European Commission

Economic and Financial Affairs

European Economic Forecast

Autumn 2025

EUROPEAN ECONOMY

INSTITUTIONAL PAPER 327 | NOVEMBER 2025

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Luxembourg: Publications Office of the European Union, 2025

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PDF ISBN 978-92-68-27414-9 ISSN 2443-8014 doi:10.2765/2173364 KC-01-25-046-EN-N

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European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Autumn 2025

EUROPEAN ECONOMY

Institutional Paper 327

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
COICOP	Classification of individual consumption by purpose
COVID-19	Coronavirus disease 2019
DGSE	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
euro/MWh	Euro per megawatt hour
GW	Giga Watt
lhs	Left hand scale
mn	Million
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

y-o-y%	Year-on-year percentage change

Currencies

EUR	Euro
ALL	Albanian lek
BAM	Bosnian Mark
BGN	Bulgarian lev
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

This Forecast acknowledges the better-than-expected outturn in the first three quarters of 2025 and therefore revises up the real GDP growth projection for the entire year. Initially fuelled by a surge in exports in anticipation of tariff increases, the steady—albeit modest—growth observed so far highlights the resilience of the EU economy in the face of a challenging external environment.

The domestic drags to economic activity that have weighed on the economy over the past years have weakened. Inflation is nearing the ECB target, and financing conditions have improved. Meanwhile, robust labour markets and financial health of households and corporations provide a foundation for resilience. The Recovery and Resilience Facility and other EU funds continue to support investment and productive spending. Economic activity is thus expected to continue expanding at a moderate pace over the forecast horizon.

Still, the EU's highly open economy must face the harsh realities of a challenging external environment. The imposition of significantly elevated U.S. tariffs, now at their highest levels in nearly a century, marks a pivotal change in the international trade order. Although it is not yet known exactly how the global trading system will respond to this development, the EU must respond proactively. Unlocking its growth potential requires bold measures to counteract the drag from an ageing population and subdued growth of total factor productivity. This means advancing on the competitiveness agenda—including by completing the Single Market and boosting innovation—and on the Savings and Investment Union.

Additional external pressures stem from ongoing geopolitical tensions. The EU's proximity to Russia’s protracted war of aggression against Ukraine clearly impacts its economy, but the implications extend beyond economic concerns. There is a pressing need to establish military independence by enhancing defence capabilities and standing united in offering financial support to Ukraine.

Maarten Verwey

Director General
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CONTINUED GROWTH DESPITE CHALLENGING ENVIRONMENT

EXECUTIVE SUMMARY

Economic growth exceeded expectations in the first nine months of the year.

Economic growth exceeded expectations in the first nine months of the year, with real GDP growth outperforming the annual expansion projected in spring. This better-than-expected performance was initially due to a surge in exports ahead of anticipated tariff increases, but investment in equipment and intangible assets also performed more strongly than expected — most notably in Ireland, but also in other countries. Continued growth in the third quarter is testimony to the resilience of the European economy and its ability to navigate unprecedented shocks.

The conditions for modest but steady growth remain.

Data from the Commission surveys and PMIs in October suggest continuing growth momentum in the coming quarters. Key conditions for an expansion in economic activity remain in place, despite a challenging external environment and persistent uncertainty. Growth is supported by a resilient labour market, decreasing inflation and favourable financing conditions. In addition, policy support from the Recovery and Resilience Facility and other EU funding is cushioning the effect of tighter fiscal policy in several Member States. Altogether, this forecast projects real GDP to grow by 1.4% in the EU in 2025 and 2026, edging up to 1.5% in 2027. The euro area is expected to broadly mirror this trend, with real GDP growing by 1.3% in 2025, 1.2% in 2026, and by 1.4% in 2027. At the same time, potential growth is set to go down a notch from 1.5% in 2024 to 1.3% in 2027 in the EU, and from 1.4% to 1.2%, respectively, in the euro area, as growth in the

Table 1: **Overview – the Autumn 2025 Forecast**

	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	1.1	1.3	2.8	1.8	2.0	6.0	6.2	6.1	-0.6	-0.6	-0.6	-5.3	-5.5	-5.9
Bulgaria	3.0	2.7	2.1	3.5	2.9	3.7	3.5	3.7	3.8	-1.8	-1.5	-2.0	-3.0	-2.7	-4.3
Germany	0.2	1.2	1.2	2.3	2.2	1.9	3.6	3.5	3.3	4.8	4.2	3.6	-3.1	-4.0	-3.8
Estonia	0.6	2.1	2.0	4.8	2.8	2.2	7.6	7.2	7.1	-1.5	-2.4	-2.3	-1.3	-4.4	-4.4
Ireland	10.7	0.2	2.9	1.9	1.9	1.7	4.6	4.7	4.7	9.7	7.8	7.3	1.5	1.0	0.8
Greece	2.1	2.2	1.7	2.8	2.3	2.4	9.3	8.6	8.2	-6.2	-6.4	-5.9	1.1	0.3	0.0
Spain	2.9	2.3	2.0	2.6	2.0	2.0	10.4	9.8	9.6	2.7	2.7	2.7	-2.5	-2.1	-2.1
France	0.7	0.9	1.1	1.0	1.3	1.8	7.6	8.0	8.2	0.0	0.6	0.6	-5.5	-4.9	-5.3
Croatia	3.2	2.9	2.5	4.3	2.8	2.2	4.7	4.5	4.6	-2.9	-3.2	-3.2	-2.8	-2.9	-2.8
Italy	0.4	0.8	0.8	1.7	1.3	2.0	6.2	6.1	6.0	1.0	0.9	0.9	-3.0	-2.8	-2.6
Cyprus	3.4	2.6	2.4	0.9	1.5	1.9	4.7	4.5	4.3	-7.7	-7.4	-6.9	3.3	3.0	3.2
Latvia	1.0	1.7	1.9	3.6	2.2	2.4	6.8	6.6	6.5	-4.1	-3.3	-4.2	-3.1	-3.5	-4.3
Lithuania	2.4	3.0	2.2	3.4	2.8	2.7	7.1	6.8	6.8	1.5	1.1	1.3	-2.2	-2.5	-2.7
Luxembourg	0.9	1.9	2.2	2.3	1.7	1.9	6.6	6.7	6.5	-3.6	-2.8	-2.0	-0.8	-0.5	-0.8
Malta	4.0	3.8	3.5	2.4	2.1	2.0	3.0	2.9	2.9	5.1	5.6	5.6	-3.2	-2.8	-2.6
Netherlands	1.7	1.3	1.7	3.0	2.5	2.1	3.9	4.1	4.3	9.1	9.5	9.4	-1.9	-2.7	-2.1
Austria	0.3	0.9	1.2	3.5	2.4	2.2	5.6	5.5	5.3	1.2	1.6	2.3	-4.4	-4.1	-4.3
Portugal	1.9	2.2	2.1	2.2	2.0	2.0	6.3	6.2	6.1	1.1	1.0	0.6	0.0	-0.3	-0.5
Slovenia	1.0	2.4	2.6	2.5	2.3	2.1	3.4	3.5	3.5	2.9	2.8	2.9	-2.2	-2.3	-2.5
Slovakia	0.8	1.0	1.4	4.2	4.1	3.1	5.4	5.6	5.6	-5.1	-5.2	-5.0	-5.0	-4.6	-5.3
Finland	0.1	0.9	1.2	1.9	1.6	2.0	9.5	9.3	9.0	-0.9	-1.5	-1.9	-4.5	-4.0	-3.9
Euro area (21)	1.3	1.2	1.4	2.1	1.9	2.0	6.3	6.2	6.1	2.7	2.5	2.4	-3.2	-3.3	-3.4
Czechia	2.4	1.9	2.4	2.3	2.1	2.4	2.7	3.0	3.1	2.2	2.3	2.3	-1.8	-2.0	-2.2
Denmark	2.0	2.1	1.7	1.9	1.0	1.8	6.1	6.1	6.0	12.0	11.9	11.4	2.3	1.1	0.8
Hungary	0.4	2.3	2.1	4.5	3.6	3.5	4.5	4.4	4.3	0.1	-0.3	-0.4	-4.6	-5.1	-5.1
Poland	3.2	3.5	2.8	3.4	2.9	3.7	3.1	3.1	3.0	-0.1	-0.5	-0.8	-6.8	-6.3	-6.1
Romania	0.7	1.1	2.1	6.7	5.9	3.8	6.1	5.8	5.6	-7.9	-6.4	-6.0	-8.4	-6.2	-5.9
Sweden	1.5	2.6	2.3	2.5	0.6	1.6	9.0	8.4	7.9	4.9	4.8	4.9	-1.7	-2.4	-2.0
EU	**1.4**	**1.4**	**1.5**	**2.5**	**2.1**	**2.2**	**5.9**	**5.9**	**5.8**	**2.5**	**2.4**	**2.3**	**-3.3**	**-3.4**	**-3.4**

working age population slows. Inflation is forecast to continue its decline in 2025, falling to 2.1% in the euro area, and then hover around 2% over the next two years. In the EU, inflation is set to remain marginally higher, falling to 2.2% in 2027.

Tariffs assumed to remain at present level over forecast horizon.

The Joint Statement on a US-EU framework on an agreement on reciprocal, fair and balanced trade, issued on 21 August 2025, establishes a headline tariff rate of 15%, but includes some important exemptions and carveouts for sectors such as pharmaceuticals and semi-conductors, while imposing higher tariffs on steel and aluminium. For several other trading partners, the headline tariff rate is similarly set at 15%, but the scope of exemptions and carveouts varies. Moreover, headline US tariffs are higher for some major EU trading partners, including big emerging market economies (e.g. China, India, ASEAN countries). Globally, the US tariffs are at their highest levels in nearly a century. The forecast assumes that all country- and sector-specific tariffs implemented or credibly announced by the US administration at the cut-off date will remain in place throughout the forecast horizon. Consequently, the global trade-weighted average tariff rates on US imports are estimated to be higher than assumed in the Spring 2025 Forecast, except for certain countries that have secured trade deals with the US, notably China. Compared to other major global players, the EU enjoys lower trade-weighted average tariff rates on exports to the US (see Box I.1.1), providing a relative advantage for the EU economy. However, this advantage is set in the context of modest growth in export markets for goods and a strong euro.

Frontloading supports global growth in the first half of the year.

Global economic activity also expanded more vigorously than expected during the first half of the year, largely due to trade frontloading and improved financial conditions. Growth in advanced economies picked up in the second quarter, driven by the US and Japan, while China also recorded stronger-than-expected growth during the first half of 2025, mostly thanks to fiscal stimulus and lower-than-assumed US tariffs. This positive trend is expected to extend to the third quarter of the year, though trade restrictions and lingering trade policy uncertainty continue to weigh on economic expansion. Overall, projections for global growth in 2025 and 2026 are slightly higher than in the Spring 2025 Forecast. Excluding the EU, it is expected at 3.4% in both years, and 3.5% in 2027. Global trade (excluding the EU) is set to decelerate this year and next, under the impact of trade restrictions, and strengthen again in 2027.

Energy commodity prices are assumed to be slightly lower than in spring.

Concerns about global demand have weighed on the price of oil. At the cut-off date of this forecast, Brent crude oil futures prices were 3% lower for 2026 than assumed in the Spring 2025 Forecast. They are expected to remain around USD 63 per barrel in 2027. Similarly, European gas spot and futures prices are lower than in spring, with prices assumed to average 32 EUR/MWh in the final quarter of 2025 and declining to 29 EUR/MWh in 2027. By contrast, although wholesale electricity prices are on average expected to decline softly throughout the forecast horizon, they are projected to be around 2% higher in 2026 than was projected in spring.

Import growth outpaces export growth.

In the EU, exports of goods and services rose by 1.9% in the first quarter, largely due to frontloading in anticipation of rising US import tariffs. Ireland played a significant role in this growth, along with notable contributions from Germany and Belgium. As the effect of frontloading wanes, export growth in the remainder of the year is set to slow down significantly. Imports in the EU also grew faster than expected in the first quarter of 2025. Looking ahead to 2026, the growth of the EU's export markets is expected to slow down due to high global tariffs, leading to slower growth in goods exports (see Box I.1.2). A rebound in goods export growth is anticipated in 2027, partly premised on the EU's tariff advantage in the US market compared to other major trading partners. Meanwhile, exports of services are projected to continue growing robustly throughout the forecast period. Goods imports are expected to follow a similar pattern to goods exports but grow at a more dynamic pace. This high import growth is expected to be driven by trade diversion caused by US tariffs on imports from third countries. China's relatively high share in US goods imports and the high average tariffs it faces in the US mean that a large amount of its exports could be redirected to other markets, including the EU. Available evidence does indeed show a recent decline in Chinese exports to the US, while exports to the EU and other regions have increased. This, however, may also reflect ongoing efforts by Chinese firms to offload excess production in specific sectors. Overall, the contribution of net exports to EU real GDP growth is expected to be negative in 2025 and 2026, before becoming neutral in 2027.

Final stretch of RRF implementation to support growth.

Efforts are underway to revise national Recovery and Resilience Plans (RRPs) to facilitate the deployment of remaining funds by the 31 August 2026 deadline (see Box I.4.1). Options include incentives for private investment through financial instruments (including InvestEU), equity injections into national promotional banks, and the transfer of RRF funds to the future European Defence Industry Programme (EDIP). Although the RRF is a temporary instrument, its macroeconomic impact is set to last beyond its conclusion. Some RRF-funded expenditure might take place after 2026, especially in the case of financial instruments that provide financing for private sector investment. In addition, the waning direct fiscal impulse provided by the RRF is expected to be mitigated in 2027 by increased utilisation of other EU funds. The recently concluded mid-term review of cohesion policy provides Member States with greater flexibility and incentives to deploy existing resources more rapidly and accelerate programme implementation. Importantly, the structural reforms and investments carried out by Member States under the RRF are set to improve productivity and raise income levels in the longer term.

Private consumption supports growth but propensity to save remains high.

Private consumption grew at a slightly slower pace than anticipated during the first half of 2025. After declining since late 2024, consumer confidence stabilised over the summer, although it remains below its long-term average. While real household disposable income continued to rise, the saving rate remained relatively high and even increased in the first quarter, thereby limiting consumption growth. Over the forecast horizon private consumption is expected to support growth with a steady annual rate of 1.5%, helped by a gradual decline in the saving rate, to 14.4% in 2027. Public consumption growth is expected to lose steam over the forecast horizon, as growth in public wages and intermediate consumption decelerates.

Fiscal stimulus and EU funds support investment.

Investment dynamics recorded in the first half of the year were significantly affected by strong fluctuations in the Irish multinational sector. When excluding Ireland, investment expanded only moderately.

Altogether, growth in gross fixed capital formation is revised upwards substantially by 0.5 percentage points in 2025, reaching 2.0%. Investment is expected to pick up significantly in 2026 to a rate of 2.6%, mainly driven by increased investment in equipment spurred by the German fiscal impulse and greater deployment of RRF funds, alongside the relatively healthy financial position of the corporate sector (see Box I.3.1). Investment growth is set to slow down slightly to 2.1% in 2027. The expansion of construction investment is anticipated to take longer to materialise than previously expected.

Tight labour market continues to mitigate unemployment.

Amid continued slowdown of employment growth, the EU economy generated jobs for an additional 380 000 people in the first half of 2025. Employment is set to continue expanding moderately by 0.5% in 2025 and 2026, before decelerating to 0.4% in 2027. The unemployment rate is anticipated to edge down further from 5.9% in 2025 and 2026 to 5.8% in 2027. In the context of an overall still tight labour market, immigration from outside the EU is expected to continue playing an increasingly important role in meeting labour demand (see Special Issue 2). The expectation of slowing employment growth combined with accelerating economic activity reflects increasing productivity growth over the forecast horizon. Meanwhile, wage growth in the EU is set to decelerate from 4.0% in 2025 to 3.3% in 2026 and 3.1% in 2027. The upturn in productivity, coupled with wage moderation, is projected to lead to a significant slowdown in unit labour costs over the next two years.

Headline inflation in the euro area set to hover around the 2% target.

Headline inflation in the euro area is expected to hover around the ECB target of 2% throughout the forecast horizon. This overall stability conceals varying trends across inflation components. Inflation in services and food prices is set to weaken gradually as wage growth decelerates and pipeline pressures in food manufacturing ease. On the contrary, while energy inflation is expected to remain negative in 2025 and 2026, it is anticipated to firm gradually and turn positive in 2027, if the new EU Emissions Trading System (ETS2) enters into force, as currently legislated (see Special Issue 3). Inflation in non-energy industrial goods is set to remain low and stable throughout the forecast horizon, restrained by intensifying competitive pressures from imports and the appreciation of the euro. These trends are corroborated by near term forecasts based on selling price expectations from the Commission's business surveys (see Box I.6.1). All in all, inflation in the euro area is expected to slow from 2.4% in 2024 to 2.1% in 2025 and then remain broadly stable at 1.9% in 2026 and 2.0% in 2027. In the EU, headline inflation is projected to fall marginally from 2.6% in 2024 to 2.5% in 2025 before declining to 2.1% in 2026 and reaching 2.2% in 2027. Mirroring easing pressures in services, core inflation (excluding energy and food) is set to decline gradually towards 2% by end-2027 in both the euro area and the EU.

Rising government deficit and debt in the EU

The EU general government deficit is projected to increase from 3.1% of GDP in 2024 to 3.3% in 2025 and 2026 and 3.4% in 2027, on a no-policy change basis. Similarly, in the euro area the deficit is set to increase from 3.1% of GDP in 2024 to 3.2% in 2025, 3.3% in 2026 and 3.4% in 2027. This increase is driven by rising defence spending in the EU (from 1.5% of GDP in 2024 to 2% in 2027 (measured according to the Classification of the Functions of Government), along with continued growth in interest expenditure and some revenue shortfalls. However, fiscal adjustment plans in several Member States are expected to partially offset these deficit-increasing factors. Twelve Member States are set to have deficits exceeding 3% of GDP in 2027, one more than in 2025. The fiscal stance is projected to remain broadly neutral over the forecast horizon in both the EU and euro area, although with considerable variation among Member States. The EU debt-to-GDP ratio is projected to increase from 82% in 2024 to 85% in 2027 (from 88% to 91% in the euro area), driven by persistent primary deficits and an average cost of servicing government debt that is higher than nominal GDP growth. By 2027, four Member States are set to have debt ratios above 100% of GDP.

The growth outlook remains subject to high uncertainty, with downside risks prevailing.

Persistently high trade policy uncertainty continues to burden economic activity, while the economic impact of the current tariffs and non-tariff restrictions and resulting supply chain disruptions might be greater than expected. These factors could be weighing more heavily on EU exports and productive efficiency. Meanwhile, geopolitical tensions remain high, as evidenced by Russia's war of aggression against Ukraine, which has been weighing especially on the economic performance of neighbouring countries (see Special Issue 1), while the October Gaza peace plan offers a glimmer of hope for regional stability in the Middle East. Continuous shifts in trade policy could increase volatility in global financial markets. Re-pricing in equity markets, especially in the US technology sector, continued challenges to the independence of the US Federal Reserve, and concerns about US fiscal sustainability in the medium to long term might impact investors' confidence and global financing conditions. The recent appreciation of the euro could weigh on external competitiveness more than currently expected. The increasing frequency of climate-related disasters could undermine resilience and growth as the costs of such events are likely to rise further. On the upside, resolute progress on reforms and the competitiveness agenda, higher defence spending focused on EU production, and new trade agreements with third countries could bolster economic activity more than projected. Meanwhile, risks to the inflation outlook are broadly balanced.

PART I

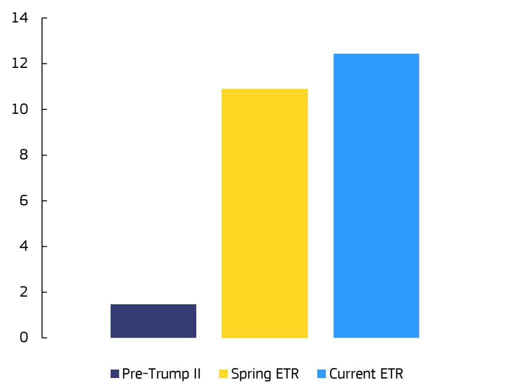
Economic outlook for EA and EU

1. SETTING THE SCENE

The EU economy continues to generate modest growth amidst a rapidly shifting geopolitical and geoeconomic environment, which is further complicated by emerging domestic challenges. Since the Spring Forecast, the global trade landscape has continued to evolve, significantly influenced by changes in US trade policy and response measures from other countries. Meanwhile, geopolitical tensions remain high, as evidenced by Russia's protracted war in Ukraine and threats to other countries, while the October Gaza peace plan offers a glimmer of hope for regional stability in the Middle East. Fiscal policy trajectories in the EU reflect rising defence spending needs, but they are surrounded by domestic political uncertainties in some Member States. Additionally, the approaching conclusion of the Recovery and Resilience Facility in August 2026 presents challenges for Member States in accelerating the effective implementation of their RRPs and increasing the use of cohesion funds in 2027, particularly in Member States where investment relies heavily on EU support.

The global trade landscape is undergoing a significant transformation. The US administration's unilateral imposition of import tariffs on almost all its trading partners marks a significant departure from its principal trade commitments under multilateral agreements, notably the General Agreement on Tariffs and Trade (GATT) and other accords overseen by the World Trade Organization. The magnitude of this pivotal change in the international trade order has effects far beyond the US's sizeable 16% share in global imports [1]. It is poised to redefine the framework of global trade relations as nations adapt by establishing new trade alliances and, in some cases, enacting retaliatory policies and introducing non-tariff barriers. It will take time to fully understand how the international trading system will adapt to this challenge.

Graph I.1.1: **Effective tariff rates for EU exports to the US**



This forecast assumes that the tariffs implemented or credibly announced by the US administration at the cut-off date will remain in place throughout the forecast horizon. Namely, some of the sector-specific temporary tariff exemptions or carveouts being investigated under Section 232 of the US Trade Expansion Act to protect US national security, including semiconductors and pharmaceuticals, are assumed to remain in place. On this basis, the effective tariff rates (ETR)—calculated as trade-weighted averages of the tariffs in place—are estimated to be higher than assumed in the Spring 2025 Forecast for most countries, and significantly higher than if only Most Favoured Nation rates were applied. Graph I.1.1 illustrates the picture for the EU, which for the current situation is largely based on the terms of the Joint Statement on a US-EU framework on an agreement on reciprocal, fair and balanced trade, issued on 21 August. Conversely, for China, the ETR underpinning this forecast is lower than in spring. It is now assumed that the May tariff deal, which was broadly confirmed in October, limits the trade-weighted average tariff on China this year to around 36%, whereas the Spring 2025 Forecast assumed a 54% additional tariff on top of the existing one. Taking both opposing factors into account, the global ETR on US imports is estimated to be slightly higher than the implicit ETR underlying the Spring Forecast. Within the EU, economic and export structures differ across countries, meaning that the exposure to tariffs is also set to vary across countries. Box I.1.1 provides an overview of the tariff regimes underpinning the forecast, the trade-weighted tariff rates and the degree of tariff exposure faced by EU Member States.

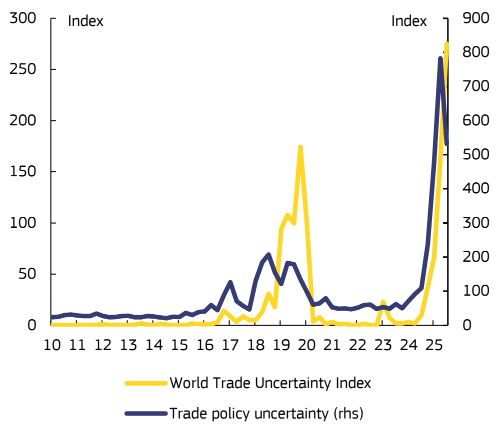
(1) 2024 UNCTAD data, excluding intra-EU trade.

The global manufacturing sector is facing significant supply chain risks due to non-tariff restrictions, particularly from China. Rare earths and other critical minerals are predominantly sourced from China, accounting for about 60% of global mining output in 2024. China's dominance is even more pronounced – with shares in global production above 90% – in the separation and refining processes and the manufacturing of rare earth permanent magnets, which are widely used in sectors like automotive and defence. This concentration in production makes strategic sectors like energy and AI data centres vulnerable to supply chain disruptions. On 4 April 2025, in response to potential high tariffs from the US, China imposed export controls on heavy rare earths and related products, leading to significant supply chain disruptions for carmakers in the US and Europe. Although trade volumes eventually recovered, import prices remained high, impacting the cost competitiveness of producers outside China. In October, China announced further export controls to be fully implemented by 1 December 2025, potentially affecting global supply chains in multiple sectors. The one-year suspension of certain restrictions agreed by China and the US by the cut-off date of this forecast may not apply to the EU. Meanwhile, the EU industry survey showed a slight increase in the number of industry managers reporting material shortages as a production constraint, up by 0.8 pps. to 9.7% since July. While these figures are above the long-term average, they are significantly below the peaks seen in 2022, indicating that export restrictions do not have macroeconomic relevance so far, and are currently impacting only part of the European industry.

Tariff barriers can affect the EU economy both directly, by weighing on US-bound exports, and indirectly, through the spillovers generated by US tariffs targeting third countries. In the short-term, these spillovers—referred to as trade diversion in Box I.1.2—are expected to amplify the tariff-induced economic losses in the EU through changes in terms-of-trade and weaker global demand. Given China's relatively high share in US goods imports and the significant tariffs imposed on it, there is potential for China to divert a large amount of exports away from the US to other regions, including the EU. Available evidence shows a recent decline of Chinese exports to the US, while their exports to the EU and other regions have increased, though this may be due to pre-existing trends as Chinese firms seek to export their excess production in specific sectors. Over time, trade diversion could also generate positive spillovers to the EU economy, if third-country competitors on the US market are targeted by higher tariffs.

The US trade deals with the EU and other trade partners have helped reduce the uncertainty that dominated the Spring Forecast, but the uncertainty has not been fully eliminated (see Graph I.1.2)**.** Despite some easing since peak uncertainty in April 2025, the global trade landscape remains exceptionally fragile and unsettled. Tariff rates are still subject to change, trade relations with China remain uncertain, and the tariff rates that are undergoing investigation under US national security statute can still be adjusted. Questions also remain about the scope of certain tariffs, such as exemptions for "strategic products". Finally, the legitimacy of some tariffs is still under scrutiny by the Supreme Court of the US.

Graph I.1.2: **Trade policy and world trade uncertainty index**



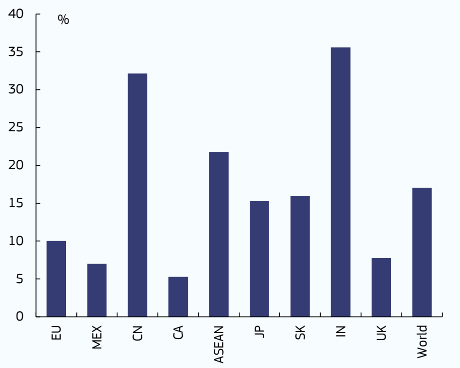
Source: www.worlduncertaintyindex.com, www.matteoiacoviello.com

Box I.1.1: **The exposure of global and EU trade to US tariffs**

The EU and its competitors on the US market

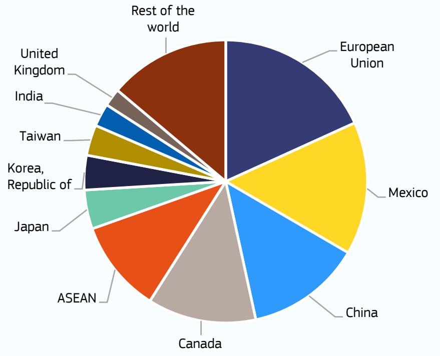
The average tariff faced by a country or region on its exported goods is measured by the Effective Tariff Rate (ETR). For each country or region, ETRs are calculated as the tariff rates imposed on each exported good, weighted by that good's share in total merchandise exports to the US. The trade weights are based on goods export data from 2024 and do not account for potential changes to trade dynamics in response to the tariff hikes, in either volume or price terms.

Graph 1: **ETR on major US trading partners on 1 November 2025**



Countries and regions are ranked by their share in total US goods imports in 2024.
Source: European Commission, IMF, WTO.

Graph 2: **Share of US goods imports by major US trading partners, 2024**



Source: IMF, WTO.

Based on the tariffs implemented or credibly announced by the US administration at the cut-off date of this forecast, Graph 1 shows that among major US trading partners, the EU faces the fourth lowest effective tariff rate, after Canada, Mexico and the United Kingdom. However, the EU benefits from lower trade-weighted average tariff rates on exports to the US than all remaining countries shown on the Graph. Importantly, some of these countries compound high ETRs on exports to the US with a relatively high share in US goods imports (see Graph 2). Namely, China faces an ETR of 32.1% and the ASEAN countries 21.8%, while accounting for around 13% and 11% of total US goods imports, respectively. These countries could potentially shift a large amount of their merchandise exports away from the US to other regions, including the EU.

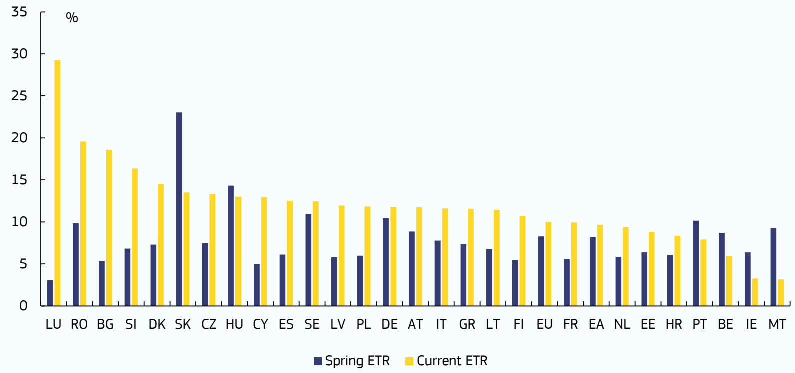
Average tariff rates vary across Member States

The ETRs faced by EU Member States vary depending on their export structure. Graph 3 shows the ETRs faced by each Member State at the cut-off date of the forecast. Member States' ETRs range from 3.2% for Ireland to 29.5% for Luxembourg. Countries whose main exports are steel, aluminium, iron, medium- and heavy-duty vehicles, and machinery face the highest ETRs, while countries mostly exporting goods that are currently exempted from US tariffs, such as aircrafts and pharmaceuticals, are at the lower end of the ETR ranking.

(Continued on the next page)

Box (continued)

Graph 3: **ETR for EU Member States, on 3 May 2025 (Spring Forecast) and 31 October 2025 (Autumn Forecast)**

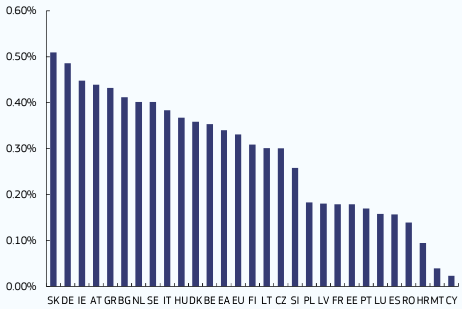


The Effective Tariff Rates have been computed at the HS8 level using Eurostat's Comext Database trade data for the year 2024..

Graph 4 introduces a measure of the countries' actual exposure to the US tariffs, calculated by multiplying a country's ETR by the share in GDP of its goods exports destined for the US. Essentially, this measure scales the ETR to the relative importance of exports to the US in the economy. Assuming the quantity and composition of EU exports to the US stay roughly similar to 2024, current US tariffs impact 0.3% of the EU's GDP. The countries most exposed are those with both a high effective tariff rate and a large proportion of their exports going to the US.

Namely, countries such as Luxembourg, Romania, Bulgaria, Slovenia and Denmark have high ETRs but because exports to the US make up a small share of their economy, their exposure to US tariffs is relatively low. Conversely, Ireland, Belgium and the Netherlands have relatively low ETRs, but because exports to the United States represent a sizeable part of their economies, they experience a greater exposure to US tariffs. Germany, Slovakia, Greece, Austria, Italy and Sweden are the most exposed, as they not only face high ETRs, but their economies depend heavily on exports to the US. These countries export high amounts of highly taxed products such as steel, aluminium, medium- and heavy-duty vehicles, chemical products and machinery. Malta, Croatia, Estonia, Portugal and France are less exposed, as they have both low ETRs and limited exports to the US.

Graph 4: **Exposure to US tariffs**



Exposure to US tariffs is computed as Vulnerability = Effective tariff rate x (Total value of goods exports to the United States/Gross Domestic Product).
Source: Comext database (Eurostat), European Commission.

Box I.1.2: **Spillovers to the EU from US tariffs imposed on third countries – model-based simulations**

Tariffs on US imports from non-EU trading partners could indirectly affect the EU economy. Beyond the effect of US tariffs imposed directly on EU-produced goods, US tariffs targeting *other* countries could also generate spillovers to the EU economy – a channel referred to as *trade diversion* hereafter. This box analyses the effects of such trade diversion on the EU, based on simulations with the European Commission's QUEST model [1].

The analysis in this Box examines the impact of trade diversion in isolation. For reference, Graph 1 reports the impact of the full US tariff package on the EU economy (solid lines), including both the direct effects of tariffs targeting EU-produced goods and the spillovers from trade diversion. The remainder of the exercise focuses on a unilateral increase in US import duties levied on non-EU countries *only* (dashed lines in Graph 1), so as to examine the impact of trade diversion in isolation and does so without considering other factors at play. For instance, the observed dollar depreciation (rather than the appreciation implied by tariffs in isolation) points to additional factors such as declining investor confidence and rising US risk premia. Likewise, pre-existing concerns such as Chinese firms seeking to export their excess production in specific sectors pre-date the tariff announcements and are outside the scope of this analysis. In so doing, the analysis illustrates specific mechanisms at work, rather than predicting outcomes. This is an important caveat for the interpretation of the results.

Trade diversion operates through changes in international relative prices and weakening global demand. As a starting point, we consider a scenario with producer currency pricing (PCP), where exporters set prices in their own currency and adjust them only gradually. US tariffs on non-EU trading partners (blue dashed lines) alter the relative prices faced by EU firms in various markets. On the one hand, these tariffs generate a terms-of-trade depreciation in third countries, as US demand for their products weakens, making them cheaper. This hurts the competitiveness of EU firms vis-a-vis these countries, which is reflected in the strengthening of the EU's effective terms-of-trade. As a result, EU imports from third countries increase, while EU exports to the rest of the world decline. On the other hand, *after-tax* relative prices within the US market change *in favour* of (non-tariffed) EU producers against tariff-hit third country competitors, supporting EU exports to the US. Therefore, even though EU exporters lose competitiveness globally due to a stronger terms-of-trade, they gain market share in the US due to the selective tariff treatment of others. Beyond the effect of relative prices (expenditure *switching*), the global downturn induced by the tariffs weakens import demand across all trading partners, further weighing on EU exports (expenditure *changing*).

On balance, US tariffs on third countries inflict short-term economic losses on the EU, but can have a beneficial impact in the longer term. In the short run, the negative spillovers dominate, with trade diversion *amplifying* the decline in EU net exports and real GDP generated by the direct effects of US tariffs on EU goods. Over time, however, as market shares in the US gradually increase, the impact of trade diversion turns positive, thereby *mitigating* the adverse economic consequences for the EU. In case EU market share gains in the US materialize faster than assumed in the model, this could also make the short-term effect more benign.

Trade diversion reduces EU consumer prices and generates a terms-of-trade gain. The short-term recessionary effects of trade diversion lead to slack in the EU economy, generating domestic disinflationary pressures. In addition, import prices also decline, stemming from a stronger nominal effective exchange rate and falling foreign export prices. The euro strengthens on a trade-weighted basis despite weakening vis-a-vis the US dollar - the currency of the tariff-imposing country - since the latter effect is outweighed by the nominal depreciation of tariff-hit third countries, which constitute

[1] QUEST is a New Keynesian open economy dynamic stochastic general equilibrium (DSGE) model, featuring trade also in intermediate inputs, thereby capturing linkages through cross-border value chains, which amplifies the effects of trade barriers. For these simulations we use a 6-region version of the model, including the EU, US, China, Canada, Mexico and the rest of the world (RoW), whose trade linkages are calibrated based on the FIGARO database. More details about the model and other tariff scenarios can be found in: Motyovszki, Gergő (2025). The macroeconomic effect of US tariff hikes. *ECFIN Discussion Papers*, (forthcoming).

(Continued on the next page)

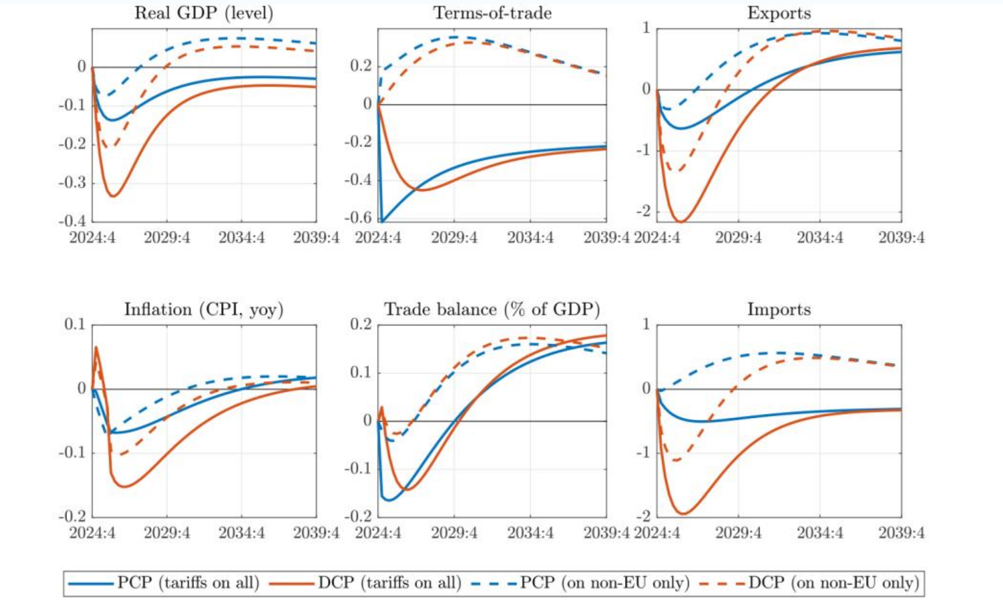
Box (continued)

a larger share in EU trade flows. The tariff-induced decline in the external demand of these countries gradually exerts downward pressure on their export prices. Lower import prices for the EU raise the purchasing power of European consumers, and contribute to higher real incomes.

In an alternative scenario, dominant currency pricing hinders international relative price adjustments, leading to sharper declines in global trade and GDP. Motivated by the dominant role of the dollar in global trade invoicing, we also explore a scenario with dominant currency pricing (DCP). (2) Under DCP, export prices are set in the same currency (US dollar) across the world. Therefore, movements in (flexible) nominal exchange rates have less influence on the terms-of-trade. This limits the extent to which relative prices can adjust to offset the trade-reducing impact of tariffs, thereby weighing more on global economic activity (see red vs blue solid lines in Graph 1).

With trade invoicing in dollars, the spillovers from trade diversion are more detrimental to the EU, owing to a stronger global downturn. By constraining terms-of-trade adjustments, DCP weakens expenditure *switching* in driving trade diversion (see dashed lines in Graph 1). In contrast, expenditure *changing* becomes more important. As the deeper tariff-induced global recession reduces import demand from third countries, EU exports are lower than under PCP, despite a smaller terms-of-trade appreciation. The weaker export performance also weighs on EU GDP, reducing import demand to such an extent that imports *decline* - despite the EU's terms-of-trade still appreciating. This contrasts with PCP (blue dashed line), where trade diversion was reflected in *higher* imports from tariff-hit third countries.

Graph 1: **The macroeconomic effects on the EU from US tariff hikes, under different export pricing assumptions**



Notes: In response to unilateral US tariff hikes, lines depict %-deviation of levels from a no-tariff baseline. For CPI inflation and the trade balance, lines depict percentage point deviations. Export prices follow either producer currency pricing (PCP, blue lines), or dominant currency pricing in US dollars (DCP, red lines). Solid lines capture the effects on the EU of unilateral US tariff hikes on all trading partners, while dashed lines isolate the effect on the EU stemming from US tariff hikes levied only on imports from third (non-EU) countries, i.e. the trade diversion effects.
Source: European Commission services.

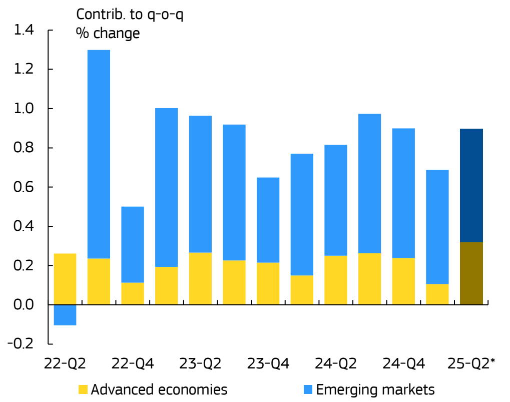
(2) As an illustrative (extreme) assumption, the DCP scenario assumes universal use of the US dollar in global trade. Empirically, the euro is the most used currency for extra-EU trade invoicing on the export side (with a share of 51.7%), but it is closely followed by the US dollar (31.4%). See Eurostat (2025). In addition, the dollar is a more relevant invoicing currency for the exports of third countries, the spillovers from where we are interested in.

2. INTERNATIONAL ENVIRONMENT

Global economy

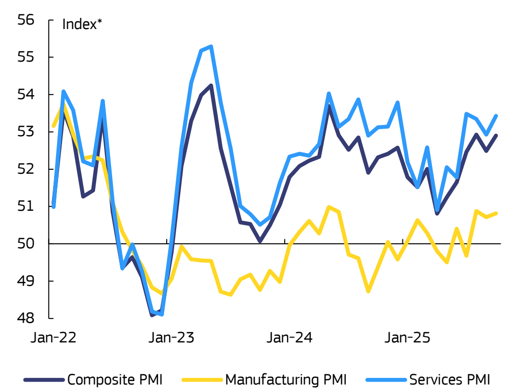
The global economy has shown remarkable resilience in the first half of 2025, even picking up pace in the second quarter. Global economic activity is estimated to have expanded by around 0.9% q-o-q in 2025-Q2 [2], up from 0.7% q-o-q growth in 2025-Q1 (see Graph I.2.1). This acceleration is due to trade frontloading and an improvement in financial conditions, but the picture varies across and within regions. Growth in advanced economies picked up in the second quarter, driven by robust growth in the US and Japan, while growth in the UK and the EU was moderate. Growth in emerging markets accelerated as well in 2025-Q2, mainly owing to strong outcomes in Asia (e.g. China, Indonesia, Philippines, India). Recent survey data (PMIs) continue to point to an expansion in the third quarter, albeit with stronger outturns in services compared to manufacturing (see Graph I.2.2). The global composite PMI stood at 52.9 in October, compared to 50.8 in April. The services PMI moved up from 50.9 in April to 53.4, while the manufacturing PMI increased from 49.8 in April to 50.9 in October.

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



*25-Q2 is estimation based on 89% of global GDP.
Sources: National sources, Eurostat, OECD, WB IMF, own calculations.

Graph I.2.2: **Global PMIs**



*Index values above 50 mean expansion.
Source: S&P Global.

US real GDP rebounded in the second quarter of 2025, and activity remained robust in the third quarter. Large import swings triggered volatility in economic growth in the first half of 2025, with real GDP contracting by 0.2% q-o-q in 2025-Q1 and rebounding by 0.9% q-o-q in 2025-Q2. Underlying domestic demand remained robust. Private consumption grew by 0.6% q-o-q in 2025-Q2 and private spending continued to expand in 2025-Q3. This growth was supported by strong household balance sheets, positive disposable income growth and favourable financial wealth effects. Capital formation rose by 1.1% in 2025-Q2, as the support from AI-related investment offset weaknesses, especially in construction. Household incomes and balance sheets remained healthy, despite a slowdown in employment growth. The unemployment rate edged up from 4.1% in June to 4.3% in August, as the slowdown in hiring and a reduction in the government workforce were mostly offset by a decline in net migration.

US real GDP growth is expected to slow down to somewhat below 2% in 2025 and 2026. Real GDP growth in 2025 is forecast to fall to 1.8%, from 2.8% in 2024, dragged down by high tariffs, continued trade policy uncertainty, lower growth in the labour force and employment, and an extended government shutdown. Slightly higher unemployment is set to dampen wage growth which, and when combined with the gradual pass-through of significantly higher import tariffs to

(2) Based on available data covering 89% of global GDP.

consumer prices, it is likely to weigh down on household income. As a result, private consumption growth is projected to remain subdued in the first two quarters of 2026, despite some offsetting policy factors such as the fiscal boost from the One Big Beautiful Bill Act and lower Fed policy rates. Real GDP growth is forecast to ease to 1.9% in 2026, before accelerating slightly to 2.1% in 2027, as the tariff impact is absorbed and trade uncertainty moderates.

The outlook for other advanced economies has slightly improved for 2025 since the spring. In the UK, growth for 2025 has been revised up, reflecting the surprisingly strong outturns in 2025-Q1 and, to a lesser extent, 2025-Q2, while persistently high inflation suggests limited economic slack. Growth for 2026 and 2027 is expected to continue at a similar pace to 2025, with the economy growing close to its potential. While 2025-Q1 was surprisingly strong in Canada, aided by trade frontloading, growth in 2025-Q2 dipped sharply and is expected to remain modest in the subsequent quarters due to the impact of trade restrictions and weak sentiment. Projections for Japan have been revised upward, supported by solid domestic demand and resilient export growth in 2025-Q2 ahead of the trade agreement with the United States. However, new tariffs are expected to hold exports back in the second half of 2025 and into 2026. While robust private consumption, underpinned by rising real wages, and sustained investment will provide some support, overall economic activity is projected to slow in 2026 and 2027.

Despite expanding beyond expectations in the first three quarters of 2025, China's economy is unbalanced and shows signs of moderation. Real GDP in China expanded by 5.2% y-o-y in the first three quarters of 2025, exceeding market expectations, and is on track to meet the government's target of "around 5%" for the year. Economic activity was supported by economic policies, such as record government bond issuance and an expansion of the general government deficit to 6.3% of GDP. Household spending grew slightly less than GDP, aided by subsidies to encourage consumers to replace old electronics and household appliances. Inflation-adjusted retail sales grew by only 3.7% y-o-y in the first nine months of 2025. Chinese exports have been a significant growth driver in the same period, supported by frontloaded shipments to the US, as well as solid demand from other markets, particularly in emerging market economies. Overall, China's GDP is expected to grow by 4.8% in 2025, up from the 4.1% projected in spring.

