.5*	*-42.6*	*-44.6*
Iceland	0.4	-0.5	-0.5	-0.4	-1.1	**-1.4**	**-1.5**	**-1.4**	*-1.5*	*-1.5*	*-1.5*
Norway	4.1	66.8	175.3	85.3	75.1	**73.5**	**84.9**	**80.5**	*59.7*	*56.3*	*58.5*
Switzerland	-19.2	24.7	44.6	16.9	72.4	**70.0**	**78.8**	**78.7**	*53.3*	*59.3*	*62.7*
Australia	22.0	37.7	4.1	-7.7	-40.4	**-48.1**	**-45.3**	**-45.1**	*-38.6*	*-42.9*	*-45.8*
Canada	-33.3	-0.4	-6.3	-13.8	-10.3	**-20.6**	**5.9**	**-14.3**	*-20.4*	*-21.0*	*-21.6*
Japan	149.8	195.5	87.3	158.7	189.5	**218.3**	**144.8**	**138.2**	*176.0*	*167.3*	*167.4*
Korea	76.5	83.9	23.2	32.5	100.0	**123.1**	**127.3**	**114.4**	*84.3*	*85.0*	*83.6*
United Kingdom	-74.2	-24.2	-61.0	-122.1	-109.5	**-97.2**	**-114.5**	**-115.4**	*-100.8*	*-113.2*	*-114.2*
United States	-564.6	-869.2	-1001.2	-937.8	-1179.9	**-1134.7**	**-1123.3**	**-1218.8**	*-1262.5*	*-1196.7*	*-1235.0*
Advanced economies	81.6	289.3	-448.9	-152.0	-63.5	**-64.9**	**-227.4**	**-350.0**	*-334.0*	*-295.2*	*-360.0*
Emerging and Developing Asia	329.7	307.2	368.7	261.6	422.0	**635.3**	**541.8**	**552.8**	*494.3*	*416.6*	*357.2*
- China	248.8	352.9	443.4	263.4	423.9	**639.5**	**617.8**	**625.0**	*508.0*	*462.8*	*438.3*
- India	23.9	-38.8	-67.1	-26.0	-22.9	**-34.5**	**-72.0**	**-61.0**	*-25.3*	*-44.7*	*-66.9*
- Indonesia	-4.4	3.5	13.2	-2.0	-8.6	**-1.5**	**-8.0**	**-11.9**	*-12.5*	*-15.1*	*-20.7*
Easter Neighbourhood and Central Asia	-15.0	4.5	31.8	-13.4	-12.1	**-18.2**	**0.9**	**-15.5**	*-18.3*	*-25.5*	*-29.1*
Russia	35.4	124.9	235.8	49.4	62.6	**43.2**	**116.2**	**68.8**	*42.4*	*24.8*	*24.4*
Latin America	-7.1	-88.3	-131.9	-77.3	-75.9	**-83.6**	**-34.5**	**0.6**	*-80.8*	*-110.2*	*-117.7*
- Argentina	2.7	6.6	-4.0	-20.8	5.7	**-7.6**	**-3.1**	**-2.9**	*-6.6*	*-4.0*	*-5.4*
- Brazil	-24.2	-39.4	-42.0	-27.1	-66.2	**-69.0**	**-42.3**	**-22.8**	*-65.5*	*-74.0*	*-80.1*
- Mexico	26.9	-4.5	-18.7	-12.5	-16.7	**-8.2**	**6.8**	**10.5**	*-2.2*	*-10.6*	*-7.9*
MENA	-52.4	165.3	415.3	232.1	153.0	**57.7**	**70.2**	**40.8**	*72.4*	*61.0*	*48.0*
- Saudi Arabia	-34.7	44.9	145.3	25.9	-16.3	**-35.9**	**-12.4**	**-33.8**	*-28.6*	*-36.4*	*-47.6*
Sub-Saharan Africa	-30.6	-2.2	-21.1	-28.3	-5.4	**0.3**	**17.7**	**28.2**	*-11.8*	*-19.1*	*-24.0*
- South Africa	6.8	15.8	-1.2	-4.2	-2.6	**-1.9**	**-4.2**	**-5.4**	*-4.0*	*-7.4*	*-8.8*
Emerging and Developing Economies	260.1	511.6	898.5	424.2	544.2	**634.7**	**712.3**	**675.8**	*498.1*	*347.6*	*258.8*
World	341.7	800.8	449.6	272.2	480.7	**569.8**	**484.9**	**325.8**	*164.1*	*52.4*	*-101.1*
World excluding EU	-29.6	239.8	330.5	-208.0	-144.0	**64.4**	**105.7**	**-58.4**	*-376.4*	*-501.9*	*-639.9*
World excluding euro area	27.3	271.4	319.2	-139.8	-72.6	**126.4**	**147.3**	**-13.4**	*-316.3*	*-437.9*	*-579.4*

1) See note 8 on concepts and sources.