China's economic growth is expected to gradually ease over the forecast horizon, to 4.4% in 2027. Growth momentum is expected to soften toward the end of 2025 as the temporary boost from frontloaded exports dissipates, global demand loses steam, and uncertainty over US tariffs persists—despite a modest easing of tensions following the October US-China summit. Amid a protracted crisis in the property sector, fragile household demand and weakening labour indicators, real GDP growth is expected to ease to 4.6% in 2026 and 4.4% in 2027.

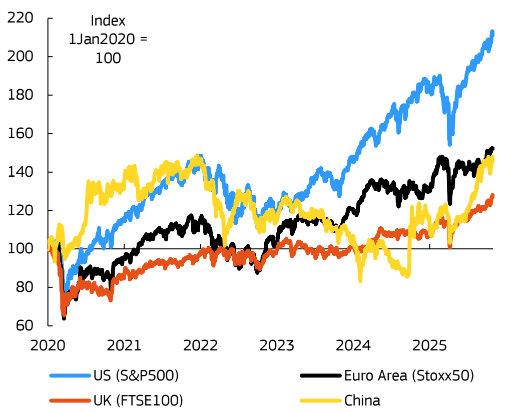
Growth in other emerging markets (EMEs) is forecast to stabilise at around 4% in 2024-27. India entered the fiscal year 2025-26 with stronger-than-expected momentum, underpinned by resilient domestic demand. The Goods and Services Tax reform is expected to provide a short-term boost to consumption and growth. At the same time, the US decision to impose 50% tariffs on a wide range of imports from India presents an external challenge. ASEAN countries are poised for a mild growth slowdown amid higher US tariffs, coinciding with the end of export frontloading. The impact of US tariffs on Mexico (25% on all goods that are not compliant with the US-Mexico-Canada Agreement, USMCA) appears much more muted than expected, not least due to a significant increase in USMCA compliance. As a result, Mexico has avoided recession, though the outlook remains uncertain. Argentina remains committed to its economic stabilisation programme, aimed at taming inflation and maintaining fiscal surpluses, but recent developments point to a deterioration in economic prospects. Brazilian GDP growth decelerated in 2025-Q2, after a strong start to the year, as high interest rates took their toll. In addition, the challenging fiscal trajectory, recently announced US tariffs, and a monetary policy stance which is expected to remain tight are set to dampen growth prospects. After two years of overheating in the context of its war-driven economy, the Russian economy has started cooling considerably in 2025 as high interest rates, capacity constraints, and sanctions begin to take their toll. For 2026 and 2027, growth is expected to pick up slightly as interest rates are lowered amid receding inflation. In Türkiye, authorities remain committed to their stabilisation programme, which has been instrumental in strengthening the external position and bringing down inflation. As a result, economic growth moderated to 3.2% in 2024 amid weakening domestic demand and it is expected to stabilise at a similar level in 2025-26, before inching up in 2027.

In the US, inflation is expected to pick up in the short term before gradually decelerating. Inflation excluding food and energy has been persistently above the Fed target of 2%. Higher tariff rates have started to pass through to US consumer prices but so far most of the impact appears to have been absorbed by US importers and wholesalers. Additionally, the actual effective rate (based on the revenue from customs) was around 5pps. below the trade-weighted 'statutory' rate, suggesting that importers are partly successful in avoiding paying tariffs. As pre-tariff inventories are depleted, and the actual effective tariff rate continues to rise, squeezing producer profit margins, it is expected that the degree of pass-through to consumer prices will still increase. However, assuming no second-round effects, the tariffs are only expected to shift the price level, even if gradually. As a result, US inflation is expected to pick up further in the last quarter of 2025 but gradually decelerate thereafter, approaching the Fed's 2% target in 2027.

Global inflation remains slightly above 3% but the picture is mixed across countries. The median inflation rate increased from 3.2% in April to 3.4% in September, with emerging market economies experiencing slightly higher inflation rates on average. At the same time, global core inflation inched down from 2.7% in April to 2.6% in September. Headline and core inflation dynamics in advanced economies (excluding the US), have been diverse, driven by unique domestic factors. In emerging market economies, inflation also shows regional divergence: rates in the Asian region are typically low (e.g. China, Indonesia) or continue to fall (India). In Latin America the disinflation process has slowed while inflation remains elevated in some economies (e.g. Mexico, Brazil). Inflation also continued to decelerate in Argentina and Türkiye, albeit from very high levels.

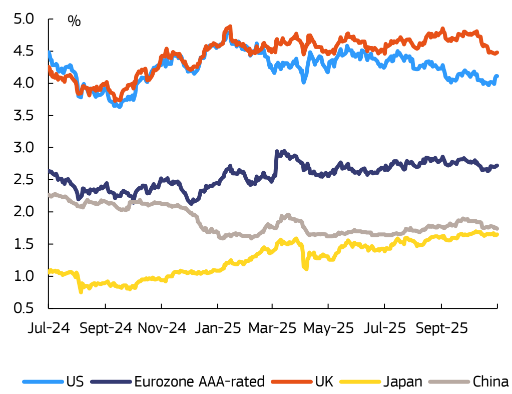
Global financial conditions have eased since the spring. The US Federal Open Market Committee (FOMC) cut its policy rate by 25bps. twice, in September and October 2025, having kept them unchanged since December 2024. While the markets are expecting further rate cuts, including one at the December FOMC meeting, Chair Powell has stressed the Fed's data dependence in view of an uncertain inflation and labour market outlook. US equity markets have rebounded, recovering losses from the 2 April tariff fallout, and reaching all-time highs, lifted by optimism surrounding the largest US tech and AI stocks. Other global equity markets have also rallied, influenced by reduced trade policy uncertainty and better-than-expected macroeconomic data. Contrary to expectations that higher tariffs would lead to a stronger currency, the US dollar has depreciated.

Graph I.2.3: **Stock market indices**



Sources: S&P Global, STOXX Ltd, FTSE and Shenzen Stock Exchange.

Graph I.2.4: **10-year government bond yields of major World economies**

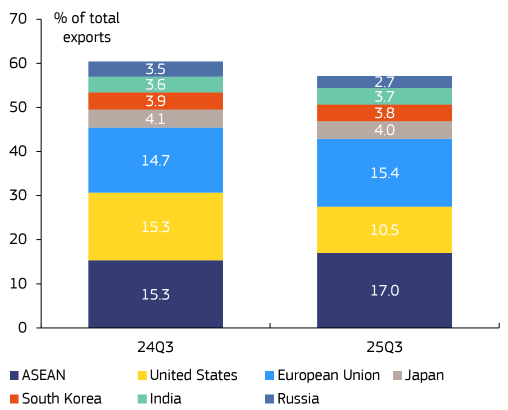


Sources: US Department of Treasury, ECB, Bank of England and Thomson Reuters.

The value of the USD against other currencies has dropped by around 7% since the beginning of 2025. US 10-year bond yields fell from 4.4% in May to just above 4% in October, as market participants adjusted to the weaker-than-expected job market. Similarly, 10-year bond yields declined globally after the summer, with the most pronounced falls seen in the Americas (e.g. Mexico, Canada, Brazil). Overall, it seems that financial market participants perceive any adverse impact of tariffs as temporary. As a result, market volatility across asset classes has declined, supported by the expectations of further monetary policy easing.

Global merchandise trade remained resilient in the first half of 2025, with US tariffs triggering a reconfiguration of trade flows. The first eight months of 2025 saw merchandise trade volumes growing by 4.7% compared to the same period in 2024, well above the 2.5% annual growth rate of 2024. Surging imports by the US at the beginning of 2025 boosted global import growth, as US businesses frontloaded purchases to avoid impending tariffs, with a particularly large jump observed in processed metals and pharmaceuticals. In parallel, Asian manufacturing exports were boosted by technology (AI) related exports. Recent trade data indicate a marked reorientation of China's export structure following the new tariff regime. Chinese exports are becoming increasingly diversified, with a gradual shift away from the US market. In Q3 2025, the US accounted for 10.5% of China's total exports, down from 15.3% a year earlier, while the shares of ASEAN and the EU rose from 15.3% to 17% and from 14.7% to 15.4%, respectively. Some of these increases may be attributed to trans-shipment activity, particularly in ASEAN countries, as their exports to the US have also grown substantially.

Graph I.2.5: **Main destinations of Chinese goods' exports**

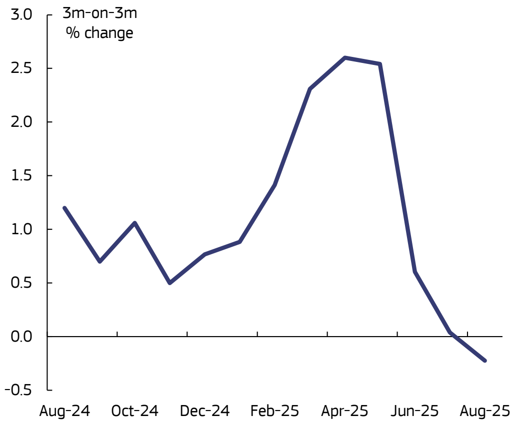


Source: General Administration of Customs of China.

Recent data suggests a softer trade outlook going forward. Following the import surge in 2025-Q1, US merchandise imports have been steadily declining since April and global merchandise trade momentum (three-month-on-three-month growth) turned negative in August 2025 (see Graph I.2.6). Global trade growth is expected to moderate as a substantial share of the announced higher tariffs are now in place, and trade policy uncertainty is mildly easing but remains very high. High-frequency indicators also suggest subdued global trade growth ahead: new export orders in manufacturing global PMIs remained in negative territory at 48.3 in October, with deeper contractions in the US and China (see Graph I.2.7). In addition, the UNCTAD nowcast model [3] signals a weaker global merchandise trade outlook, largely due to softer global industrial production.

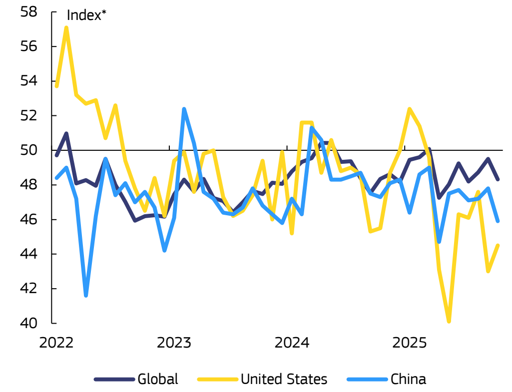
(3) See: Nowcasts | UNCTAD Data Hub

Graph I.2.6: **Global goods' trade momentum**



Source: Own calculations based on CPB data.

Graph I.2.7: **Manufacturing PMIs, New export orders**



*Index values above 50 mean expansion

Sources: S&P Global, Institute for Supply Management and National Bureau of Statistics of China.

The tariff turbulence in early 2025 had a noticeable impact on supply chains and freight rates. Supply chain pressures briefly increased in spring, with the Federal Reserve Bank of New York's Global Supply Chain Pressure Index (GSCPI) jumping to +0.30 in May from -0.27 in April, marking its highest reading in nine months. The surge followed heightened tariff volatility and import frontloading, which led to erratic but short-lived shipping patterns, particularly on China-US routes. Mounting port congestion pushed the global freight index up by 66% in just two weeks although it retreated afterwards, approaching the low levels observed in 2023, before the sharp price increases in 2024 triggered by shipping disruptions in the Red Sea. China's introduction of export controls on rare earths in 2025 led to supply chain disruptions in several sectors such as auto, green energy, etc., as firms faced shortages of key inputs and lower utilisation rates. These restrictions also contributed to increases in rare earth import prices, intensifying cost pressures along downstream chain segments.

Table I.2.1: **International environment**

(Annual percentage change)					Autumn 2025 Forecast			*Spring 2025 Forecast*		
	(a)	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
					Real GDP growth					
Japan	3.3	1.0	1.2	0.1	**1.1**	**0.7**	**0.7**	*0.1*	*0.7*	*0.6*
United Kingdom	2.2	5.1	0.3	1.1	**1.4**	**1.2**	**1.4**	*1.1*	*1.0*	*1.3*
United States	14.8	2.5	2.9	2.8	**1.8**	**1.9**	**2.1**	*2.8*	*1.6*	*1.6*
Emerging and developing Asia	35.3	4.6	5.8	5.2	**5.1**	**4.9**	**4.9**	*5.2*	*4.7*	*4.7*
- China	19.3	3.1	5.4	5.0	**4.8**	**4.6**	**4.4**	*5.0*	*4.1*	*4.0*
- India	8.2	7.6	9.2	6.5	**6.8**	**6.5**	**6.4**	*6.5*	*6.4*	*6.4*
Latin America	4.8	4.1	2.2	2.2	**2.2**	**2.0**	**2.3**	*2.1*	*1.8*	*1.8*
- Brazil	2.4	3.0	3.2	3.4	**2.2**	**1.8**	**2.0**	*3.4*	*2.0*	*1.5*
MENA	5.8	7.0	2.5	2.4	**3.2**	**3.6**	**3.6**	*2.2*	*3.2*	*3.7*
Eastern Neighbourhood and Central Asia	1.1	3.3	4.9	5.1	**4.9**	**4.1**	**3.9**	*4.9*	*4.3*	*3.8*
Russia	3.5	-1.4	4.1	4.3	**0.8**	**1.1**	**1.2**	*4.3*	*1.7*	*1.2*
Sub-Saharan Africa	3.6	4.0	2.4	3.6	**3.8**	**4.1**	**4.5**	*2.9*	*3.7*	*4.1*
Candidate Countries	2.4	-1.3	4.9	3.4	**3.1**	**3.1**	**4.0**	*3.3*	*2.7*	*3.7*
World excluding EU	85.7	3.6	3.9	3.7	**3.4**	**3.4**	**3.5**	*3.6*	*3.1*	*3.2*
World	100.0	3.6	3.4	3.3	**3.1**	**3.1**	**3.2**	*3.3*	*2.9*	*3.0*
					Trade of goods and services, volumes					
World excluding EU		5.0	2.1	4.7	**3.0**	**2.1**	**2.8**	*3.7*	*2.0*	*2.2*
World		5.9	1.2	3.4	**2.8**	**2.1**	**2.7**	*2.9*	*1.8*	*2.2*
					Trade of goods, volumes					
World excluding EU		2.4	-0.1	3.7	**2.9**	**1.9**	**2.8**	*3.4*	*1.6*	*2.0*
World		3.2	-0.9	2.5	**2.8**	**1.8**	**2.7**	*2.3*	*1.3*	*2.0*
					Trade of services, volumes					
World excluding EU		17.9	11.4	8.1	**3.2**	**3.0**	**2.9**	*4.8*	*3.2*	*3.0*
World		16.8	8.5	6.2	**2.9**	**2.7**	**2.8**	*4.4*	*2.9*	*2.8*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2024.(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.

Overall, global growth is expected to slow down in 2025 and stabilise thereafter. In 2025, the negative impacts of the US tariffs and elevated policy uncertainty are partly offset by strong global AI investment activity and favourable financial conditions, with global growth (excluding the EU) slowing down from 3.7% in 2024 to 3.4% in 2025, compared to 3.1% growth in spring. In 2026, global economy (excluding the EU) is projected to grow at 3.4%, compared to 3.2% in spring, as tariffs continue to have an impact, slightly increasing to 3.5% in 2027. Global growth (including the EU) is forecast to decelerate from 3.3% in 2024 to 3.1% in 2025 (+ 0.2 pps. relative to spring) and 2026 (+0.1 pps. relative to spring), before edging back up to 3.2% in 2027.

Global trade (excluding the EU) is set to decelerate in 2026 reflecting the delayed impact of tariffs before strengthening again in 2027. Following an estimated 3% growth in 2025, compared to 2% in spring, global trade is forecast to ease to around 2.1% in 2026, compared to 2.2% in spring. This slowdown reflects the drag from the tariffs, ongoing trade policy uncertainty with several trade deals with US still not finalised, and the negative statistical base effect from the relatively strong 2025 growth boosted by temporary factors. Global trade growth is expected to strengthen to 2.8% in 2027 supported by stronger global growth.

Commodities

Oil prices have remained subdued amid rising supply and continued concerns about global demand. Brent oil prices spiked at the peak of the Israel-Iran attacks in late June, reaching up to 77 USD/barrel. They fell back to around 64 USD/barrel in October. On the supply side, the impact of US sanctions on Russia's two largest oil producers and the Ukrainian attacks on Russian hydrocarbon infrastructure only partially offset the increased production by OPEC+ members which attempted to regain market share. Meanwhile, trade tensions between the US and China raised concerns about decreasing demand for oil. Brent futures indicate an average price of 63.1 USD/barrel for 2025-Q4. Oil prices are expected to fall further in 2026-Q1 due to supply continuing to outpace demand, and then slowly trend upwards until 2027-Q4. Compared to the spring assumptions, at the cut-off date of this forecast, futures Brent oil prices were 3% lower for 2026 and are expected to remain close to 63 USD/barrel in 2027.

LNG prices have been trending downwards in the months preceding this forecast and are expected to continue doing so over the forecast horizon. Platts JKM LNG prices spiked due to heightened tensions in the Middle East in early summer 2025 but normalised by September. Abundant global LNG availability pushed down prices, with the US exporting a record amount in August. JKM futures indicate a general downward trend amid considerable seasonal volatility. Futures prices in 2027 are expected to be around 4% lower than 2026. JKM and TTF futures curves move closely together, with their expected spread remaining at historic lows.

European gas and electricity prices are on a declining trend. Concerns around gas supply in Europe have eased due to significant increases in European gas storage, decreased reliance on Russian supplies, and the ongoing expansion of green energy generation in 2025. TTF gas spot prices declined between May and July and stabilised thereafter. Gas futures for the final quarter of 2025 are at 32 EUR/MWh, 10% lower than in spring. They are set to decline to 31 EUR/MWh in 2026 and 29 EUR/MWh in 2027. Wholesale electricity prices are much more volatile but are expected to decline in 2026 and further in 2027 compared to 2025 levels. Compared to spring, they are projected to be around 2% higher in 2026.

Prices of precious metals have been rallying in the months preceding the forecast cut-off date and futures prices also tilted upwards. The S&P GSCI Precious Metals index rose more than 50% between January and late October, driven by the safe-haven properties of precious metals, especially gold, and expectations of rate cuts by the Federal Reserve. Futures suggest this trend will continue, as uncertainty and geopolitical considerations push investors towards precious metals. Industrial metals present a more mixed picture, with considerable volatility linked to trade tensions and shifting fundamentals. On aggregate, industrial metal prices have been trending upwards, with the GSCI Industrial Metals index increasing by around 16% between January and late October. Futures prices vary across different metals, with copper, aluminium and nickel trending upwards for example, while iron ore and tin move downwards.

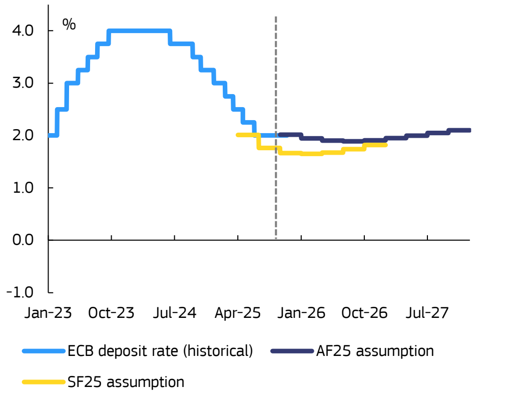
Global food prices have started to decline after slowly trending upwards since the beginning of 2025. The FAO Food Price Index averaged 128.8 in September 2025, declining by roughly 1% from its August value of 129.7 as cereals, vegetable oil, sugar and dairy quotations pushed down the index, while meat prices increased. Falling prices of cereals, vegetable oil, sugar and dairy were largely driven by ample production and partly supported by declining demand. Increases in meat prices were mainly driven by demand. The FAO index is about 3% higher than September 2024, due to increases in meat, dairy and vegetable oil prices. Nonetheless, it remains around 20% below its March 2022 peak. Food futures point in different directions, with cereals and sugar broadly trending upwards and vegetable oils showing some increases in 2026 before receding thereafter, and different types of meat exhibiting diverging trajectories.

3. FINANCIAL CONDITIONS IN THE EU

The ECB implemented one additional 25bps. rate cut since spring. As expected, the Governing Council lowered the three key ECB interests by 25 basis points at its meeting on 5 June. The deposit facility rate was lowered to 2.0%, the rate on main refinancing operations to 2.15%, and the marginal lending facility rate to 2.40%. In subsequent meetings over the summer, in September and at the end of October, the ECB Governing Council left interest rates unchanged, assessing the monetary policy as being "in a good place". This decision reflected the fact that inflation had stabilised at around 2% in the preceding months, while domestic cost pressures continued to ease. Long-term inflation expectations also indicate a return to the target. Overall, since the start of the easing cycle in June 2024, the main policy rate has been lowered by 200 bps. The ECB continues to stress that its decisions remain data-driven, guided by its baseline projections for inflation and growth, and an assessment of emerging risks to these projections. According to the ECB, the uncertainty surrounding US policy and the risks to the euro area economic outlook have become progressively more balanced after the trade agreement between the US and the EU, the ceasefire agreed in Gaza in October and recent progress in US-China trade negotiations. However, the inflation outlook is still viewed as "more uncertain than usual" due to the volatile global trade policy environment. In its latest projections in September, the ECB considered various scenarios related to risks surrounding the inflation and growth outlook. [4]

Market expectations for the euro area monetary policy point to marginally higher policy rates than in spring. In spring, the three-month Euribor futures curve stood at 1.66% at the end of 2025/early 2026, reflecting an anticipation of one or two additional rate cuts over the rest of 2025 and into early 2026. Market projections at the cut-off date of this forecast had risen to 2.0% for the same period, indicating that market participants assume no further cuts in 2025. For 2026, one additional policy rate cut of 25bp was considered possible but not certain (see Graph I.3.1). As for 2027, markets are progressively pricing in a low probability of a 25bps. rate hike. This shift in expectations is likely influenced by the latest ECB statements, the recent positive macroeconomic indicators for the euro area and evidence of a recovery in lending activity.

Graph I.3.1: **Short-term euro interest rate expectations**



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

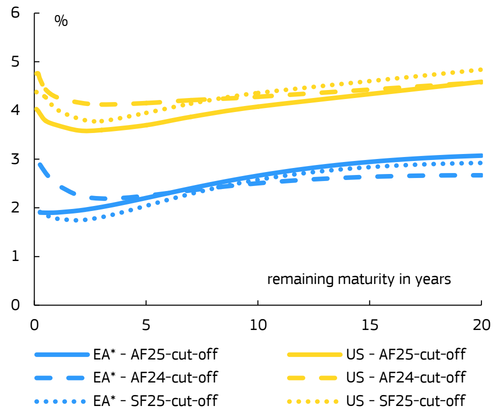
Outside the euro area, EU central banks have taken different paths. The monetary authorities in Denmark and Czechia continued decreasing rates broadly in line with the ECB's monetary policy (-25 bps. since spring). The Swedish central banks cut policy rates twice since spring, by 25 bps. each to 1.75%. The Polish central bank has cut rates more forcefully since April, by 150 bps. to 4.25%, against the background of improved inflation prospects. Central banks in Hungary and Romania have kept policy rates unchanged.

Long-term interest rates in the euro area have increased marginally since spring. The interest rate on 10-year maturities has increased by around 15 bps. since SF25, resulting in an upward shift of the euro area yield curve *(*see Graph I.3.2). The German 10-year bond yield stood at 2.65% on 31 October, up from around 2.5% at the end of April/early May. This contrasts with market trends in the US where the yield curve has shifted downwards since spring. Higher yields in the euro area relative to the US reflect investors' expectations of slightly higher policy rates but

(4) For more details see [ECB staff macroeconomic projections for the euro area, September 2025](#).

also their confidence that a sharp increase in fiscal spending in Germany will boost the economy. In real terms, long-term interest rates are broadly at the same level as in spring as longer-term inflation expectations increased marginally (less than 10 bps.) since the cut-off date of the Spring 2025 Forecast (see Graph I.3.3).

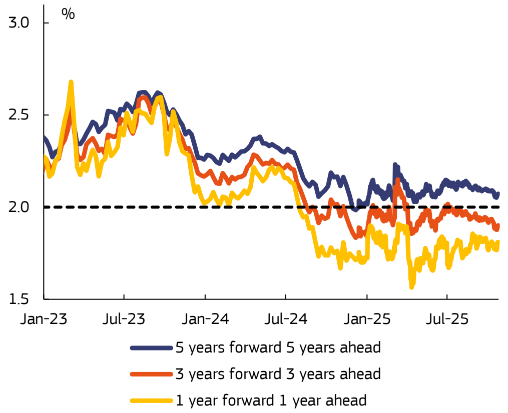
Graph I.3.2: **Yield curves in the euro area and the US**



* euro area applicable rates are yield government bonds rated at AAA.

Source: ECB. US Department of Treasury.

Graph I.3.3: **Market-based inflation expectations**



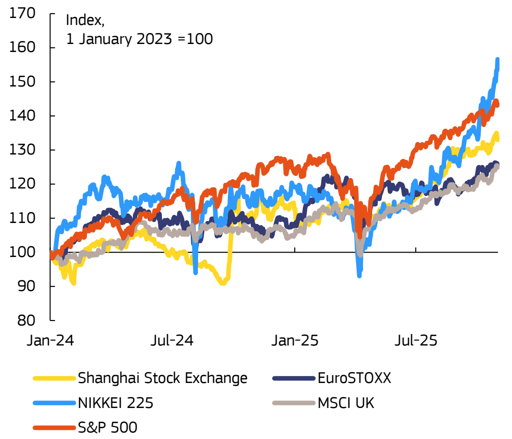
Based on forward inflation swap rates.

Source: Bloomberg.

The euro has appreciated in nominal effective terms since spring, mainly driven by a weakening US dollar. Compared to its level at the time of the Spring 2025 Forecast, the euro has appreciated by over 2% against the US dollar, which has shown persistent and broad-based weakness. Traditional factors such as a narrowing yield differential and growth expectations contribute to the dollar's weakening, alongside a perceived increase in the riskiness of US financial assets, due to heightened economic policy uncertainty in the country While there are currently no signs of a persistent reversal of foreign capital inflows, foreign investors have started to hedge their dollar exposures more than in the past and there has been a visible weakening of the safe-haven status of the dollar, although this may be temporary. Since spring, the euro NEER (nominal effective exchange rate) has appreciated by over 1.5%, driven mostly by its rise against the dollar, but also against the Japanese yen, the Chinese renminbi and the Turkish lira. The euro REER (real effective exchange rate) has strengthened at a similar pace as the NEER and remains close to its historical average.

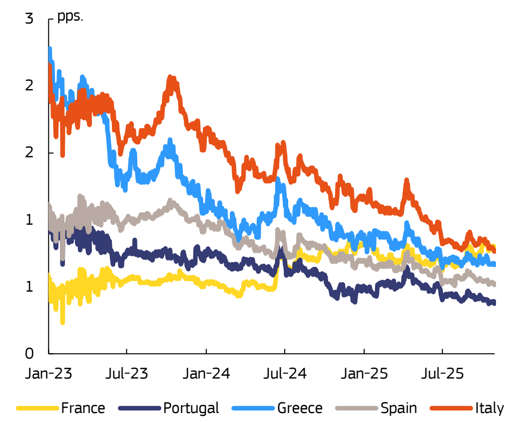
Financial markets show signs of narrowing risk premiums. In the euro area, sovereign spreads have continued to narrow. The French bond is a notable exception, where the spread has widened since SF25 (see Graph I.3.5) due to political uncertainty surrounding the fiscal measures needed to address government debt sustainability. Euro area corporate bond spreads have narrowed in parallel with the sovereigns since SF25, while equity prices have shown resilience to shocks and eventually moved further up, currently standing above the levels of the SF25 cut-off date (see Graph I.3.4). European equities have benefitted to some extent from global optimism, particularly regarding the US technological segment, which is continually boosted by strong investments in Artificial Intelligence. Nonetheless, metrics of the European corporate sector show overall sound financial health and low vulnerability (see Box I.3.1).

Graph I.3.4: **Equity markets**



Source: S&P Global.

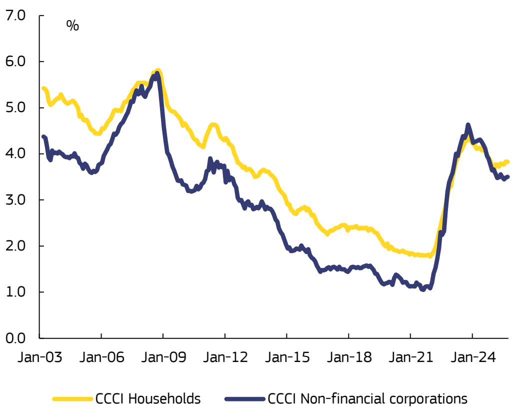
Graph I.3.5: **Spreads over German 10-y federal bonds**



Source: Macrobond Financial AB.

Both hard indicators and survey data confirm that bank lending activity is recovering. The nominal annual growth rate of adjusted bank loans to the private sector in the euro area stood at 2.8% in September, up from around 2% at the turn of the year. Net lending flows increased for both households and corporations, mainly driven by new lending. There was a broad-based increase across loan maturities, with a particularly strong rise in the flows of short-term loans. This trend likely reflects the fact that interest rates on short-term loans declined more sharply than those on longer-term maturities, in the context of a continued and broad-based fall in borrowing costs of NFCs. The composite credit cost [5] declined further over the last few months for firms but increased slightly for households (see Graph I.3.6). This is largely due to the longer maturities applicable to mortgage lending, which track long-term yields that increased slightly, while corporates are taking more short-term loans and market financing, the costs of which continued to decline moderately.

Graph I.3.6: **Corporate Credit Cost Indicator**



Source: ECB, Bloomberg, Datastream.

The delayed incorporation of geopolitical and trade uncertainties into banks' decision-making led to slightly tighter lending standards in the third quarter of 2025. According to the ECB Bank Lending Survey, credit standards for firms tightened slightly in the third quarter, driven by perceived risks for specific industries and the broader economy. High geopolitical and trade policy uncertainty were reported as main reasons influencing new loan issuance across sectors or firms. This contrasts with the previous quarter's stable credit standards for euro area firms. Among major Member States, only Germany reported tighter standards, while France, Italy, and Spain reported no change. Meanwhile, firms' demand for loans, though weak, increased slightly in the second and third quarter, supported by lower lending rates and growing needs for refinancing or restructuring. Banks in Germany, Italy and Spain reported a net increase in firms' loan demand, whereas French banks reported another marked net decrease. For the fourth quarter of 2025, banks expect no change for both credit standards and demand for firms. Regarding housing loans in the third quarter, banks reported unchanged credit standards with further increasing demand, driven by improved market prospects and declining lending rates. For 2025-Q4,

(5) The CCCI (composite credit cost indicator) is a synthetic measure of the external financing costs for the euro area households and corporate sectors. It displays the effective credit cost for households (mortgages and consumer loans) and for non-financial corporations (bank lending and bond issuance) across all maturities.

banks expect credit standards to tighten slightly and demand for housing loans to expand further. In terms of consumer credit, banks reported a moderate net tightening and unchanged demand. They expect a further slight tightening and a small increase in demand in 2025-Q4.

EU house prices have continued to rise, consolidating the recovery that began in 2024. In 2025-Q2, EU house prices stood 5.4% above their level a year before (5.1% in the euro area), following quarter-on-quarter increases of 1.4% in 2025-Q1 and 1.6% in 2025-Q2. Price growth strengthened across most Member States, especially in southern and eastern Europe, while prices stagnated in Finland, France, Luxembourg and Sweden. Several countries, namely Bulgaria, Czechia, Spain, Croatia, Hungary and Portugal, maintained double-digit annual growth rates, driven by strong demand and tight supply. The rebound in transactions and credit flows observed in 2024 extended into 2025, supported by lower interest rates and positive income prospects. However, affordability pressures remain high, as house prices have risen faster than household incomes in many countries, especially in urban centres. Supply constraints remain a key factor shaping housing market dynamics. Despite some recent improvement, building permits and housing completions are still at historically low levels. Structural barriers, high construction costs and regulatory hurdles continue to restrict new supply, keep pushing prices up. Although housing investment is projected to recover gradually, the adjustment will be slow, leaving markets tight in the short term. Persistent supply limitations are expected to keep price pressures elevated through 2026–2027.

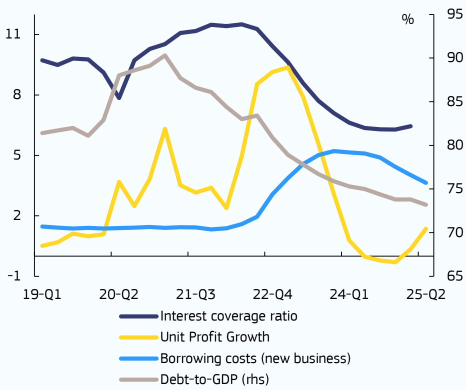
Overall, financial conditions in the EU remain rather favourable despite slight increases in interest rates since spring. Bank lending continues to recover slowly, despite rising uncertainty and trade tensions. Resilient equity markets and narrowing corporate and sovereign bond spreads suggest investors remain confident despite ongoing risks, both global and domestic.

Box I.3.1: **The financial health of non-financial corporations in the EU**

The analysis in this box explores the implications of the shifting economic environment of recent years, marked by demand shocks, fluctuating inflation rates, and changing financing conditions for the financial health of non-financial corporate entities.

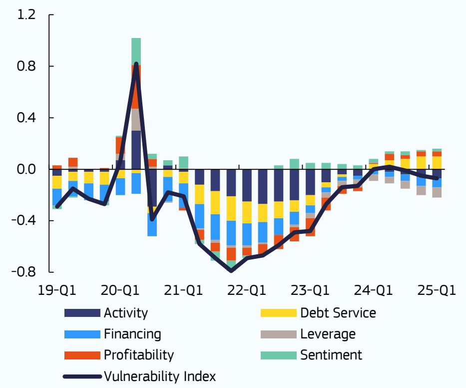
Corporate debt in the EU has come down significantly from its peak in 2020, reaching its lowest level in nearly two decades. During the global financial crisis, the debt of non-financial corporates (NFCs) in the EU increased to close to 85% of GDP. In the following years, this ratio declined gradually to about 79% by 2019. After a spike in 2020, when corporate debt levels in the EU reached a new record high of 86% of GDP, deleveraging continued and gathered pace between 2022 and 2024. This acceleration was mainly driven by strong nominal GDP growth (largely thanks to high inflation), but as financing conditions tightened, restraint in credit demand also played a role. Over this period, more debt was repaid than taken out in some Member States. In 2024, non-financial corporate debt in the EU aggregate decreased to 72% of GDP (74% in the EA, see Graph 1), representing the lowest level since 2006. As inflation eased, the pace of deleveraging slowed down in 2024 compared to the previous two years.

Graph 1: **Non-financial corporations indicators, euro area**



The interest coverage ratio is defined as gross operating surplus divided by interest expenses before FISIM allocation. Unit profit growth is the year-on-year growth of gross operating surplus divided by real GDP. Debt includes debt securities (F3) and loans (F4) and is consolidated, i.e., it excludes borrowing between NFCs and is expressed as a percentage of GDP (right axis).
Source: ECB.

Graph 2: **Non-financial corporations financial vulnerabilities, EU**



Displayed as a composite index of corporate financial vulnerabilities expressed in standard deviations from a long-term average [(1)].
Source: ECB, European Commission calculations.

Financial vulnerabilities of NFCs remain low, despite a deterioration in debt service capacity and weak profitability. After the COVID-19 pandemic, corporate financial vulnerabilities reached historic lows, as economic activity rebounded strongly, profitability increased, and financing conditions remained favourable (see Graph 2). This bolstered firms' debt servicing capacity, as highlighted in Graph 1 by the surge in the interest coverage ratio (ICR), [(2)] putting companies in a relatively good position to weather the turn of the interest rate cycle. Starting in 2022, tighter monetary policy led to increased borrowing costs (see Graph 1) and debt servicing burdens of NFCs, and negatively affected demand and economic activity. Profitability indicators and ICRs fell (see Graph 1), and corporate savings declined as firms turned to savings and cash buffers to partly service their debt. Combined with a worsening business sentiment, these factors contributed to greater financial vulnerabilities in

(1) Gardó, S., B. Klaus, M. Tujula and J. Wendelborn (2020). "Assessing corporate vulnerabilities in the euro area". In *Financial Stability Review, November 2020.* European Central Bank. Salish, M. (2025), How resilient are EA NFCs? A look into the factors driving corporate financial risks at the country level. Quarterly Report on the Euro Area (QREA), Vol. 24, No. 2 (2025) - Economy and Finance

(2) The ICR is calculated as the ratio of gross operating surplus over total interest payments before FISIM allocation.

(Continued on the next page)

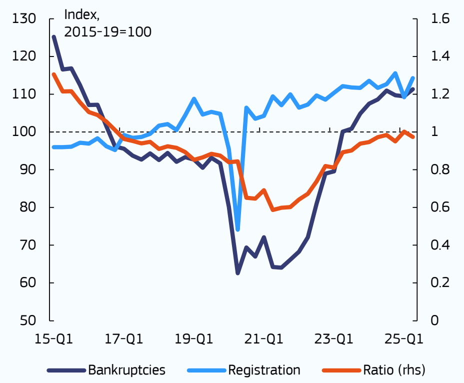
Box (continued)

2022 and 2023, even though risks remained low relative to past levels. Since then, corporate financial vulnerability has stabilised. Although profitability weakened and debt service capacity deteriorated further in 2024 due to rising interest burdens, slightly easing financing conditions and ongoing deleveraging have kept risks contained.

Improved profitability and better ability to service debt, together with a rebound in domestic demand, are expected to further mitigate financial risks. In 2024, borrowing costs decreased noticeably from their post-pandemic peak in late 2023, and by late 2024 interest expenses in the EU had started to decline. At the beginning of 2025, the decrease in interest expenses together with stabilisation of the gross operating surplus translated into a slight recovery in the ICR. Similarly, profitability in the corporate sector has bottomed out or begun to improve in recent quarters. Firm sentiment has stabilised but remains muted, particularly in the industrial sector. Corporate credit, especially bank loan flows, has started to rebound, picking up pace in the first half of 2025. Consequently, the pace of deleveraging is expected to slow further as inflation stays under control and credit flows continue to strengthen. As financing conditions are expected to ease further, and economic activity improves, debt service capacity is anticipated to improve in the near future. [3]

Insolvencies in the EU have risen, yet they are largely offset by an increase in business registrations. The number of bankruptcy declarations grew by 2.5% in the second quarter of 2025, compared to the same quarter the year before, reaching the level last recorded in 2016. Despite this, entrepreneurship remained dynamic as business registrations increased by 2.3% y-o-y, counterbalancing the uptick in business insolvency declarations. Following the rebound of bankruptcies after the withdrawal of pandemic-related support and the normalisation of administrative procedures, insolvency declarations have broadly stablised since mid-2024 compared to pre-pandemic levels (see Graph 3). Furthermore, the ratio of bankruptcies relative to registrations [4] in the EU remained largely constant since 2024-Q2. From a sectoral perspective, the number of bankruptcies varies significantly across sectors. Insolvencies in transportation and accommodation remained high despite declines in the first two quarters of 2025. At the same time, information and communication services showed a notable increase in business registrations while insolvency rates remained low.

Graph 3: **Bankruptcies-to-registrations ratio, EU**



The ratio is computed by the index of bankruptcies over the index of business registrations, average 2015-2019=100.

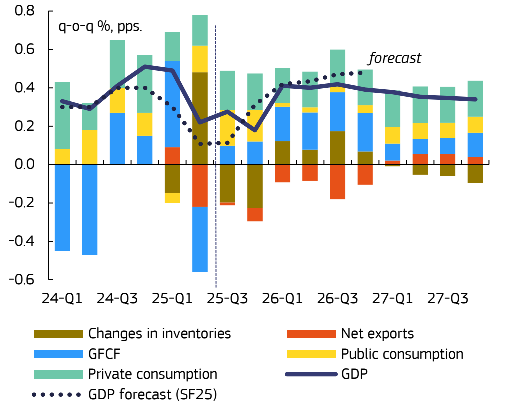
[3] Credit standards have remained tight and even though financing conditions are expected to ease further, they are set to remain tighter than before the pandemic.

[4] Measured by the ratio of the bankruptcy and registrations index with the reference period 2015-2019.

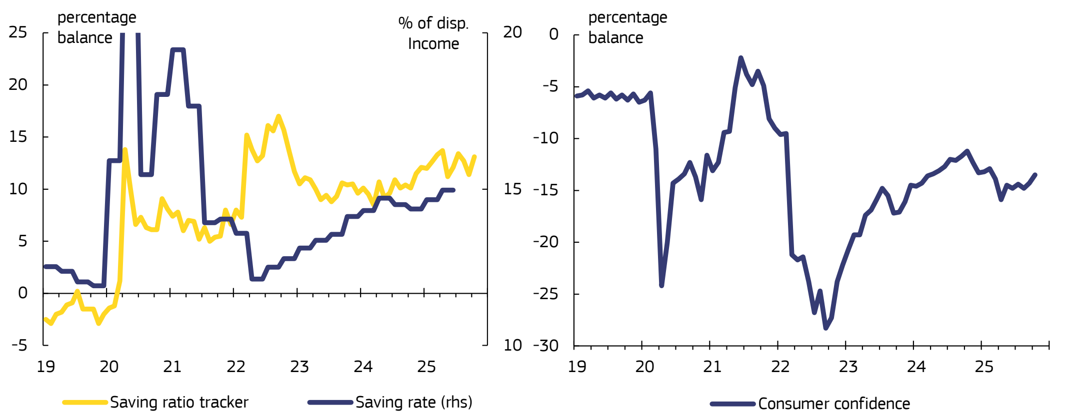
4. ECONOMIC ACTIVITY

Growth has exceeded expectations since the start of 2025. Real GDP grew by 0.5% q-o-q in 2025-Q1 and 0.2% in 2025-Q2 in the EU and by 0.6% and 0.1%, respectively, in the euro area. The majority of Member States, with the exception of Denmark, Finland and Slovenia, reported economic expansion in those two quarters compared to 2024-H2, with Ireland recording an exceptional growth rate of 10%, driven by its multinational-dominated sector. In 2025-Q3, real GDP grew by 0.3% in the EU (0.2% in the euro area),[6] boosted by the performances of France, Spain, the Netherlands, Belgium, and Portugal. Conversely, Germany and Italy reported stagnation and Ireland's GDP declined by 0.1%. In cumulative terms (2025-Q3 compared to 2024-Q4), in the first nine months of the year economic activity expanded by 1% in the EU and 0.9% in the euro area, outperforming the expansion that was projected in spring by 0.5 pps.

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



Graph I.4.2: **Consumer confidence and saving intentions, and saving rate, EU**

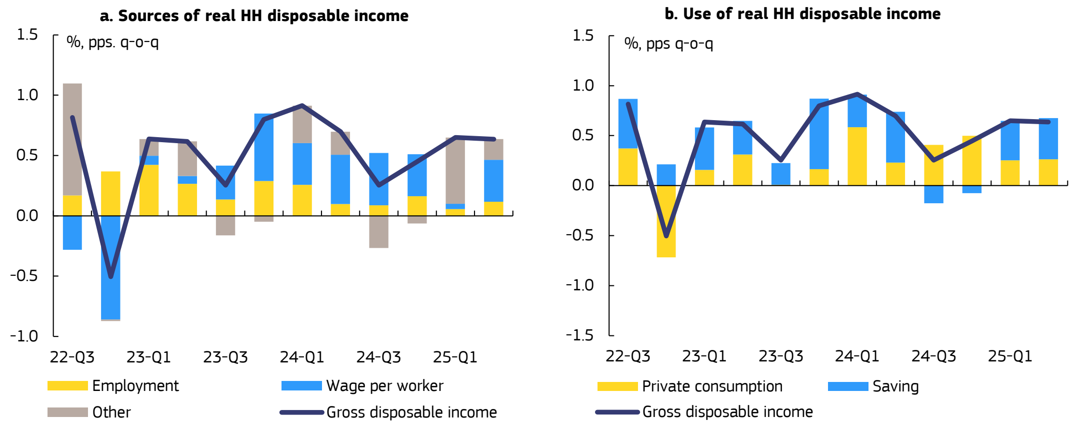


The saving ratio tracker is the difference between saving intentions and the expected financial situation (questions 11 and 2 from the European Commission's Consumer Survey).

Private consumption continued to grow amid weakening consumer confidence in the first half of 2025. Real household disposable income continued to increase in the first half of the year, but as consumer confidence deteriorated further, a large part of this additional income was saved (see Graph I.4.2 and I.4.3). The household saving rate increased to 14.7%, in the first quarter and 15% in the second. In turn, private consumption increased by 0.3% q-o-q in both quarters in the EU, slightly below the spring projections. In 2025-Q3, the retail sales' volume was 0.1% higher than in 2025-Q2. A number of countries, including Austria, Spain, France, the Netherlands, Czechia, and Portugal, reported an increase in private consumption in 2025-Q3.

(6) The preliminary flash estimate of GDP growth for the third quarter of 2025 released on 30 October 2025 was based on the data of 19 Member States, covering 96% of euro area GDP and 94% of EU GDP. On 14 November – after the cut-off of this forecast – Eurostat released new estimates (flash estimates) for GDP and employment in 2025-Q3, based on Member States' covering 99% of the euro area and EU GDP. Seasonally adjusted GDP was reported to have increased by 0.3% in the EU and by 0.2% in the euro area, confirming the preliminary flash estimate. See: https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-14112025-ap.

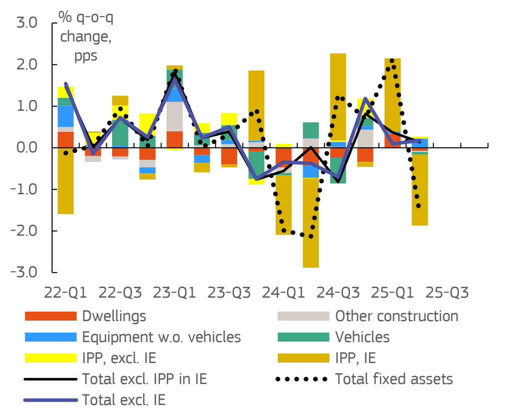
Graph I.4.3: **Sources and use of real household income, EU**



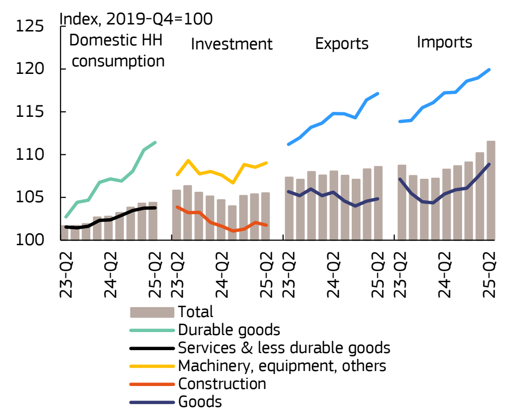
Public consumption continued to bolster GDP growth. Steady expansion in public sector employment in areas such as administration, education, and health, alongside government purchases of goods and services, contributed to increased government consumption. Despite this expansion, government consumption in 2025-H1 was somewhat lower than projected in spring.

Investment increased modestly in the first two quarters of 2025, after adjusting for one-off factors. The first half of the year saw volatility, with investment increasing by 2.1% in 2025-Q1 and dropping by 1.6% in 2025-Q2, mainly driven by a significant increase in imported intellectual property assets in Ireland in 2025-Q1. Excluding Ireland, investment is estimated to have grown by 0.8% in the first half of the year in the EU compared to the second half of 2024, broadly in line with expectations. Investment trends varied across Member States, with declining capital formation in Germany offset by steady increases in Italy, Spain, the Netherlands, and others. A positive picture is emerging for 2025-Q3, led by Spain, France, and Germany. Investment trends in the first half of 2025 also varied by asset type: whereas equipment and intellectual property investment kept increasing in the EU (also excluding Ireland), housing and other construction lagged behind spring projections. Changes in inventories contributed 0.1 pps. to growth in 2025-H1.

Graph I.4.4: **Investment growth: contribution by asset type, EU**



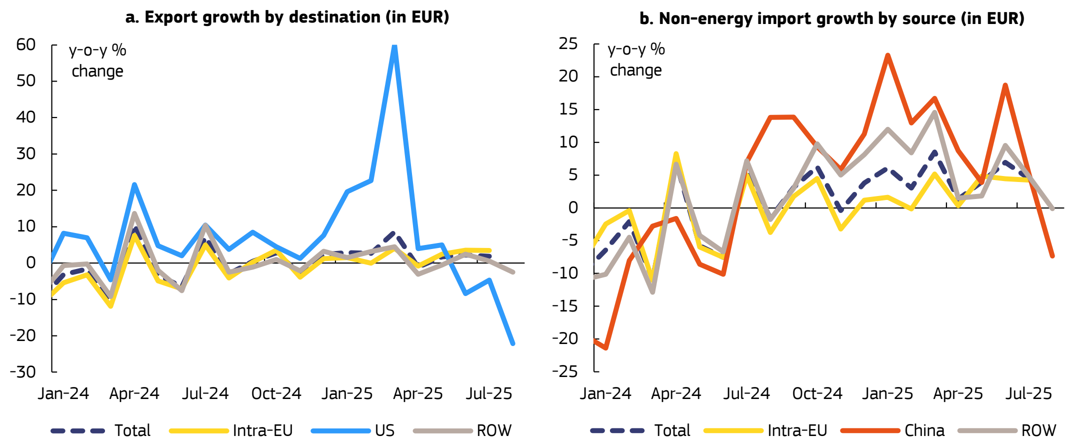
Graph I.4.5: **Demand side components, EU excl. IE**



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

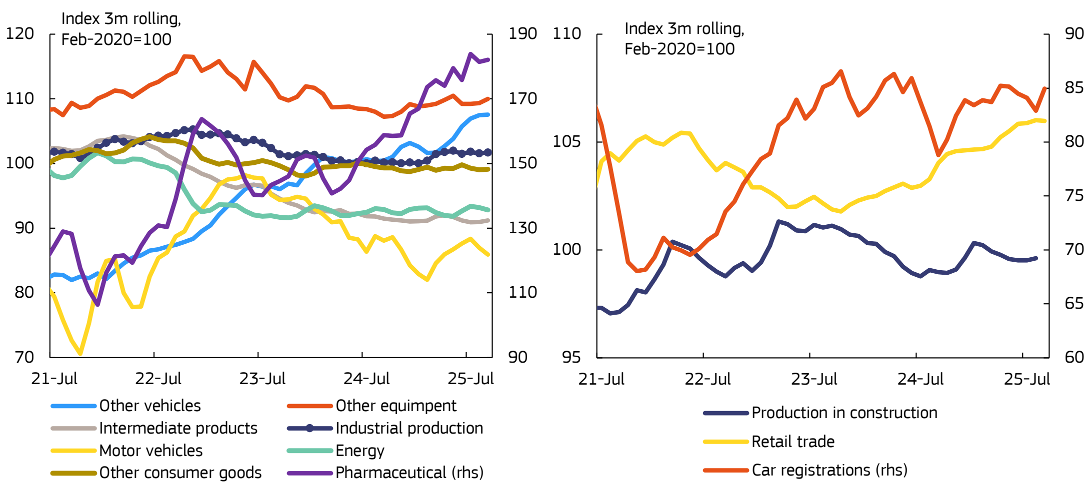
Exports were bolstered by a frontloading of shipments to the US in the first half of 2025. In 2025-Q1, exports of goods and services were up by 1.9%, or 1.2% excluding Ireland (see Graph I.4.5), particularly in pharmaceuticals and electronics (NACE division 26). Information on the destination structure of exports reveals intensified shipments to the US in 2025-Q1 (see Graph I.4.6 a.). Ireland's exports are estimated to have benefitted the most from frontloading, with positive effects also found for Germany and Belgium, among others [7]. However, in 2025-Q2 exports of goods and services declined by 0.2%, dragged down by a large negative payback effect from earlier frontloading in Ireland. Assuming exports remain unchanged for the rest of the year, annual export growth in the EU would reach 1.7% in the EU, 1.1 pps. more than was projected in spring. Available data for 2025-Q3 indicates robust export growth in France, due to the delivery of large transport equipment, namely aeronautics, and continuing export growth in the Netherlands. By contrast, lower-than-anticipated export volumes are reported for Austria and Spain. Imports of goods and services also grew faster than expected in the EU27, by 1.9% in 2025-Q1 but slowed to 0.3% in 2025-Q2, partly due to Ireland's intellectual property investment. When excluding Ireland from the EU aggregate, imports grew robustly by just above 1% in both quarters. Looking at EU imports of non-energy goods by country of origin, Graph I.4.6 b illustrates a rising trend in EU imports of non-energy goods from China, which began before the new US administration took office. This increase may indicate ongoing efforts by Chinese firms to export surplus production in certain sectors.

Graph I.4.6: **EU goods trade by partner**



[7] Frontloading was identified by comparing exports to the US and industrial production in 2025-Q1 with simple forecasts. Export growth to the US was predicted with exports to other non-EU destinations. The forecasts for industrial production growth were produced with autoregressive models and with autoregressive distributed lag (ARDL) models using the Commission's confidence indicator in manufacturing as explanatory variable. Frontloading was identified for a sector/country when exports to the US and industrial production both exceeded their predicted values.

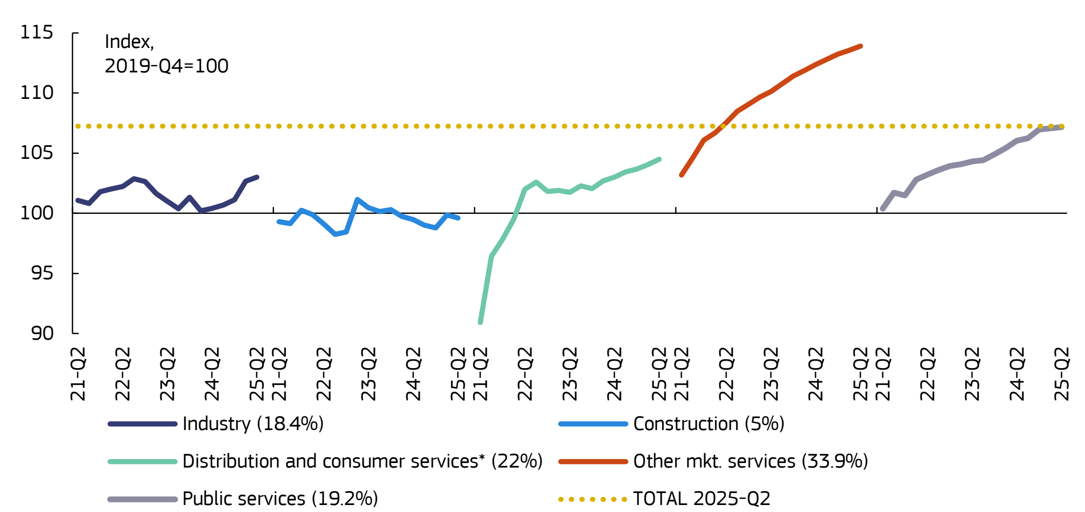
Graph I.4.7: **Short-term indicators, EU**



All data are seasonally and calendar adjusted.
Sources: ACEA; European Commission.

The frontloading of exports to the US benefitted industrial activity, and any payback effect on production has so far remained limited. In February and March, industrial production significantly exceeded the levels suggested by recent trends and confidence indicators, notably in pharmaceuticals and electronics, where deliveries were frontloaded in anticipation of higher US tariffs. This temporary boost to industrial activity is estimated to have added approximately 0.4 pps. to real GDP growth in 2025-Q1 in the EU, with Ireland seeing the most pronounced effects. Data for 2025-Q2 shows that industrial production continued to be supported by the pharmaceutical industry and increased manufacturing of other transport equipment, notably in France (see Graph I.4.7). While EU car registrations picked up, motor vehicle production and sales weakened in 2025-Q3. The remainder of industry remained resilient.

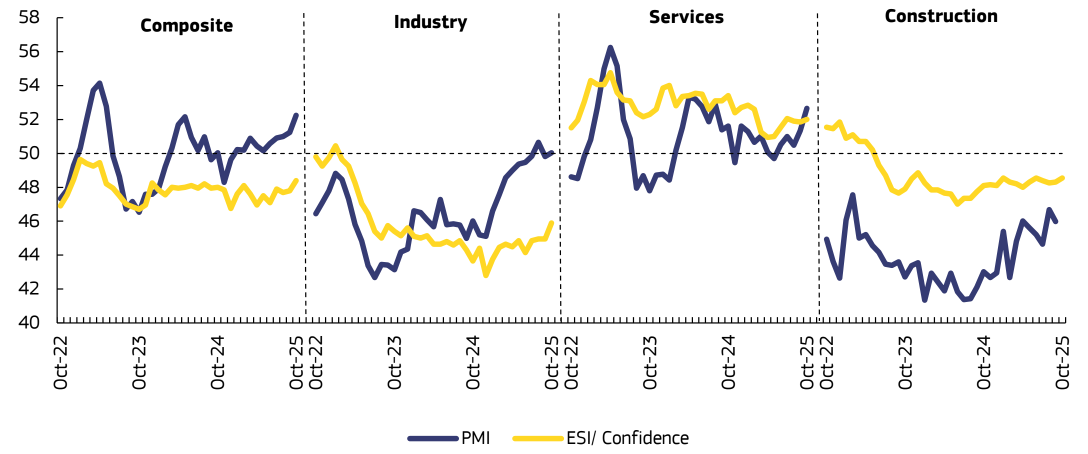
Graph I.4.8: **Gross value added across sectors, EU**



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

Distribution and business services grew steadily in the first half of 2025, while construction trends varied across Member States. Value added in services continued its upward trend across activities (see Graph I.4.8). However, data for July and August suggests this expansion slowed in 2025-Q3, while qualitative assessments by businesses have improved. After a stagnant 2024, production and gross value added in construction show no clear overall trend in the EU. Production has increased in several Member States that benefit from significant EU funds, including Spain, Italy, Portugal, Bulgaria, and Croatia. By contrast, Germany, France, Austria, and Sweden have experienced continued decline.

Graph I.4.9: **Economic sentiment, confidence indicators and PMI, euro area**

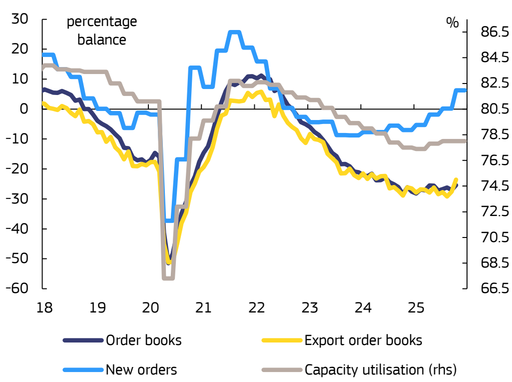


EC BCS series rescaled to align interpretation to PMI: Confidence'=50+0.5*Confidence; ESI'=ESI/2. The Economic Sentiment Indicator (ESI) has broader coverage than the composite PMI. In addition to services and industry it includes retail, construction and consumers.
Sources: S&P Global, European Commission.

Growth outlook

Economic sentiment suggests continued resilience ahead. The economic sentiment indicator (ESI) picked up in October, regaining the ground lost earlier in the year. Economic sentiment improved among consumers and across all business sectors (see Graph I.4.9), especially investment goods manufacturers. While industry capacity utilisation remains below average, order inflows have improved, bolstering export order books (see Graph I.4.10). With business sentiment rebounding, favourable financing conditions and resumed credit flows, investment is set to gain momentum. Returning consumer confidence and recovering purchasing power are set to support household consumption in the next quarters, but the expansion of construction investment may need longer to set in.

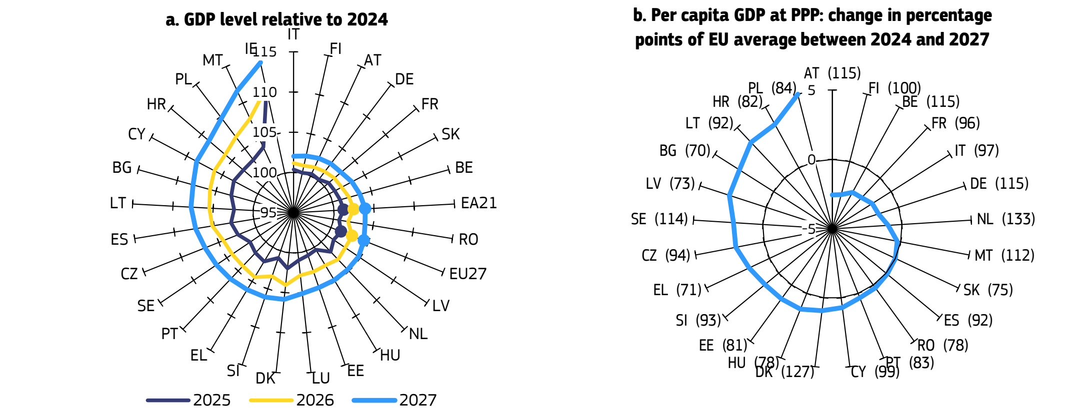
Graph I.4.10: **Order books and capacity utilisation in manufacturing, EU**



Real GDP growth in 2025 is revised up significantly from the Spring 2025 Forecast, largely due to the front-loading of deliveries to the US. Even so, export growth remains low by historical standards. Steady domestic demand and trade diversion from countries facing higher trade barriers than the EU – notably China - (see Box I.1.2) are set to sustain import growth. Overall, net exports are expected to have a negative contribution to GDP growth in the second half of 2025. After exceeding expectations in the first three quarters, real GDP growth is expected to soften slightly in 2025-Q4 but reach 1.4% in the EU for the whole year (compared to 1.1% projected in spring), and 1.3% in the euro area (up from 0.9%). Higher-than-expected GDP growth in Ireland accounts for 0.2 pps. of the 0.3 pps. upward revision of the EU and euro area growth projections in 2025.

Modest but steady expansion of domestic demand is expected to drive economic growth. A resilient labour market and decreasing inflation are set to continue bolstering real household incomes and private consumption, at a pace similar to spring projections. Investment is expected to regain momentum, influenced by several factors: improving demand prospects and corporate profitability, favourable financing conditions, resumed credit flows, policy support from EU funds and higher defence spending. The end of the RRF in 2027 could be offset by increased absorption of cohesion funds (see Box I.4.1). The upward revision of the investment forecast for the EU aggregate since spring is mainly due to equipment, which has been exceeding expectations in 2025. For 2026, it also reflects the fact that this forecast includes Germany’s new fiscal stimulus measures and accelerated depreciation options. Export growth is projected to remain subdued in 2026 (and lower than projected in spring), dragged down by a slowdown in goods exports, but pick up in 2027, reflecting the evolution in global trade. EU exporters are projected to continue losing goods market shares, due to reduced competitiveness in manufacturing. Meanwhile, exports of services are projected to continue growing at robust rates throughout the forecast period. As import growth remains supported by the steady expansion of final demand, net exports contributing negatively to GDP growth in 2025-26 but turning neutral in 2027. On balance, the 2026 GDP growth outlook is set to remain broadly unchanged relative to spring at 1.4% in the EU and revised slightly down for the euro area by 0.2 pps. to 1.2%. In 2027, economic growth is set to reach 1.5% in the EU and 1.4% in the euro area, supported by improving trade prospects (see Tables I.4.2 and I.4.2).

Graph I.4.11: **Growth dispersion and convergence**

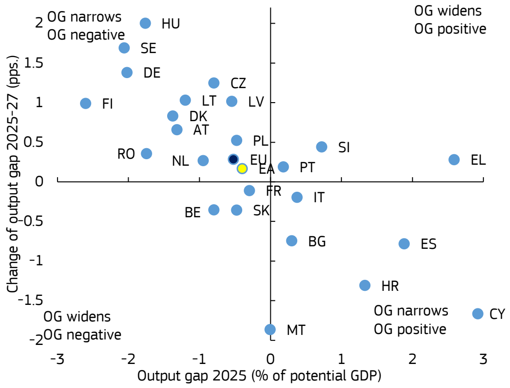


Panel b: Per capita GDP in PPP % relative to EU average in 2027 in brackets; Ireland is projected to attain 236% (+14 pps.) and Luxembourg to come down to 234% (-8 pps), both outside the visible scale of the graph.

Growth is set to pick up or stay robust in most Member States. All Member States are set to expand this year. In 2026 and 2027, GDP is expected to grow somewhat faster or maintain a brisk pace in most Member States. Although improving, growth in Italy, Germany and France is set to remain below average, while for Spain, Poland and the Netherlands, as well as for Sweden, Denmark and Ireland it is projected above average in accumulated terms (see Graph I.4.11 a.). In general, the catching-up economies are expected to expand more than average (Graph I.4.11 b.), helping the convergence in the EU progress further over the forecast horizon.

EU growth is estimated to catch up with potential in 2025 and slightly outpace it in 2026-27. For 2025, the output gap is estimated at -0.5% for the EU (unchanged) and at -0.4% for the euro area (0.1 pps. wider). By 2027 the output gap is set to narrow to -0.2% in both regions. Roughly half of the Member States, including Germany, Poland and the Netherlands, are projected to see their negative output gap narrow, i.e. their output level is recovering towards potential. Six Member States, including Italy, Spain and Ireland, have a narrowing positive output gap, i.e their output is converging down to potential. Three Member States, including France, are projected to go deeper below potential. Another three are set to have a widening positive output gap (see Graph I.4.12). Mainly based on the projected evolution of demographics, potential growth is set to slow down slightly from 1.5% in 2024 to 1.3% in 2027 in the EU and from 1.4% to 1.2% in the euro area, notably due to the slowing growth of working-age population, while capital accumulation, labour market participation and productivity growth are set to remain supportive. For eight Member States, potential growth is set to increase over the forecast horizon.

Graph I.4.12: **Output gap across Member States**



IE (3.8%; -4pps); EE (-3.1%; +3.1pps) and LU (-3.8%; +1.5pps) not depicted.

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

(Real annual percentage change)									Autumn 2025 Forecast		
	2024			2020	2021	2022	2023	2024	2025	2026	2027
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		8,089.8	52.8	-7.8	4.7	5.3	0.5	1.3	**1.3**	**1.3**	**1.3**
Public consumption		3,280.5	21.4	1.3	4.3	1.3	1.5	2.3	**1.8**	**1.5**	**1.2**
Gross fixed capital formation		3,229.1	21.1	-5.6	3.7	2.1	2.4	-2.0	**2.2**	**2.5**	**2.3**
Change in stocks as % of GDP		62.4	0.4	0.2	1.1	2.0	0.5	0.4	**0.7**	**0.7**	**0.7**
Exports of goods and services		7,548.3	49.2	-8.7	11.5	7.4	-1.2	0.6	**1.5**	**1.4**	**2.3**
Final demand		22,210.1	144.8	-6.6	7.2	5.1	-0.4	0.6	**1.8**	**1.5**	**1.7**
Imports of goods and services		6,878.3	44.9	-8.1	9.0	8.4	-2.0	0.0	**2.9**	**2.2**	**2.5**
GDP		15,336.1	100.0	-6.0	6.4	3.6	0.5	0.9	**1.3**	**1.2**	**1.4**
GNI		15,327.9	99.9	-6.6	7.1	3.0	0.4	0.8	**0.9**	**1.2**	**1.3**
p.m. GDP EU		18,054.1	117.7	-5.6	6.4	3.5	0.4	1.1	**1.4**	**1.4**	**1.5**
				Contribution to change in GDP							
Private consumption				-4.2	2.4	2.7	0.3	0.7	**0.7**	**0.7**	**0.7**
Public consumption				0.3	1.0	0.3	0.3	0.5	**0.4**	**0.3**	**0.3**
Investment				-1.2	0.8	0.5	0.5	-0.4	**0.5**	**0.5**	**0.5**
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	**0.7**	**0.7**	**1.1**
Final demand				-9.6	10.1	7.4	-0.6	0.9	**2.6**	**2.2**	**2.5**
Imports (minus)				3.6	-3.7	-3.8	1.0	0.0	**-1.3**	**-1.0**	**-1.1**
Net exports				-0.6	1.4	-0.2	0.4	0.3	**-0.6**	**-0.3**	**0.0**

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

(Real annual percentage change)	2024								Autumn 2025 Forecast		
	bn Euro Curr. prices	% GDP	2020	2021	2022	2023	2024		2025	2026	2027
					Real percentage change						
Private consumption	9,497.0	52.6	-7.1	4.8	5.0	0.3	1.5		**1.5**	**1.5**	**1.5**
Public consumption	3,877.7	21.5	1.2	4.1	1.1	1.6	2.4		**1.8**	**1.5**	**1.2**
Gross fixed capital formation	3,838.5	21.3	-5.0	4.1	2.1	2.6	-1.9		**2.0**	**2.7**	**2.5**
Change in stocks as % of GDP	69.3	0.4	0.2	1.3	2.2	0.4	0.4		**0.7**	**0.6**	**0.6**
Exports of goods and services	9,100.0	50.4	-8.2	11.3	7.3	-0.2	0.8		**1.6**	**1.6**	**2.3**
Final demand	26,384.2	146.1	-6.2	7.3	5.0	-0.3	0.8		**1.9**	**1.7**	**1.9**
Imports of goods and services	8,333.9	46.2	-7.6	9.7	8.3	-1.6	0.4		**3.0**	**2.3**	**2.6**
GDP	18,054.1	100.0	-5.6	6.4	3.5	0.4	1.1		**1.4**	**1.4**	**1.5**
GNI	17,993.1	99.7	-6.0	6.9	3.0	0.4	1.0		**1.1**	**1.4**	**1.5**
p.m. GDP euro area	15,336.1	84.9	-6.0	6.4	3.6	0.5	0.9		**1.3**	**1.2**	**1.4**
					Contribution to change in GDP						
Private consumption			-3.8	2.5	2.6	0.2	0.8		**0.8**	**0.8**	**0.8**
Public consumption			0.3	0.9	0.3	0.3	0.5		**0.4**	**0.3**	**0.3**
Investment			-1.1	0.9	0.5	0.6	-0.4		**0.4**	**0.6**	**0.5**
Inventories			-0.3	0.9	0.4	-1.4	-0.1		**0.3**	**0.0**	**0.0**
Exports			-4.0	5.2	3.6	-0.1	0.4		**0.8**	**0.8**	**1.1**
Final demand			-9.0	10.4	7.4	-0.4	1.2		**2.7**	**2.5**	**2.7**
Imports (minus)			3.4	-4.1	-3.8	0.9	-0.2		**-1.4**	**-1.1**	**-1.1**
Net exports			-0.6	1.1	-0.2	0.8	0.3		**-0.5**	**-0.3**	**0.0**

Box I.4.1: **The role of EU funds over the forecast horizon**

EU funds, including the Recovery and Resilience Facility (RRF), have become a crucial funding source for investment in Member States in recent years. The end of the RRF in 2026 leaves a gap, which is expected to be partially filled in 2027 by other EU funds. This box presents recent trends and the outlook for EU-funded expenditure.

Government expenditure (including tax expenditure) financed by RRF grants in the EU amounted to EUR 160 bn until the end of 2024, corresponding to around ¼% of GDP each year from 2021 to 2024. Further EUR 35 bn of expenditure in Member States was financed by RRF loans by the end of 2024. This leaves more than half of the budgeted EUR 359 bn grant funds, and an even larger share of the EUR 291 bn loan funds, to be spent over the forecast horizon, implying a significant pick-up of expenditure by 2026, the final year of the RRF. (1) Based on guidance provided by the Commission in a Communication on 12 June, (2) most Member States have revised or are in the process of revising their Recovery and Resilience Plans (RRP) to simplify them and to facilitate the achievement of all milestones and targets by 31 August 2026, and the full disbursement of the remaining RRF grants by 31 December 2026. The revised RRPs must continue to comply with all assessment criteria laid down in the RRF Regulation, and some of the options presented in the Communication include the scaling up of existing measures, the continuation of projects beyond 2026 using national or other EU funds, incentives for private investment through financial instruments (including InvestEU), or equity injections into national promotional banks, and contributions from the RRF to the future European Defence Industry Programme (EDIP) and EU satellite programmes.

Although the RRF is a temporary instrument, its macroeconomic impact is set to last beyond the 31 August 2026 deadline for implementing the RRPs. First, some of the relevant expenditure that is financed by RRF grants, and which provides an impulse to GDP growth, might take place after that deadline. (3) Second, financial instruments set up from RRF grants or loans continue to provide financing to the private sector at favourable terms beyond 2026. Last but not least, the investment and structural reforms carried out by Member States in the context of the RRF can raise productivity and income levels in the longer term. (4)

The fading of the direct fiscal impulse provided by the RRF is also expected to be offset by increased utilisation of other EU funds. Cohesion policy spending in the 2021-2027 programming cycle has been modest so far: until August 2025, just 11% of the planned spending had been implemented by Member States according to the Cohesion Open data platform (see Graph 1), and only 13.5% of the EUR 378 bn cohesion policy envelope had been disbursed from the EU budget by the cut-off date of this forecast. This points to a slower utilisation of cohesion policy funds than in the previous MFF cycle, leaving significant scope for EU-funded expenditure over the remainder of the programming

(1) These amounts refer to the government expenditure recorded in national accounts (as well as reductions in tax revenue compensated by RRF grants; see Eurostat table gov_rrf_use), which should not be confused with disbursements to Member States on the basis of pre-financing, and approved payment requests following the fulfilment of relevant milestones and targets (see Eurostat table gov_rrf_fa). Note that expenditure financed by RRF loans does not appear in the Commission's fiscal stance measure. However, RRF loans can still have a positive impact on aggregate demand because they extend governments' fiscal space by providing financing at favourable terms.

(2) European Commission (2025): NextGenerationEU – The road to 2026. Communication from the Commission to the European Parliament and the Council, COM(2025) 310 final/2. [link]

(3) For example, when an RRF measure foresees investment grants to private companies, the relevant milestone for fulfilling the measure (and disbursing the funds from the EU to the Member State) might require the signature of contracts with final beneficiaries in 2026, and the transfer of funds from the government to the implementing partner, but the actual investments by the private companies might take place in 2027.

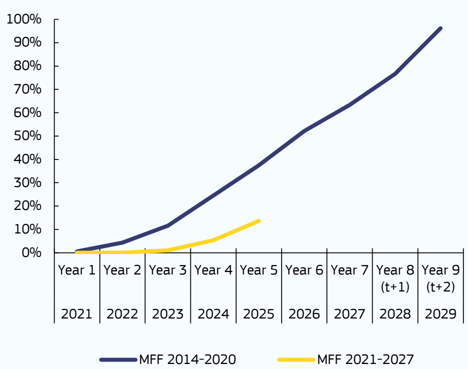
(4) For a literature review of the long-term impact of structural reforms, see for example García, L., J. Guigue and L. Vogel (2024). "How to Assess the Growth Effect of Structural Reforms?" European Commission (DG ECFIN), European Economy Discussion Paper 215. For an assessment of the impact of structural reforms related to the RRF, see Bankowski, K. et al. (2024). "Four years into the NextGenerationEU: what impact on the euro area economy?" European Central Bank, ECB Occasional Paper No. 362.

(Continued on the next page)

Box (continued)

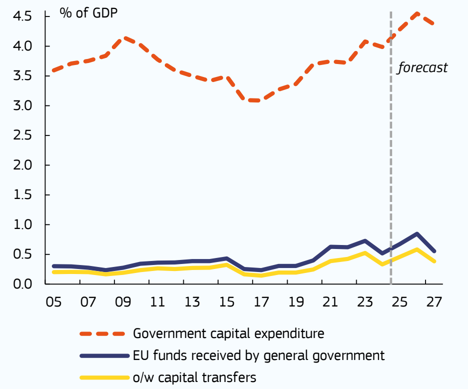
cycle. The recently concluded mid-term review of cohesion policy [5] provides Member States with greater flexibility and incentives to deploy existing resources more rapidly and accelerate programme implementation. It also aligns cohesion policy investments with new priorities, notably defence and security, competitiveness and decarbonisation, affordable housing, access to water, water management, energy transition and challenges facing Eastern border regions. In addition, the review also extends the eligibility period of spending from 2029 to 2030 under certain conditions. The newly created Social Climate Fund is also expected to disburse EUR 65 bn to Member States between 2026-2032 from the revenues of the emissions trading system ETS, and its extension ETS2 (see Special Issue 3).

Graph 1: **Cumulative cohesion policy spending in the EU (% of total envelope)**



The horizontal axis shows the implementation years of the current Multiannual Financial Framework, and the respective years of the previous MFF cycle. The figure for 2025 is an estimate based on spending data for January-August.
Source: Cohesion Open Data Platform.

Graph 2: **EU funds and public capital expenditure in the EU**



Government capital expenditure is the sum of gross capital formation by the general government and capital transfers paid to other sectors.

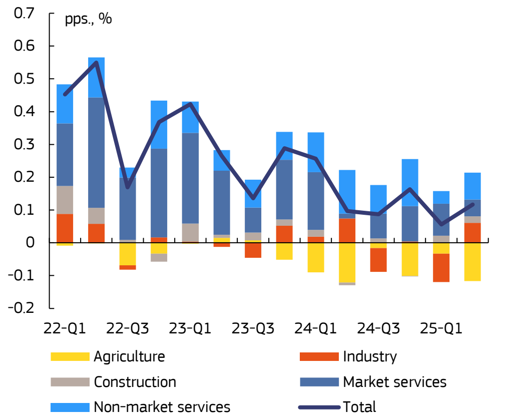
Overall, the increase in EU grants has contributed to a significant rise in government capital expenditure (including gross capital formation, investment grants and other capital transfers) from 3.4% in 2019 to a projected 4.6% in 2026. The end of the RRF is anticipated to lead to a slight decrease in EU grant-funded expenditure in 2027. As administrative resources are freed up after the end of the RRF, an uptick in the use of the remaining cohesion policy funds is expected, although the increase in spending may extend over the next two to three years. Despite this limited decrease, capital expenditure is projected to stay relatively high at 4.4% of GDP compared to historical levels (see Graph 2). Additionally, government capital expenditure in 2027 is likely to be supported by nationally-financed spending, including on defence. Finally, EU grants and loans are expected to continue supporting private investment through favourable financing conditions in 2027.

The impact of EU funds over the forecast period is expected to vary significantly across Member States. In the EU as a whole, EU grant-financed government spending is projected to rise by 0.2% of GDP from 2024 to 2026 (see Graph 2). However, it is set to rise by more than 1% of GDP in Bulgaria, Greece, Latvia, Poland, Portugal and Slovakia. The decrease from 2026 to 2027 is influenced by the relative size of Member States' respective RRF and cohesion policy envelopes. Some Member States with larger RRF grant allocations (such as Greece, Portugal and Spain) are projected to experience larger drops of EU grant-funded spending in 2027, while the decrease is set to be less pronounced among Member States with large cohesion policy envelopes (such as Croatia or Romania).

[5] Regulation of the European Parliament and of the Council amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review; and Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/1057 establishing the European Social Fund Plus (ESF+) as regards specific measures to address strategic challenges.

5. LABOUR MARKET

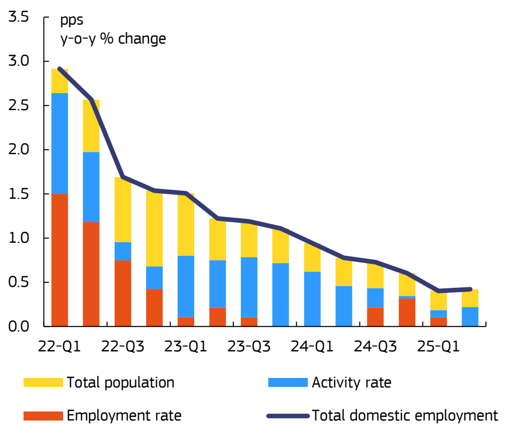
Graph I.5.1: **Employment per sector, EU**



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

Employment in the EU continued to grow modestly in the first half of 2025. The gradual slowdown in employment growth that started in 2022 continued in the first half of 2025. In the EU, headcount employment came to a halt on a quarter-on-quarter basis in 2025-Q1 and increased by only 0.1% in 2025-Q2. Still, the EU economy generated jobs for an additional 380 000 people during the first half of the year. The services sector continued to contribute most to employment growth, creating jobs for 562 000 workers, with market services accounting for 350 000 positions. The construction sector also contributed positively, increasing its workforce by 88 000. By contrast, the agricultural and industrial sectors saw further employment losses, counting 220 000 and 50 000 lost jobs, respectively (see Graph I.5.1). The annual growth rate of employment in 2025-Q2, compared with the same quarter in 2024, stood at 0.4% in the EU, with significant differences across countries. Among the largest Member States, annual employment growth was highest in Spain at 3.0%, followed by Italy at 1.1%. Meanwhile, it stagnated in Germany and declined slightly in France by 0.3%.

Graph I.5.2: **Employment growth composition, EU**

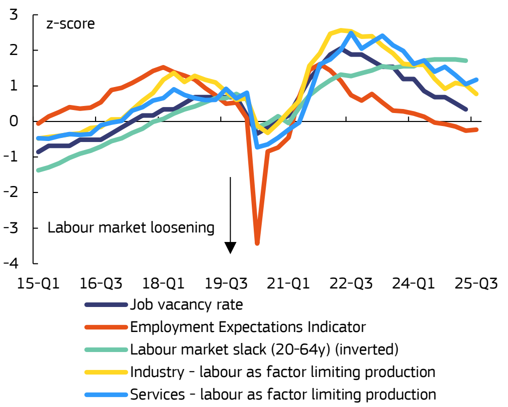


Activity and employment rates saw a slight increase in the first half of 2025. According to the Labour Force Survey, the EU activity rate of people aged 20-64 reached 80.8% in 2025-Q2, up from 80.4% in 2024-Q4. The EU employment rate for people in the same age group increased to 76.2% in 2025-Q2, from 75.9% in 2024-Q4. The employment rate for men increased marginally, by 0.1 pps., reaching 81.0%, while the rate for women saw a more notable increase of 0.4 pps. to 71.3%. The employment rate of foreign-born workers aged 20-64 saw an even bigger increase of 0.5 pps., reaching 71.1%, although this remains below the rate of native-born employees, which stands at 77.4%. Across age groups, the rise in employment rate was driven by older workers aged 55-64, whose employment rate reached 66.5% in 2025-Q2. For young workers aged 15-24 and prime-age workers aged 25-54, the employment rate increased only marginally by 0.1 pps. in the first half of the year, to 34.8% and 82.7% respectively. Overall, the growth in employment during the first half of the year was mostly driven by the increase in total population, supported by net immigration, while the activity and employment rates contributed to a lesser degree (see Graph I.5.2 and Special Issue 2).

The unemployment rate and labour market slack stabilised at record lows. The EU unemployment rate was 6.0% in September, with the euro area at 6.3%, record low levels which remained unchanged since January. Meanwhile youth unemployment declined slightly since January to reach 14.8% in September. Differences across countries narrowed further, although significant disparities exist. Since the start of 2025, unemployment rates have declined further in countries such as Spain, Italy and especially Greece, while they increased in countries with low unemployment such as Germany, Ireland, the Netherlands or Central and Eastern European countries like Hungary, Poland and Slovakia. Among the larger EU countries, France has also seen an increase in its employment rate, despite having rates above the average. Eurostat's broader measure of labour market slack, which includes other groups with an unmet need for employment besides the unemployed, stabilised in the second quarter of 2025 at record low level of 10.9% of the extended labour force aged 20-64.

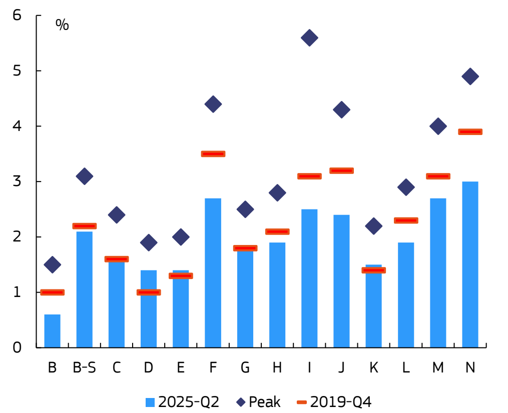
The EU labour market has eased but remains tight. The latest Commission business surveys show a reduction in the share of firms citing labour force shortages as a factor limiting production in both industry and services. In the third quarter, this share stood at 23.9% for services, down from 25% in the first quarter of 2025, while for industry, it stood at 16.4%, down from 18.6%. While the reported labour shortages have declined significantly since their peaks in 2022, they are still relatively high compared to historical standards, nearing levels seen in 2019 (see Graph I.5.3). Job vacancy rates also declined further in the first half of the year. In the second quarter of 2025, 2.1% of jobs were reported as vacant in the EU, slightly down from 2.3% in 2024-Q4. Job vacancy rates declined across all sectors, with the sharpest decline in "administrative and support service activities" (NACE sector N) which, despite the reduction, remains the sector with the highest vacancy rate in the EU at 3% in the EU (see Graph I.5.4).

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.
*Share of managers indicating shortage of labour force as factor limiting production.

Graph I.5.4: **Job vacancy rate by sectors, EU**

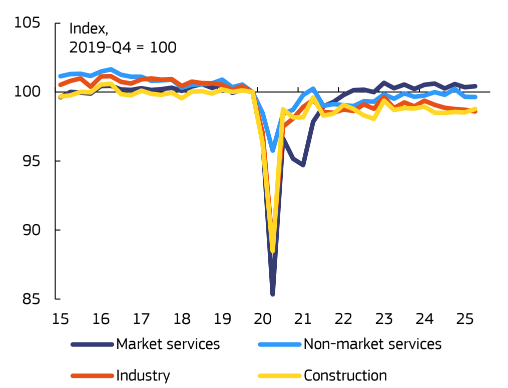


B-S: Industry, construction and services; B: Mining and quarrying, C: Manufacturing; D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage, waste management and remediation activities; F: Construction; G: Wholesale and retail trade; repair of motor vehicles and motorcycles; H: Transportation and storage; I: Accommodation and food service activities; J: Information and communication; K: Financial and insurance activities; L: Real estate activities; M: Professional, scientific and technical activities; N: Administrative and support service activities.

The average number of hours worked declined marginally in 2025. During the first half of the year, the total number of hours worked grew modestly, slightly less than total employment. Consequently, average hours worked per employed person declined slightly during the first two quarters. In the services sector, average hours worked are close to pre-pandemic levels, while they remain below pre-pandemic levels in the industry and construction sectors (see Graph I.5.5).

Labour productivity growth picked up in the first half of 2025. After entering a mild cyclical upturn at the beginning of 2024, productivity gradually accelerated towards the end of the

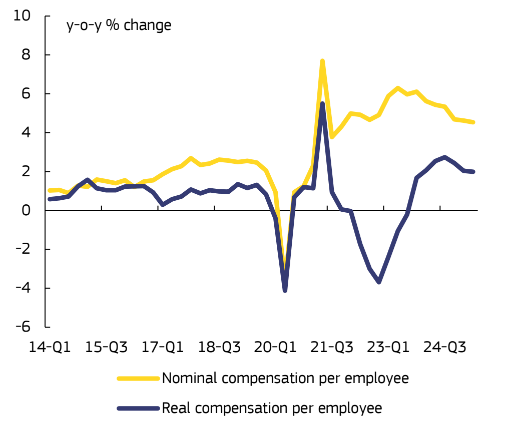
Graph I.5.5: **Hours worked per employee by sector, EU**



year. On average, labour productivity per person increased by 0.3% in the EU in 2024 but remained unchanged in the euro area. This rebound is particularly evident in non-euro area and Eastern Member States. In the first two quarters of 2025, both output per worker and per hours worked increased strongly, by around 1.25% in each quarter.

Wage growth continued to decelerate in the first half of 2025. The annual growth rate of nominal compensation per employee in the EU declined from an average of 5.1% in 2024 to 4.5% in 2025-Q2. In the euro area, it fell from an average of 4.5% in 2024 to 3.9% in 2025-Q2. Annual growth in hourly compensation in the EU stood at 4.1% in 2025-Q2, down from 4.8% in 2024-Q4. In the euro area, it eased from 4.1% in 2024-Q4 to 3.7% in 2025-Q2, though with a slight acceleration compared to the previous quarter. Nominal compensation per employee slowed down in services and construction, while it accelerated in industry. However, wages continue to rise faster in construction and services than in industry. Overall wage growth moderation at the EU level conceals significant differences between countries. Most countries recorded further wage deceleration with some, such as Denmark and France, reaching low levels of wage growth. This contrasts with the Baltic States and several Eastern European countries, where wage growth is still very high or has not yet started to decline.

Graph I.5.6: **Compensation per employee, EU**

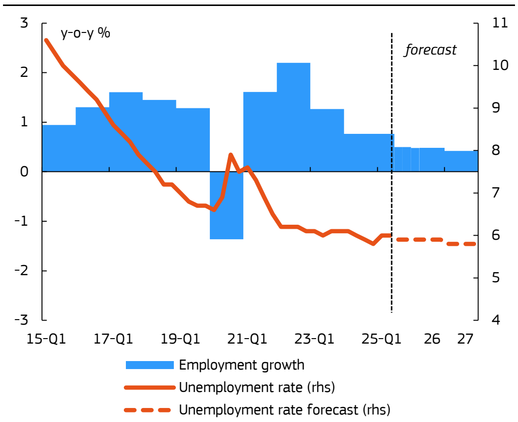


For the calculation of real compensation growth, the deflator of private consumption was used.

Real wages are above pre-pandemic levels at the EU aggregate level. On average, real wages in the EU turned positive at the end of 2023 and continued growing until the end of 2024, largely thanks to falling inflation. As the disinflation process slowed down during the first half of 2025, the annual growth in real wages per employee also slowed down (see Graph I.5.6). Differences in real wages across countries are more contained than in nominal terms, as countries with high inflation rates tend to also record high nominal wage growth.

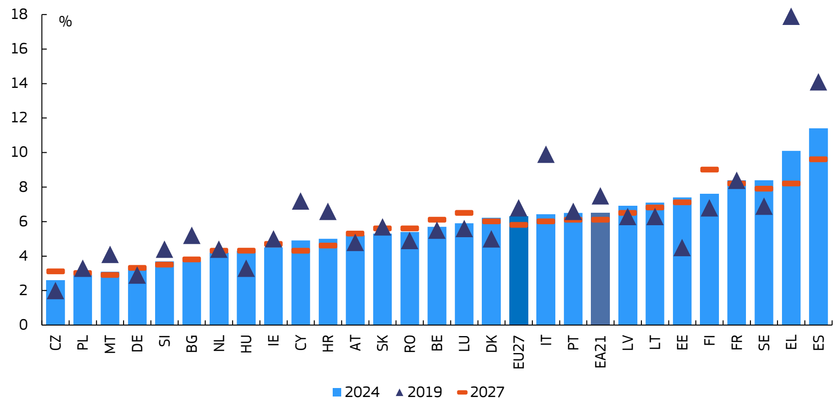
Employment growth is set to slow down further over the forecast horizon. After a weak start to the year, employment growth is expected to continue growing in the second half of 2025, reaching 0.5% annual growth for the whole year in the EU and 0.6% in the euro area. The prospects for the second half of 2025 are backed by surveys, pointing to stabilisation or slight improvements. The European Commission Employment Expectations Indicator (EEI), which summarises managers' employment plans, has increased since spring, although it remains slightly below the long-term average. Meanwhile, the employment index of the euro area composite PMI continued to hover around the stabilisation mark (50) since spring. Employment is projected to grow at a similar pace in the EU, at 0.5% in 2026 and 0.4% in 2027, and 0.5% in the euro area in both years. Malta projects the highest employment growth rates among the Member States. Among larger countries, Spain continues to have the strongest prospects in terms of employment growth over the forecast horizon, while Germany and France are expected to experience very modest employment growth.

Graph I.5.7: **Employment growth and unemployment rate, EU**



The unemployment rate is expected to edge down further towards new record lows. With employment growth still outpacing the projected increase in the active population, unemployment rates in the EU are projected to stabilise in 2025 and 2026 at 5.9%, before declining further in 2027 to 5.8% (see Graph I.5.7). In the euro area, unemployment rates are expected to decline from 6.3% in 2025 to 6.2% in 2026 and 6.1% in 2027. However, there are notable exceptions to the overall expected decline in unemployment rates, with a number of countries seeing unemployment trending upwards between 2025 and 2027, namely Belgium, Bulgaria, France, Netherlands, Slovakia, Slovenia and Czechia. Overall, unemployment rates are expected to fall most in countries with historically high unemployment rates, while in nations with lower levels of unemployment, rates are either rising or showing moderate declines. These trends contribute to the narrowing of cross-country dispersion in unemployment rates (see Graph I.5.8).