Table 59: Crude oil prices, 2020-2027 04.05.2026

						Spring 2026 Forecast			*Autumn 2025 Forecast*	
	2020	2021	2022	2023	2024	2025	2026	2027	*2026*	*2027*
Annual percentage change (USD)	-35.1	69.3	42.5	-18.1	-2.5	-14.5	**32.5**	**-14.3**	*-9.4*	*1.4*
Price per barrel										
- Brent (USD)	41.8	70.7	100.7	82.5	80.5	68.9	**91.2**	**78.2**	*62.4*	*63.3*
- Brent (EUR)	36.6	59.8	95.8	76.3	74.4	60.9	**77.8**	**66.6**	*53.7*	*54.4*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2025 are based on outturns as far as available at the cut-off date of this forecast. Data for 2026 and 2027 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounts (ESA 2010). US national accounts and Japanese national accounts are based on SNA 2008. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States. In order to treat Ukrainian refugees under temporary protection consistently across Member States, historical data for the population of working age of SE, PL and SK can differ from published demographics data.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17a and 18, the data are based on the national index for the United Kingdom, USA and Japan.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 25-29 are based on numbers of persons. For the EU and EA as well as for countries for which employment was previously reported in full-time equivalents (ES, FR, NL, IT and US), these tables are now based on employment in persons, limiting the comparability to figures published before Autumn 2023.

7. Source: National Accounts, except for US current-account in tables 47, 49, and 58 (Balance of Payments). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 46 - 49 and 57-58 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2024.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility).

10. Quarterly EU and euro-area GDP growth rates are aggregated using estimates for all Member States, including unpublished quarterly forecasts for IE, EL, CY, MT, PL and RO.

12 Geographical zones are defined as follows :

Euro area :

EA21 (BE, BG, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

European Union :

EU (EA21, CZ, DK, HU, PL, RO, and SE).

Candidate countries :

Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine

Advanced economies :

EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

Emerging and developing Asia:

All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :

All countries in that region.

MENA (Middle East and Northern Africa) :

Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Lybia, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :

All countries in that region except the African MENA countries.

Eastern Neighbourhood and Central Asia:

Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan.

PREVIOUS EUROPEAN ECONOMIC FORECASTS

1. Forecast publications (2019-2025)

Autumn 2025: Continued growth despite challenging environment	*November 2025*
Spring 2025: Moderate growth amid global uncertainty	*May 2025*
Autumn 2024: a gradual rebound in an adverse environment	*November 2024*
Spring 2024: A gradual expansion amid high geopolitical risks	*May 2024*
Winter 2024: A delayed rebound in growth amid faster easing of inflation	*February 2024*
Autumn 2023: A modest recovery ahead after a challenging year	*November 2023*
Summer 2023: Easing growth momentum amid declining inflation and robust labour market	*September 2023*
Spring 2023: An improved outlook amid persistent challenges	*May 2023*
Winter 2023: EU Economy set to avoid recession, but headwinds persist	*February 2023*
Autumn 2022: The EU economy at a turning point	*November 2022*
Summer 2022: Russia's war worsens the outlook	*July 2022*
Spring 2022: Russian invasion tests EU economic resilience	*May 2022*
Winter 2022: Growth expected to regain traction after winter slowdown	*February 2022*
Autumn 2021: From recovery to expansion, amid headwinds	*November 2021*
Summer 2021: Reopening fuels recovery	*July 2021*
Spring 2021: Rolling up sleeves	*May 2021*
Winter 2021: A challenging winter, but light at the end of the tunnel	*February 2021*
Autumn 2020: Rebound interrupted	*November 2020*
Summer 2020: A deeper recession with wider divergences	*July 2020*
Spring 2020: A deep and uneven recession, an uncertain recovery	*May 2020*
Winter 2020: Offsetting forces confirm subdued growth	*February 2020*
Autumn 2019: A challenging road ahead	*November 2019*
Summer 2019: Growth clouded by external factors	*July 2019*
Spring 2019: Growth continues at a more moderate pace	*May 2019*
Winter 2019: Growth moderates amid high uncertainty	*February 2019*

2. Selected economic analyses (2019-2025)

The cost of EU Member States' proximity to the war	*Autumn 2025*
Migration, mobility and the EU labour market	*November 2025*
Trends in carbon intensity and the macroeconomic role of EU Emissions Trading System	
Spillovers to the EU from US tariffs imposed on third countries – model-based simulation	
The exposure of global and EU trade to US tariffs	

The financial health of non-financial corporations in the EU	
The role of EU funds over the forecast horizon	
What do selling price expectations tell us about the near-term pressures on consumer prices in the euro area	
The macroeconomic effect of US tariff hikes	Spring 2025
Business adjustment to tensions in foreign markets and drivers of consumers' views on the economy: survey evidence	*May 2025*
The economic impact of higher defence spending	
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