Graph I.5.8: **Unemployment rate across EU Member States, 2024 compared to 2019 and 2027**



Wage growth is set to continue moderating over the forecast horizon. In the first half of 2025, negotiated wage growth in the euro area decelerated to an average rate close to 3%, down from the 4.5% observed in 2024. The volatility of this indicator during this period (2.5% in 2025-Q1 and 3.9% in 2025-Q2) was due to one-off payments, such as inflation compensation bonuses, in German collective agreements. Forward-looking trackers point to a further deceleration of negotiated wages in the euro area into 2026. The ECB's tracker of wage agreements concluded in a selection of euro area Member States signals negotiated wage growth of about 2.9% for 2025 and 2.4% for the first half of 2026. Excluding one-off payments, the indicator shows a smoother downward trend, reaching about 3% by the end of 2025 and moving below that rate in the first half of 2026. The ECB Survey of Professional Forecasters for the third quarter of 2025 [8] reveals nominal wage growth of 3.3% in 2025 and 2.8% in 2026. In line with these forward-looking indicators, the growth of nominal compensation per employee in the EU is expected to slow down over the forecast horizon, from 5.1% in 2024 to 4.0% in 2025, 3.3% in 2026 and 3.1% in 2027. In the euro area, wage growth is expected to decline from 4.5% in 2024 to 3.6% in 2025, 2.9% in 2026 and 2.8% in 2027. Differences in nominal compensation per employee across countries are expected to narrow progressively over the forecast horizon, as those countries with the highest wage growth in 2025 are projected to record the steepest decelerations in 2026-27. Real compensation is set to moderate in line with nominal wages as inflation stabilises around 2% in the euro area, with slightly higher levels in the EU. The dispersion in real compensation per employee is smaller than in nominal terms and is expected to narrow further over the forecast horizon.

(8) Results of the ECB Survey of Professional Forecasters for the third quarter of 2025

The cyclical upturn in labour productivity leads to moderation in growth of unit labour costs. The job intensity [9] of economic growth is set to slow down further over the forecast horizon as productivity per employed person is projected to increase (see Graph I.5.9). In the EU, labour productivity growth is expected to average 0.8% in 2025 in the EU, accelerating to 1.0% in 2026 and 1.1% in 2027. Productivity gains in the euro area are expected to be slightly more muted, at 0.6% in 2025, 0.8% in 2026 and 0.9% in 2027, with some of the strongest productivity gains projected in non-euro area countries. Nevertheless, all EU countries are expected to record productivity growth, in most cases offsetting the losses since 2023. Thanks to productivity gains and wage moderation, growth in unit labour costs is set to slow down significantly in 2026-27. Variations in labour costs across EU countries is expected to narrow sharply by 2027, suggesting that for most countries, higher employee compensation per head is associated with higher productivity gains. The real unit labour costs are expected to turn slightly negative in the EU in 2026 (-0.1%) and 2027 (-0.2%) as compensation of employees hovers slightly below EU inflation.

Graph I.5.9: **Job intensity of economic growth and labour productivity, EU**

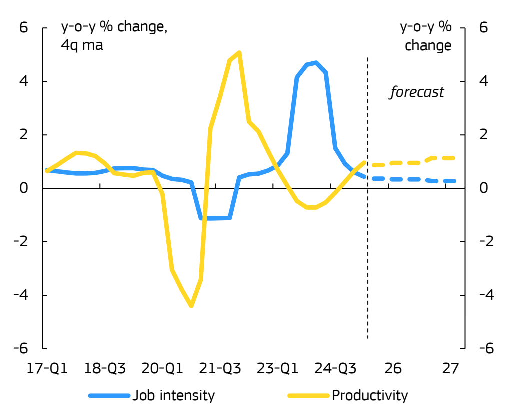


Table I.5.1: **Labour market outlook - euro area and EU**

(Annual percentage change)	Euro area (21)							EU						
	Autumn 2025 Forecast				*Spring 2025 Forecast*			Autumn 2025 Forecast				*Spring 2025 Forecast*		
	2024	2025	2026	2027	2024	2025	2026	2024	2025	2026	2027	2024	2025	2026
Population of working age (15-74)	0.4	**0.3**	**0.2**	**0.2**	*0.4*	*0.3*	*0.2*	0.3	**0.3**	**0.2**	**0.1**	*0.3*	*0.2*	*0.1*
Labour force	0.8	**0.6**	**0.5**	**0.4**	*0.8*	*0.4*	*0.4*	0.7	**0.5**	**0.4**	**0.4**	*0.7*	*0.4*	*0.3*
Employment	0.9	**0.6**	**0.5**	**0.5**	*1.0*	*0.5*	*0.5*	0.8	**0.5**	**0.5**	**0.4**	*0.8*	*0.5*	*0.5*
Employment (change in million)	1.6	**1.1**	**0.9**	**0.8**	*1.7*	*0.9*	*1.0*	1.7	**1.1**	**1.1**	**0.9**	*1.7*	*1.0*	*1.1*
Unemployment (levels in millions)	11.0	**11.0**	**10.9**	**10.9**	*11.1*	*10.9*	*10.6*	13.0	**13.1**	**13.0**	**12.9**	*13.1*	*12.9*	*12.6*
Unemployment rate (% of labour force)	6.3	**6.3**	**6.2**	**6.1**	*6.3*	*6.3*	*6.2*	5.9	**5.9**	**5.9**	**5.8**	*5.9*	*5.9*	*5.7*
Labour productivity, whole economy	0.0	**0.6**	**0.7**	**0.9**	*-0.1*	*0.4*	*0.8*	0.3	**0.9**	**1.0**	**1.1**	*0.2*	*0.6*	*1.0*
Employment rate (a)	64.9	**65.2**	**65.3**	**65.5**	*64.9*	*65.1*	*65.3*	64.4	**64.6**	**64.7**	**64.9**	*64.4*	*64.6*	*64.8*

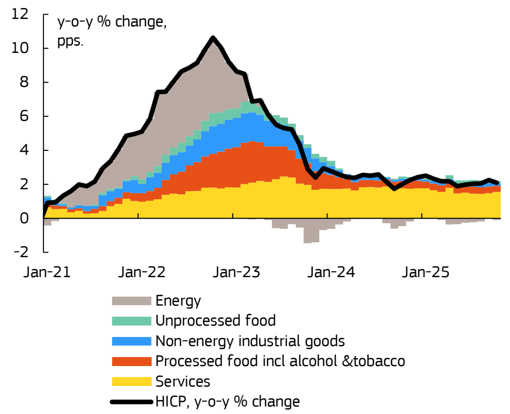
(a) Employment as a percentage of population of working age. Definition according to structural indicators. See also note 6 in the Statistical Annex. For the EU and EA, this table now also displays employment in persons, limiting the comparability to figures published before Spring 2023.

(9) Job intensity is defined as the ratio of employment growth to economic activity growth and captures the employment content of economic growth.

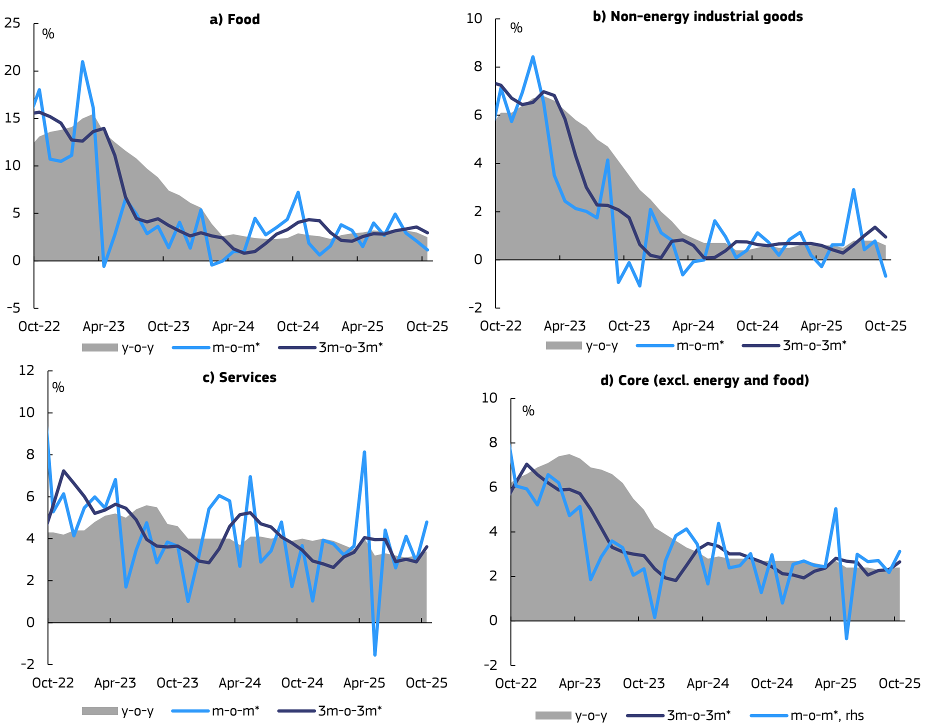
6. INFLATION

Inflation in the euro area has been hovering around 2% since May. After fluctuating between 1.9% and 2.2%, headline inflation in the euro area reached 2.1% in October [10]. This apparent stability conceals different trends across inflation components. Services inflation eased further, while energy prices continued to contract, albeit at a slower pace. Food inflation rose until July to decline thereafter, while price pressures in non-energy industrial goods have remained low and broadly unchanged since April.

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



Graph I.6.2: **Inflationary pressures, euro area**



*Seasonally and working-day adjusted, annualised

Price pressures moderated in services and remained subdued in industrial goods. Services were a key disinflationary driver in the second and third quarter of 2025, as inflation fell nearly 1 pp. between April and August to 3.1%, the lowest reading since early 2022, before picking up to 3.4% in October (see Graph I.6.2). Inflation moderated across all major service categories, including in wage-sensitive, energy-sensitive and contact-intensive services, reaching four-year lows in the latter two. Momentum in non-energy industrial goods prices has been subdued throughout 2025,

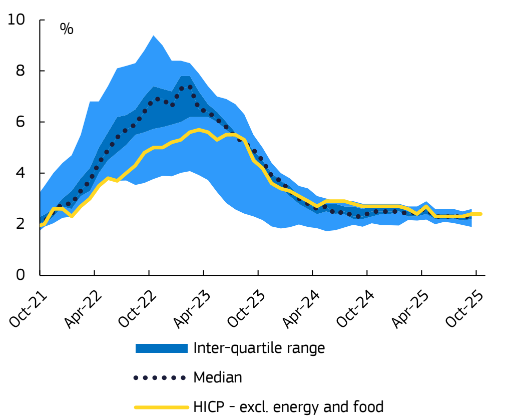
(10) Flash estimate for the euro area

despite a temporary pick-up in July, reflecting intensifying import competition [11] (see Graph I.6.2). Consequently, annual inflation in industrial goods has fluctuated within a narrow range between 0.5-0.8% since April, in line with historical averages, dragged down by consumer durables where inflation hovered around 0%.

Falling commodity prices sustained a negative contribution of energy to inflation. Energy commodity prices have been volatile but generally trending downwards since April 2025. Consumer energy prices, particularly of electricity and gas, have been falling for most of the second and third quarter and have continued to contract on a year-on-year basis since March (see Graph I.6.2). However, large positive base effects have dominated the annual dynamics, leading to a narrowing in annual energy deflation from -3.6% in April and May to -0.4% in September. Consequently, despite continuing to contribute negatively to inflation, energy deflation narrowed, largely offsetting the moderation of services inflation, and keeping headline inflation broadly stable.

Price pressures in food intensified until July but eased in the autumn. Food inflation continued to rise over the summer months, reaching 3.3% in July, as momentum in both processed and unprocessed food prices continued to pick up amid still-elevated pipeline pressures in the food industry. Price pressures eased since then, in particular in unprocessed foods such as fruit, as agricultural prices started falling. This led to moderation in food inflation to 2.5% in October (see Graph I.6.2).

Graph I.6.3: **HICP excluding energy and food, and a range for 20 alternative underlying inflation indicators in the euro area**



Median, interquartile range and range refer to a battery of 20 underlying inflation indicators: 10 trimmed means with trims ranging from 5 to 50%, weighted and unweighted 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 Persistent and Common Component of Inflation Indicator.

Underlying price pressures remained close to their lowest intensity in more than three years. Underlying inflation (HICP excluding food and energy) fell from 2.7% in April 2025 to 2.3% in May, the lowest reading since early 2022. It remained at this level until August, before edging up to 2.4% in September and October. The median and range of 20 alternative core inflation indicators confirm a broad stabilisation of underlying price pressures around their late-2021 levels. (see Graph I.6.3).

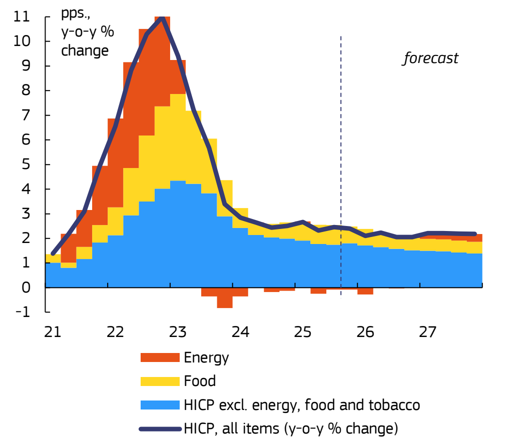
Inflation outlook

Services and food price pressures are set to weaken gradually over the forecast horizon. Services inflation is expected to continue declining over the course of 2026 and 2027 as pressures across all services categories moderate amid decelerating wage growth and subdued demand. Similarly, food inflation is set to decline very gradually over 2026 to around 2% in 2027, consistent with historical averages, in line with stabilising agricultural commodity prices and easing pipeline pressures in the food industry. Inflation in non-energy industrial goods is expected to remain low and stable, well below 1% throughout the forecast horizon, restrained by intensifying competitive pressures from imports [12] and the recent appreciation of the euro. These trends are consistent with near-term forecasts based on the Commission survey data on business managers' selling price expectations (see Box I.6.1).

(11) Import prices of non-food consumer goods contracted by 1.1% y-o-y in July and August, compared to a contraction by 0.5% on average in the second quarter and 1.1% growth in the first quarter of 2025.

(12) The Commission's monitoring of potentially harmful increases of imports confirms intensifying import pressures, notably from China https://policy.trade.ec.europa.eu/enforcement-and-protection/trade-defence/monitoring-trade-diversion_en

Graph I.6.4: **Inflation breakdown, EU**



Contraction in energy prices is expected to ease in 2026, and energy prices are set to rise in 2027 under the impact of ETS2, unless postponed. Given the steady decline in energy commodity futures prices over the forecast horizon, annual consumer energy inflation is expected to remain negative in 2025 and for most of 2026. However, the annual deflation is projected to narrow gradually over the course of 2026, also reflecting the expiration of energy price relief measures in some Member States (e.g. Slovakia, Croatia and Romania). In 2027, the effect of falling energy commodity prices is expected to be more than offset by the introduction of ETS2, which, however, may be postponed by one year (see Special Issue 3). ETS2 is estimated to lift consumer energy prices over the course of 2027 by around 3% in the euro area and 3.5% in the EU, with significant variation across countries. These differences reflect primarily the carbon-content of fuels used for heating, but also a host of other factors. These include the specificities of domestic energy markets such as the duration of contracts (e.g. for gas) or the degree of administrative control of prices which would affect the strength and timing of the pass-through of the ETS2 markup to consumer prices of heating fuels. Moreover, the impact depends on decarbonisation policies already in place, and possible countermeasures to be introduced by Member States to cushion the impact of ETS2.

Over the forecast horizon, headline inflation is expected to remain broadly stable in the euro area, and to ease gradually in the EU, bringing the gap between the two to near closure in 2027. Headline inflation in the euro area is projected to decline from 2.4% in 2024 to 2.1% in 2025, to ease to 1.9% and edge up again to 2.0% in 2027. On a quarterly basis, inflation is set to hover around the ECB's 2% target throughout the forecast horizon, as moderation in services and food inflation is largely offset by rising energy inflation, amid broadly stable and subdued pressures in industrial goods. In the EU, inflation for 2025 is projected at 2.5%, a slight decrease from 2.6% in 2024. A more pronounced decline to 2.1% is projected in 2026, followed by a mild increase to 2.2% in 2027. Quarterly EU inflation is set to decline from 2.4% in the final quarter of 2025 towards 2.0-2.2% in subsequent forecast quarters. The gap between headline inflation in the euro area and the EU should fall to around 0.1-0.2 pps. in 2027, the lowest since early 2019. Mirroring easing pressures in services, core inflation excluding energy and food is set to decline gradually towards 2% by the end of 2027 in both the euro area and the EU.

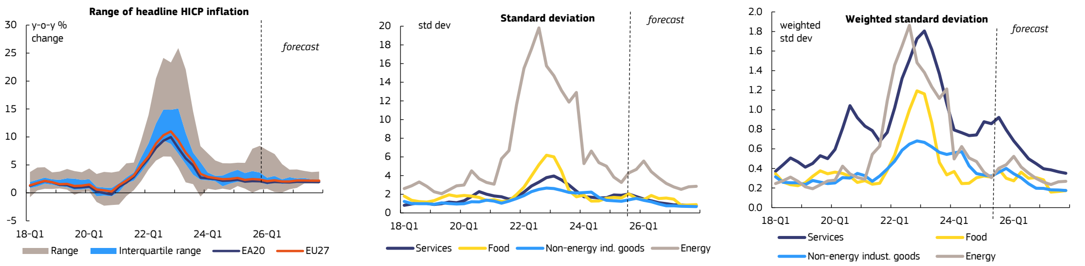
Inflation has been revised slightly upwards from the Spring 2025 Forecast as increases in food and services prices more than offset lower energy inflation. Compared to the Spring 2025 Forecast, headline inflation in the EU is revised up marginally in both 2025 and 2026, mainly due to a mark-up in food inflation, which reflects higher outturns in the second and third quarters. Services inflation has also been revised up for 2026, due to projected higher wage growth in both 2025 and 2026, as well as relevant policy changes in several Member States [13]. These two revisions more than offset lower energy inflation, particularly in 2026, reflecting cheaper energy commodity prices.

Inflation dispersion within the EU increased in summer 2025 and is set to decline only gradually over the course of 2026. The range of inflation outturns across the EU has increased significantly since April, driven primarily by services and, to a lesser extent, energy and industrial goods (see Graph I.6.5). The gap between the highest and lowest annual inflation rates rose from 4 pps. in April to 8.6 pps. in September. However, the interquartile range remained broadly stable

(13) Notably, an increase in minimum wages and public spending in Germany and a VAT hike on overnight stays in the Netherlands

over this period, indicating that the increasing divergence was mainly due to a few positive outliers. In September these included Romania (8.6%) and Croatia (4.6%), while Cyprus (0%) and France (1.1%) remained at the low end of the range. Quarterly inflation dispersion is expected to narrow very gradually, remaining relatively high throughout 2026, but its drivers are expected to change. Services inflation, which drove most of the increase in dispersion in 2025, is set to become more uniform across Member States, while divergence in energy inflation is expected to pick up, particularly in 2027 due to the expected varying impact of ETS2. Dispersion in food inflation is set to remain high in 2026, partly due to VAT rate changes in several Member States, while that of non-energy industrial goods is expected to decline gradually over 2026 and 2027.

Graph I.6.5: **Inflation dispersion in the EU**



GDP deflator growth is set to continue slowing, supported by the pick-up in productivity. Growth in the EU GDP deflator is set to moderate further over the forecast horizon, falling from 3.3% in 2024 to 2.9% in 2025, and further down to 2.5% in 2026 and 2.2% in 2027. This moderation reflects slower wage growth, easing unit taxes, and a rebound in productivity. Following the sharp increases in 2022 and 2023, the contribution from unit profits declined markedly in 2024, to pick up modestly in the first half of 2025. The contribution from unit profits is expected to increase slightly in 2026 and 2027 but remain well below 2022-23 levels.

Graph I.6.6: **GDP deflator and its composition, EU**

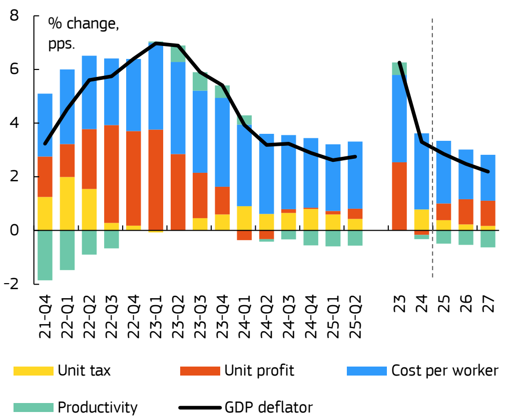


Table I.6.1: **Inflation outlook - euro area and EU**

(Annual percentage change)	Euro area (21)							EU						
	Autumn 2025 Forecast				***Spring 2025 Forecast***			**Autumn 2025 Forecast**				***Spring 2025 Forecast***		
	2024	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**
Private consumption deflator	2.3	**2.0**	**1.9**	**1.9**	*2.5*	*1.9*	*1.7*	2.5	**2.3**	**2.1**	**2.1**	*2.7*	*2.1*	*1.9*
GDP deflator	3.0	**2.5**	**2.3**	**2.0**	*3.0*	*2.5*	*2.0*	3.2	**2.7**	**2.4**	**2.2**	*3.1*	*2.7*	*2.2*
HICP	2.4	**2.1**	**1.9**	**2.0**	*2.4*	*2.1*	*1.7*	2.6	**2.5**	**2.1**	**2.2**	*2.6*	*2.3*	*1.9*
HICP-overall excluding energy	2.9	**2.5**	**2.2**	**2.0**	*2.9*	*2.4*	*1.9*	3.1	**2.8**	**2.4**	**2.1**	*3.1*	*2.7*	*2.1*
HICP-overall excl. energy and unproc. food	2.9	**2.5**	**2.2**	**2.0**	*2.9*	*2.4*	*2.0*	3.2	**2.7**	**2.4**	**2.1**	*3.2*	*2.6*	*2.1*
HICP-overall excl. energy, food, alcohol, tobacco	2.8	**2.4**	**2.1**	**2.0**	*2.8*	*2.4*	*1.9*	3.1	**2.6**	**2.3**	**2.1**	*3.1*	*2.5*	*2.0*
Compensation per employee	4.5	**3.6**	**2.9**	**2.8**	*4.6*	*3.4*	*2.8*	5.1	**4.0**	**3.3**	**3.1**	*5.2*	*3.7*	*3.0*
Unit labour costs	4.6	**3.0**	**2.2**	**1.8**	*4.7*	*3.0*	*1.9*	4.8	**3.2**	**2.3**	**1.9**	*4.9*	*3.1*	*2.0*
Import prices of goods	-1.9	**-1.1**	**-0.9**	**1.0**	*-2.1*	*-0.6*	*-0.1*	-1.9	**-1.0**	**-0.8**	**1.0**	*-2.1*	*-0.7*	*0.1*

Box I.6.1: **What do selling price expectations tell us about near-term pressures on consumer prices in the euro area**

Selling Price Expectations (SPE) in the Commission's business surveys [(1)] support the assessment of the near-term inflation outlook in the EU and the euro area in European Economic Forecasts. Following recent analyses on this topic (Huber et al., 2024, Bobeica et al., 2024), the analysis in this box applies a range of econometric models to extract valuable information from the SPE on the near-term outlook for inflation in the four main HICP components in the euro area. [(2)]

Due to their forward-looking character and granularity, SPE data can shed light on the price formation process, even if their relationship with HICP inflation appears unstable over time. A question in the Commission business surveys enquires about managers' expected changes in their selling prices over the 3 months following the survey. [(3)] Managers' responses to the question can provide useful insights into near-term inflationary pressures in the four main HICP components (i.e; food, non-energy industrial goods, services and energy) thanks to their inherently forward-looking character and high granularity, allowing to track the price formation process in its entirety: from production, via distribution (e.g. transport, advertising) to sale. A strong bilateral correlation between SPEs and consumer inflation suggests a high explanatory power of the former in predicting the latter, but the relationship is unstable over time and its strength depends crucially on the lag considered, with the recent high inflation episode (2022-2023) likely representing a structural break.

The inflation-forecasting potential of SPEs was examined using a set of linear models with either constant or time-varying parameters. All models forecast the *h-month-ahead change in the annual inflation rate* based on current and past inflation and SPEs in 68 economic activities – henceforth referred to as *sectors* [(4)] - between June 2010 and October 2025, totalling 185 monthly observations. Several classes of models are tested [(5)]. First, *single-sector models* are distributed-lag specifications, each including inflation and individual-sector SPE, estimated either with constant or time-varying [(6)] parameters. Second, *principal-component models* use inflation, and the first principal component extracted from SPEs in manufacturing & construction, services and retail trade. These components enter then individually (three specifications) or jointly (one specification) in the model, which is estimated with constant or time-varying parameters (eight specifications in total). Third, *forecast combination models* are weighted averages of forecasts produced by single-sector models or principal-component models with individual components (four specifications). Two weight structures were applied, (i) constant and equal weights (simple averages) and (ii) RMSE-based time-varying weights - corresponding to each model's forecast performance over the previous three months (eight specifications in total). All in all, this setup produces a total of 16 aggregate inflation forecasts for each component.

Adding SPE to inflation models significantly lowers forecast errors, particularly for food. Graph 1a presents normalised RMSE, a measure of forecast accuracy that is takes into account volatility of inflation of each HICP component. This indicator is lowest for food models - reflecting a relatively good forecasting performance as assessed against the component's high inflation volatility. On the contrary, normalised RMSE for services is rather high, particularly for longer horizons, indicating less accurate forecasts of this relatively stable component (see Graph 1a). Still, models with added

(1) The survey is carried out monthly in manufacturing, services, retail and construction (see User Guide for further details)

(2) Huber., F., L. Onorante, M. Pfarrhofer (2024) Forecasting euro area inflation using a huge panel of survey expectations, International Journal of Forecasting, https://doi.org/10.1016/j.ijforecast.2023.09.003; Bobeica, E., J. Paredes, T. Renault, and F. Rousseau (2024) Selling price expectations for services: what do they tell us about consumer price pressures? ECB Economic Bulletin, https://www.ecb.europa.eu/press/economic-bulletin/html/eb202405.en.html.

(3) How do you expect your selling prices to change over the next 3 months? They will: (1) increase, (2) remain unchanged, (3) decrease.

(4) Throughout this note *sectors* refer to the 68 economic activities for which business survey data are available. This includes aggregates for the four main business survey sectors (industry, services, retail trade and construction) as well as their NACE sections, 2-digit divisions and various division and subdivision groupings.

(5) Methodological details are available in Axioglou et al, QREA, 2025, forthcoming

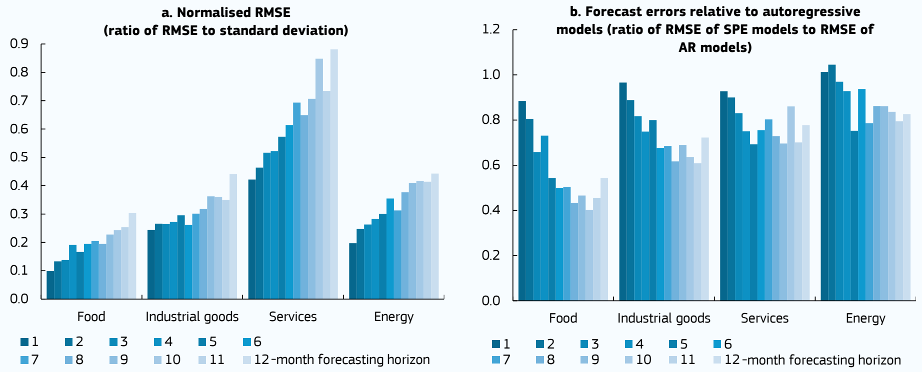
(6) To address the instability of the SPE-HICP relationship over time.

(Continued on the next page)

Box (continued)

SPE clearly outperform those without them, i.e. based solely on autoregressions and distributed lags for inflation (AR models). Forecast errors of SPE models are lower than those of AR models at all 12 considered forecast horizons (except energy) (see Graph 1b). However, the advantages measured by the ratio of SPE RMSE to AR RMSE are relatively small for very near-term horizons (1 and 2 months), particularly for relatively stable components (NEIG). For longer horizons, improvements related to SPE-augmented models increase significantly, confirming the valuable information on price changes embedded in surveyed managers' responses. Food models show the lowest ratios and the most significant declines for longer horizons, though the model performance for NEIG and services are equally consistent. Relative improvements in energy models remain small and inconsistent (deterioration for horizons 1 and 2 months), reflecting the limited information embedded in SPE for this component that is largely driven by movements in raw energy commodity prices.

Graph 1: **Measures of forecasting performance of 16 SPE models for 1-12 month forecasting horizons**



Graphs show median values of 16 SPE models.
Sources: own calcuations based on European Commission and ECB data.

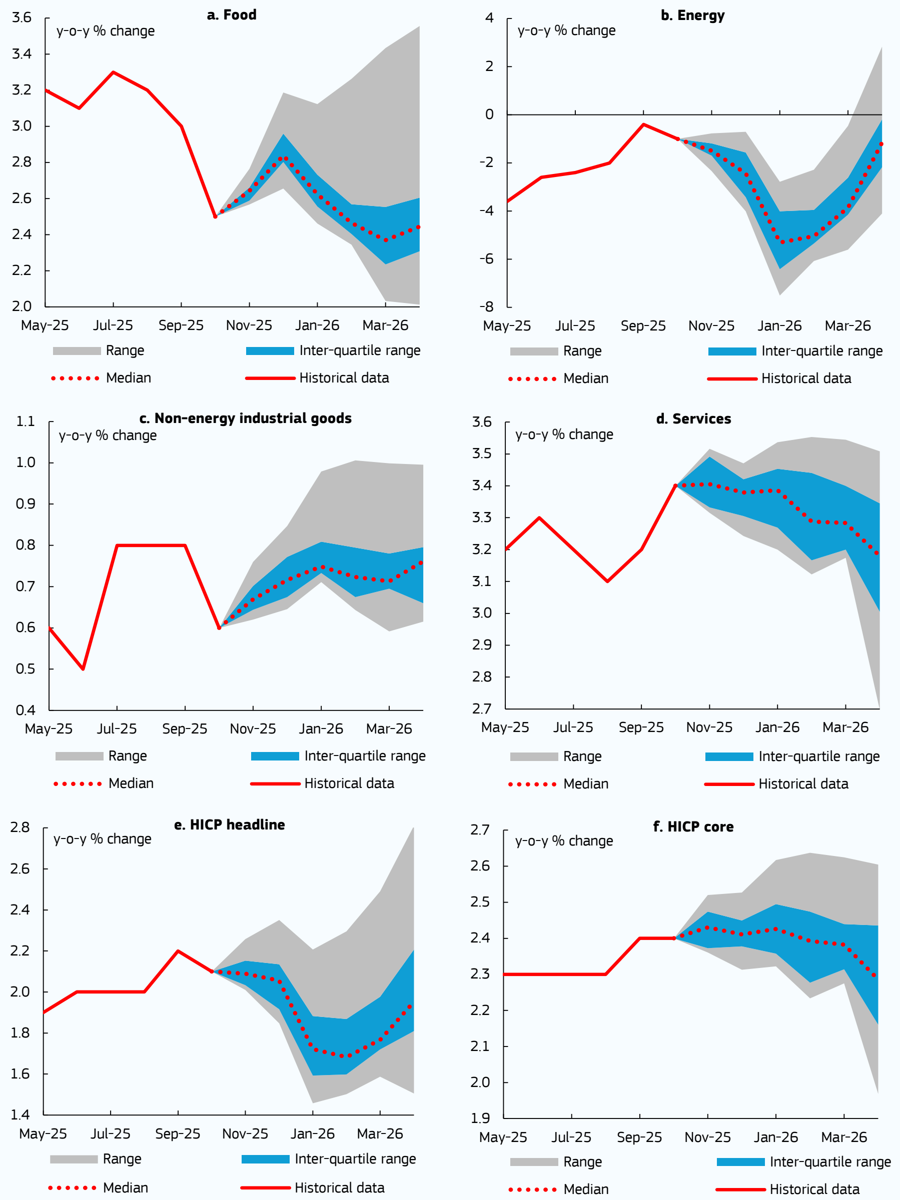
Forecasts of inflation up to 6 months ahead tend to be more reliable than those for longer-horizons. While SPE model forecasts outperform AR models at all forecast horizons for all components except energy, with the ratio of errors falling fast for higher horizons, improvements generally stall around the 6-month horizon (see Graph 1b), when normalised RMSE starts growing faster (see Graph 1a). This is especially true for services and industrial goods, both relatively slow-moving components with low volatility. Subsequent analysis therefore focuses on forecasts with horizon up to 6 months.

The outlook for near-term inflation emerging from SPE models remains broadly consistent with the projections in the Autumn 2025 Forecast. Graph 2 presents for each component the range of 16 forecasts, together with inter-quartile range and a median. SPE models suggest that food inflation rebounds slightly until the end of the year, and moderates in the first quarter of 2026, albeit with visible upside risks as indicated by increases in the upper quartile of the forecast range. SPE models confirm the stability of inflation in non-energy industrial goods within the 0.7-0.8% range. Information embedded in SPEs suggests that services inflation is expected to remain broadly stable until January 2026, before moving closer towards 3% in early April. Finally, in line with the expected trends in energy commodity prices, energy SPE models point to a marked widening of energy deflation until early 2026, followed by renewed narrowing of deflation to -1% in April. Once aggregated to headline and core inflation (see Graphs 3e and f), these forecasts remain broadly consistent with the near-term inflation outlook in the Autumn 2025 Forecast. For headline inflation, they point to a decline towards 1.6% over the next 4 months, followed by a subsequent rebound to 2% in April 2026. Consistent with the narrative of the forecast, SPE models suggest gradual moderation in core price pressures in the near term.

(Continued on the next page)

Box (continued)

Graph 2: **Range, inter-quartile range and median of annual inflation forecasts of SPE models, euro area**



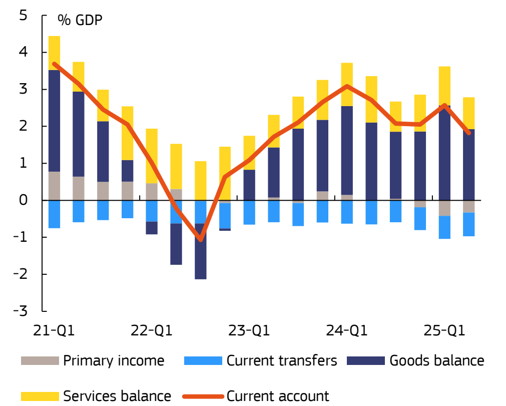
Ranges refer to a pool of 16 SPE forecast models calculated based on single-sector models, principal-component models and combination models. See Axioglou et al (2025).

7. EXTERNAL TRANSACTIONS

Merchandise trade is set to decrease the overall trade balance over the forecast period. Supported by lower energy prices and a pick-up in global demand, the surplus in goods trade expanded significantly from EUR 34 billion in 2023 to EUR 147 billion in 2024. The first half of 2025 was largely influenced by shifts in US trade policy. In response to the anticipated increase in trade barriers, trade in goods increased in the first quarter. Though merchandise terms of trade worsened, exports outpaced imports in volume terms, resulting in a spike in the goods trade balance in 2025-Q1. In the second quarter, the volume and price effects reversed, inducing a reduction in the goods trade balance. The balance for 2025 as a whole is anticipated to lie below its 2024 level. As a share of GDP, the EU merchandise trade balance is set to continue declining over the forecast horizon, to ratios similar to those observed in 2018, due to increased trade barriers and the reduced share in international markets (see Statistical annex, table 51). The share of the service trade balance in GDP remains above pre-COVID-19 levels, though it recorded some volatility during the first half of 2025. It is expected to continue increasing over the forecast period as export outpace import volumes and terms of trade moderately strengthen, thereby reaching a historic high. Altogether, the trade balance is set to decrease as a share of GDP over the forecast period, driven by the decline in the merchandise balance.

Terms of trade are set to improve as commodity prices ease and the appreciation of EU currencies intensifies import competition. Throughout 2024, terms of trade continued to improve, rising by 1.0% as lower energy prices depressed the import deflator. Import deflators are set to continue declining in the near future, driven by three main factors: further falls in commodity prices; the strength of EU currencies vis-à-vis the US Dollar making dollar-denominated imports cheaper; and increased competitive pressures in merchandise trade due to trade diversion away from the US market (see Box I.1.2). Combined with moderate export price growth in services, at 0.5% in 2025 and 2026, the EU terms of trade are set to continue improving, albeit at a slower rate. In 2027, a reversal of goods import and export price growth, and broadly stable growth of service trade prices, leave the EU terms of trade broadly stable over the forecast horizon.

Graph I.7.1: **Current account balance, EU**



The current account balance is set to steadily decline over the forecast horizon. The deterioration of the trade balance in the first half of 2025 was compounded by increased income outflows, as net primary incomes and net current transfers became more negative. Coupled with the dampened outlook for merchandise trade during the second half of the year, the current account balance as a share of GDP is broadly expected to revert to its 2023 level after the increase in 2024. The trade balance is set to shrink as a share of GDP over the forecast horizon, due to a declining merchandise trade balance, while the current account balance is set to decrease to 2.3% of GDP by 2027.

Graph I.7.2: **Current account, EU**

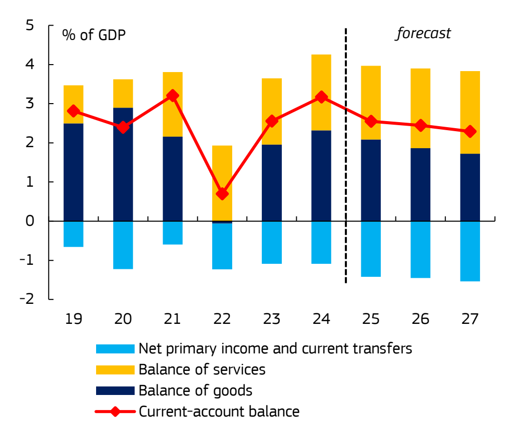


Table I.7.1: **External position – euro area and EU**

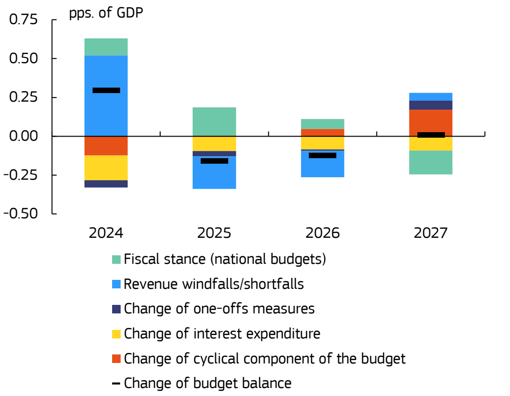
	Euro area (21)							EU						
	Autumn 2025 Forecast				*Spring 2025 Forecast*			Autumn 2025 Forecast				*Spring 2025 Forecast*		
	2024	2025	2026	2027	2024	2025	2026	2024	2025	2026	2027	2024	2025	2026
Merchandise trade balance (a)	2.5	**2.2**	**2.0**	**1.8**	*2.7*	*2.6*	*2.7*	2.3	**2.1**	**1.9**	**1.7**	*2.6*	*2.6*	*2.6*
Services trade balance (a)	1.9	**1.8**	**2.0**	**2.1**	*1.7*	*1.7*	*1.7*	1.9	**1.9**	**2.0**	**2.1**	*1.8*	*1.8*	*1.8*
Primary income balance (a)	-0.1	**-0.4**	**-0.4**	**-0.4**	*-0.1*	*-0.2*	*-0.3*	-0.1	**-0.4**	**-0.4**	**-0.5**	*-0.2*	*-0.3*	*-0.4*
Secondary income balance (a)	-1.0	**-1.0**	**-1.1**	**-1.1**	*-1.1*	*-1.1*	*-1.1*	-1.0	**-1.0**	**-1.0**	**-1.1**	*-1.0*	*-1.0*	*-1.0*
Current-account balance (a)	3.3	**2.7**	**2.5**	**2.4**	*3.3*	*3.0*	*3.0*	3.2	**2.5**	**2.4**	**2.3**	*3.2*	*3.0*	*3.0*
Net lending or net borrowing (a)	3.3	**2.6**	**2.6**	**2.4**	*3.1*	*2.9*	*3.0*	3.2	**2.6**	**2.6**	**2.4**	*3.1*	*3.0*	*3.1*
Terms of trade (b)	1.4	**1.1**	**1.0**	**0.0**	*1.6*	*1.6*	*0.8*	1.0	**1.0**	**0.9**	**0.0**	*1.3*	*1.6*	*0.7*

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

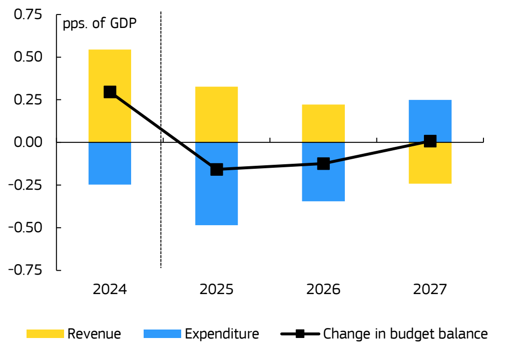
8. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

The EU general government deficit is projected to edge up this and next year. In 2025, the EU deficit ratio is set to increase by 0.2 percentage points, to 3.3% of GDP. The increase is driven by some revenue shortfalls, [14] higher interest expenditure, and increasing defence spending that partially offsets the ongoing fiscal adjustments (see Graph I.8.1). [15] The EU deficit is projected to widen further to 3.4% of GDP in 2026, owing to continuing revenue shortfalls and higher interest expenditure, which more than offset the marginal discretionary adjustment in national budgets. In 2027, the deficit ratio is expected to stabilise. In the euro area, the government deficit is projected to rise to 3.2% of GDP in 2025, 3.3% in 2026 and 3.4% in 2027.

Graph I.8.1: **Drivers of the change in the general government balance in the EU**



Graph I.8.2: **Contributions to the change of general government balance in the EU**



Rising defence spending pushes up government expenditure in the EU. The expenditure-to-GDP ratio in the EU is projected to increase by 0.5 pps. in 2025 and 0.3 pps. in 2026, before decreasing by 0.2 pps. in 2027 (see Graph I.8.2). Defence spending is projected to rise steadily (from 1.5% of GDP in 2024 to 2% in 2027, according to the COFOG classification), and interest expenditure is also set to increase as a share of GDP until 2027. Spending financed from the EU budget is set to rise in 2025 and 2026, then to decrease in 2027 following the end of the RRF (see Box I.4.1). The revenue-to-GDP ratio is expected to rise by 0.3 pps. in 2025 and by 0.2 pps. in 2026 despite some revenue shortfalls, driven by discretionary measures and higher transfers from the EU budget. The 0.2 pps. decrease of the revenue ratio in 2027 is mainly due to lower transfers from the EU budget related to RRF-financed expenditure.

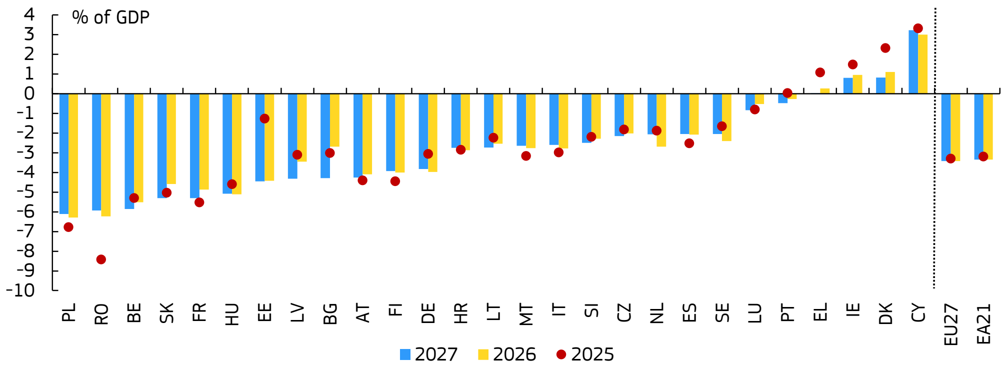
Twelve EU Member States are set to have deficits exceeding 3% of GDP at the end of the forecast horizon, that's one more than in 2025. In 2027, based on unchanged policies, Poland Romania and Belgium are projected to have deficits close to or above 6% of GDP. France,

[14] Revenue windfalls (shortfalls) are increases (decreases) in the revenue-to-GDP ratio that are not explained by discretionary measures or transfers from the EU budget.

[15] Following the European Council Conclusions on European defence of 6 March 2025, the Commission invited all Member States (Commission Communication C(2025) 2000 final of 19.03.2025) to make use of the flexibility provided by the national escape clause of the Stability and Growth Pact with a view to facilitating the transition to higher levels of defence expenditure. and Growth Pact with a view to facilitating the transition to higher levels of defence expenditure. By the cut-off date of this forecast, 16 Member States (Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia, Finland), requested the activation of the national escape clause. The flexibility under the national escape clause allows deviations from the recommended maximum growth of net expenditure of up to 1.5% of GDP over the period 2025 to 2028.

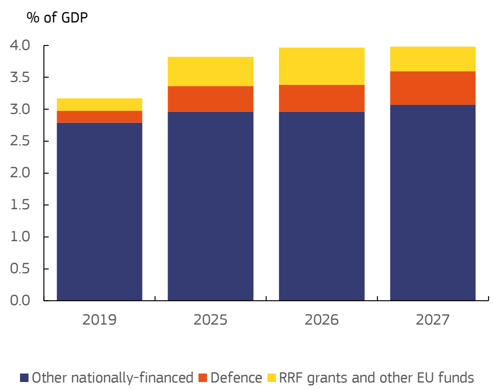
Slovakia and Hungary are set to have deficits higher than 5% of GDP (see Graph I.8.3). Nine EU countries are currently under an excessive deficit procedure. [16]

Graph I.8.3: **General government balance across Member States**

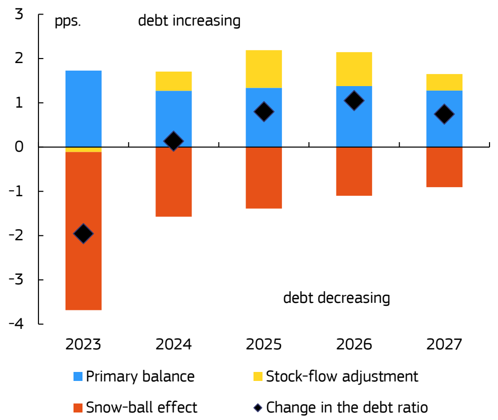


Rising public investment is improving the quality of expenditure in the EU. The EU aggregate public investment ratio is expected to reach 4.0% of GDP in 2026, up from 3.2% in 2019 (see Graph I.8.4). It is set to stabilise in 2027 despite the lower support from the RRF (see Box I.4.1) thanks to higher investment financed by national budgets, including on defence. By the end of the forecast horizon, most EU countries are projected to spend more on nationally financed investment than they did prior to the COVID-19 pandemic.

Graph I.8.4: **Public investment in the EU**



Graph I.8.5: **Drivers of the change in the EU government debt-to-GDP ratio**



The EU debt-to-GDP ratio is projected to increase over the forecast horizon (see Graph I.8.5). After a reduction of more than 9 pps. between 2020 and 2023, and a stabilisation in 2024 at around 82%, the EU's aggregate debt-to-GDP ratio is expected to rise by over 2 pps. by 2027, reaching 84.5%. In the euro area, it is projected to rise from around 88% in 2024 to 90.4% in 2027. This increase is primarily driven by persistent primary deficits and some debt-increasing stock-flow adjustments. [17] The interest–growth-rate differential ("snow-ball effect") [18] is set to become less favourable as the debt-servicing costs increase and inflation (measured by the GDP deflator) eases.

Developments in public debt ratios are forecast to vary across countries. After declining significantly in most EU countries between 2020 and 2024, the debt ratio is projected to rise in 19

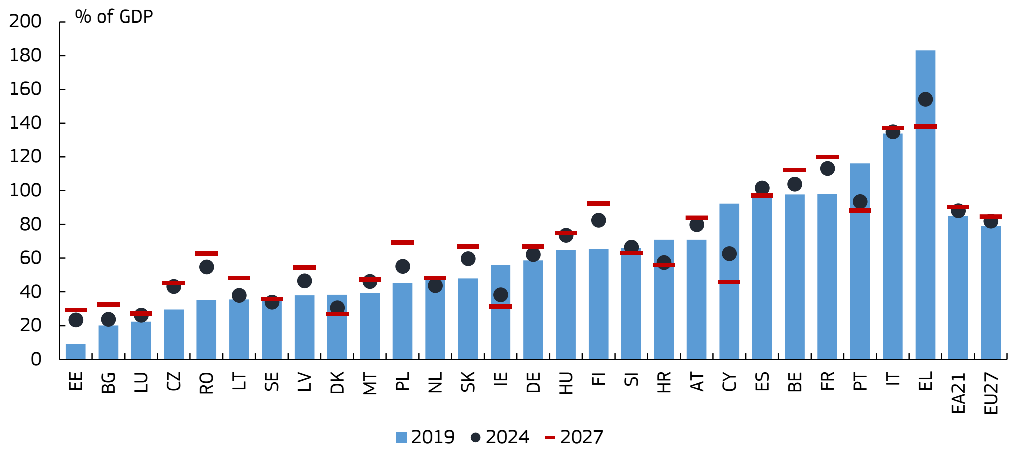
[16] Excessive deficit procedures - overview - Economy and Finance

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

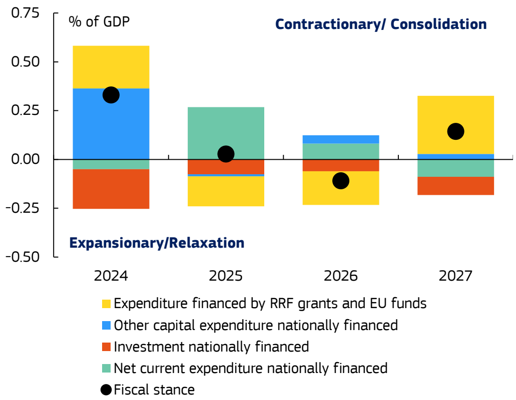
[18] The "snow-ball effect" captures the impact of interest expenditure on the annual accumulation of debt, as well as the impact of real GDP growth and inflation (GDP deflator) on the debt ratio.

Member States over the forecast horizon. By 2027, four Member States (Belgium, Greece, France, and Italy) are set to have debt ratios above 100% of GDP. At the same time, further large debt declines are projected in Greece and Cyprus thanks to their sizeable primary surpluses (see Graph I.8.6).

Graph I.8.6: **Government debt developments across Member States**



Graph I.8.7: **Fiscal stance in the EU and its components**



The EU aggregate fiscal stance is expected to be broadly neutral in 2025-27. After a slightly contractionary stance in 2024, the EU fiscal stance is projected to be neutral in 2025 (see Graph I.8.7).[19] Some restraint in net current expenditure financed by national budgets is projected in 2025, reflecting the implementation of Member States' medium-term fiscal-structural plans. This restraint is largely offset by increases in nationally financed public investment (including for defence) and in spending supported by RRF grants and other EU funds. The EU fiscal stance is projected to remain broadly neutral in 2026, as some small restraint in net current and other capital expenditure is offset by the increasing absorption of RRF grants and other EU funds. Based on unchanged policies, the EU fiscal stance is set to be broadly neutral also in 2027, as the RRF support comes to an end, but nationally financed expenditure increases also due to higher defence spending. Similar developments are projected in the euro area fiscal stance over 2025-27.

Fiscal stances are expected to be considerably heterogeneous across Member States in 2026 (see Graph I.8.8)**.** They are set to range from a contractionary stance of around 3% of GDP in Romania to an expansionary stance of around 3% in Estonia. Net current expenditure financed by national budgets is expected to provide contractionary contributions in ten EU countries, with large restraints (½% of GDP or more) in France, Malta, Austria, Finland, Poland and especially

(19) The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. In the Commission forecast the fiscal stance is measured through the discretionary fiscal effort, see: Carnot, N. and F. de Castro (2015). "The Discretionary Fiscal Effort: an Assessment of Fiscal Policy and its Output Effect". European Commission (DG ECFIN), European Economy, Economic Papers 543; and Cepparulo, A., C. McDonnell and V. E. Reitano (2024). "An Assessment of the Euro Area Fiscal Stance". European Commission (DG ECFIN), Economic Brief 080. The fiscal stance is based on the increase in primary expenditure (net of discretionary revenue measures) relative to 10-year nominal potential output growth. The net expenditure aggregate used to assess the fiscal stance includes expenditure financed by RRF grants and other EU funds. It 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.

Slovakia and Romania. Nationally financed investment is expected to be preserved or increased in most countries, with a particularly large expansion in Estonia and Lithuania, also due to defence spending. Expenditure financed by RRF grants and other EU funds is expected to provide sizeable expansionary contributions to the fiscal stance in Bulgaria, Portugal, Poland and Greece.

Graph I.8.8: **Fiscal stance in 2026 across Member States**

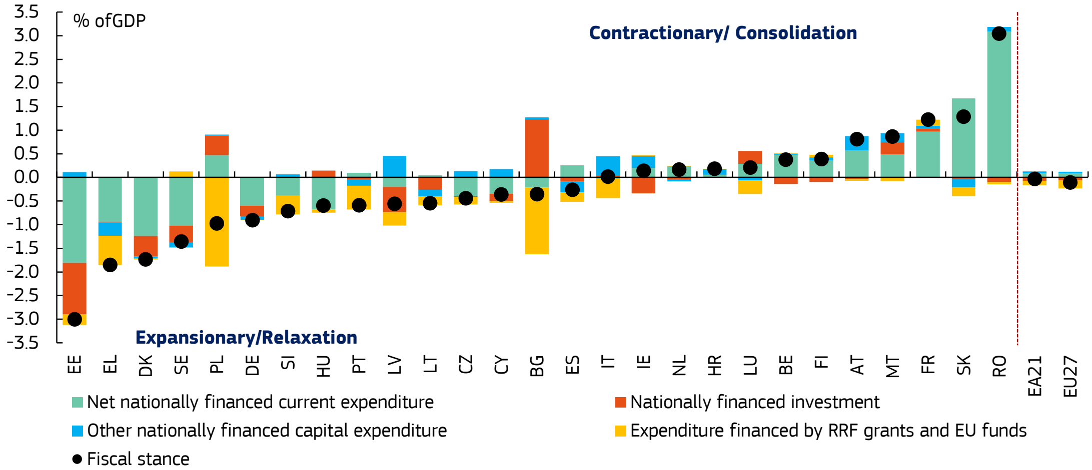


Table I.8.1: **General government budgetary position - euro area and EU**

(% of GDP)	Euro area (21)							EU						
	Autumn 2025 Forecast				*Spring 2025 Forecast*			Autumn 2025 Forecast				*Spring 2025 Forecast*		
	2024	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**
Total revenue (1)	46.4	**46.7**	**46.9**	**46.7**	*46.4*	*46.8*	*46.8*	46.0	**46.3**	**46.6**	**46.3**	*46.0*	*46.3*	*46.4*
Total expenditure (2)	49.4	**49.9**	**50.2**	**50.1**	*49.5*	*50.0*	*50.1*	49.2	**49.6**	**50.0**	**49.7**	*49.2*	*49.6*	*49.7*
Actual balance (3) = (1)-(2)	-3.1	**-3.2**	**-3.3**	**-3.4**	*-3.1*	*-3.2*	*-3.3*	-3.1	**-3.3**	**-3.4**	**-3.4**	*-3.2*	*-3.3*	*-3.4*
Interest expenditure (4)	1.9	**2.0**	**2.1**	**2.2**	*1.9*	*2.0*	*2.1*	1.9	**2.0**	**2.0**	**2.1**	*1.9*	*2.0*	*2.1*
Primary balance (5) = (3)+(4)	-1.2	**-1.2**	**-1.3**	**-1.2**	*-1.2*	*-1.2*	*-1.2*	-1.3	**-1.3**	**-1.4**	**-1.3**	*-1.3*	*-1.3*	*-1.3*
Change in structural budget balance (a)	0.7	**0.0**	**-0.1**	**-0.2**	*0.2*	*0.1*	*-0.1*	0.5	**-0.1**	**-0.1**	**-0.2**	*0.5*	*0.0*	*-0.2*
Overall fiscal stance (b)	0.4	**0.1**	**0.0**	**0.1**	*0.5*	*0.2*	*0.0*	0.3	**0.0**	**-0.1**	**0.1**	*0.4*	*0.2*	*0.0*
- Fiscal stance - contribution from national net expenditure	0.2	**0.2**	**0.1**	**-0.2**	*0.3*	*0.4*	*0.0*	0.1	**0.2**	**0.1**	**-0.2**	*0.1*	*0.3*	*0.0*
- Fiscal stance - contribution from the EU	0.2	**-0.1**	**-0.1**	**0.2**	*0.2*	*-0.2*	*-0.1*	0.2	**-0.2**	**-0.2**	**0.3**	*0.2*	*-0.2*	*-0.1*
Gross debt	88.1	**88.8**	**89.8**	**90.4**	*88.4*	*89.5*	*90.6*	82.0	**82.8**	**83.8**	**84.5**	*82.2*	*83.2*	*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.

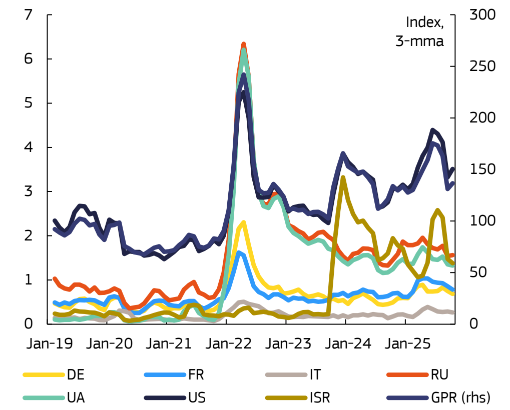
9. RISKS

The growth outlook remains subject to high uncertainty, with downside risks prevailing. However, the overall level of uncertainty appears lower than in spring, when trade policy concerns were particularly dominant (see Graph I.9.1). This improvement owes to the recent trade agreements the US has reached with several trading partners, including the EU. Although geopolitical risks are still substantial, they also appear slightly lower than in spring (see Graph I.9.2), in light of tentative progress towards peace in Gaza.

Graph I.9.1: **Trade policy uncertainty**

Source: www.matteoiacoviello.com

Graph I.9.2: **Geopolitical risk**



Source: www.matteoiacoviello.com

On the international front, the balance of risks remains tilted to the downside. Continuous shifts in trade policy might result in weakening economic sentiment and increased volatility in global financial markets. Risks also include a possible re-pricing in equity markets, namely a reassessment of prospects in the US technological sector, continued challenges to the independence of the US Federal Reserve, and concerns about US fiscal sustainability in the medium to long term. Meanwhile, the future terms of the trade relationship between China and other trading partners, including the EU, remain uncertain. The manufacturing sector in many countries exposed to supply chain risks linked to Chinese exports of rare earths and other critical raw materials, where China has a globally dominant position.

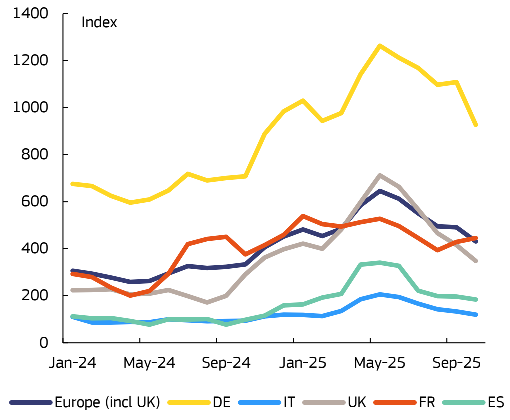
The projected contribution of the external sector to EU growth is subject to both upside and downside risks. The economic impact of existing tariffs on EU and global growth could prove larger than currently expected, particularly through trade diversion effects in a US-dollar-dominated pricing environment (see Box I.1.2). On the upside, improved transatlantic trade relations and the diversification of the EU's trade links with new partners could improve the EU's international position. However, a further appreciation of the euro could dampen growth by reducing external competitiveness, especially for export-oriented industries. At the same time, a strong and stable euro could enhance its international role as a store of value, reinforce its attractiveness as a global invoicing currency, and reduce import costs invoiced in weaker currencies.

Domestic risks also appear tilted to the downside, driven mainly by fiscal uncertainties. As the Recovery and Resilience Facility comes to a conclusion in August 2026, Member States face challenges in swiftly implementing their RRPs and in boosting the use of the available cohesion funds in 2027. This is particularly crucial in Member States where investment relies heavily on EU support. Persistent political uncertainty in France (see Graph I.9.3) could weigh on consumption and investment through diminished confidence. Upside risks stem primarily from stronger-than-expected private demand, supported by household savings, which remains above historical averages in the baseline.

On the upside, the pressures arising from a changing international trade environment could serve as a catalyst for reform, strengthening incentives to deepen EU integration. Advancing on the competitiveness agenda—through simplifying regulation, completing the Single Market, and boosting innovation—and the Savings and Investment Union could help unlock domestic demand.

Inflation risks are broadly balanced. Energy commodity prices could rise again if geopolitical tensions intensify (see Graph I.9.2). On the downside, weaker domestic demand could ease price pressures, while a stronger euro and lower import prices could help contain imported inflation.

Graph I.9.3: **Economic Policy Uncertainty**



Source: Scott R. Baker, Nicholas Bloom and Steven J. Davis, www.PolicyUncertainty.com.

Climate-related risks pose increasing challenges to the EU's economy. The rising frequency of extreme weather events continues to pose tangible downside risks to economic activity, while also increasing food and energy prices and adding to upside risks for inflation.

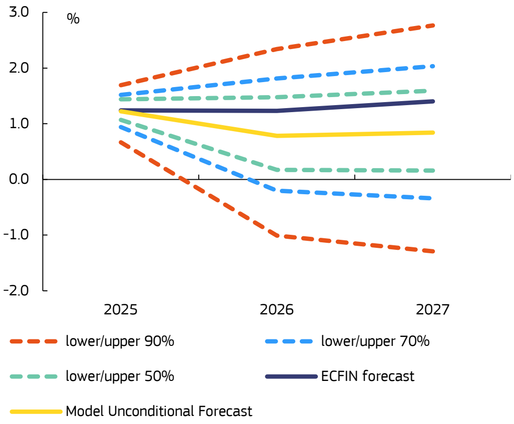
Model-based risk assessment

Model-based analysis using the Commission's GM model is used to benchmark the baseline forecast. [20] For the euro area (EA20), the forecast presented in this publication—henceforth referred to as the baseline forecast—is generally aligned with the model's central projection (see Graph I.9.4). To analyse differences, the decomposition shown in Table I.9.1 takes the baseline as input and identifies the external factors ("shocks") that explain it through the economic relations that are embedded in the model. However, to align the model's central projections with the baseline forecast over the projection horizon, additional model shocks are required. In 2026, most of these shocks are attributed to the fiscal and defence spending plans not embedded in the model, which can be interpreted as expansionary fiscal policy shocks. Taken together, the remaining deviations are moderate (negligible in 2026, around 0.3 pps. in 2027) and point to a marginal downward tilt in the risks surrounding the baseline forecast. [21]

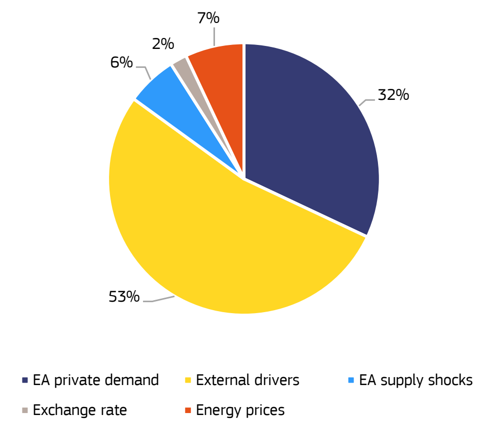
[20] The Global Multi-country (GM) model is an estimated structural macroeconomic model jointly developed by DG ECFIN and the JRC. This analysis is based on the GM-3 model variant (EA-US-rest of the world) with parameters estimated for the period 1998-Q4 to 2024-Q4 and incorporating data and assumptions until 2025-Q2. In particular, the model includes the assumptions on US tariffs that underpin the baseline forecast, described in Box I.1.1. The model's data set is then extended with forecast data and assumptions from the baseline for the set of available variables (in total around 40 series). More information can be found at here.

[21] According to the model, the baseline forecast underestimates private consumption and investment ("private demand" in Table I.9.1). By contrast, the baseline's technical assumption of a constant exchange rate over the forecast horizon drives growth above the model-based prediction, which includes an endogenous appreciation of the euro. In 2027, supply-side factors (improving goods and labour market conditions) explain the positive deviation of the forecast from trend GDP growth.

Graph I.9.4: **GM model uncertainty range, euro area**



Graph I.9.5: **GM model uncertainty drivers of GDP growth, euro area**



The model suggests a forecast uncertainty range for real GDP growth of around ±1 pp. Based on historical data, the model-based forecast uncertainty bands show a 70% probability range of roughly ±1 pp. around the central projection. The main driver of forecast uncertainty is external shocks—mainly reflecting the contribution of net exports—which have historically been the most volatile of the factors considered (see Graph I.9.5).

Uncertainty around the Commission's forecast can be also assessed based on its historical forecast performance. Since 2012 and excluding the exceptional COVID-19 year of 2020, the Commission's autumn forecast errors have been moderate. Forecast uncertainty bounds estimated on the basis of these historical forecast errors suggest a median overprediction of 0.4 pps. and an underprediction of 0.6 pps. on average over the forecast horizon (see Graph I.9.7).

Table I.9.1: **GDP growth decomposition – GM model**

GDP growth	2025	2026	2027
Baseline forecast	1.2	1.2	1.4
Historical + Long run trend	1.2	0.8	0.8
Difference	0.0	0.5	0.6
Supply	0.0	0.0	0.4
Private demand	-0.1	-0.1	-0.3
Fiscal EA	0.2	0.4	0.3
External drivers	-0.1	0.0	0.0
Exchange rate EA	0.1	0.1	0.2
Energy	0.0	0.0	0.1
Others	0.0	0.0	-0.1

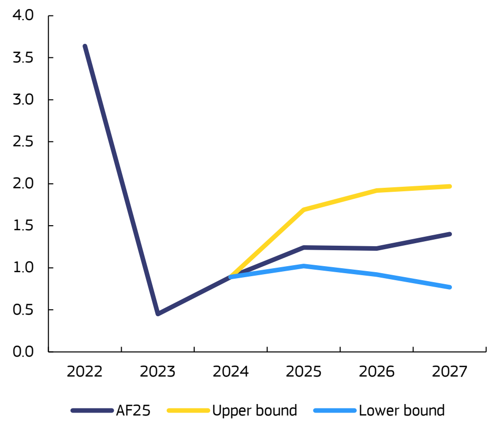
This table shows a model-based decomposition of the baseline forecast for euro area (EA20) real GDP growth. The first row reports the baseline forecast. The second row shows long-run trend growth (based on average TFP and working-age population growth since 1999) augmented by the effects of shocks that occurred up to 2025-Q2 ("historical"), including their estimated persistence. The "difference" between the above two rows captures the additional shocks that the model requires over the forecast horizon to match the baseline, which are further broken down by shock group in the last seven rows.

Sensitivity to energy and exchange rate assumptions

The sensitivity of the forecast to changes in the assumptions for energy and exchange rates are assessed via alternative model-based trajectories. The trajectories represent the 25th and 75th percentiles of the probability density derived from option derivative prices, reflecting market expectations of future asset prices. This range indicates a 50% chance that the price will fall within these bounds. [22] The percentiles have been calculated for different time horizons and then transformed via linear interpolation into quarterly forecasts. As the trajectories are not evenly distributed around the assumption underpinning the baseline forecast, they highlight a skewed balance of risks (see Table I.9.2).

Option market data suggest a stronger euro in 2027 and higher oil and gas prices in 2026-27 than assumed. If instead of remaining constant, the euro strengthens, moving from 1.13 to 1.29 USD/EUR by 2027, it could slightly reduce growth by 0.1 pps. in 2026 and 0.2 pps. in 2027, and decrease inflation by 0.2 pps. and 0.4 pps., respectively. Higher energy prices, with oil reaching 77 USD/barrel and gas rising to 39 EUR/MWh (14 USD and 10 EUR higher than assumed, respectively) by 2027, would raise inflation, adding up to 0.3 pps. by 2027, but would also have a small negative impact on economic growth.

Graph I.9.6: **GDP growth forecast +/- upper and lower bounds, euro area**



Bounds based on historical autumn forecast errors.

Table I.9.2: **Alternative energy and exchange rate paths and their impact on GDP and consumption inflation**

	2025	2026	2027	2025	2026	2027
	Path1: 25 percentile			Path 2: 75th percentile		
Oil (USD) (quarter average)	67.8	55.9	55.2	69.3	71.3	77.3
(Deviations from baseline)						
Oil (USD)	-1.0	-6.5	-8.1	0.4	8.9	14.1
Real GDP growth EA (pp)	0.0	0.1	0.1	0.0	-0.1	-0.1
Consumption inflation EA (pp)	0.0	-0.1	-0.1	0.0	0.2	0.3
Gas (EUR) (quarter average)	36.6	27.3	25.2	37.3	37.1	39.0
(Deviations from baseline)						
Gas (EUR)	-0.2	-3.7	-3.7	0.4	6.1	10.1
Real GDP growth EA (pp)	0.0	0.0	0.0	0.0	0.0	-0.1
Consumption inflation EA (pp)	0.0	-0.1	-0.1	0.0	0.1	0.2
Exchange rate (USD per EUR) (quarter average)	1.13	1.15	1.14	1.13	1.22	1.29
(Deviations from baseline)						
Exchange rate (USD per EUR)	0.0	0.0	0.0	0.0	0.1	0.1
Real GDP growth EA (pp)	0.0	0.0	0.0	0.0	-0.1	-0.2
Consumption inflation EA (pp)	0.0	0.1	0.1	0.0	-0.2	-0.4

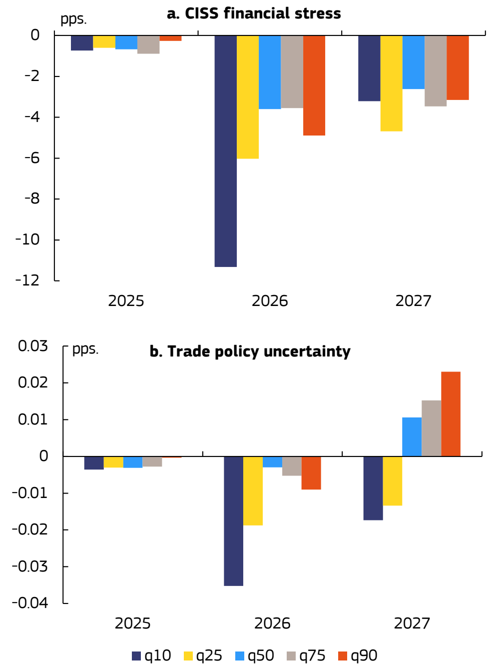
The 25th and 75th percentiles refer to the option-implied risk-neutral densities for EUR/USD exchange rates as well as oil and gas prices on 23 October 2025. The baseline for the energy and exchange rates trajectories corresponds to the technical assumptions of AF25. The macroeconomic impacts are calculated based on the Commission's GM model.

[22] Option-implied densities are derived by applying the Breeden-Litzenberger (1978) method while assuming a Black-Sholes model for pricing European options or the related Black (1976) model for pricing options on futures. These models are coupled with the SABR volatility model for interpolating in the implied volatility-strike price space.

Effects of trade policy uncertainty and financial stress on the distribution of GDP growth

Shifts in trade policy uncertainty and stress in financial markets mostly affect the lower range of growth expectations. A quantile regression model analysing EU quarterly growth rates suggests that shifts in Trade Policy Uncertainty (TPU) and the ECB's Composite Indicator of Systemic Stress (CISS) disproportionately affect the lower range of growth expectations compared to the median (see Graph I.9.7). This implies that the recent decline in trade policy uncertainty between 2025-Q1 and 2025-Q3 (by about 54 units) would improve growth prospects in 2026, particularly for lower outcomes within the probability distribution (impact on 25th percentile around 1 pp.). The CISS is currently at low levels, but even a slight uptick could increase the tail risk for growth. For example, the uptick observed between 2025-Q1 and 2025-Q2 in reaction to US tariff announcements (around 0.05 units) could reduce the 25th percentile of growth by about 0.3 pps.

Graph I.9.7: **Impact on distribution of GDP growth**



The impact on the percentiles of growth distribution from an increase in each indicator by one unit in 2025-Q3. The impact of a decrease has the opposite sign. The 25th percentile is denoted by q25 with other percentiles defined analogously.

Box I.9.1: 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 31 October 2025, and 28 October 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 14-27 October 2025 (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 14 and 27 October 2025 (see Section I.2).

Trade policies and assumptions

This forecast includes the measures in place at the cut-off date. See Section I.1 and Box I.1.2 for the tariffs on US imports that are included in the forecast. 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).

Table 1: **Technical assumptions**

		Autumn 2025 Forecast			*Spring 2025* Forecast		
	2024	2025	2026	2027	2024	2025	2026
3-month EURIBOR (percentage per annum)	3.6	2.2	1.9	2.0	3.6	2.0	1.7
10-year government bond yields (percentage per annum) (a)	2.3	2.6	2.7	2.9	2.3	2.5	2.7
USD/EUR exchange rate	1.08	1.13	1.16	1.16	1.08	1.11	1.13
GBP/EUR exchange rate	0.8	0.9	0.9	0.9	0.8	0.9	0.9
RMB/EUR exchange rate	7.79	8.13	8.28	8.28	7.79	8.12	8.29
JPY/EUR exchange rate	163.9	168.4	176.4	176.4	163.9	161.6	162.0
EUR nominal effective exchange rate (annual percentage change) (b)	2.95	4.59	2.28	0.00	2.95	3.72	1.38
Natural gas (EUR/Mwh) (c)	34.6	36.9	31.0	28.9	34.6	38.1	32.6
Electricity (EUR/Mwh) (d)	76.3	84.8	80.0	77.9	76.3	82.8	78.6
Oil price (USD per barrel)	80.5	68.9	62.4	63.3	80.5	67.7	64.0
Oil price (EUR per barrel)	74.4	60.9	53.7	54.4	74.4	60.8	56.4
EU Emissions Trading System 2 (ETS2) (EUR/ton)				46.0			

(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.

(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)

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 -0.1pps. in 2025, around 0.1pps. in 2026, and null in 2027.

Euro area enlargement with Bulgaria

Following the Council Decision (2025/1407/EU) of 8 July 2025 on the adoption by Bulgaria of the euro on 1 January 2026, in line with past practice, all forecast numbers (i.e. for 2025-27) for the euro area aggregate include Bulgaria. Bulgaria has a weight of about 0.7% in the euro area GDP aggregate. For the sake of comparability, most reference forecast numbers from the Spring 2025 Forecast and all historical numbers for the euro area aggregate have been recalculated and refer to the EA21 aggregate.

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 (https://ec.europa.eu/eurostat/documents/1015035/12618762/GFS-guidance-note-statistical-recording-recovery-resilience-facility.pdf). In particular, this implies that, except for 2020, the budgetary impact of any 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. 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 2024 as published in Eurostat's news release of 21 October 2025 [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-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 2025 and 2026 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2024, 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 21 October 2025 (by 1.4 pps. in the euro area 20 and by 1.3 pps. in the EU).

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

(Continued on the next page)

Box (continued)

2. Ad hoc technical assumptions underlying the forecast

EU Emissions Trading System 2 (ETS2)

The price of ETS2 allowances in 2027 is assumed to be 46 EUR/ton CO_2 in current prices, which is the average of a Commission estimate for analytical purposes of EUR 33 and the intervention price for the release of additional allowances from the Market Stability Reserve of EUR 58. The incorporation of the ETS2 in 2027, in line with the 'no-policy-change' assumption, as well as the rationale for the ETS2 price assumed in 2027 are explained in the Special Issue 3 on the EU Emissions Trading System.

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 4.37 million by August 2025. (5) It is assumed that the number of active temporary protection registrations will stay broadly stable over 2025, decreasing from about 4.4 million at the end of 2025 to about 4.3 million by the end of 2026 and to 4.0 million by the end of 2027. (6) Over the forecast horizon, new registrations are expected to continue declining at the average rate observed in the last two 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 4.3 million in 2025, 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 was around 44% mid-2025, 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

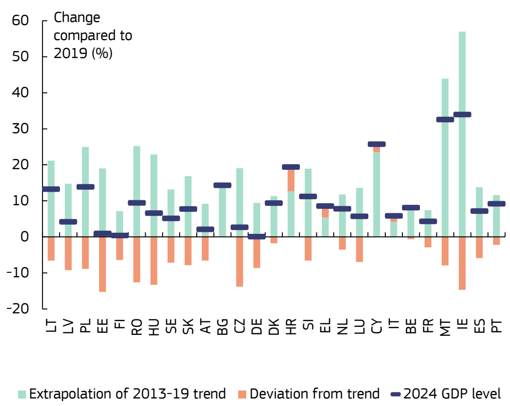
Special Issues

1. THE COST OF EU MEMBER STATES' PROXIMITY TO THE WAR IN UKRAINE

The EU's geographical proximity to Russia's war of aggression against Ukraine has weighed on its economy since the full-scale invasion in February 2022, constraining the recovery from the pandemic and casting uncertainty over future prospects. This Special Topic explores the effect of that proximity on the economic performance of EU Member States, and the potential transmission channels of its impact over the past three years. The analysis confirms significant proximity-related differences in GDP growth and broader macroeconomic conditions. Over 2022-23, the loss in annual growth is estimated at around 2 pps. for every 1 000 kilometre reduction in distance. The output growth loss is particularly high around 1.4-1.8 pps. for Member States bordering the countries at war. When the analysis is extended to include 2024, the estimated effects appear to be milder. In line with previous literature, the results confirm that energy and financing costs, trade relations, employment growth, and government expenditure have played a role in transmitting the economic impact of proximity.

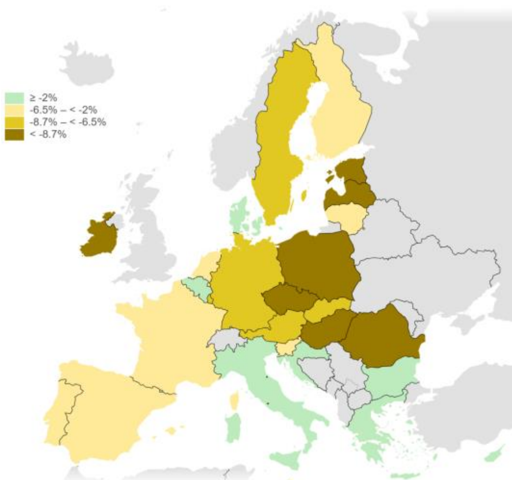
Member States that are closest to the region at war have underperformed in terms of real GDP growth since 2019. This becomes particularly apparent after accounting for their higher average growth rates over the preceding period 2013-19 (see Graph II.1.1 and Map II.1.1). The analysis in this Special Topic explores the extent to which this underperformance owes to Member States' geographical proximity to the war, and the role played by the potential transmission channels of this impact over the past three years.

Graph II.1.1: **Real GDP growth in Member States between 2019-24**



Countries are ordered by proximity to the war, based on their average distance to Kyiv and Moscow.

Map II.1.1: **Deviation from the 2013-19 growth trend in 2024**

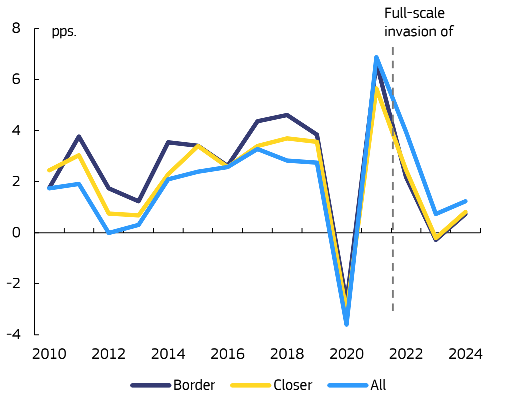


Throughout the analysis, proximity is measured by 1) the average of the two distances between the capital of each Member State and Kyiv and Moscow, respectively and 2) the presence of a border. The group of 'closer' countries includes the thirteen Member States with lower distance than the median (higher proximity) and includes the Baltic States (Estonia, Latvia, Lithuania), two of the EU Nordics (Finland, Sweden), the Visegrad group (Czechia, Hungary, Poland, Slovakia), Austria, Bulgaria, Germany and Romania. Also assessed is the relative economic performance of the eight countries that border either Ukraine or Russia, namely Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia. Visual inspection of the growth paths for these proximity-based groups confirms that the negative impact of the war is more pronounced for those located nearer to the war. Those Member States that are closer to, or bordering, the war zone experienced above-average growth prior to the war, which made their post-war contraction appear even more pronounced (see Graph II.1.2). [23]

Comparing economic outcomes to pre-war expectations

In 2022-23, the EU economy grew less than had been forecast in autumn 2021. The first step of the analysis is a comparison of the Autumn 2021 Forecast (AF21) – the last one prior to Russia's full-scale invasion of Ukraine in 2022 – with the actual outcomes. By assuming that the observed discrepancies are largely due to the unforeseen consequences of the war, these deviations offer an approximate assessment of the war's economic impact. [24] The analysis focuses on the performance of the median [25] country within the group of the 13 EU Member States that are geographically closer to the war. The actual annual average GDP growth in the first two years of the war (2022–23) was 1.9 pps. lower than the pre-war forecast for the median EU Member State (see Graph II.1.3).

Graph II.1.2: **Real GDP growth of EU Member States grouped by proximity to the war in Ukraine**



The graph shows the median growth across country groups, defined according to their geographical proximity to the war: (i) Group "Border" includes Member States bordering Ukraine or Russia (EE, LT, LV, HU, PL, RO, FI, SK); (ii) Group "Closer" includes Member States located geographically closer than the EU median, based on the average distance of each capital to Kyiv and Moscow (countries in the "Border" group plus BG, CZ, DE, AT, SE).

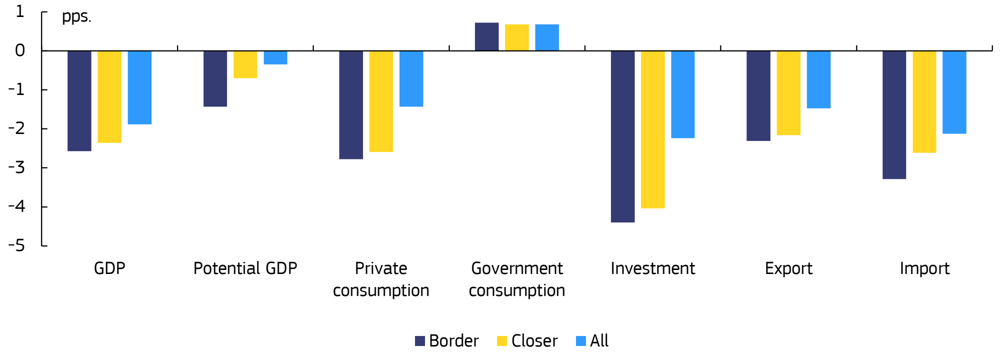
Bordering countries appear most vulnerable to the negative economic spillovers from the war. In terms of potential growth, the median bordering country lost more than 1 pp. per year relative to the EU average. Similar proximity effects are observed in the growth of most expenditure components, namely private consumption, investment, exports, and imports, all of which grew more slowly than anticipated. The only exception is government consumption, for which no proximity effect is detected. It is also noteworthy that for all groups of countries considered, the negative forecast errors for imports are larger in magnitude than for exports, implying a positive impact on net exports.

(23) The presence of specific proximity effects was also tested for non-euro countries within each of the two groups (closer, bordering) but unreported results show only weak evidence of any such effects.

(24) This may seem a strong assumption, because other shocks also happened following AF21. For example, US monetary policy tightened much more than expected, which could have affected certain Member States with flexible exchange rates more strongly. Moreover, the removal of Covid restrictions could have contributed to the rise in tourism in popular destinations that tend to be further away from the war. However, these shocks did not occur independently from the war. US monetary tightening in 2022 was driven by rising energy prices according to statements of the Fed's Federal Open Market Committee. Similarly, tourism flows may have been altered by the war following the removal of Covid restrictions, possibly benefitting economies that were geographically more distant from the war. Furthermore, the econometric analysis that follows broadly confirms these findings while controlling for common post-war symmetric shocks, as well as asymmetric factors related to long-term convergence and investment-driven growth trends, which may have been at play after the start of the war.

(25) Medians are robust to cases of extreme high or low growth in countries within each group.

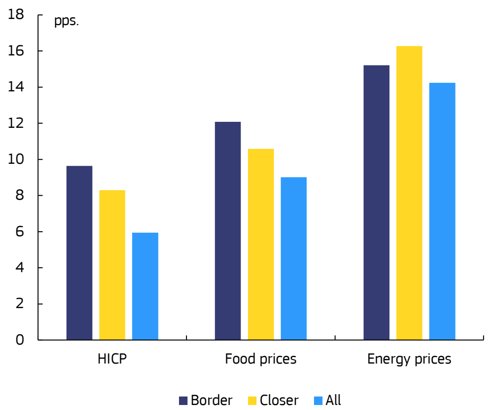
Graph II.1.3: **AF21 forecast errors for GDP and expenditure components**



The graph shows median values across proximity related country groups ('closer', 'border') defined previously, see Graph II.1.2.

Proximity to the war is also linked to higher inflationary shocks. Inflation forecast errors are positive for the EU as a whole, confirming the large inflationary fallout of the war. HICP inflation turned out to be 5.9 pps. per year above the pre-war forecast. [26] Proximity effects are evident: the median HICP inflation rate in Member States closer to the war was about 2.2 pps. higher than the EU average, and 3.7 pps. higher for those bordering the war. Similar proximity effects are also observed for food inflation (see Graph II.1.4).

Graph II.1.4: **AF21 forecast error for HICP, energy and unprocessed food inflation (average error in 2022-23)**



The graph shows median values across proximity related country groups ('closer', 'border') defined previously, see Graph II.1.2.

The drivers of the economic impact of proximity to the war

There are several channels through which geographical proximity to the war can amplify the exposure to its economic consequences. First, countries closer to Russia and Ukraine often have stronger trade links with them, making these economies more vulnerable to disruptions from sanctions, supply bottlenecks, and changes in demand. Second, these economies tend to be more energy-intensive and depend more on Russia for gas and oil, which heightens their exposure to energy-supply disruptions and resulting price spikes. Third, proximity may also translate into higher financial risk premiums, particularly in non-euro-area economies, reflecting both heightened geopolitical uncertainty and tighter financing conditions. Fourth, neighbouring countries received significant numbers of displaced persons from Ukraine, which can boost GDP through higher consumption and labour supply, while also generating short-term fiscal costs. Finally, heightened security concerns may have influenced both public and private investment decisions, leading governments to increase defence spending and causing some firms to postpone or relocate planned investments. [27]

(26) For non-euro-area Member States, the gap to the pre-war forecast for HICP inflation was 2.2 pps. higher than in the EU.

(27) An early analysis by Liadze et al. (2022) distinguished between demand-side and supply-side channels of the economic repercussions of the war. On the demand side, activity was weighed down by trade restrictions, the erosion of real incomes due to higher inflation, weaker confidence, tighter monetary policy, and increased financial risks. These negative effects were partially offset by higher public and defence expenditure as well as refugee-related outlays. On the supply side, sanctions, disrupted supply chains, technology bans, elevated energy prices, and rising input costs were constraining factors. See Liadze L., C. Macchiarelli, P. Mortimer-Lee and P. Sanchez Juanino (2022) Economic costs of the Russia-Ukraine war. *The World Economy*. https://doi.org/10.1111/twec.13336.

Empirical studies confirm that geographical proximity exacerbated vulnerability to the impact of the war through these channels. Federle et al. (2024a) analysed the economic impact of wars in a historical sample spanning 150 years and 60 countries, and found that the economic costs of war spill over to countries that are geographically close to the war site through the contraction of trade. [28] The Spring 2022 Economic Forecast included a vulnerability heatmap highlighting high exposure to the fallout of the war in Member States with stronger energy, trade, and financial links to Russia. [29] Subsequent analyses by the European Parliament highlighted the war's negative economic impact during the first two years, due to higher energy prices and supply chain disruptions, noting also the EU policy initiatives designed to boost defence spending and reduce strategic vulnerabilities in energy and food security. [30] Cobion *et al.* (2025) found that the war sharply reduced consumer confidence, especially in neighbouring countries, while Federle et al. (2024b) reported that stock markets in countries close to Ukraine fell sharply at the start of the invasion, whereas those farther away remained comparatively stable. [31] Using forecast-error analysis from the Winter 2022 Economic Forecast, Capoani (2024) shows that countries closer to the war experienced larger-than-expected GDP losses and stronger inflationary pressures in 2022. [32] Additional studies highlight specific impacts: Beckmann *et al.* (2023) document a surge in demand for euro cash, particularly in countries bordering Ukraine and Gluszak *et al.* (2025) showed that the arrival of persons fleeing Ukraine raised rents in Poland's largest cities by around 0.7%, illustrating how migration pressures transmitted to housing markets. [33] Finally, Federle (2024a) found that geographically distant countries that are less exposed to adverse trade effects may even benefit from increased military expenditure.

Testing for war proximity effects on growth and macroeconomic conditions

The second step of the analysis uses a panel data regression model to estimate and formally test whether war-proximity effects influence the macroeconomic conditions of EU Member States. The model is estimated over the period 2002–24 and includes fixed effects in both the country and time dimensions. This specification controls for unobserved country-specific, time-invariant characteristics, such as participation in the euro area, differences in historical growth paths or the relative size of economies, provided these differences remain constant over time. By also controlling for time-fixed effects, the model accounts for common shocks affecting all countries in a given year, thereby capturing common pre- and post-war shocks to growth and broader macroeconomic conditions.

The impact of proximity to the war is captured through an interaction term between a war-period dummy variable—set to one for the years 2022–24—and a measure of geographical proximity or distance. Four proximity measures are used in this analysis: (a) the distance variable described above (i.e. average distance in kilometres from each country's capital to Kyiv and Moscow), entered with a negative sign so that higher values imply higher proximity; (b) the logarithm of this distance to capture possible nonlinear effects, again with a negative sign; (c) a dummy variable for the

(28) Federle, J., A. Meier, G. Müller, W. Mutschler and M. Schularick (2024a). "The Price of War." CEPR Discussion Paper No. 18834. https://cepr.org/publications/dp18834

(29) European Commission (2022). *European Economic Forecast - Spring 2022*. European Economy, Institutional paper 173.

(30) EPRS (2024). "Economic impact of Russia's war on Ukraine: European Council response". European Parliament Research Service. https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757783/EPRS_BRI(2024)757783_EN.pdf.

(31) Coibion, O., D. Georgarakos, Y. Gordnichenko, G. Kenny and J. Meyer (2025). "Worrying about war: geopolitical risks weigh on consumer sentiment". The ECB Blog, 7 April 2025. https://www.ecb.europa.eu/press/blog/date/2025/html/ecb.blog20250407~7023432957.en.html.
Federle, J., A. Meier, G. J. Müller and V. Sehn (2024b). Proximity to War: The Stock Market Response to the Russian Invasion of Ukraine, *Journal of Money, Credit and Banking.* https://doi.org/10.1111/jmcb.13226.

(32) Capoani, L. and P. Martini (2025). The Cost of Proximity: A Spatial Gravity Model of the Ukraine War's Economic Impact. *Networks and Spatial Economics.* https://link.springer.com/article/10.1007/s11067-025-09699-7.

(33) Beckmann E. and A. Z. Perez (2023). "The impact of war: extreme demand for euro cash in the wake of Russia's invasion of Ukraine." In: *The international role of the euro 2023.* European Central Bank, https://www.ecb.europa.eu/press/other-publications/ire/html/ecb.ire202306~d334007ede.en.html. Gluszak, M. and R. Trojanek (2025). War in Ukraine, the refugee crisis, and the Polish housing market. *Housing Studies.* https://doi.org/10.1080/02673037.2024.2334822

thirteen countries classified as "closer" to the war; and (d) a dummy variable for the countries at the "border".

Proximity effects were found for the major channels of transmission suggested by the literature: trade, inflation and energy, uncertainty, population and labour, and government spending. [34] The results confirm that, since the start of the war, countries geographically closer to the war have reduced their overall trade openness as well as the share of their trade with Ukraine and Russia [35], while their current account balance and their terms of trade have deteriorated. Countries in proximity to the war also faced higher inflationary pressures, particularly in energy prices, and especially in the first two years of the war. This pattern is consistent with the negative impact of proximity on the energy intensity of GDP, reflecting an adjustment to higher energy prices and import costs. In line with earlier analyses, rising country risk premiums and deteriorating fiscal balances coincided with higher long-term government bond yields in countries geographically closer to the war. The data also show a rise in household saving rates in these countries, possibly reflecting precautionary behaviour and larger financial wealth losses due to inflation. On the labour market, despite an increase in displaced persons from Ukraine fleeing to neighbouring countries, employment growth remained weaker in countries near the conflict. On the fiscal side, these countries recorded higher government expenditure—particularly on defence and investment as a percentage of GDP—accompanied by a worsening of budget balances.

Quantifying the economic cost of proximity

GDP growth exhibits strong war-proximity effects according to the above test. For the first two years of the war, the test suggests a "cost of proximity" of around 2 pps. of GDP for every 1 000-kilometre decrease in distance, or roughly 0.039 pps. for each 1% reduction in distance. [36] Compared with the EU average distance, these estimates correspond to about 1.1–1.3 pps. lower growth for Member States closer to the conflict—depending on whether proximity is measured linearly or logarithmically—and around 1.4–1.8 pps. for those bordering the war. These results are broadly consistent with the analysis above based on AF21 forecast errors (see Graph II.1.5). The latter also shows that the effects for median countries within each group are smaller than for the average, indicating substantial variations among Member States—at least during the first two years of the war—with some experiencing notably higher proximity-related costs.

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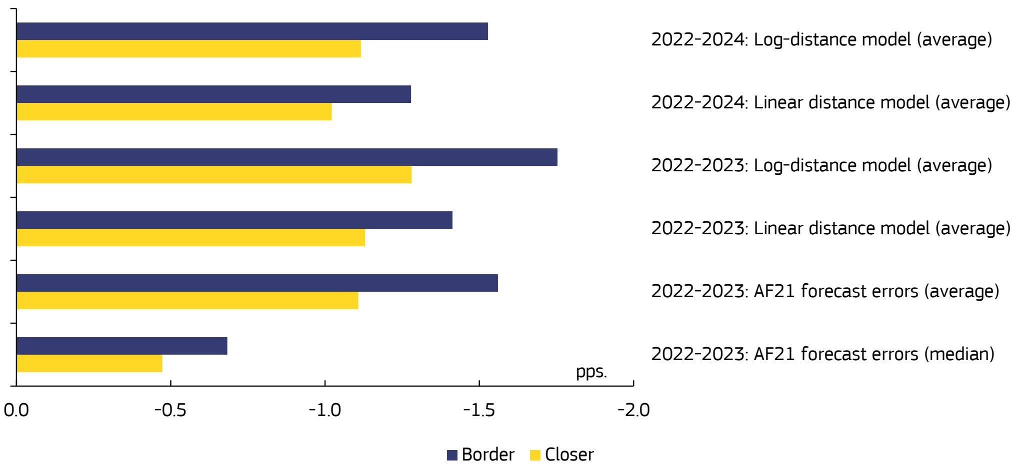
(34) For the trade channel, we detected war-proximity effects in the current account, openness (exports and imports as a percentage of GDP), trade relations with Ukraine and Russia (exports and imports to Ukraine and Russia as a percentage of total exports and imports), and terms of trade. For the energy–inflation channel, we detected war-proximity effects in HICP inflation and its energy component, as well as in the energy intensity of GDP (measured in kilograms of oil equivalent (KGOE) per thousand euro in purchasing power standards (PPS)). Weaker or no evidence of proximity effects was found for the import deflator and dependency on energy imports. For the uncertainty channel, we detected war-proximity effects in the Commission BCS Economic Sentiment Indicator (ESI), the change in the household saving ratio, the growth in gross fixed capital formation, and 10-year government bond returns. Two synthetic indicators of uncertainty and geopolitical risk, based on the World Uncertainty and the Geopolitical Risk indicators, provided mixed results. Weaker or no proximity effects were found in the nominal effective exchange rate, the household saving ratio, and gross fixed capital formation as a percentage of GDP. No significant proximity effect was found for the growth of inward foreign direct investment stock, or its value as percentage of GDP. For the population and labour channel, we detected war-proximity effects in the growth of domestic employment, and no war-proximity effects in the activity rate, migration rate, or change in population. For the government-support channel, we detected war-proximity effects in government expenditures, military expenditures (both as a percentage of GDP and in their rate of growth), as well as the government consumption balance. No or weaker proximity effects were detected in the annual change in government investment. No or weaker proximity effects were also found in GDP per capita in purchasing power standards. Results are available upon request.

(35) This is driven mainly by the decline in openness to trade with Russia, as the proximity effect on openness to Ukraine appears to move in the opposite direction, although it is not statistically significant.

(36) The estimate is based on the coefficient of the proximity factor included in the model. For the estimated over the total period 2022-2024 see Table II.1.1. Capoani and Martini (2025) estimate an even stronger impact from the first year of the war, based on cross-country regressions and a population weighted distance measure.

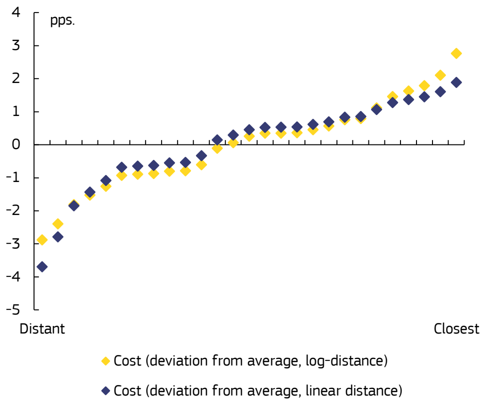
Graph II.1.5: **Impact of proximity on GDP growth**



The graph shows deviations from the EU average cost of the war observed for countries closer or bordering the region at war. The AF21 forecast-error results, presented in terms of both medians and averages, are shown in blue bars. The proximity related country groups ('closer', 'border') are defined previously, see Graph II.1.2.

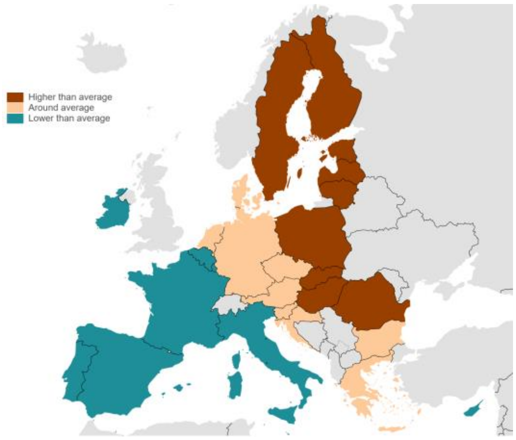
Including data for 2024 slightly reduces the estimated impact of proximity on GDP growth compared to the EU average, by around 0.1-0.2 pps. annually, depending on whether proximity is measured linearly or logarithmically. Graph II.1.6 visualises the difference in estimated costs across countries based on the two metrics. The log-distance model assigns a higher cost of proximity to the five countries closest to the war. Overall, the difference in annual GDP growth between the most distant and the closest country amounts to around 6 percentage points. The costs are also displayed in Map II.1.2.

Graph II.1.6: **Impact of proximity on GDP growth, Member States, 2022-24**



The graph shows deviations from the EU average in terms of average annual GDP growth over 2022-24 across countries, ordered along the horizontal axis by their geographical proximity to the conflict—from most distant to closest.

Map II.1.2: **Economic cost of the war in Ukraine**



Linear distance-based econometric estimates.

Controlling for growth drivers and distilling the proximity channels

The results remain unchanged when accounting for differences in income levels and capital accumulation. The robustness of the estimated war–proximity coefficient was assessed by including additional control variables beyond the unobserved country and year fixed effects. [37] The coefficient in specification (1) shown in Table II.1.1 remains broadly unchanged when GDP per capita (in purchasing power standards) and investment-to-GDP are included as additional growth drivers (specification 2). These variables, for which the proximity detection test (performed in the previous section) found weak or no evidence of war–proximity effects, have the expected signs: the coefficient on GDP per capita is negative, reflecting long term catching-up of less developed economies, while investment positively contributes to growth.

The main transmission channels suggested by the literature appear sufficient to explain the impact of proximity on GDP growth. In Table II.1.1 the coefficient on the proximity-to-war variable shrinks from 3.24 in specification (2) to roughly half of its absolute value and becomes statistically insignificant once energy intensity and energy prices are included (specification 3). This suggests that energy costs and inflation, which exhibit a post-war upward shift correlated with proximity, can effectively account for the associated negative impact on growth. By contrast, when government expenditures are added (specification 4), the coefficient on proximity becomes even larger in absolute value and more negative, reflecting an offsetting effect of increased public spending on growth. In specification (5), the coefficient on the proximity factor remains statistically significant but substantially smaller once employment, sentiment, and long-term interest rates (all with the expected signs) are included, indicating that these channels are indeed relevant but do not fully explain the proximity-related effects on GDP growth. Taken together (specification 6), the coefficient on the proximity factor continues to shrink and eventually becomes statistically insignificant, highlighting the effectiveness of the included channels in capturing the negative growth effects associated with proximity to the war.

Table II.1.1: **Selected robustness results**

Dependent Variable: GDP growth (%)
Method: Panel Least Squares

	(1)		(2)		(3)		(4)		(5)		(6)	
	Coeff	p-val	Coeff	p-val	Coeff	p-val	Coeff	p-val	Coeff	p-val	Coeff	p-val
(year>2021)*(-log(distance))	**-3.39**	0.00	**-3.24**	0.00	-1.55	0.20	**-3.44**	0.00	**-1.44**	0.02	-0.54	0.20
GDP per capita (in PPS, 1 lag)			**-0.04**	0.00	-0.01	0.57	**-0.03**	0.00	**-0.04**	0.00	**-0.03**	0.01
Gross fixed capital formation (% GDP, 1 lag)			**0.15**	0.10	**0.17**	0.02	0.11	0.26	0.11	0.23	0.12	0.17
Energy intensity (1 lag)					**0.03**	0.00					0.01	0.27
Inflation (HICP, 1 lag)					**-0.31**	0.07					**-0.18**	0.01
Government expenditure (% change)							**0.13**	0.01			**0.07**	0.02
Domestic employment (% change)									**0.40**	0.00	**0.38**	0.00
Long term interest rates									**-0.33**	0.02	**-0.26**	0.01
Economic Sentiment Indicator									**0.17**	0.00	**0.15**	0.00
Adj. R-square	0.58		0.60		0.63		0.63		0.76		0.77	

Panel least squares regressions with country and year fixed effects. The specifications include: (1) only unobserved fixed effects, (2) selected control variables, and (3–5) alternative sets of channels related to geographical proximity. Results for the linear distance case are qualitatively similar.

[37] For ease of exposition, the discussion focuses on the specification using the (negative) logarithm of distance as the proximity indicator. The results remain qualitatively similar across alternative measures. Broadly similar results, with slightly stronger war proximity effects, are also obtained when restricting the sample to euro-area countries only.

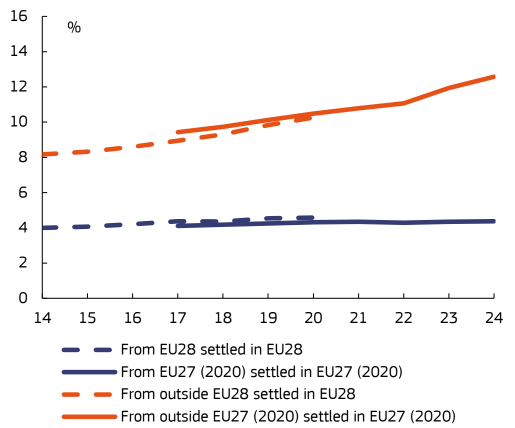
2. MIGRATION, MOBILITY AND THE EU LABOUR MARKET

In a context of adverse demographic trends, migration can play a crucial role in easing labour supply constraints. [38] *Recent editions of the European Commission's economic forecasts, as well as analyses by other international institutions, have noted that immigration has contributed to employment growth in the EU in the past few years.* [39] *This Special Topic discusses recent trends in migration and intra-EU mobility as well as their implications for the EU labour market in the post-pandemic era.*

Migration and mobility in the EU: Recent developments

Over the past decade the share of the EU working-age population born outside the EU has consistently increased. This share accelerated recently and reached 12.6% in 2024, compared to about 8% in 2014 (see Graph II.2.1). Meanwhile, the rise in the share of people of working age born in one EU Member State but living in another has been more modest, from 4% in 2014 to 4.4% in 2024. From 2013 to 2021 net immigration [40] into all EU countries together averaged slightly above one million people per year, with a slowdown during the pandemic years (see Graph II.2.2). In 2022, net immigration spiked at 4 million people, partly due to the arrival of persons fleeing Russia's war of aggression against Ukraine. This trend continued in 2023, with net immigration remaining elevated at nearly 3 million, even as the number of persons fleeing the war in Ukraine diminished.

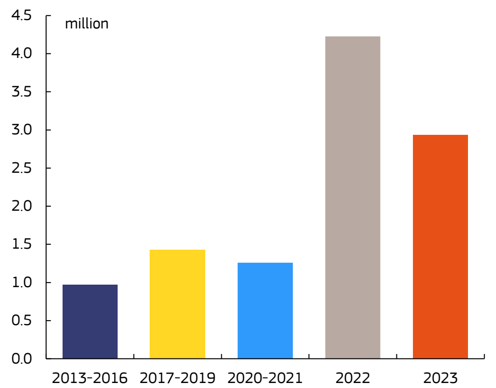
Graph II.2.1: **Share of EU working age population born in other countries**



Missing values were imputed (filled in) with linear interpolation. Due to repeated missing values, the series shown exclude BG. For the EU28, data for IE were cleansed from a revision in 2017 due to Brexit.

Source: European Commission calculations based on [migr_pop3ctb].

Graph II.2.2: **Net migration in the EU**



For the most recent period, some countries including Poland, Slovakia and Sweden did not include individuals from Ukraine who benefit from temporary protection in their population and migration statistics.

Source: European Commission calculations based on [migr_netmigr].

Large Member States, especially Germany and Spain, have experienced the most significant net migration inflows. There are sizeable differences across EU Member States in the share of the working-age population born in other countries (see Graph II.2.1). Over the period 2021-24, the largest increases in absolute terms were recorded in Germany, Spain, and France,

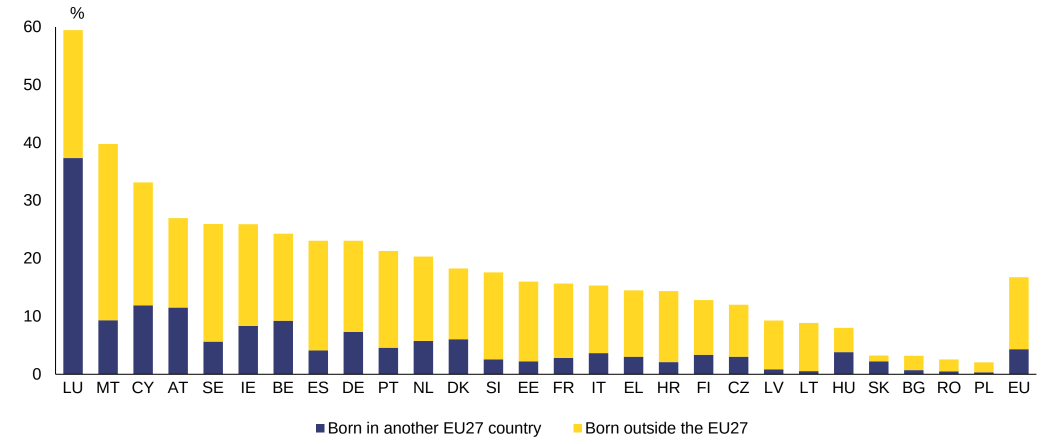
[38] Lagarde, C. (2025): "Beyond hysteresis: resilience in Europe's labour market", Opening remarks at the annual Economic Policy Symposium "The policy implications of labour market transition" organised by the Federal Reserve Bank of Kansas City in Jackson Hole, 23 August 2025.

[39] European Commission (2024). *European Economic Forecast: Spring 2024*. European Economy Institutional Paper 286; European Commission (2024). *European Economic Forecast: Autumn 2024*. European Economy Institutional Paper 296; See also Arce, O, A. Consolo, A. Dias da Silva and M. Weissler (2025): "Foreign workers: a lever for economic growth", ECB Blog, 8 May 2025, European Central Bank; and OECD (2024). *International Migration Outlook 2024.* OECD Publishing, Paris.

[40] Net immigration is defined as the balance of immigration into and out-migration out of a country, independently of the citizenship or country of birth of the people moving.

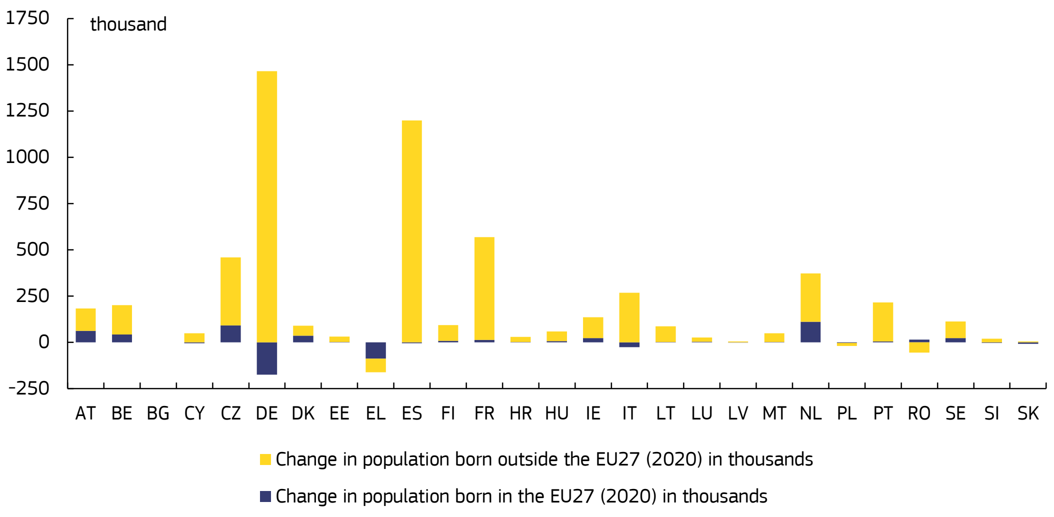
followed by the Netherlands and Italy (see Graph II.2.4). In Germany and Spain these increases were also significant when considered as a proportion of working-age population (2.5pps. and 3.2pps., respectively). Even larger relative increases (above 4 pps.) were observed in Cyprus, Czechia, Lithuania, Luxembourg, and Malta. In Czechia and Lithuania, as well as in Estonia, this included a significant number of persons fleeing the war in Ukraine. [41]

Graph II.2.3: **Share of working-age population born in other countries, 2024**



Some countries including Poland, Slovakia and Sweden did not include displaced persons from Ukraine who benefit from temporary protection in their population and migration statistics.
Source: European Commission calculations based on [migr_pop3ctb].

Graph II.2.4: **Change in the number of people of working age born abroad, 2021-24**



Due to missing values, the graphs exclude BG. For the most recent period, some countries including Poland, Slovakia and Sweden did not include individuals from Ukraine who benefit from temporary protection in their population and migration statistics.
Source: European Commission calculations based on [migr_pop3ctb].

Intra-EU relocation flows have increasingly served as a channel of economic adjustment between EU countries, but immigration from outside the EU is playing an increasingly important role in meeting labour demand. While descriptive statistics offer insights into mobility and migration trends, multivariate 'gravity' regressions are needed to disentangle the determinants of bilateral migration flows. Box II.2.1 at the end of this Special Issue presents the

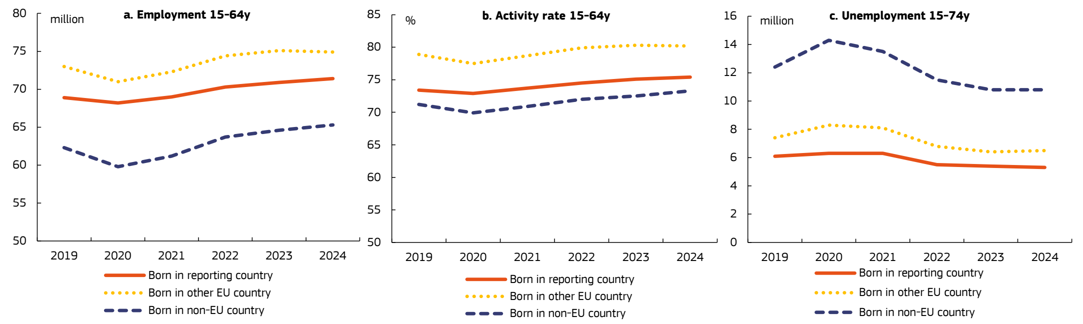
[41] Some countries including Poland, Slovakia and Sweden do not include displaced persons from Ukraine who benefit from temporary protection in their population and migration statistics.

findings from such an analysis on bilateral migration flows among EU countries. The box documents that there are significant flows in both directions between EU countries, making ‘gross’ flows much larger than ‘net’ flows. Results suggest that, over time, gross migration flows across the countries that now form the EU have become increasingly influenced by levels of economic prosperity and employment opportunities. At the same time, these disparities have narrowed: as the EU economies recovered from the post-2008 downturns, the dispersion of unemployment rates decreased, and economic convergence between newer and older Member States continued. Meanwhile, demographic headwinds and labour shortages have become more pronounced across the EU, highlighting the increased importance of immigration from outside the EU to satisfy labour needs.

The contribution of migration and intra-EU mobility to recent employment growth

Since 2019, employment outcomes have improved for workers from all origins. Between 2019 and 2024, the employment rate of both individuals born in one EU country and residing in another and people born outside the EU has increased by about 3 percentage points. This increase is slightly higher than the 2.5 pps. rise observed among native-born individuals over the same period (see Graph II.2.5, panel A). Approximately two thirds of the growth in employment rates between 2019 and 2024 can be attributed to increases in labour market participation (see Graph II.2.5, panel B), with the remainder due to a reduction in unemployment rates (see Graph II.2.5, panel C). Despite its improvement, the employment rate of people born outside the EU (65.3% in 2024) remains below that of native-born individuals (71.4%) and those born in another EU country (74.9%). [42]

Graph II.2.5: **Labour market outcomes in the EU by country of birth**



Source: European Commission calculations based on Eurostat data, EU Labour Force Survey.

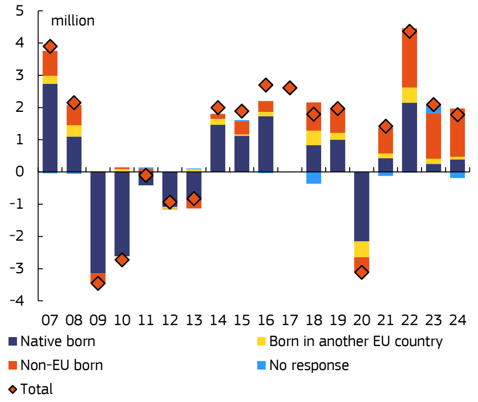
Since 2021, employment growth has been driven by increased employment among people born outside the EU. In the aftermath of the great financial crisis, employment growth was led by native-born populations. Since the pandemic, cumulative employment growth has primarily been due to people born outside the EU (see Graph II.2.6). Overall, immigration has bolstered labour supply amid demographic headwinds and labour shortages, thereby contributing to economic growth. [43] While the growth in employment by foreign-born persons has a rather immediate effect to increase GDP, the long-term impact of immigration on GDP per capita have also been found to be significant and positive, driven by increased productivity. [44]

(42) There is, however, significant variation across Member States in the magnitude of the employment differential between people born outside the EU and those born in the reporting country. Notably, they are comparatively high in Member States with the highest native-born employment rates, such as the Netherlands, Sweden and Germany.

(43) See also Arce et al (2025, *op. cit.*).

(44) Jaumotte, F., K. Koloskova, and S.C. Saxena (2016): “Impact of Migration on Income Levels in Advanced Economies“, International Monetary Fund, cited in: IMF (2016): “Spillovers from China’s Transition and from Migration”, Chapter 4 in *World Economic Outlook, October*, International Monetary Fund.

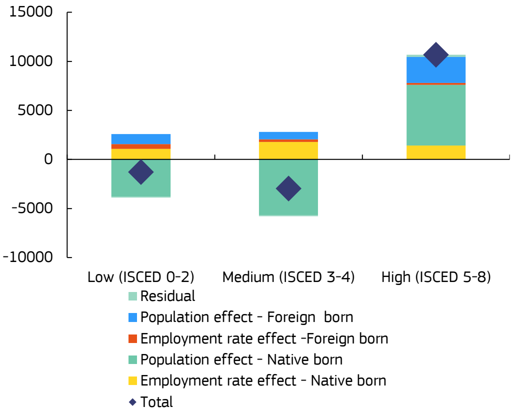
Graph II.2.6: **Annual employment growth in the EU by country of birth**



Data from 2007-16 does not include Germany for the breakdown by country of birth, but Germany is included in the total. From 2017, a breakdown by country of birth is available for Germany as well. This leads to a break in series for 2017, for which we only report the change in total employment.

Source: European Commission calculations based on the EU labour force survey [lfsa_pgacws] and [lfsa_ergacob].

Graph II.2.7: **Decomposition of employment growth in the EU by country of birth and education level, 2019-24**



The cumulative employment growth in each population group is broken down in three components, namely the effect of a change in the working-age population ('population effect'), a change in their employment rate ('employment rate effect') and an interaction effect between these effects ('interaction effect'). The latter is included as a cumulative residual for all population groups. To make the graph more readable, people born in another EU country and non-EU born are grouped as foreign-born.

Source: European Commission calculations based on special extraction by Eurostat from the EU Labour Force Survey.

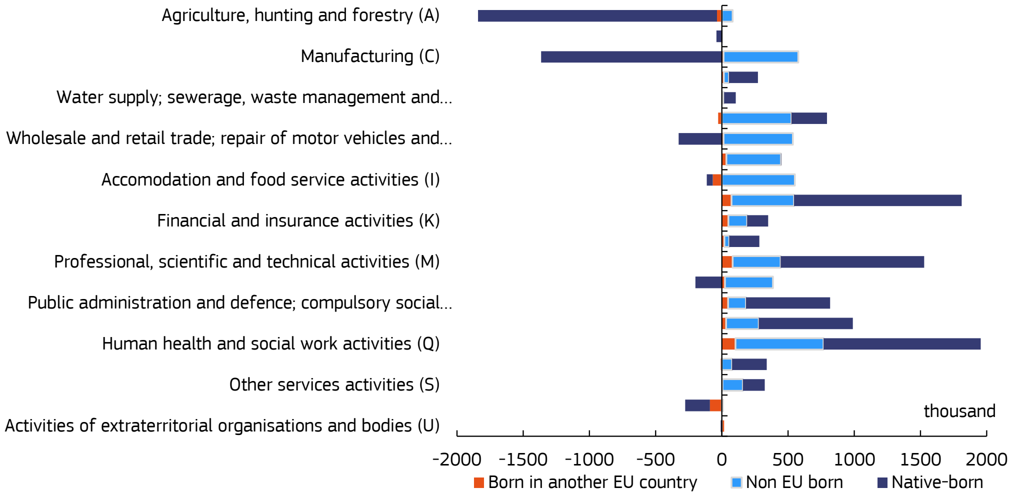
Besides immigration, EU employment growth was also supported by a broad-based increase in employment rates. A decomposition of cumulative employment growth between 2019 and 2024 by country of birth and education level shows the positive contribution of employment rates, which increased for both native-born and foreign-born workers and across all levels of qualification (see Graph II.2.7). By contrast, the size of the native-born population with low and medium-level education shrank, as older cohorts with lower qualifications retired and new cohorts entering the labour market have higher qualifications. The growth of the foreign-born population partially offset this decline. Meanwhile, employment of individuals with high qualifications was boosted both by an increase in employment rates and in both native and foreign-born working-age population (see Graph II.2.7).

Immigration, mobility and labour shortages

Between 2019 and 2024 employment growth for people born outside the EU was positive across almost all sectors. High-skilled sectors, such as human health (sector Q), information and communication (J) and professional, scientific and technical activities (M), experienced substantial increases in employment, driven by both non-EU born and native-born workers. Conversely, sectors like agriculture (sector A), mining (B), manufacturing (C) and activities of households as employers (T) saw declines in net employment. In these sectors, non-EU born worker employment increased, while native worker employment declined due to retirements and fewer young workers entering the sector. A similar pattern occurred in some low-skilled service sectors, such as wholesale and retail trade (G) and accommodation and food service activities (I), although these sectors still witnessed an overall net increase in employment (Graph II.2.8).

Between 2019-24, changes in the share of workers born in one EU Member State and working in another were relatively small, with increases mostly in sectors requiring higher qualifications. Their share slightly increased in some services sectors often requiring high qualifications such as Information and communication (J), Professional, scientific and technical activities (M), as well as in the health care sector (Q). In turn, their share slightly decreased in sectors typically requiring low qualifications, such as agriculture (A), Construction (F), Accommodation and food service activities (I), and Activities of households as employers (T) (see Graph II.2.8).

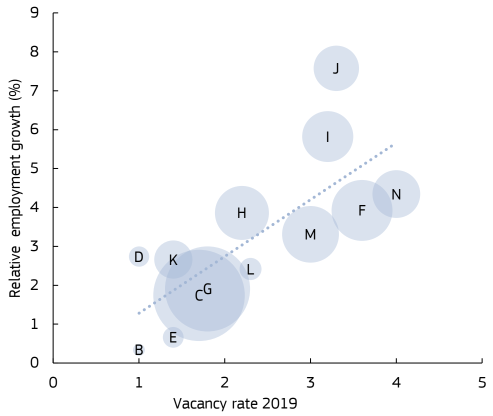
Graph II.2.8: **Cumulative employment change by country of birth and sector, 2019-24 (thousand workers)**



Source: European Commission calculations based on special extraction by Eurostat from the EU Labour Force Survey.

Workers born outside the EU have contributed to mitigating labour shortages in some sectors. The relative employment growth of non-EU born workers was strongest in sectors that faced sizeable labour shortages in 2019 (see Graph II.2.9). This included sectors where high qualifications are typically not required, like construction (F) and accommodation and food services (I). Non-EU born workers also showed substantial relative employment growth in some high-skilled service sectors with high vacancy rates, such as information and communication (J), as well as administrative and support service activities (N). In contrast, the contribution of non-EU born workers to relative employment growth was much lower in sectors with relatively low vacancy rates, such as electricity, water supply (D), mining (B) and real estate (L). Overall, these findings suggests that non-EU born workers have significantly helped mitigate persistent labour shortages in the EU, which is in line with previous findings on foreign-born nationals. [45]

Graph II.2.9: **Relative employment growth and labour shortages for non-EU born workers**



Relative employment growth by country of birth over the period 2019-24 is calculated as the change in employment of a specific population group in a sector divided by initial total employment in the sector in 2019. The employment data is from the EU Labour Force Survey. The vacancy rates are based on the Job Vacancy Survey and refer to vacancy rate by sector in 2019 (for all company sizes). The size of the bubble represents labour shortages in the sector measured by the vacancy rate in 2019 (for Panel A) and the relative importance of the sector in total employment in the business economy in 2019 (for Panel A and B). Sectoral codes as depicted in graph 6.

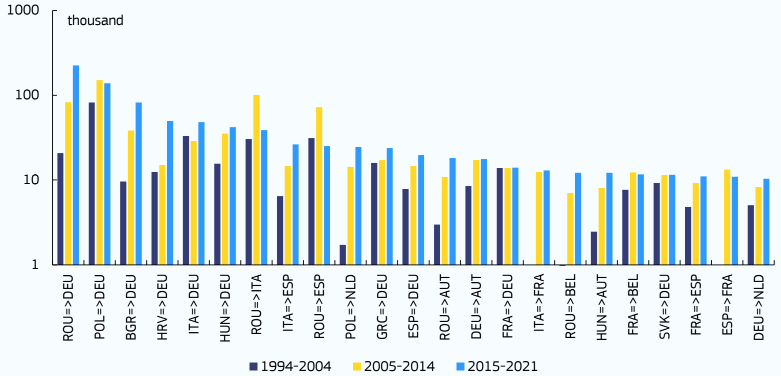
Source: European Commission calculations based on special extraction by Eurostat from the EU Labour Force Survey and Job Vacancy Survey.

(45) European Commission (2024). *Labour Market and Wage Developments in Europe*. DG Employment, Social Affairs and Inclusion, European Commission, Brussels; Arce et al (2025, *op. cit.*).

Box II.2.1: **Estimating the determinants of bilateral intra-EU migration and mobility flows**

The largest gross migration flows in the EU have been East to West, often involving people moving back and forth between countries. Since 2015, the most significant flows in absolute terms have been from Eastern European Member States, like Romania and Poland, towards larger countries such as Germany (Graph 1). Over time, most of these movements have increased, although migration from Romania to Spain and Italy may now be shifting towards Germany. Total migration flows in both directions are much larger than the net changes after accounting for people who move back. For example, in 2021, while 190 000 people moved from Romania to Germany, 156 000 moved in the opposite direction, resulting in a net increase of about 34 000 people in Germany. This pattern holds more generally across country pairs. Overall, 1.3 million people moved to Germany in 2021, but with about 1 million leaving, the net increase was only about 300 000 people. (1)

Graph 1: **Largest gross bilateral migration flows in the EU, period averages, log scale**



Source: European Commission calculations based on the OECD migration database.

Statistical analysis can identify key drivers of mobility flows inside the EU. (2) In multivariate 'gravity' regressions, the dependent variable is the number of people who moved from a given origin country to a given destination country in a given year. Migration data is sourced from the OECD migration database, which covers migration to advanced economies between 1995 and 2021. (3)

- Determinants of these migration flows include economic variables such as relative GDP per capita and differences in unemployment rates between countries (defined as a ratio between the given outcome in the destination country over the origin country). (4) Determinants related to European integration include two indicators: one capturing joint EU membership (set to 1 if both countries are EU members and 0 otherwise) and another capturing freedom of movement for workers between the countries (set to 1 whenever the destination country has opened its labour market to people from the origin country). In some cases, labour markets opened immediately after both countries became members of the EU, while in other cases there was a temporary derogation period.

- The estimations include year fixed effects to control for general trends. They also include country-pair fixed effects controlling for the specificities of the relationship between the origin and destination country (such as proximity, common border, common language, past migration). With the inclusion of country-pair fixed effects, the estimation of the effect of other explanatory variables becomes more precise: the relative unemployment rate for instance will measure how

(1) Federal Government of Germany (2021): "Migrationsbericht der Bundesregierung, 2021", Ministry of the Interior and Home Affairs, Federal Office for Migration and Asylum.
(2) The work builds on past work by Arpaia, A., A. Kiss, B. Palvolgyi, and A. Turrini (2018): "The effects of European integration and the business cycle on migration flows: a gravity analysis," *Review of World Economics* 154(4), 815-834.
(3) In this box, attention is restricted to migration flows among countries that are currently members of the EU.
(4) Economic variables are sourced from the from the World Bank World Development Indicators (WDI) database.

(Continued on the next page)

Box (continued)

bilateral migration flows are expected to change between the same two countries if unemployment goes up in the destination country compared to the origin country. This relationship is estimated in logs, which means that results can be interpreted as elasticities.

Results suggest that migration between the countries that now form the EU27 has become more influenced by economic factors over time. Table 1 shows results for the period between 1995-2021 and for two sub-periods: before 2008 and after 2008. Joint membership in the EU and free movement of labour are both estimated to boost mobility between countries, by about 50% and 20%, respectively.

- *Relative unemployment rate* is a significant determinant of mobility flows. If the relative unemployment rate in the destination country rises by 10% compared to the origin country, mobility to this country drops by 1%. This effect is estimated to have almost doubled in strength since 2008.
- *Relative GDP per capita* is estimated to be a significant determinant of mobility flows in the second period after 2008. Over this period, if relative GDP per capita in the destination country goes up by 10%, migration flows are estimated to increase by almost 6%.
- *Time effects* (not shown) indicate an increasing general trend of intra-EU mobility. This reflects reduced barriers to mobility, aside from the growing impact of economic factors.

Table 1: **Determinants of gross bilateral migration flows among the EU27**

	-1	-2	-3
Dep. var.: Log bilateral migration flow (rescaled)	Full sample	1996-2007	2008-2021
Log relative GDP per capita (destination over origin country, first lag)	-0.025	-0.525*	0.579***
	(0.161)	(0.300)	(0.214)
Log relative unemployment rate (destination over origin country, first lag)	-0.108***	-0.141**	-0.251***
	(0.038)	(0.068)	(0.042)
Both countries are EU members in given year (dummy)	0.529***	0.373***	0.567***
	(0.074)	(0.082)	(0.201)
Free movement for employment between both countries (within EU, dummy)	0.189***	0.169*	0.213***
	(0.064)	(0.092)	(0.065)
Country pair effects	yes	yes	yes
Year effects	yes	yes	yes
Number of observations	9,961	3,481	6,480
Number of country pairs	504	451	504

Fixed effects panel estimations with robust standard errors. Asterisks indicate estimated coefficients that are statistically significant at the 1% (***), 5% (**), or 10% (*) level.

3. TRENDS IN CARBON INTENSITY AND THE MACROECONOMIC ROLE OF THE EU EMISSIONS TRADING SYSTEM

The EU Emissions Trading System (ETS) is a key element of the EU policy framework to achieve at least 55% net greenhouse gas (GHG) emission reductions in 2030 compared to 1990. This Special Issue analyses ETS price transmission channels and economic impacts with a focus on inflation, identifying three main results. First, the economic impacts of carbon pricing in the existing ETS are still mainly channelled through electricity prices. Second, the gradual transition of the protection regime against carbon leakage risk to the new Carbon Border Adjustment Mechanism (CBAM) has a negligible impact on inflation over the forecast period. Third, the near doubling of the ETS scope to include buildings, road transport and additional sectors (ETS2) is expected to raise consumer energy prices in the first year of application. However, this impact will vary across EU Member States. The analysis presented here also shows that the EU economy has decarbonised more than other major economies, in particular in sectors covered by the ETS.

The EU Emissions Trading System and recent extensions of carbon pricing

The EU Emissions Trading System (ETS) enables a market-driven approach to reduce CO_2 emissions in a cost-efficient way. By capping the total emissions permitted and allowing companies to trade emission allowances, the system incentivises businesses to adopt greener technologies. Otherwise, they pay a price for their emissions by purchasing allowances from those more efficient at reducing emissions.

The coverage of the ETS has expanded over time. The ETS was introduced in 2005 as a central tool to reduce greenhouse gas emissions (GHG). The scheme initially covered CO_2 emissions from electricity and heat generation, as well as some energy-intensive industries. Its coverage has been extended over time: in 2013 to all other major energy-intensive industries and intra-EU aviation, and in 2024 to maritime transport. The current system (now called ETS1) covers around 40% of EU greenhouse gas emissions.

The ETS uses a cap-and-trade model to establish a carbon market with an EU-wide carbon price. The ETS directive (2003/87/EC) sets an EU-wide emission cap for the activities covered by the system. For ETS1, the cap declines every year with a linear reduction factor that has been amended several times since 2013 and is now aligned with a 62% emission reduction by 2030 [46]. The cap determines the total number of emission allowances available. Each regulated entity is required to annually surrender allowances equivalent to its emissions. Allowances are primarily distributed through auctions, with entities able to trade unused allowances on the secondary market. This establishes a common carbon price across the EU.

The ETS1 carbon price has increased to levels well above EUR 50 per ton of CO_2 since 2021. The introduction of the Market Stability Reserve in 2018 helped to re-balance supply and demand of allowances, lifting ETS1 carbon prices from previously low levels. Subsequently, the strengthening of ETS1 in line with the target to reduce net greenhouse gas emission by at least 55%, together with the energy crisis caused by Russia's war of aggression against Ukraine, pushed average carbon prices up to EUR 80 in 2022-2023, before they decreased to EUR 65 in 2024. In 2025, prices have so far fluctuated between EUR 60 and EUR 80 (see Graph II.3.1). Future markets signal only slight ETS1 price increases by 2027: around EUR 2 higher in December 2026 than in December 2025, and EUR 4 higher in December 2027, with limited liquidity on the future market beyond 2026. [47]

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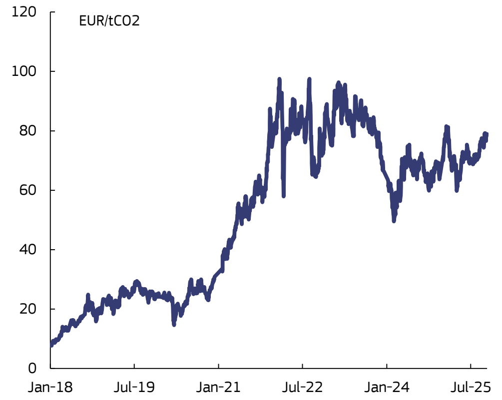
(46) Compared with the emissions in 2005, in line with the ETS sector contribution to the 2030 target of at least net 55% emission reductions in 2030 compared to 1990.

(47) Source: https://www.eex.com/en/market-data/market-data-hub, last accessed 22 October 25.

Graph II.3.1: **EU ETS allowances prices from 2018 to 2025**



Source: based on ETS auction data from EEX EUA Primary Auction Spot - Download

As of 2026, the Carbon Border Adjustment Mechanism (CBAM) will gradually replace the free allocation of ETS1 allowances as the main policy tool to mitigate carbon leakage risks. Carbon leakage refers to an increase of emissions in non-EU countries resulting from the relocation of CO_2 intensive production outside the EU due to carbon pricing. To mitigate the risk of such increases, energy-intensive industries in the EU currently receive a significant amount of free ETS1 allowances, accounting for nearly half of all emissions of ETS1 stationary installations in 2024. The CBAM will ensure that the ETS1 carbon price also applies to imports, thereby levelling the playing field for EU and non-EU producers on the EU internal market. It covers electricity, iron and steel, aluminium, cement, fertilisers, and hydrogen products, corresponding to around 54% of the free allowances under ETS1 in the period 2021–25. The transition to CBAM will be gradual: ETS1 free allowances for CBAM-covered sectors will be reduced by 2.5% in 2026 and 5% in 2027, and the ETS1 carbon price will be applied at the same low rates to imports from countries lacking equivalent carbon pricing.

Carbon pricing will be extended to additional sectors through a separate emission trading system. The new ETS—referred to as ETS2—covers CO_2 emissions from fossil fuels used in buildings, road transport and industries not covered by ETS1, e.g. industrial heating in non-energy intensive sectors, small district heating, SME emissions. ETS2 nearly doubles the share of EU GHG emissions covered by carbon pricing, to around 75%. Member States also have the option to include emissions from additional sectors within its scope, e.g. fuels used in agriculture, for mobile machinery, in inland navigation or by small planes. [48] ETS2 is a new instrument in the toolbox of EU and national policies to help Member States achieve national emission reduction targets, in addition to excise duties for energy, carbon taxes and regulatory and support measures. The ETS2 emission cap will decrease linearly to achieve a 42% emission reduction by 2030 compared to 2005.

The date of entry into operation of ETS2 is uncertain. The ETS directive (2003/87/EC) as amended in 2023 sets 2027 as first year of operation of ETS2. However, on 5 and 13 November, respectively, the EU Environment Council and the European Parliament each agreed to postpone the entry into operation of ETS2 by one year. [49] The postponement must be confirmed in negotiations between both institutions and subsequent votes before it can become applicable.

The design of ETS2 includes mechanisms to avoid excessive carbon prices. Just like ETS1, ETS2 will operate with a dedicated, rule-based Market Stability Reserve to manage imbalances in the supply and demand of allowances on the market. The frontloading of auctioning ensures a liquid market from the start. Several other mechanisms have been established to prevent excessive price increases. Notably, additional allowances will be released from the reserve when the ETS2 carbon price reaches EUR 45 per ton CO_2 in 2020 prices [50] (corresponding to EUR 58 in

(48) ETS2-regulated entities are fossil fuel providers to the market, typically those collecting excise duties on energy.

(49) Council of the EU (2025). 2040 climate target: Council agrees its position on a 90% emissions reduction. Press release, 5 November 2025. European Parliament (2025). EU 2040 climate target: MEPs want 90% emissions reduction in EU climate law. Press release, 13 November 2025.

(50) Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union, Article 30h (2)

2027 [51]). In addition, on 21 October, the Commission announced that it would soon present a package of proposals to address concerns about future ETS2 carbon price levels and volatility. [52]

The ETS generates revenues which are used for climate-related investments and to mitigate the social impacts of carbon pricing. Most ETS1 allowances are auctioned, with the proceeds primarily allocated to Member States, and partially to the Modernisation Fund, the Innovation Fund and RePowerEU under the RRF. By mid-2025, the EU ETS had raised EUR 245 billion in revenues through the sale of emission allowances since its launch. Under ETS2, all emission allowances will be auctioned to generate public revenues. A part of these revenues will be allocated to the Social Climate Fund (i.e. EUR 65 billion in 2026-32), to help mitigate the price impact of ETS2 on vulnerable households, transport users and micro-enterprises, but the majority will go directly to Member States, to be used primarily for social purposes.

Trends in the carbon intensity of the EU economy and the role of the EU ETS

The decarbonisation of the EU economy started in the 1990s and continues to accelerate. EU CO_2 emissions increased by 9% between 1970 and 1990 despite the two oil shocks, before decreasing by 10% between 1990 and 2010 and by 28% between 2010 and 2024 [53]. The carbon intensity of the EU economy, expressed in CO_2 emissions per unit of GDP, decreased even more, by 37% between 1990 and 2010 and by a further 41% between 2010 and 2024.

The EU is a frontrunner internationally in terms of decreasing the carbon intensity of its economy. The carbon intensity of the EU economy has decreased to 101 tons CO_2 per million GDP (measured in USD for comparison purposes) in 2024, compared to 170 tCO_2 in Japan, 180 tCO_2 in the United States, and 391 tCO_2 in China (see Graph II.3.2). The carbon intensity of EU Member State economies ranges between 56 tCO_2 in Sweden and 168 tCO_2 in Poland. [54] Starting from higher carbon intensity levels, China and the United States have also decarbonised at a similar pace as the EU over the last twenty years (EU -48%, China -48%, US -46% between 2005 and 2024), whereas Japan has seen slower progress (-30%). Over the last decade, the EU has seen the largest decrease, at 31% (see Graph II.3.2).

The EU ETS has helped to accelerate the decarbonisation of the EU economy. The carbon intensity of EU ETS1 sectors has decreased by 62% since 2005, compared to a 48% decrease seen in the overall EU economy. Since 2015 alone, carbon intensity has decreased by 45%. For comparison, the carbon intensity of sectors which will be covered by ETS2 only decreased by 36% between 2005 and 2023, and 19% since 2015 (see Graph II.3.2). Scientific studies of ETS1 confirm that efficient economic instruments which incorporate climate costs into market prices play a key role in decarbonising the economy. [55]

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(51) Calculated by adjusting the EUR 45 in 2020 prices for the average of inflation up to 2026 and 2027, based on historical HICP inflation up to 2024 and Autumn 2025 Forecast inflation projections thereafter.

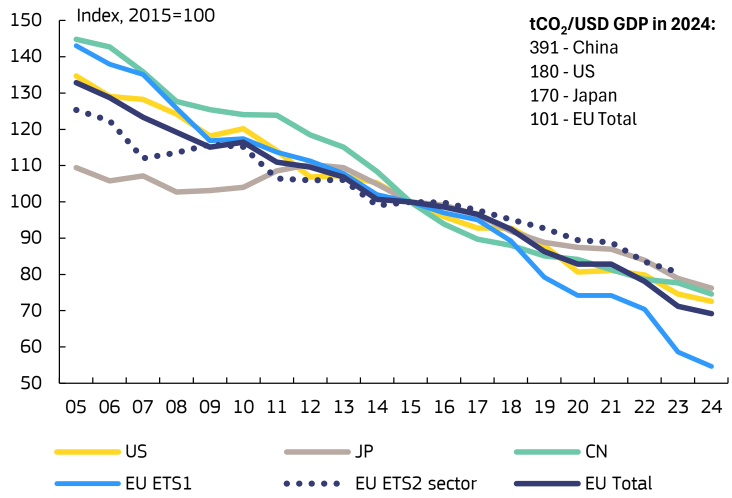
(52) European Commission, Directorate-General for Climate Action (2025).: Ensuring a stable start for Europe's new carbon market for buildings and road transport, https://climate.ec.europa.eu/news-other-reads/news/ensuring-stable-start-europes-new-carbon-market-buildings-and-road-transport-2025-10-21_en

(53) DG ECFIN calculations based on JRC EDGAR Emissions Database for Global Atmospheric Research.

(54) Source: JRC EDGAR Emissions Database for Global Atmospheric Research.

(55) See e.g. the empirical analyses and literature reviews in Colmer, J., Martin, R., Muûls, M. and Wagner, U.J. (2025) Does Pricing Carbon Mitigate Climate Change? Firm-Level Evidence from the European Union Emissions Trading System, *The Review of Economic Studies* 92/3, 1625–1660, and Rafaty, R., Dolphin, G. and Pretis, F. (2025). Carbon pricing and the elasticity of CO_2 emissions, Energy Economics 144: 108298.

Graph II.3.2: **CO2 emissions per USD GDP in the EU and selected countries (measured in USD million) - Index 2015=100 and level in 2024**



Source: European Commission based on data from JRC EDGAR Emissions Database for Global Atmospheric Research (CO2 emissions per GDP expressed in USD), EEA EU Emissions Trading System data viewer (Verified ETS emissions including estimates to represent current ETS scope) and EEA greenhouse gases — data viewer (ETS2 sectors approximated by UNFCCC inventory sectors 1.A.3.b (road transport), 1.A.4.a, 1.A.4.b (buildings)).

ETS price transmission and economic impacts

ETS1 carbon prices are still primarily channelled through electricity prices. Electricity and centralised heat generation still account for the largest share of ETS1 emissions, at 50% in 2024, though this share is rapidly decreasing. The power sector is by far the largest purchaser of auctioned ETS allowances. The main price transmission channel is the wholesale electricity price. When the marginal producer setting the market price is a fossil fuel power plant, the market price is expected to include the carbon cost of that fuel. Bai and Okullo (2023) estimate a full cost pass-through of carbon prices to wholesale power prices in Belgium, Germany, Italy, the Netherlands, Scandinavia, and the United Kingdom for the period 2008-18, while Dagoumas and Polemis (2020) estimate an almost complete pass-through in Greece. [56] If the marginal power plant uses gas, the price impact is lower than if it uses coal. [57] However, in fifteen Member States, the impact of ETS1-related increases in electricity prices on energy-intensive industries is mitigated by compensation mechanisms. [58]

The direct impact of ETS1 on the costs of industries which heavily use fossil fuels is mitigated by free allowances. In 2024, 38% of ETS1 emissions stemmed from industrial processes [59] in energy-intensive industries. ETS1 emission allowances allocated for free to these industries and to district heating have broadly matched their emissions, thereby limiting their carbon costs. Neuhoff and Ritz (2019) highlight significant variation and uncertainty in ETS1

(56) Bai, Y. and Okullo, S.J.. (2023). Drivers and pass-through of the EU ETS price: Evidence from the power sector. Energy Economics 123: 106698; Dagoumas, A. and Polemis, M. (2020). Carbon pass-through in the electricity sector: An econometric analysis. Energy Economics 86: 104621.

(57) For illustration, based on price data available in Spring 2025, in a gas plant, CO_2 costs represented around one quarter of the fuel costs and in a coal plant almost two thirds of the fuel costs.

(58) According to the conditions specified in State aid guidelines for the corresponding provisions of the ETS directive, e.g. European Commission (EC) (2020a). Communication from the Commission. Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021, 2020/C 317/04.

(59) In addition, 5% of EU27 ETS1 emissions (2024) are channelled via airplane tickets. EC (2021a) estimated that around 75% of the direct ETS cost in aviation will be passed through to passengers (European Commission (EC) (2021a). Impact assessment report accompanying the Proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and appropriately implementing a global market-based measure. SWD (2021) 603). 7% of ETS1 emissions (2024) relate to maritime transport, of which the carbon costs will impact households indirectly.

carbon cost pass-through to basic material prices across countries and sectors, with full pass-through observed in only a few cases. [60]

The main ETS2 price transmission channel is retail prices of fossil fuels. While ETS1 primarily impacts electricity prices, ETS2 will add carbon costs to fuels used in buildings and road transport, thus creating a more level playing field between different uses of fossil fuels. Given that around two thirds of ETS2 emissions are household fuel emissions, ETS2 will impact consumer prices directly by raising retail prices for oil (petrol, diesel, heating oil), gas and coal. In addition, indirect price impacts are anticipated, as higher fuel prices for fossil-fuelled road transport and heating affect producers of consumer goods and services. The ETS2-regulated entities are expected to pass on the ETS2 carbon price fully to their customers, as is the case for existing excise duties. However, the increase in gas prices may be more gradual, reflecting the duration of existing contracts and specificities related to domestic energy markets (e.g. the degree of price control).

Increases in electricity and fuel prices due to carbon pricing tend to have a greater impact on lower-income households than higher-income ones. The impact is found to be most significant for the two lowest income deciles. However, the overall effect hinges on the extent to which ETS revenues are used to offset the price increases for these households. The additional revenues generated by ETS2 should be sufficient to fully compensate regressive impacts. [61]

The impacts of the EU ETS on growth and productivity are assessed to have been small to moderate to date. Empirical analyses of the impact of the ETS1 so far have mostly found either negligible or positive impacts on firm productivity and investment. [62] The EC (2020b) ex-ante macroeconomic impact assessment of strengthened and extended carbon pricing (ETS1 and ETS2) points to GDP impacts in 2030 between -0.39% and +0.13% compared to the baseline scenario. Sectoral output in different energy-intensive industries is projected to decrease in 2030 between 0.1% and 4%. [63] An ex-ante macroeconomic assessment of strengthened carbon pricing in Varga *et al* (2022) reports GDP impacts between -0.61% and -0.91% in 2050, depending on the use of carbon pricing revenues. [64]

The inflationary impact of ETS1 has been found to be limited so far. Buelens (2024) provides a conceptual and literature-based overview that suggests that ETS1 has had a moderate impact on inflation. [65] Bettarelli *et al.* (2025) do not find statistically significant effects of emissions trading systems on prices in the period from 1989 to 2022, while Morao (2025) points to inflationary impacts of the ETS1 carbon price increases in 2022. [66] In the medium-term,

(60) E.g. Neuhoff, K. and Ritz A. (2019). Carbon cost pass-through in industrial sectors. Cambridge Working Papers in Economics 1988.

(61) E.g. European Commission (EC) (2020b). Impact assessment accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Stepping up Europe's 2030 climate ambition. Investing in a climate-neutral future for the benefit of our people, SWD(2020) 176 final. For an overview of distributional impacts of carbon pricing and related literature and Commission analyses see Nill, J., Crucitti, F., Spooner, M. and Varga, J. (2025). The Distributional Impact of EU Climate and Energy Policies on Households and Possible Mitigation Measures. European Economy Discussion Paper 214.

(62) See e.g. Dechezleprêtre, A., Nachtigall, D. and Venmans, F. (2023). The joint impact of the European Union emissions trading system on carbon emissions and economic performance, Journal of Environmental Economics and Management 118: 102758, Bremer, L and Sommer, K (2025). Economic performance and investments under emissions trading: Untangling the effects of a staggered regulation, Energy Economics 142: 108170; Cameron, A. and Garrone M. (2024). Carbon intensity and corporate performance – A micro-level study of EU ETS industrial firms, Single Market Economics Papers 24, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2873/188206, These studies and the literature they review mostly analyse the period of low ETS carbon prices.

(63) EC (2020b) opt. cit..

(64) Varga J., Roeger, W. and in 't Veld, J. (2022). E-QUEST: A multisector dynamic general equilibrium model with energy and a model-based assessment to reach the EU climate targets. Economic Modelling 114: 105911.

(65) Buelens, C. (2024). Climate change and its implications for prices and inflation. Quarterly Report on the Euro Area (QREA), Directorate General Economic and Financial Affairs (DG ECFIN), European Commission, 23(1): 23-40.

(66) Bettarelli, L., Furceri, D., Pisano, L. and Pizzuto, P. (2025). Greenflation: Empirical evidence using macro, regional and sectoral data. European Economic Review 174: 104983; Morao, H. (2025). From carbon policy to consumer prices: The economic impact of carbon caps in the Euro Area, Energy Economics 143: 108175.

however, the price effect could be larger as the emissions cap decreases and free allowances are phased down. EC (2021b) energy system modelling points to ETS1 carbon price increases between 2025 and 2030 of around EUR 20 (including inflation). [67] The European Economic Forecasts have been incorporating the transmission of ETS1 prices to electricity-related production costs and consumer inflation. This incorporation occurs implicitly through electricity price assumptions, which are based on wholesale futures prices.

The implementation of CBAM is expected to have a negligible impact on inflation in the short term. Due to the very gradual phase out of ETS1 free allowances and the corresponding phase-in of CBAM, the average increase in carbon costs for industry compared to 2025 prices is calculated at around EUR 1 per ton CO_2 in 2026 and around EUR 2 in 2027, while the price of the carbon content of imported products covered by CBAM is estimated to increase by around EUR 2 per ton CO_2 in 2026 and around EUR 4 in 2027. In 2030, according to EC (2021c) CBAM-related sectoral product price increases are estimated to range between 0.02% and 0.06% for most sectors when compared to a baseline that includes ETS1 only. The estimated increase is 0.08% for personal transport equipment and 0.12% for fuels and power. [68]

There is uncertainty surrounding the ETS2 carbon pricing, including in its first year of application. In the EC (2021b) ETS impact assessment, the modelled ETS2 carbon price for 2030 is EUR 48 per ton CO_2 in 2015 prices, corresponding to EUR 69 in 2030 prices [69]. Initial ETS2 carbon prices are expected to be lower due to the above-mentioned mechanisms designed to enable a smooth start to ETS2. These include frontloading of auctioning and the release of additional allowances from the Market Stability Reserve once the carbon price reaches the trigger level (for 2027 it would be EUR 58). For analytical purposes, EC (2025) provided estimates of the annual carbon price resulting from ETS2 [70]. For 2027, this value would be EUR 30 per ton CO_2 in 2023 prices, corresponding to EUR 33 in 2027 prices. Other analyses suggest that ETS2 carbon prices may be higher, but estimates vary widely. This European Economic Forecast assumes an ETS2 carbon price of EUR 46 in 2027, which is the average of the EUR 33 estimate and the intervention price of EUR 58. There are three main reasons for different estimates and related uncertainty: i) the uncertainty surrounding the emission level at the start of ETS, ii) the interplay between carbon pricing and other regulatory policies, and iii) uncertainty around the foresight of key actors on the ETS2 carbon market. [71]

Despite an initial inflationary impact, over time ETS2 is expected to protect the economy from fossil fuel price shocks. Although the introduction of ETS2 is likely to have an almost immediate impact on consumer energy and headline inflation, over time it is set to play a crucial role in mitigating the adverse effects of fossil fuel price volatility. Fossil fuel prices are inherently volatile, as recently demonstrated by the fallout of the Russian war of aggression

(67) EUR 13 per ton CO_2 in 2015 prices based on the MIX scenario as closest representation of the adopted Fit for 55 package, see European Commission (EC) (2021b). Impact assessment report accompanying the Proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757. SWD(2021) 601.

(68) Based on a macroeconomic ex ante impact assessment, see European Commission (EC) (2021c). Impact assessment report accompanying the Proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism. SWD(2021) 643 final.

(69) Based on the MIX scenario and energy system modelling with five yearly time steps. In a more carbon price driven energy system modelling scenario assuming a lower intensification of regulatory policies, the modelled 2030 ETS2 carbon price is EUR 80 per ton CO_2 in 2015 prices, corresponding to around EUR 115 with inflation.

(70) European Commission (EC) (2025). Commission Guidance on the Social Climate Plans, C(2025) 881 final. The values have been published to help Member States estimate the effects of the price increases from ETS2 on vulnerable groups for the Social Climate Plans under the Social Climate Fund.

(71) For an overview of studies with particular focus on the impact of other policies see e.g. Guenther, C., Pahle, M., Govorukha, K., Osorio, S. and Fotiou, T. (2025). Carbon prices on the rise? Shedding light on the emerging second EU Emissions Trading System (EU ETS 2). Climate Policy 2485196. E.g. BNEF (2025) carbon market modelling highlights the importance of assumptions on the time horizon of ETS2 market actors, with low short term carbon prices if the time horizon is short (BloombergNEF (BNEF) (2025). EU ETS II Market Outlook. BNEF: 6 March 2025).

against Ukraine. By supporting decarbonisation through carbon pricing, ETS2 will help reduce the economy's vulnerability to fossil fuel price shocks. (72)

The impact of ETS2 on energy prices varies greatly across sectors and countries. Retail energy price increases through ETS2 are expected to vary between fuels, sectors, and Member States. The EC (2021b) analysis for a carbon price of EUR 48 per ton CO_2 yielded absolute price increases of EUR 0.11 and 0.13 for petrol and diesel, corresponding to relative price increases in Member States ranging from 7% to 14%. For heating oil and gas, the relative price increases in Member States were estimated to be between 10% and 30%, while price increases for heating coal were estimated at 52% on average. These differences across Member States also reflect wide variations in the share of energy taxation. Indeed, this is demonstrated by the implicit carbon prices calculated by OECD (2024), showing effective carbon prices in 2023 ranging from EUR 114 to 263 per ton of CO_2 in road transport and EUR 3 to 312 in buildings. (73) Countries that heavily rely on high-carbon-content fossil fuels for their energy needs will incur higher consumer energy price increases. By contrast, in Germany and Austria, ETS2 is likely to lead to no impact or even negative impact, as it will replace existing national emissions trading systems which currently have lower carbon pricing. Ireland and Luxembourg have requested a temporary ETS2 derogation, allowing only national carbon taxes to apply if they exceed the ETS2 carbon price in a given year.

ETS1 and ETS2 provide a financial incentive to decrease reliance on fossil fuels by shifting to more sustainable, cheaper energy alternatives and improving energy efficiency. While short-term price elasticities of demand are limited, in particular in ETS2 sectors, they increase in the longer term. (74) This implies that in the short term, the price effect will dominate while over time carbon pricing promotes a shift toward cheaper renewable energy sources and greater investment in energy efficiency. These changes will reduce the carbon intensity of the economy.

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(72) See e.g. JRC macroeconomic modelling with GEM-E3 for European Commission (2024). Impact assessment report accompanying the Communication Securing our future. Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, SWD(2024) 63 final.

(73) OECD (2024). Pricing Greenhouse Gas Emissions 2024. Gearing up to bring emissions down. Paris: OECD Publishing. The effective carbon rate is calculated as the sum of carbon tax rates, national ETS carbon prices (where applicable) and the carbon prices implicit in the excise tax rates for different fuels, all expressed per ton of CO_2,

(74) Based on a literature review and econometric modelling, e.g. Enerdata found for passenger cars short- respectively long-term price elasticities of 0.17% and 0.34% (not covering electrification), for freight of 0.08% and 0.62%, for residential of 0.09 and 0.23% and for services of 0.11% and 0.20% (European Commission (ed.) (2021d). Possible extension of the EU Emissions Trading System (ETS) to cover emissions from the use of fossil fuels in particular in the road transport and the buildings sector – Final report, Publications Office of the European Union, 2021, https://data.europa.eu/doi/10.2834/779201).

PART III

Prospects by individual economy

Euro Area Member States

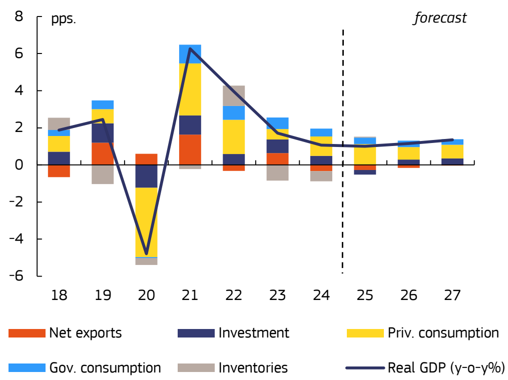
1. BELGIUM

Belgium's economic growth is expected to slow down in 2025, mainly due to high global uncertainty and decreased exports. GDP growth is projected to increase slightly in 2026 and in 2027, supported by improving external demand and investments. Inflation is forecast to decrease in 2025 and in 2026, driven by lower price pressures for industrial goods and energy before rising in 2027 following an increase in energy prices. Based on currently known policies, the general government deficit is projected to increase over the forecast horizon driven by defence and interest expenditure. As a result, the government debt is expected to continue its upward trend.

Economic activity set to slow in 2025

GDP growth remained robust at 0.4% q-o-q in the first quarter of 2025, then fell to 0.2% in the second quarter due to trade uncertainty before reaching 0.3% in the third quarter.

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



Domestic demand is expected to slow down in 2025, but grow slightly faster in 2026 and 2027, supported by investment. Muted employment growth, unemployment benefit cuts and a rebound in inflation in 2027 are projected to weigh on private consumption over the next two years. Capacity utilisation is below its historical level and mortgage interest rates remain relatively high, leading to a decline in gross fixed capital formation in 2025. However, it is expected to rebound in 2026 and 2027 due to better financing conditions. Construction is set to expand and reduced uncertainty in the external environment is expected to encourage equipment investment. The introduction of US tariffs negatively affects Belgian exports, with the US being Belgium's fourth-largest export market, although their impact was limited in 2025 due to frontloaded exports. Imports are set to decrease less than exports, resulting in a negative contribution of net exports to growth in 2025. Exports are expected to rebound in 2026 and 2027, supported by recovering cost competitiveness as wage growth moderates. Import demand is also set to pick up, but the contribution of net exports to GDP growth is projected to improve up to 2027. Overall, economic activity is forecast to grow by 1.0% in 2025, followed by a gradual recovery of 1.1% in 2026 and 1.3% in 2027. A potential downside risk is a slower-than-expected EU demand recovery.

Unemployment set to increase in 2025

Employment growth eased to 0.3% in 2024, mainly due to employment declines in the industrial sector. Although modest growth is expected over the forecast horizon, a pick-up is projected, driven by an investment recovery and unemployment benefit and pension reforms. The unemployment rate is set to rise to 6.0% in 2025 and 6.2% in 2026, as a short-term consequence of labour market and pension reforms, before decreasing slightly in 2027. Wage growth is set to ease gradually as labour supply increases.

Gradual decrease of inflation

Headline inflation is projected to decline from 4.3% in 2024 to 2.8% in 2025. Goods inflation is set to slow significantly, supported by decreasing energy commodity prices and low imported inflation. However, service inflation is projected to remain more elevated in 2025, driven by the increase in service vouchers and public transport prices. Inflationary pressures are projected to ease further to 1.8% in 2026, with slower price growth expected across all components. In 2027, the introduction of ETS2, if not delayed, is expected to lead to an increase in energy prices, causing headline inflation to rise to 2.0%.

New government measures offset by increasing defence and interest expenditure

In 2025, the deficit is expected to increase to 5.3% of GDP from 4.4% in 2024. Ageing costs (+0.2% of GDP compared to 2024), mainly pension and healthcare, interest payments (+0.2% of GDP), and defence (+0.1% of GDP) are expected to drive expenditure up. The latest defence projections show a gradual rise in expenditure towards 2% of GDP in 2027, taking into account the delivery time of military equipment. In addition, government revenue is expected to decline (-0.3% of GDP), specifically in taxes on production and imports which are negatively affected by discretionary measures mainly at the regional level.

The 2026 projections include the expected impact from federal and regional measures that were decided by the end of October 2025. In 2026, the deficit is forecast to reach 5.5% of GDP due to defence expenditure increasing by 0.3% of GDP. In addition, higher interest expenditure (+0.2% of GDP) is expected because of the rising debt level and higher refinancing rates. The implementation of consolidation measures at the federal and regional level is projected to stabilise social benefits expenditure at 25.8% of GDP. Revenue as a percentage of GDP is projected to remain broadly stable in 2026, supported by taxes on products and imports and income and wealth. As a result, the primary balance is set to remain stable.

In 2027, the deficit is forecast to widen to 5.9% of GDP, driven by a fall in revenue (0.3% of GDP), mainly due to a decrease in other current revenue and capital transfers, and a small increase in expenditure (0.1% of GDP). On the expenditure side, higher defence expenditure (+0.2% of GDP) and interest payments (+0.2% of GDP) are compensated by an expected decline in social benefits (-0.2% of GDP), following the adoption of more stringent rules to have access, and in employee compensation (-0.1% of GDP) due to a slowdown in the growth of both the number of employees and public sector wages.

General government gross debt stood at 103.9% of GDP at the end of 2024. The persistence of high general government deficits explains the projected rise to 112.2% in 2027.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		620.3	100.0	1.3	4.0	1.7	1.1	**1.0**	**1.1**	**1.3**
Private Consumption		322.9	52.1	1.3	3.7	1.1	2.0	**2.1**	**1.3**	**1.4**
Public Consumption		147.8	23.8	1.2	3.2	2.7	1.8	**1.5**	**1.5**	**1.3**
Gross fixed capital formation		150.4	24.2	1.7	2.5	3.1	2.0	**-1.0**	**1.2**	**1.5**
Exports (goods and services)		491.7	79.3	3.0	3.1	-7.2	-1.7	**-0.9**	**1.5**	**2.0**
Imports (goods and services)		494.1	79.7	3.0	3.5	-7.6	-1.3	**-0.6**	**1.7**	**2.0**
GNI (GDP deflator)		630.4	101.6	1.3	4.0	2.2	0.9	**0.7**	**1.1**	**1.3**
Contribution to GDP growth:	Domestic demand			1.4	3.2	1.9	2.0	**1.2**	**1.3**	**1.4**
	Inventories			0.0	1.1	-0.8	-0.6	**0.0**	**0.0**	**0.0**
	Net exports			0.0	-0.3	0.6	-0.3	**-0.3**	**-0.2**	**0.0**
Employment				0.9	1.9	0.8	0.3	**0.5**	**0.7**	**0.8**
Unemployment rate (a)				7.4	5.6	5.5	5.7	**6.0**	**6.2**	**6.1**
Compensation of employees / head				2.1	7.5	7.5	3.4	**3.7**	**2.5**	**2.3**
Unit labour costs whole economy				1.7	5.4	6.5	2.5	**3.2**	**2.1**	**1.7**
Saving rate of households (b)				14.5	12.9	14.0	12.9	**12.4**	**12.5**	**12.5**
GDP deflator				1.8	6.7	5.5	1.9	**2.5**	**1.9**	**2.0**
Harmonised index of consumer prices				1.9	10.3	2.3	4.3	**2.8**	**1.8**	**2.0**
Terms of trade goods				-0.2	-5.5	1.8	0.3	**0.7**	**1.1**	**0.0**
Trade balance (goods) (c)				0.2	-1.0	1.3	1.7	**1.2**	**1.6**	**1.6**
Current-account balance (c)				1.2	-2.0	0.1	-0.4	**-0.6**	**-0.6**	**-0.6**
General government balance (c)				-3.0	-3.6	-4.0	-4.4	**-5.3**	**-5.5**	**-5.9**
Fiscal stance (c)				0.2	-1.4	0.1	-0.4	**-0.1**	**0.4**	**0.2**
Structural budget balance (d)				-3.0	-4.1	-4.1	-4.1	**-4.8**	**-4.9**	**-5.1**
General government gross debt (c)				101.5	103.4	102.4	103.9	**107.1**	**109.9**	**112.2**

(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 slow gradually over the forecast horizon, mostly due to domestic factors. Private consumption growth is set to ease, reflecting moderating wage growth. Net exports are expected to negatively contribute to growth. Food and services prices drove inflation up in 2025 but are projected to moderate gradually. The deficit is set to increase to 4.3% of GDP in 2027, driven by defence investment. The debt-to-GDP ratio increases on the back of budget deficits and stock-flow adjustments.

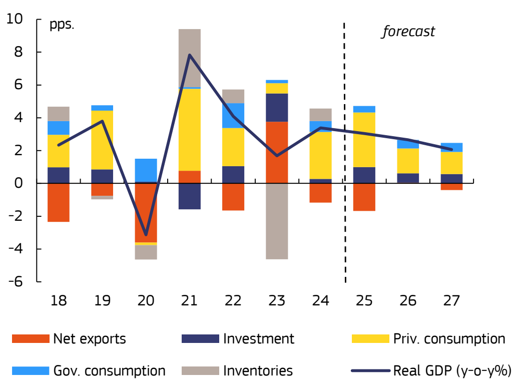
GDP growth to slow down due to less buoyant domestic demand

Economic growth reached 3.4% in 2024, driven by private and public consumption. Investment accelerated in the first half of 2025, boosted by increased absorption of RRF funds. However, consumption and investment are expected to decline in the second half of 2025 due to a lower contribution from the public sector in response to lower-than-planned government revenues. In 2026 and 2027, private consumption growth is expected to moderate in line with slowing growth of wages and social transfers. Private investment is forecast to continue supporting growth as business confidence improves, in the context of the euro adoption. The acceleration of EU funds absorption that started in 2025 is expected to continue into 2027. Exports contracted in early 2025, partly due to maintenance works done by two major exporters, but growth is expected to resume in the second half of the year and continue over the forecast horizon. Imports are also expected to increase, driven by rising domestic demand, and defence spending which is set to drive up imports in late 2025 and in the course of 2027, because of planned major defence equipment purchases. Overall, the contribution of net exports to GDP remains slightly negative until 2027. Real GDP is forecast to grow by 2.7% in 2026 and 2.1% in 2027.

Recent strong wage growth expected to slow

Nominal and real wages increased strongly in most sectors in 2024 and the first half of 2025 due to adjustments for past high inflation in 2022-23, catching up of real incomes with European peers and one-off hikes in sectors like security and defence and education. Wage growth is forecast to moderate as inflation pressures decrease and the private sector focuses on preserving competitiveness, while public wage growth is limited by fiscal constraints. The labour market remains tight, with the unemployment rate expected to drop below 4% in 2025. Employment growth reflects efforts of businesses to attract workers, especially low-skilled ones, from third countries, which could help ease wage pressures in the coming years.

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



Food and services keep inflation elevated

HICP inflation is expected to reach 3.5% in 2025, following an increase in VAT rates on bread and restaurant meals, higher excise duties on tobacco, and an increase of administered prices of gas, heating and electricity. In addition, food prices have surged for most of the year due to higher import prices. In 2026, inflation is expected to moderate to 2.9% as the effects of the administered price hikes fade. However, inflation in services and food is expected to remain elevated, while energy prices remain stable, in line with commodity prices. Higher food inflation is driven by both higher import prices and rising wages for domestic producers. Services prices in 2026 are also impacted by the significant wage increases over 2024-25, while the effect is expected to moderate in 2027 as wage growth slows. Inflation is forecast to rebound to 3.7% in

2027, largely driven by an increase in energy prices from the implementation of the ETS2 directive, if not delayed.

Defence spending drives the deficit above 3% in 2027

In 2025, the deficit is set to remain at 3% of GDP, due to automatic and discretionary increases in social spending and public sector salaries, particularly in sectors such as defence and internal security. As a result, expenditure growth continues to outpace revenue increases despite the efforts to improve tax collection, the reinstatement of standard VAT rates for bread and restaurant services and the positive impact of wage growth in the private sector. Public investment in 2025 is forecast to be higher than in 2024, reflecting the accelerated RRP implementation and planned defence equipment deliveries. In 2026, spending pressures from public sector wages and pensions are set to moderate and capital expenditure on defence is projected to be lower, contributing to a decrease of the deficit to 2.7%. In 2027, against the background of a second phase of planned defence equipment deliveries valued at 1.2% of GDP and in the absence of compensatory measures, the deficit is forecast to rise to 4.3%.

The general government debt-to-GDP ratio is forecast to increase from 23.8% in 2024 to 28.5% in 2025, then to 30.6% in 2026 and 32.6% in 2027. The large increase in 2025 comes from debt refinancing operations and planned capital injections into the Bulgarian Energy Holding and the Bulgarian Development Bank. The potential statistical reclassification of capital injections into deficit increasing measures and the permanent increases in public sector wages and pensions, that remain not fully compensated by higher government revenue, represent important downside risks to the budgetary balance forecast.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		104.8	100.0	2.5	4.1	1.7	3.4	**3.0**	**2.7**	**2.1**
Private Consumption		60.0	57.3	3.0	4.0	1.1	4.9	**5.8**	**2.6**	**2.3**
Public Consumption		20.7	19.8	1.7	8.0	1.1	3.6	**2.0**	**2.6**	**2.7**
Gross fixed capital formation		19.2	18.3	0.5	6.5	10.2	1.5	**5.5**	**3.0**	**3.0**
Exports (goods and services)		59.1	56.4	5.0	12.1	0.0	1.8	**-0.6**	**2.7**	**3.2**
Imports (goods and services)		56.4	53.9	4.6	15.3	-5.5	3.9	**2.5**	**2.7**	**4.1**
GNI (GDP deflator)		99.9	95.4	2.3	2.5	2.1	3.8	**3.3**	**2.8**	**2.2**
Contribution to GDP growth:	Domestic demand			2.4	4.9	2.6	3.8	**4.7**	**2.6**	**2.5**
	Inventories			0.2	0.8	-4.6	0.8	**0.0**	**0.0**	**0.0**
	Net exports			-0.1	-1.6	3.8	-1.2	**-1.7**	**0.0**	**-0.4**
Employment				-0.2	1.1	1.1	1.1	**1.1**	**0.3**	**0.3**
Unemployment rate (a)				9.0	4.2	4.3	4.2	**3.5**	**3.7**	**3.8**
Compensation of employees / head				8.7	14.2	13.4	14.1	**12.4**	**6.3**	**4.6**
Unit labour costs whole economy				5.9	10.8	12.8	11.5	**10.3**	**3.9**	**2.8**
Saving rate of households (b)				-2.7	-6.6	-5.2	-2.1	**-0.9**	**1.9**	**1.9**
GDP deflator				4.4	15.9	8.0	7.2	**5.8**	**3.5**	**2.5**
Harmonised index of consumer prices				2.8	13.0	8.6	2.6	**3.5**	**2.9**	**3.7**
Terms of trade goods				2.0	2.4	-2.4	-1.4	**0.4**	**0.3**	**-0.3**
Trade balance (goods) (c)				-9.5	-5.9	-4.2	-4.8	**-5.6**	**-5.4**	**-6.0**
Current-account balance (c)				-4.0	-2.6	0.7	-0.6	**-1.8**	**-1.5**	**-2.0**
General government balance (c)				-1.0	-2.9	-2.0	-3.0	**-3.0**	**-2.7**	**-4.3**
Fiscal stance (c)				0.9	-3.9	0.0	0.1	**-1.5**	**-0.3**	**0.9**
Structural budget balance (d)				-0.5	-3.6	-2.7	-2.7	**-3.5**	**-2.7**	**-4.1**
General government gross debt (c)				20.4	22.5	22.9	23.8	**28.5**	**30.6**	**32.6**

(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.

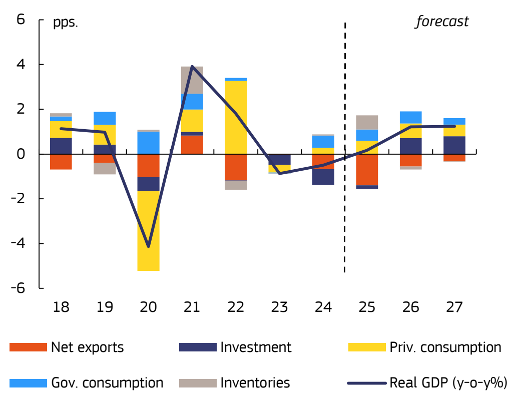
3. GERMANY

After two years of contraction, the economy is set to broadly stagnate in 2025 and rebound with 1.2% GDP growth in 2026 and 2027. The positive effects of a ramp-up in public spending is partly counterbalanced by the negative impact of trade tensions, which are expected to impact exports. Expansionary fiscal policy and real wage growth are expected to boost private consumption. Investment is projected to contract in 2025 due to weak economic sentiment and high uncertainty, with a gradual recovery expected over time as consumption and public investment accelerate. The government deficit is forecast to rise in 2026 and–based on currently known policies–remain elevated in 2027. The government debt ratio is expected to increase to 65.2% of GDP in 2026 and 67.0% in 2027.

Economic activity is set to recover in 2026

Germany has gone through a prolonged period of economic stagnation. Since the COVID-19 pandemic, it has recorded one of the weakest recoveries among advanced economies and real GDP in 2024 was reported to be roughly at its 2019 level. The economy stagnated during the first half of 2025. In 2024, exports fell by 2.1%, reflecting a continued loss of export market shares, notably vis-à-vis China. In 2025-Q1, exports grew strongly as the announcement of an increase in US tariffs led to a frontloading of exports to the US. This effect has started to reverse following the decrease in exports that began in 2025-Q2. High levels of uncertainty and relatively tight financing conditions continued to dampen equipment investment in 2024 and early 2025. Growth in private consumption began to improve in late 2024 and early 2025, setting the scene for a gradual recovery from late 2025 onward.

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



In 2025 and 2026, tariffs and high global uncertainty are expected to continue weighing on investment and exports. However, these effects are counterbalanced by higher public spending, which will support consumption and overall investment particularly in 2026 and 2027.

Moreover, lower inflation is set to support real household incomes and sustain private consumption growth. The high savings rate is forecast to decline gradually. Robust growth in public investment, along with generally looser fiscal policy, is projected to underpin the recovery in corporates' equipment investment in 2026. Residential construction activity is expected to begin recovering from 2026 onwards, as indicated by the increase in building permits and orders. Public investment growth is driving a turnaround in non-residential construction starting in 2025. By contrast, exports are projected to keep weighing on growth for the third consecutive year. Tariffs and high geopolitical and trade policy uncertainty deepen the challenges faced by key export-oriented industries. Overall, net exports are projected to contract by 0.2% this year and recover as from mid-2026. The current account surplus is forecast to remain well below 5%, as exports weaken and imports increase, driven by higher domestic demand and relatively cheaper imports.

Real GDP is set to broadly stagnate in 2025 and then return to growth at 1.2% in 2026 and 2027.

Economic difficulties have resulted in labour market stagnation

As output contracted, labour demand decreased. The unemployment rate is set to rise to 3.6% in 2025 before decreasing to 3.3% by 2027. Job vacancies in 2025-Q2 stood at 1.06 million, half their 2022 peak. Nevertheless, around 27% of firms reported labour shortages in early 2025. The labour market is set to remain tight, as population ageing leads to a stagnant labour force and broadly constant employment over the forecast horizon. Job losses in manufacturing are expected to be offset by gains in public services, such as education and health. With inflation slowing and announced minimum wage increases of 8.5% in 2026 and 5% in 2027, real wages are set to rise.

Inflation continues to abate

After easing to 2.5% in 2024, HICP inflation is projected to decline to 2.3% in 2025, 2.1% in 2026, and 1.9% in 2027. The marked fall in wholesale energy prices in early 2025 is expected to have a disinflationary effect on retail energy prices over the forecast horizon. In 2027, if the European Emissions Trading System 2 is introduced, energy price inflation may decline further, as the CO_2 price is expected to be lower than under the current national scheme. At the same time, continued nominal wage growth contributes to the persistence of services inflation.

Fiscal policy turns expansionary

In March 2025, the German parliament adopted a fiscal policy reform that exempts all defence spending above 1% of GDP from national fiscal rules, allows for the creation of a EUR 500 billion special fund for infrastructure and climate investment, and loosens spending rules for the Federal States (Länder). The 2025 and 2026 federal budgets reflect the additional fiscal space granted by the reform.

Public spending is set to rise significantly in 2025 and 2026. The general government deficit is projected to increase from 2.7% in 2024 to 3.1% of GDP in 2025 and 4.0% in 2026, driven by accelerated investment and defence-oriented spending. The fiscal stance will become significantly expansionary in 2026, also due to new tax relief measures such as higher tax deduction for firms and diverse alleviations for households. In addition, demographic ageing will keep social costs structurally elevated. In 2027, the deficit is projected to decline slightly to 3.8%. Government debt stood at 62.2% of GDP in 2024 and is expected to increase to 63.5% in 2025, 65.2% in 2026 and 67.0% in 2027.

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

		2024		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**06-21**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
GDP		4329.0	100.0	1.3	1.8	-0.9	-0.5	**0.2**	**1.2**	**1.2**
Private Consumption		2283.0	52.7	0.6	6.5	-0.7	0.5	**1.1**	**1.2**	**1.0**
Public Consumption		951.8	22.0	2.3	0.6	-0.2	2.6	**2.3**	**2.4**	**1.3**
Gross fixed capital formation		885.7	20.5	1.8	-0.1	-2.0	-3.3	**-0.8**	**3.5**	**3.8**
Exports (goods and services)		1793.7	41.4	3.1	3.9	-1.4	-2.1	**-0.2**	**0.9**	**1.6**
Imports (goods and services)		1630.1	37.7	3.3	7.6	-1.4	-0.6	**3.5**	**2.4**	**2.5**
GNI (GDP deflator)		4478.1	103.4	1.5	1.5	-0.6	-0.3	**0.2**	**1.1**	**1.2**
Contribution to GDP growth:	Domestic demand			1.2	3.4	-0.8	0.1	**0.9**	**1.9**	**1.6**
	Inventories			0.1	-0.4	0.0	0.1	**0.6**	**-0.1**	**0.0**
	Net exports			0.1	-1.2	0.0	-0.7	**-1.4**	**-0.6**	**-0.3**
Employment				0.9	1.3	0.7	0.1	**0.0**	**0.2**	**0.1**
Unemployment rate (a)				5.2	3.1	3.1	3.4	**3.6**	**3.5**	**3.3**
Compensation of employees / head				2.3	4.3	6.2	5.1	**4.2**	**3.1**	**3.3**
Unit labour costs whole economy				1.8	3.8	7.8	5.8	**4.0**	**2.1**	**2.1**
Saving rate of households (b)				17.8	18.9	19.3	20.0	**19.6**	**19.2**	**18.9**
GDP deflator				1.6	6.4	6.7	3.1	**3.0**	**2.7**	**2.1**
Harmonised index of consumer prices				1.5	8.7	6.0	2.5	**2.3**	**2.2**	**1.9**
Terms of trade goods				0.2	-5.0	5.3	1.7	**1.3**	**0.6**	**-0.3**
Trade balance (goods) (c)				6.6	3.3	5.5	5.5	**4.3**	**3.6**	**3.1**
Current-account balance (c)				7.0	4.0	5.9	6.0	**4.8**	**4.2**	**3.6**
General government balance (c)				-0.7	-1.9	-2.5	-2.7	**-3.1**	**-4.0**	**-3.8**
Fiscal stance (c)				-0.6	-2.1	0.6	0.0	**-0.1**	**-0.9**	**-0.5**
Structural budget balance (d)				0.1	-2.1	-2.1	-1.8	**-2.0**	**-3.3**	**-3.5**
General government gross debt (c)				69.9	64.4	62.3	62.2	**63.5**	**65.2**	**67.0**

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

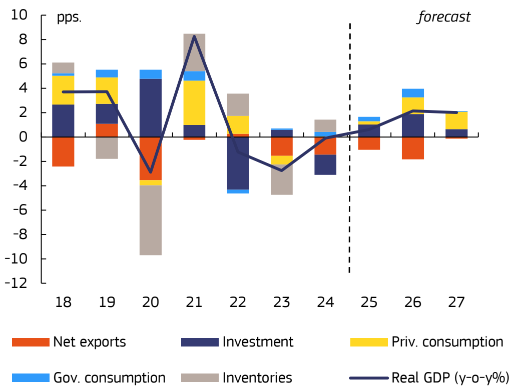
4. ESTONIA

After three difficult years, the Estonian economy is showing signs of recovery, and inflation is set to calm down. Public consumption expanded, while private consumption is expected to gradually increase. Investment is benefitting from lower borrowing costs, but high geopolitical uncertainty weighs down growth. In 2026 and 2027, investment will rise due to higher defence spending, while higher real disposable incomes are set to push consumption. Export performance is expected to improve with the recovery of the Nordic economies. Real GDP is projected to increase by 2.1% in 2026 and 2.0% in 2027. HICP inflation is projected at 4.8% in 2025, driven by services and food inflation and tax hikes, but is forecast to ease to 2.2% in 2027. The government deficit is projected to increase over the forecast horizon, driven by a personal income tax reform and increased defence spending.

Timid recovery under way

After stagnating in 2024, Estonia's economy is witnessing a cautious recovery, with real GDP growth projected at 0.6% for 2025, primarily driven by domestic demand. Public spending is increasing, while private consumption is set to recover slowly as wage growth outpaces price increases and debt-service costs fall. Still, confidence remains fragile, and the VAT rise led to frontloading some purchases to the spring 2025, resulting in softened demand in the second half of the year.

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



Investment is picking up, with increased corporate lending thanks to lower borrowing costs, and activity boosted by public and EU-related projects. The housing market is showing signs of revival, although sales are concentrated in the secondary market. Exports are growing but very moderately due to sharp cost increases over the last few years.

In 2026 and 2027, private consumption is expected to strengthen more markedly, supported by favourable tax reforms and reduced interest burden on existing and new loans. Investment is set to get a substantial boost in 2026 from increased defence spending, while exports are expected to pick up alongside the recovery of the real estate market and construction activity in the Nordics. However, due to high import content, especially in defence, net exports are set to weigh on growth in 2026 and 2027. Overall, real GDP is projected at 2.1% in 2026 and 2.0% in 2027.

Unemployment edges up

Unemployment has been rising slowly amid prolonged economic challenges, reaching 7.6% in third quarter 2025. Employment growth in 2025 was slower than the previous year, but the activity rate is at 74.4%. Due to labour hoarding in the past, the unemployment rate is set to decline only modestly, to 7.2% in 2026 and 7.1% in 2027, despite the foreseen recovery. Although wage growth has slowed, it is expected to exceed inflation, helping to improve real incomes.

High inflation largely due to tax hikes

HICP inflation rose to 5.7% in the third quarter of 2025, primarily driven by mid-year VAT rate increase. Certain product categories, notably food and services, recorded particularly high price increases (with services affected by car registration fees and increased administrative costs such as medical fees). The fall out of the past tax hikes and slower wage growth are set to reduce inflation in 2026 to 2.8%. In 2027, inflation is projected at 2.2%, with ETS2, if not postponed, contributing to higher energy prices.

Public deficit to exceed 3% of GDP due to increased defence spending

The general government deficit is projected to decline to 1.3% of GDP in 2025, down from 1.7% in 2024. This improvement is mainly driven by increases in personal and corporate income tax rates to 22% (up 2%) and a rise in the VAT rate to 24%. These measures, alongside a new motor-vehicle tax, are set to amount to close to 1.1% of GDP, supported by improved tax collection amid the economic recovery. Total public expenditure is set to increase by 0.7 pps. mainly on the back of increased investment directed at the implementation of public infrastructure projects.

In 2026 the deficit is forecast to increase to 4.4% of GDP. Revenue will be impacted by the transition to a universal tax-exemption system that also raises the income threshold to €700, costing 1.4% of GDP. Defence spending is set to increase by 1.3 pps. of GDP compared to 2025.

In 2027, if policies remain unchanged, the deficit is projected to remain at 4.4% of GDP.

After a strongly contractionary fiscal stance in 2025, fiscal policy is projected to turn highly expansionary in 2026. In 2027, it is expected to become contractionary again, as the RRF winds down.

Public debt is projected to increase from 23.4% of GDP in 2025 to 29.2% in 2027, driven by high deficits during the forecast horizon.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		39.8	100.0	2.3	-1.2	-2.7	-0.1	**0.6**	**2.1**	**2.0**
Private Consumption		21.3	53.4	2.7	2.9	-1.3	0.1	**0.5**	**2.6**	**2.7**
Public Consumption		8.4	21.0	2.5	-1.6	0.6	1.8	**1.7**	**3.3**	**0.3**
Gross fixed capital formation		9.5	23.9	3.7	-14.4	2.3	-6.5	**4.3**	**7.9**	**2.6**
Exports (goods and services)		30.2	75.7	5.5	5.5	-9.1	-1.5	**2.1**	**2.0**	**2.4**
Imports (goods and services)		30.0	75.4	5.4	5.1	-7.3	0.4	**3.5**	**4.4**	**2.6**
GNI (GDP deflator)		39.0	98.0	2.4	-0.9	-3.4	0.6	**0.3**	**2.1**	**1.9**
Contribution to GDP growth:	Domestic demand			3.1	-3.2	0.0	-1.2	**1.7**	**4.0**	**2.1**
	Inventories			-0.1	1.8	-2.5	1.0	**0.0**	**0.0**	**0.0**
	Net exports			-0.1	0.3	-1.5	-1.5	**-1.0**	**-1.8**	**-0.1**
Employment				0.3	4.6	3.2	0.2	**-0.1**	**0.2**	**0.2**
Unemployment rate (a)				7.9	5.6	6.4	7.6	**7.6**	**7.2**	**7.1**
Compensation of employees / head				7.2	7.6	8.6	7.0	**5.3**	**4.9**	**4.7**
Unit labour costs whole economy				5.0	13.9	15.3	7.3	**4.6**	**2.9**	**2.9**
Saving rate of households (b)				7.9	2.0	3.5	7.3	**6.7**	**8.2**	**7.9**
GDP deflator				4.2	16.8	8.6	4.0	**4.0**	**4.3**	**2.5**
Harmonised index of consumer prices				3.2	19.4	9.1	3.7	**4.8**	**2.8**	**2.2**
Terms of trade goods				0.2	-0.1	4.2	0.6	**1.0**	**0.7**	**0.3**
Trade balance (goods) (c)				-6.2	-7.3	-6.0	-7.1	**-7.2**	**-8.0**	**-7.6**
Current-account balance (c)				-2.1	-3.1	-1.3	-1.3	**-1.5**	**-2.4**	**-2.3**
General government balance (c)				-0.5	-1.0	-2.7	-1.7	**-1.3**	**-4.4**	**-4.4**
Fiscal stance (c)				-0.7	1.0	-1.3	1.1	**1.4**	**-3.0**	**0.7**
Structural budget balance (d)				-1.5	-1.0	-0.9	-0.2	**0.2**	**-3.7**	**-4.4**
General government gross debt (c)				9.8	19.2	20.2	23.5	**23.4**	**25.9**	**29.2**

(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.

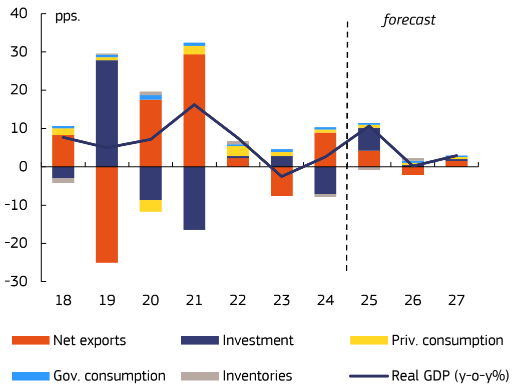
5. IRELAND

Ireland's GDP is forecast to grow exceptionally by 10.7% in 2025, largely reflecting strong export activity in the first half of the year. As the frontloading effect unwinds, growth is expected to moderate to 0.2% in 2026, reflecting a technical base effect from 2025 dynamics, before stabilising at 2.9% in 2027. Inflation is projected to remain contained, while the labour market is expected to continue expanding. The outlook for public finances is positive but marked by significant risks to corporation tax revenues.

High economic growth despite uncertainty, but volatility persists

Real GDP increased by 18.5% in the first half of 2025, driven by pharmaceutical exports to the US, likely reflecting frontloading in anticipation of US tariffs. The domestic economy also performed robustly, supported by strong private consumption and growth in modified investment (which excludes the more volatile intangible and aircraft leasing components).

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



A strong labour market and rising real wages are expected to underpin private consumption growth. However, subdued consumer sentiment is likely to keep household saving rates high. Modified investment is projected to grow in the coming years, supported by the government's updated National Development Plan. Nonetheless, elevated uncertainty is set to continue to weigh on investment growth.

Investment increased sharply in the first half of 2025, driven by base effects and a spike in imports of intellectual property assets in 2025-Q1, which reversed in 2025-Q2. The forecast incorporates a technical assumption that intellectual property investment remains broadly unchanged in the second half of 2025 and on an annual basis through 2026 and 2027, though this projection carries considerable uncertainty.

The recent EU-US trade agreement helped ease tariff-related uncertainty. While the impact of the US tariffs will vary across sectors, the overall effect on Ireland's exports is expected to be limited, as its main goods exports to the US—notably pharmaceuticals—are not currently subject to these measures. Export growth in the near term is projected to be negatively impacted by the unwinding of the frontloading as firms adjust their trade patterns. However, expanded pharmaceutical production lines in Ireland, along with strong services exports, are expected to contribute positively to growth.

Overall, GDP is projected to grow by 10.7% in 2025, 0.2% in 2026 and 2.9% in 2027. Modified domestic demand—which better reflects domestic economic activity in Ireland—is set to expand by 3.4% in 2025 and 3.2% in 2026 and 2.7% in 2027. Ireland's growth outlook remains vulnerable to risks stemming from further global trade fragmentation and shifting US policies that could impact the activity and profitability of multinationals operating in Ireland.

Labour market remains robust but shows signs of softening

Employment continued to grow in the first half of 2025, supported by an increasing labour supply. However, a moderation in employment growth and easing wage pressures point to a softening in the labour market. The unemployment rate edged up slightly to 4.6% in the first nine months of the year and is expected to stay at a similar level in 2026 and 2027. Employment is set to continue growing, albeit at a more moderate pace.

Inflation expected to remain stable

HICP inflation remained stable, averaging 1.8% in the first three quarters of 2025. This reflected subdued energy prices and a slowdown in services inflation, although food prices rose markedly. Looking ahead, contained services inflation, stabilising food prices, and declining energy commodity prices are expected to keep overall inflation at 1.9% in 2025, 1.9% in 2026 and 1.7% in 2027.

Public finances in surplus but risks remain

Ireland's general government budget is set to register a surplus of 1.5% in 2025, strongly supported by a buoyant growth in corporate tax revenues. The revenue from other tax categories has also proved resilient in the first half of the year, reflecting continued growth in the Irish economic activity despite a slowing global environment. Government expenditure, after in-year upward revisions, is projected to grow by 7.8% y-o-y.

The surplus is expected to decline to 1% GDP in 2026 and further to 0.8% GDP in 2027. Corporation income tax is set for a strong boost of around EUR 3 billion from 2026 onwards, as Ireland's Domestic Top-up Tax applying a minimum effective tax rate of 15% for large corporate groups is foreseen to start generating receipts. Bracket creep will strengthen personal income tax revenue thanks to a continued growth in wages, while a slowdown is expected for VAT receipts as a range of reduced VAT rates are to enter into force in 2026. Expenditure growth is set to outpace the growth in revenues due to strong increases in permanent spending announced in the budget for 2026. This includes public sector pay, social welfare payments and capital investment, the latter supported by the revised National Development Plan envelope.

The general government debt-to-GDP ratio is forecast to decrease from 33.1% in 2025 to 32.5% in 2026 and to 31.3% in 2027. The debt ratio is set to fall more slowly than if the budget surpluses were translated mechanically into debt reduction, mainly due to transfers to the Future Ireland Fund and the Infrastructure, Climate and Nature Fund.

The vulnerability of Ireland’s public finances to international developments, such as shifting US trade and tax policies or the global tax rules, remains the key risk exacerbated by the significant concentration of revenues in few pharmaceutical and ICT companies.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		562.8	100.0	5.2	7.5	-2.5	2.6	**10.7**	**0.2**	**2.9**
Private Consumption		154.1	27.4	1.5	10.8	4.4	3.0	**2.9**	**2.5**	**2.3**
Public Consumption		67.9	12.1	2.7	3.7	6.4	4.8	**3.9**	**4.5**	**3.1**
Gross fixed capital formation		97.6	17.3	3.8	2.8	13.4	-28.5	**34.4**	**2.0**	**1.9**
Exports (goods and services)		810.3	144.0	8.9	12.0	-3.9	8.6	**6.4**	**0.4**	**3.8**
Imports (goods and services)		575.1	102.2	7.0	15.0	2.2	2.7	**4.9**	**2.8**	**3.6**
GNI (GDP deflator)		422.8	75.1	3.9	3.0	6.3	3.4	**1.8**	**0.9**	**1.8**
Contribution to GDP growth:	Domestic demand			2.1	3.6	4.6	-5.7	**7.2**	**1.6**	**1.4**
	Inventories			0.1	0.9	0.1	-0.8	**-0.8**	**0.7**	**0.0**
	Net exports			3.7	2.2	-7.7	8.9	**4.2**	**-2.1**	**1.6**
Employment				1.1	6.9	3.5	2.7	**2.1**	**1.5**	**1.4**
Unemployment rate (a)				9.3	4.5	4.3	4.3	**4.6**	**4.7**	**4.7**
Compensation of employees / head				2.3	2.5	6.8	4.2	**3.3**	**3.1**	**3.0**
Unit labour costs whole economy				-1.7	1.9	13.4	4.3	**-4.7**	**4.5**	**1.5**
Saving rate of households (b)				14.0	14.6	11.8	13.5	**13.4**	**13.4**	**13.3**
GDP deflator				1.0	8.0	3.4	4.5	**2.1**	**2.0**	**1.8**
Harmonised index of consumer prices				0.8	8.1	5.2	1.3	**1.9**	**1.9**	**1.7**
Terms of trade goods				-0.8	-1.9	-0.6	-0.4	**-0.3**	**-0.1**	**0.0**
Trade balance (goods) (c)				27.1	39.4	29.9	31.2	**34.7**	**29.3**	**28.3**
Current-account balance (c)				-1.8	8.7	7.0	16.2	**9.7**	**7.8**	**7.3**
General government balance (c)				-5.6	1.6	1.4	4.0	**1.5**	**1.0**	**0.8**
Fiscal stance (c)				0.6	0.1	-1.0	0.6	**-0.1**	**0.1**	**0.3**
Structural budget balance (d)				-1.6	-1.9	1.8	2.5	**-0.5**	**0.8**	**0.9**
General government gross debt (c)				70.3	42.9	41.8	38.3	**33.1**	**32.5**	**31.3**

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

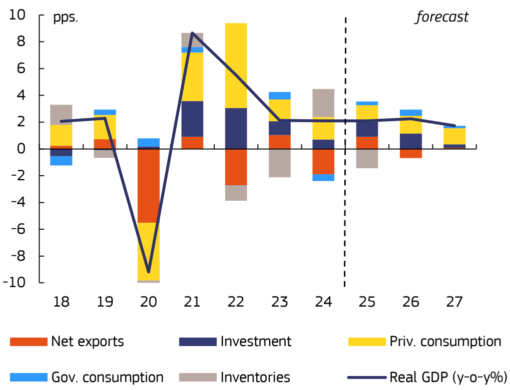
6. GREECE

Greece's economy is expected to continue to grow at a strong pace, with a projected expansion of 2.1% in 2025 and 2.2% in 2026, driven by steady consumption and investments supported by EU funds. GDP growth is set to moderate to 1.7% in 2027 as the RRF comes to an end. Inflation is expected to decline gradually, to 2.4% by 2027, as solid demand and the projected increase in energy prices will put an upward pressure on consumer prices. Unemployment is decreasing to levels not seen in more than a decade, but structural challenges remain. Greece's fiscal outlook remains favourable over 2025-27, with broadly stable primary surpluses, despite the tax cuts and social measures. Strong nominal GDP growth and budget surpluses are set to keep the debt-to-GDP ratio on a downward trend, moving below 140% by 2027.

Economy shows resilience despite adverse conditions

In the first half of 2025, Greece's economy grew by 2% y-o-y, largely driven by private consumption and tourism. Investments picked up in the second quarter, especially construction and equipment investments.

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



Overall, the economy is expected to sustain its growth momentum in the second half of 2025 and throughout 2026. Investment activity is expected to remain robust in 2025 and 2026, supported by the double-digit growth in corporate lending and the implementation of the RRP. Additionally, a new package of expansionary fiscal measures is expected to boost net wage growth and private consumption. Import demand is set to remain strong, given the high import content of investments. Although no sharp cliff effect is expected, growth is forecast to slow after 2026 as the RRP implementation comes to an end. GDP growth is projected to be relatively stable, with rates of 2.1% in 2025 and 2.2% in 2026, before moderating to 1.7% in 2027. While the economy has so far demonstrated resilience to external challenges, a prolonged increase in geopolitical or trade uncertainty and financing costs could significantly weigh on exports, particularly in the tourism sector, and on investment activity.

Labour market keeps improving but challenges remain

The unemployment rate declined to 8.2% in October 2025, its lowest level since 2009, but remains above the EU average. After peaking in the second quarter of 2024, vacancy rates have eased slightly, although they still suggest a relatively tight labour market, particularly in the tourism and construction sectors. Employment is expected to continue growing, albeit at a slower pace due to structural issues, such as skill gaps and low participation rates, especially among women. Wages per employee are set to accelerate, with an average annual growth rate of 3.6% over the forecast period, driven in part by past hikes in minimum wages, a decrease in social security contributions and the recently announced personal income tax reform.

Inflation projected to ease gradually

After averaging 3.1% in the first half of 2025, headline inflation declined to 1.7% by October, driven by a decrease in the energy and services inflation. However, robust demand and a still-tight labour market are expected to maintain upward pressure on consumer prices. As a result, inflation is forecast to decline only slowly, reaching 2.8% in 2025 and 2.3% in 2026. While headline inflation excluding energy and food is anticipated to ease, the projected increase in energy prices is expected to keep inflation at 2.4% in 2027.

A solid fiscal position despite expansionary measures

The headline general government surplus is expected to decrease from 1.2% of GDP in 2024 to around 1.1% in 2025. This reflects a decline in the primary surplus from 4.7% to 4.3%, partially offset by reduced interest expenditure. This decrease mainly stems from expansionary measures (0.7% of GDP), including the 1 pp. cut in social-security contributions, higher public-sector wages, a means-tested rent refund, and a permanent EUR 250 annual benefit for vulnerable individuals. Additional pressures include higher healthcare and defence spending, and a financial correction related to EU agricultural subsidies equivalent to 0.2% of GDP. These effects are partly offset by increased revenue, supported by ongoing tax-compliance measures, the extension of the digital-labour card to new sectors in order to reduce undeclared work, and higher local-government fees.

In 2026, the budget balance is forecast to reach 0.3%, a reduction of 0.8 pps. compared to 2025. This corresponds to a primary surplus of 3.4% of GDP. This decline mainly reflects a recently announced expansionary fiscal package, estimated to cost 0.6% of GDP in 2026 and 0.8% of GDP in 2027. The package combines cuts in personal income tax, property tax and VAT, together with targeted increases in pensions and public sector wages. These measures are designed to alleviate cost-of-living pressures and provide support to lower- and middle-income households, families with children, pensioners and residents of small villages The forecast also incorporates higher defence expenditure, expected to rise from 2.4% of GDP in 2025 to 2.6% in 2026.

In 2027, the headline balance is forecast to decline to 0.0% of GDP, corresponding to a primary surplus of 3.2%. This deterioration in the headline balance mainly reflects higher interest expenditure, and the full-year impact of the new fiscal package.

The public debt-to-GDP ratio stood at 154.2% in 2024, 55 pps. below its peak in 2020. It is expected to decrease further, reaching 138% in 2027. The decline is set to be driven by nominal GDP growth as well as the primary budget surpluses.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		236.7	100.0	-1.0	5.5	2.1	2.1	**2.1**	**2.2**	**1.7**
Private Consumption		162.6	68.7	-0.9	9.3	2.3	2.4	**1.8**	**1.9**	**1.8**
Public Consumption		44.0	18.6	-0.5	0.0	2.8	-2.6	**1.5**	**2.5**	**0.9**
Gross fixed capital formation		38.0	16.0	-3.4	22.1	6.5	4.5	**6.9**	**7.1**	**1.5**
Exports (goods and services)		99.7	42.1	2.5	6.2	2.2	1.0	**1.8**	**2.4**	**3.1**
Imports (goods and services)		112.8	47.7	1.4	10.9	0.0	4.8	**-0.3**	**3.7**	**2.5**
GNI (GDP deflator)		230.0	97.2	-1.0	4.9	0.6	2.1	**2.5**	**2.5**	**1.9**
Contribution to GDP growth:	Domestic demand			-1.1	9.4	3.2	1.9	**2.6**	**2.9**	**1.6**
	Inventories			0.0	-1.1	-2.1	2.1	**-1.4**	**0.0**	**0.0**
	Net exports			0.2	-2.7	1.0	-1.9	**0.9**	**-0.7**	**0.1**
Employment				0.3	3.5	2.0	0.9	**1.1**	**0.9**	**0.5**
Unemployment rate (a)				17.9	12.5	11.1	10.1	**9.3**	**8.6**	**8.2**
Compensation of employees / head				-0.8	2.0	3.3	5.8	**3.0**	**3.4**	**3.7**
Unit labour costs whole economy				0.5	0.1	3.2	4.6	**2.0**	**2.1**	**2.4**
Saving rate of households (b)				1.3	-5.0	-2.5	-2.5	**-2.1**	**0.1**	**1.8**
GDP deflator				0.7	6.3	6.3	3.2	**2.8**	**2.5**	**2.3**
Harmonised index of consumer prices				1.2	9.3	4.2	3.0	**2.8**	**2.3**	**2.4**
Terms of trade goods				-0.3	6.1	2.2	0.6	**-1.7**	**-0.1**	**0.2**
Trade balance (goods) (c)				-13.0	-19.1	-14.5	-15.2	**-14.3**	**-14.5**	**-14.3**
Current-account balance (c)				-7.0	-10.8	-7.7	-7.4	**-6.2**	**-6.4**	**-5.9**
General government balance (c)				-6.7	-2.6	-1.4	1.2	**1.1**	**0.3**	**0.0**
Fiscal stance (c)				-1.0	-2.3	0.4	1.5	**-1.1**	**-1.9**	**0.9**
Structural budget balance (d)				2.9	-2.8	-1.8	0.3	**-0.1**	**-1.3**	**-1.5**
General government gross debt (c)				163.9	177.8	164.3	154.2	**147.6**	**142.1**	**138.0**

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

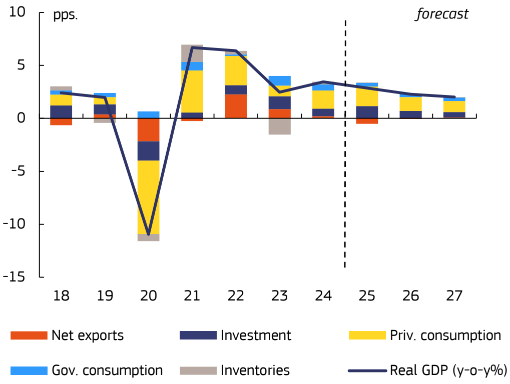
7. SPAIN

Real GDP growth is expected to remain strong in 2025, at 2.9%, moderating gradually afterwards. Economic activity is set to be driven by domestic demand, supported by continued strong labour market performance upholding private consumption, and by the contribution of investment. Headline inflation is projected to ease from 2.5% in 2025 to 2.0% in 2026. The general government deficit is set to keep decreasing from 2.5% of GDP in 2025 to 2.1% in 2027, helped by the tax package adopted last year, the phase-out of energy measures and favourable economic developments. The debt-to-GDP ratio is set to decline further and move below 100% next year.

Economic activity to remain robust

Following strong growth in the first half of 2025, economic expansion continued in the third quarter as GDP reached 0.6% q-o-q. This outturn was supported by the strong contribution of private consumption and investment, while net exports contributed negatively to GDP due to the decline of exports and sustained import growth. Economic activity is expected to remain robust over the forecast horizon, with real GDP growth recording 2.9% in 2025, also reflecting a higher than anticipated carry-over from 2024. Real GDP growth is expected to moderate gradually to 2.3% in 2026 and to 2.0% in 2027.

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



Domestic demand is set to be the key driver of growth over 2025-27, mainly steered by private consumption and the positive performance of investment. Consumer spending is expected to benefit from further purchasing power gains and additional employment growth in a context of sustained inward migration. The healthy financial position of non-financial corporations, together with the continued implementation of the RRP, is expected to sustain the contribution of gross fixed capital formation. Conversely, net exports are expected to contribute slightly negatively to GDP growth in 2025 and 2026, due to a less buoyant evolution of exports and to sustained import growth, before turning marginally positive in 2027.

The main risks facing the economy relate to potential spill-over effects resulting from the weaker-than-expected economic activity by Spain's key trading partners. This could adversely affect the evolution of tourist activity and prompt a prolonged period of precautionary behaviour by the private sector, delaying corporate investment or keeping the household saving rate well above its long-term historical average. Domestically, a more-pronounced-than-anticipated slowdown of migration flows could reduce the dynamism of the labour market, resulting in a less favourable outlook for private consumption and investment.

Dynamic labour market and declining unemployment

The positive labour performance of recent years is projected to continue throughout the forecast period. The expected employment gains are mainly attributable to continued migration inflows, which are considerably expanding the labour force and boosting the pace of job creation. The unemployment rate is projected to maintain its downward trend, reaching 10.4% in 2025 and falling below 10% in 2026 and 2027. These levels have not been seen in more than ten years, but still remain among the highest in the EU.

Inflation to ease further over the forecast horizon

HICP inflation is projected to slow down further, reaching 2.6% in 2025 and 2.0% in 2026, driven by the moderation of food prices, and to a lesser extent services, which are expected to ease more gradually in line with slower real wage growth. Nonetheless, nominal wage growth is forecast to remain above the inflation rate in 2025, with real income gains moderating over the next two years. In 2027, HICP is set to stabilise at 2.0%.

Government deficit and debt keep decreasing

In 2024, the general government deficit fell to 3.2% of GDP, benefiting from strong economic growth and lower costs of the energy-related measures. These developments more than compensated for the impact of the emergency one-off measures related to the floods in the Valencian community which added some 0.4% of GDP to the general government deficit.

In 2025, the deficit is expected to keep decreasing due to the phase-out of the energy-related measures and the lower impact of the one-off flood-related measures, although partly offset by an increase in interest payments and defence expenditure. Revenues are also set to increase following tax measures approved in December 2024, including amendments to corporate income tax, additional taxes on electronic cigarettes and other tobacco-related products and an increased tax rate on personal incomes from financial assets. Overall, for 2025 the general government deficit is projected to decrease to 2.5%.

In 2026, the government deficit is forecast to decline further to 2.1% of GDP, despite higher interest and pension expenditure. This decline is driven by the expiry of the flood-related emergency measures as well as the favourable impact of the global minimum tax for multinationals. In 2027, the deficit is set to stabilise at 2.1%, as the higher spending in defence and pensions is offset by higher revenues from direct taxation and social security contributions. After a slightly expansionary fiscal stance in 2025-26, fiscal policy is set to become contractionary in 2027 following the end of the RRF.

The debt-to-GDP ratio is expected to keep falling to 100.0% in 2025, thanks to nominal GDP growth outpacing the cost of debt servicing. Driven by the deficit reduction, the ratio is set to keep decreasing in 2026 and move below 100% for the first time since 2019. In 2027, the debt is expected to keep narrowing, helped by sustained economic growth.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1594.3	100.0	0.6	6.4	2.5	3.5	**2.9**	**2.3**	**2.0**
Private Consumption		882.6	55.4	0.1	4.9	1.8	3.1	**3.4**	**2.3**	**1.9**
Public Consumption		307.8	19.3	1.7	0.8	4.5	2.9	**1.7**	**1.8**	**1.7**
Gross fixed capital formation		323.5	20.3	-0.9	4.2	5.9	3.6	**5.6**	**3.4**	**2.5**
Exports (goods and services)		590.8	37.1	2.2	14.2	2.2	3.2	**3.6**	**2.3**	**2.2**
Imports (goods and services)		524.4	32.9	0.8	7.7	0.0	2.9	**5.7**	**2.7**	**2.2**
GNI (GDP deflator)		1590.3	99.7	0.7	6.2	1.6	3.5	**2.8**	**2.2**	**2.0**
Contribution to GDP growth:	Domestic demand			0.2	3.8	3.1	3.0	**3.3**	**2.3**	**1.9**
	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	**-0.5**	**-0.1**	**0.1**
Employment				0.1	3.8	3.3	2.3	**2.6**	**1.9**	**1.4**
Unemployment rate (a)				17.6	13.0	12.2	11.4	**10.4**	**9.8**	**9.6**
Compensation of employees / head				1.9	4.7	5.0	4.6	**3.5**	**2.8**	**2.3**
Unit labour costs whole economy				1.4	2.1	5.9	3.4	**3.2**	**2.5**	**1.7**
Saving rate of households (b)				9.0	9.0	11.7	12.7	**12.6**	**12.5**	**12.4**
GDP deflator				1.2	4.7	6.2	2.9	**2.5**	**2.1**	**2.0**
Harmonised index of consumer prices				1.6	8.3	3.4	2.9	**2.6**	**2.0**	**2.0**
Terms of trade goods				0.0	-5.5	7.0	0.9	**0.3**	**0.1**	**-0.1**
Trade balance (goods) (c)				-3.5	-4.4	-2.3	-2.1	**-3.0**	**-3.1**	**-3.1**
Current-account balance (c)				-1.2	0.4	2.7	3.2	**2.7**	**2.7**	**2.7**
General government balance (c)				-5.7	-4.6	-3.3	-3.2	**-2.5**	**-2.1**	**-2.1**
Fiscal stance (c)				-0.8	-2.1	0.4	0.2	**-0.2**	**-0.3**	**0.8**
Structural budget balance (d)				-3.2	-5.1	-3.8	-3.4	**-3.2**	**-2.8**	**-2.7**
General government gross debt (c)				83.1	109.3	105.2	101.6	**100.0**	**98.2**	**97.1**

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

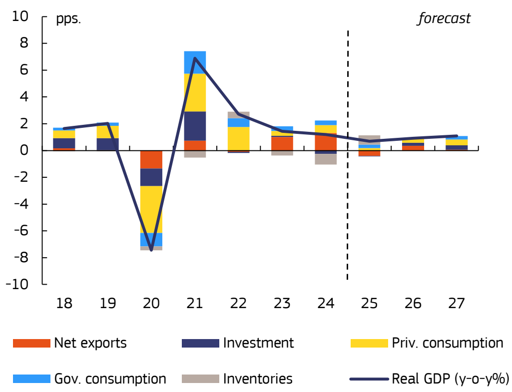
8. FRANCE

Economic activity in France is set to decelerate to 0.7% in 2025 and to grow by 0.9% in 2026, as economic and policy uncertainty and the necessary fiscal adjustment weigh on domestic demand. Activity is expected to pick up slightly to 1.1% in 2027. Inflation is projected to gradually increase from 1.0% in 2025 to 1.3% in 2026 and 1.8% in 2027. The government deficit is forecast to decline to 5.5% and 4.9% of GDP in 2025 and 2026, respectively, before edging up to 5.3% in 2027. Public debt is set to increase to 120% of GDP by 2027, from 113.2% in 2024, on the back of sizeable primary deficits.

Domestic political uncertainty and fiscal adjustment to weigh on demand in 2026-27

Real GDP is expected to grow by 0.7% in 2025, after a growth rate of 1.2% in 2024. In the first half of 2025, accumulation of inventories supported GDP growth, reflecting storage of domestic production awaiting export. Public consumption also supported growth, while private domestic demand stagnated, held back by economic and political uncertainty, both domestically and on a global level. In the third quarter, GDP growth accelerated to 0.5%, supported by net exports, due to the delivery of large transport equipment that had previously been produced and stored. This is expected to continue in the fourth quarter.

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



In 2026, the domestic economic and policy uncertainty is set to weigh on real GDP growth, which is expected to reach 0.9%. Net exports are expected to add 0.4 pps. to growth, while private consumption growth is set to accelerate to 0.6%, contributing 0.3 pps. to growth. Private investment is set to rebound after two years of decline, supported by lower interest rates.

In 2027, economic activity is projected to gain momentum, bringing real GDP growth to 1.1%. This uptick is supported by diminishing uncertainty and a slightly expansionary fiscal stance. Private consumption is expected to continue driving GDP growth thanks to further increases in real incomes, while private investment is set to continue expanding.

Unemployment set to increase

Overall, the labour market has remained resilient in 2025. The unemployment rate hovered around 7.5% until 2025-Q2, close to its lowest level since 2008, while the activity rate increased to 75.3% in the second quarter, 2.5 pps. above its 2019-Q4 level. However, employment declined marginally in the first half of 2025 and is expected to decline slightly by 0.1% in 2025 on average, before stabilising in 2026 and recovering in 2027, increasing by 0.2%. As employment growth moderates while labour force remains buoyant, productivity is expected to accelerate, and the unemployment rate is set to gradually increase to 8.2% in 2027.

Inflation expected to increase on the back of higher food and energy prices

Inflation increased to 1.1% in 2025-Q3, from 0.9% in 2025-Q2. This low level of inflation is largely due to the decrease in regulated electricity prices in February 2025. Inflation is expected to increase to 1.3% in 2026 on the back of higher agricultural and food prices. In 2027, despite lower services inflation, headline inflation is anticipated to increase to 1.8%, due to higher food prices and the entry into force of ETS2, if not delayed, which is expected to lift energy prices.

Large government deficits to decline, but public debt to keep rising

After recording a deficit of 5.8% of GDP in 2024, the general government deficit is expected to decline to 5.5% of GDP in 2025. The fiscal adjustment relies on 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. Accordingly, the revenue ratio is projected to increase by ¾ pps. of GDP. In turn, the expenditure ratio is expected to rise by around ½ pps. as higher unemployment is set to lift unemployment benefit expenditure, while interest payments on government debt are projected to rise further by 0.2 pps., to 2.3% of GDP, driven by higher debt and higher interest rates on new bond issuances.

For 2026, the general government deficit is expected to decline to 4.9% of GDP, based on information included in the draft budget submitted to the national parliament in early October 2025. Revenue-increasing measures in the forecast amount to 0.6% of GDP and include, among others, the extension of the exceptional contribution by large enterprises and of the top-up tax on high revenues, as well as the non-indexation of personal income tax brackets. Expenditure-reducing measures, worth some 0.4% of GDP, include the freezing of pensions and other social benefits. The revenue-to-GDP ratio is projected to rise by some ¼ pps., while the expenditure ratio is set to shrink by ⅓ pps., with interest payments expected to keep rising to 2.5% of GDP. By the release date of this forecast, the outcome of the ongoing parliamentary discussions of the 2026 draft budget remained uncertain.

For 2027, at unchanged policies, the general government deficit is expected to creep up to 5.3% of GDP, as some revenue measures planned for 2026 are set to expire. The revenue-to-GDP ratio is projected to decline by 0.1 pps. of GDP, whereas the expenditure ratio is set to rise by 0.3 pps., with interest payments increasing further, to 2.8% of GDP.

After edging up to 113.2% of GDP in 2024, the government debt ratio is projected to keep increasing over the forecast horizon, to 120% of GDP by 2027. This increase is 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**

	2024			Annual percentage change						
bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP	2919.9	100.0	1.0	2.7	1.4	1.2	**0.7**	**0.9**	**1.1**
Private Consumption	1595.3	54.6	1.0	3.3	0.7	1.1	**0.4**	**0.6**	**0.8**
Public Consumption	706.0	24.2	1.4	2.7	1.4	1.4	**1.0**	**0.1**	**1.1**
Gross fixed capital formation	645.2	22.1	1.4	-0.4	0.4	-1.1	**-0.1**	**1.0**	**1.5**
Exports (goods and services)	989.5	33.9	1.8	9.1	2.5	2.5	**1.0**	**1.9**	**2.4**
Imports (goods and services)	999.1	34.2	2.4	9.0	-0.3	-1.2	**2.2**	**0.9**	**2.3**
GNI (GDP deflator)	2976.0	101.9	1.1	2.7	0.7	0.8	**0.7**	**0.9**	**1.1**
Contribution to GDP growth:	Domestic demand		1.2	2.3	0.8	0.7	**0.4**	**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	**-0.4**	**0.4**	**0.1**
Employment			0.7	2.3	1.1	0.8	**-0.1**	**0.0**	**0.2**
Unemployment rate (a)			9.1	7.3	7.3	7.4	**7.6**	**8.0**	**8.2**
Compensation of employees / head			1.7	5.0	4.1	3.2	**2.4**	**2.3**	**2.2**
Unit labour costs whole economy			1.4	4.5	3.8	2.7	**1.6**	**1.4**	**1.3**
Saving rate of households (b)			15.0	16.5	16.7	17.9	**18.7**	**18.1**	**18.0**
GDP deflator			1.2	3.0	5.0	2.1	**1.5**	**1.7**	**1.8**
Harmonised index of consumer prices			1.4	5.9	5.7	2.3	**1.0**	**1.3**	**1.8**
Terms of trade goods			0.2	-4.1	0.9	-0.5	**2.7**	**1.0**	**0.0**
Trade balance (goods) (c)			-1.9	-5.0	-2.8	-1.9	**-1.7**	**-1.1**	**-1.1**
Current-account balance (c)			-0.4	-1.6	-1.3	-0.1	**0.0**	**0.6**	**0.6**
General government balance (c)			-4.7	-4.7	-5.4	-5.8	**-5.5**	**-4.9**	**-5.3**
Fiscal stance (c)			-0.2	-2.0	0.5	0.0	**0.8**	**1.2**	**-0.2**
Structural budget balance (d)			-3.6	-4.8	-5.5	-5.9	**-5.3**	**-4.6**	**-5.0**
General government gross debt (c)			91.3	111.4	109.8	113.2	**116.3**	**118.1**	**120.0**

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

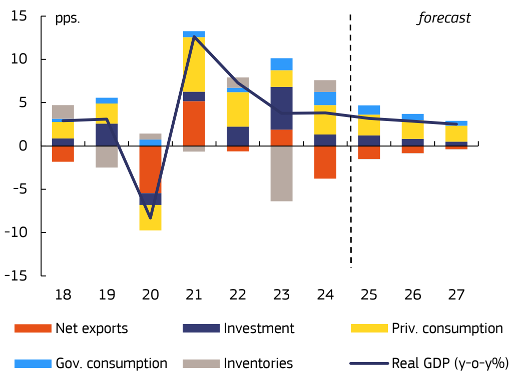
9. CROATIA

Following an expansion by 3.8% in 2024, Croatia's GDP growth is expected to remain solid, thanks to robust household consumption supported by rising real disposable incomes, but to slow down gradually, from 3.2% in 2025, to 2.9% in 2026 and 2.5% in 2027. Employment is forecast to expand further, with the unemployment rate remaining below 5%. Inflation is expected to remain elevated in 2025 and 2026, declining to 2.2% by 2027. The general government deficit is expected to increase to 2.8% in 2025 and to remain at similar levels throughout the forecast horizon, with the debt-to-GDP ratio hovering around 56% through 2027.

Economic growth to decelerate but remain solid

After growing by 3.8% in 2024, Croatia's real GDP growth is forecast to gradually slow down but remain robust throughout the forecast period, supported by strong domestic demand.

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



In 2025, GDP is projected to grow by 3.2%, as private consumption is underpinned by increases in real wages and employment. Investment is set to rise, bolstered by increased absorption of EU funds, particularly from the RRF. Government consumption is expected to contribute to GDP growth, as salaries of public sector employees increase. Goods exports are forecast to maintain momentum despite trade protectionism negatively impacting demand from some key trading partners. By contrast, real exports of services are expected to slightly decline, due to increasing prices of tourism services. Imports are set to outpace exports, driven by a significant rise in international travel by Croatian residents, resulting in a negative yet smaller contribution of net exports to growth compared to the previous year.

Economic growth is forecast to ease to 2.9% in 2026 and 2.5% in 2027, driven by a slowdown in consumption as improvements in real disposable income moderate. Investment is set to continue growing, albeit at a slower pace after the expiration of the RRF, as the absorption of other EU funds picks up and private investment continues to increase. The negative contribution of net exports on growth is expected to decrease, as competitiveness considerations limit price increases in tourism services and exports of services strengthen.

Risks to this outlook are tilted to the downside. Higher-than-expected wage increases could add to price pressures and reduce exporters' cost competitiveness. Additionally, potential supply bottlenecks, notably in construction, may delay the absorption of EU funds.

Record low unemployment but easing wage pressures

Employment growth is projected to abate over the forecast horizon, with expected annual increases of 2.1% in 2025, 1.5% in 2026, and 0.9% in 2027. Labour shortages remain significant despite increased numbers of non-EU workers immigrating to Croatia. The unemployment rate is set to reach new lows of 4.7% in 2025, 4.5% in 2026 and 4.6% in 2027, mirroring the tight labour market. As labour demand gradually stabilises and employment growth slows, nominal and real wage increases are projected to ease.

Headline inflation to moderate after 2025

Headline inflation is projected to increase to 4.3% in 2025, from 4% in 2024 as food and energy inflation accelerate, while services inflation gradually eases. With the wage and demand pressures moderating, inflation is set to decelerate more significantly after 2025, reaching 2.8% in 2026 and 2.2% in 2027. The decline is expected to be primarily driven by decelerating services and food inflation. Conversely, energy inflation is forecast to pick up as government energy support measures expire in April 2026 and, unless delayed, ETS2 becomes operational in 2027. Inflation excluding energy and food is set to decline from 4.8% in 2024 to below 2% by the end of the forecast period.

Government deficits remain high, debt remains broadly constant

In 2025, the general government deficit is expected to increase to 2.8% of GDP, from 1.9% in 2024, driven by strong growth in social benefits, particularly pension expenditure, and a strong carry-over from the increase in the 2024 wage bill. Indirect tax revenue is set to expand following solid nominal GDP growth, while direct taxes will benefit from employment and wage developments.

In 2026, the deficit is forecast to increase further to 2.9% of GDP. Revenue growth is supported by GDP and employment growth, along with fiscal measures, such as the non-indexation of personal income tax brackets and deductions, phasing out of health contributions exemptions for young workers and the elimination of the temporary VAT rate reduction for natural gas, heat, pellet, wood chippings and firewood. In terms of expenditure, the introduction of an annual supplement for pensioners will further raise pension expenditure and public investments remain at record high levels. The deficit is forecast to slightly narrow to 2.8% of GDP in 2027, as investments lose steam, and other expenditure (mainly spending on wages and social assistance) are outpaced by nominal GDP growth.

In a context of high government deficits, the debt-to-GDP ratio is expected to slightly decrease to 56.2% in 2025 and 55.9% by end of 2027, driven by strong nominal GDP growth and stock-flow adjustments.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		85.9	100.0	1.2	7.3	3.8	3.8	**3.2**	**2.9**	**2.5**
Private Consumption		49.1	57.2	0.7	6.9	3.3	6.0	**4.2**	**3.8**	**3.2**
Public Consumption		19.8	23.0	2.0	2.2	6.6	7.3	**4.7**	**3.0**	**2.3**
Gross fixed capital formation		21.7	25.2	0.5	10.7	22.7	5.3	**4.8**	**3.2**	**2.0**
Exports (goods and services)		43.1	50.1	3.1	27.0	-1.4	1.6	**1.5**	**2.4**	**2.7**
Imports (goods and services)		47.1	54.8	2.4	26.8	-4.2	8.4	**4.2**	**3.7**	**3.2**
GNI (GDP deflator)		85.9	100.0	1.2	7.6	4.1	4.3	**3.2**	**3.0**	**2.6**
Contribution to GDP growth:	Domestic demand			1.0	6.7	8.2	6.3	**4.7**	**3.7**	**2.9**
	Inventories			0.1	1.2	-6.4	1.3	**0.0**	**0.0**	**0.0**
	Net exports			0.2	-0.6	1.9	-3.8	**-1.5**	**-0.8**	**-0.4**
Employment				0.0	1.9	1.7	5.6	**2.1**	**1.5**	**0.9**
Unemployment rate (a)				11.6	6.8	6.1	5.0	**4.7**	**4.5**	**4.6**
Compensation of employees / head				1.9	12.3	13.5	8.9	**9.8**	**5.9**	**4.5**
Unit labour costs whole economy				0.8	6.6	11.3	10.8	**8.6**	**4.4**	**2.8**
Saving rate of households (b)				8.2	6.9	6.8	7.9	**8.2**	**8.3**	**8.1**
GDP deflator				1.9	8.0	12.9	4.5	**4.6**	**3.6**	**2.5**
Harmonised index of consumer prices				1.8	10.7	8.4	4.0	**4.3**	**2.8**	**2.2**
Terms of trade goods				-0.1	-3.3	1.8	0.2	**-0.7**	**-0.3**	**0.3**
Trade balance (goods) (c)				-17.1	-27.1	-22.1	-22.1	**-21.1**	**-20.8**	**-20.7**
Current-account balance (c)				-2.0	-3.8	0.4	-2.1	**-2.9**	**-3.2**	**-3.2**
General government balance (c)				-3.6	0.1	-0.8	-1.9	**-2.8**	**-2.9**	**-2.8**
Fiscal stance (c)				-0.9	-0.4	-2.2	-2.2	**-1.3**	**0.2**	**1.0**
Structural budget balance (d)				-1.6	-1.4	-2.3	-3.0	**-3.4**	**-3.1**	**-2.8**
General government gross debt (c)				66.3	68.5	60.9	57.4	**56.2**	**56.1**	**55.9**

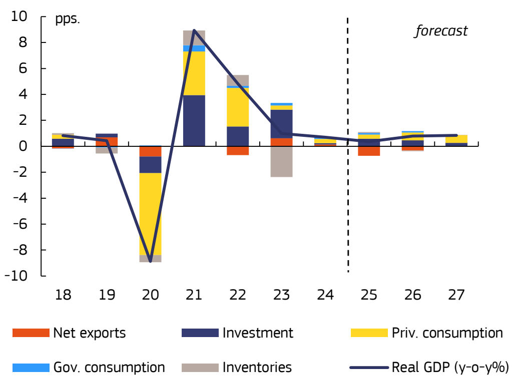
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

10. ITALY

Output growth is set to slow down to 0.4% in 2025, with net exports subtracting 0.7 pps. and domestic demand contributing around 1 pp., driven by investment. Growth is expected to pick up in 2026-27, supported by RRF-financed investment. Inflation is projected to remain subdued in 2025-26, mainly thanks to the protracted slump in energy prices, and come back up to around 2% in 2027, partly due to the introduction of ETS2. The government deficit is forecast to decline steadily, to 2.6% of GDP in 2027. The debt ratio is set to reach 137.2% of GDP by 2027, as the expected primary surpluses are still insufficient to offset the impact of the debt-increasing interest-growth-rate differentials and stock-flow adjustments.

Economic output growth driven by the investment cycle

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



After a slightly negative outturn in the second quarter of 2025, GDP growth remained flat in the third quarter. With a small positive increase projected in the final part of the year, GDP is forecast to grow by 0.4% in 2025. Private consumption is expected to continue expanding at moderate pace, as persistent uncertainty pushes households to increase savings. Investment is set to accelerate, buoyed by RRF-backed non-residential construction projects, while housing investment continues to fall, as the phasing out of tax credits is only partly offset by privately funded works. Goods exports are projected to contract by 0.6%, while services exports are set to increase. Conversely, imports of both goods and services are expected to rise considerably, leading net exports to subtract from GDP growth.

In 2026, private consumption is expected to pick up on the back of rising real disposable incomes. Investment, still propped up by the RRF, is set to continue growing, mainly thanks to construction activity. Net external trade is still forecast to slightly weigh on GDP growth, as exports recover less than imports, which are pulled by strong domestic demand. In 2027, household consumption is set to become the main growth driver, as investment slows down following the end of the RRF. An expected moderation in imports is projected to neutralise the net exports' contribution to GDP growth. Overall, GDP is forecast to rise by 0.8% in both 2026 and 2027.

Employment growth slows, real wages recover gradually

Labour productivity is set to continue declining this year, as employment is projected to rise by 1% after seeing cumulative growth of 3.5% in 2023-24. With labour demand forecast to slow, productivity is expected to start recovering in 2026-27, benefitting from recent investments. The unemployment rate is forecast to decrease steadily to 5.9% in 2027. Wages are still expected to grow robustly this year and moderate thereafter, as the renewal of collective contracts reflects more recent price developments.

Energy price decreases keep headline inflation down

Inflation dynamics are largely influenced by anticipated fluctuations in energy prices, which, together with a stronger euro, are bringing down import prices in 2025. While global energy prices are expected to remain subdued throughout the forecast horizon, the application of the ETS2 carbon allowances, if not delayed, is projected to drive retail prices for transport and heating fuels up in 2027. At the same time, services inflation is set to fall on the back of wage moderation.

Government deficit set to decline

In 2025, the deficit is projected to decline to 3.0% of GDP from 3.4% in 2024, as the primary surplus rises to 0.9% of GDP. Current primary expenditure is projected to increase by more than 3% in nominal terms, driven by additional spending on social transfers, public wages and healthcare. Public investment is set to increase further, also thanks to RRF-financed projects. On the revenue side, employment and wage growth, higher VAT receipts and positive developments of taxes on financial assets help offset the changes introduced with the 2025 budget to the personal income tax system, aimed at permanently reducing the tax wedge.

In 2026, the deficit is projected to narrow slightly, to 2.8% of GDP. In nominal terms, primary expenditure is set to continue rising, although at a slower pace, with planned savings on both current and capital spending. Expenditure growth is mainly driven by social transfers (including the partial and temporary freeze of the pension age increase), healthcare spending, higher national contributions to the EU budget and a further rise in public investment, also driven by RRF-financed projects. Tax revenues are set to increase, since a rise in taxes for financial and insurance companies, the earlier closure of the petrol-diesel tax differential and measures to improve tax collection fully compensate the cut to the labour tax wedge for middle income earners, the introduction of lower flat taxation on contract renewals, productivity bonuses and overtime and the introduction of a simplified debt settlement for tax collection.

In 2027, the headline deficit is projected to decline marginally based on a no-policy-change assumption, with a 0.1 pps. of GDP increase in interest spending only partly offsetting the further increase projected in the primary surplus.

After a contractionary fiscal stance in 2024-25, fiscal policy is set to become broadly neutral in 2026 thanks to the additional support from RRF grants. A contractionary fiscal stance is projected again in 2027 also due to the end of the RRF.

The government debt-to-GDP ratio is set to attain 137.2% by the end of 2027. The expected primary surpluses are still insufficient to curb the growth of the debt ratio, due to debt-increasing interest-growth-rate differentials as well as large stock-flow adjustments related to the housing renovation tax credits affecting the deficit in previous years.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2199.6	100.0	-0.1	4.8	1.0	0.7	**0.4**	**0.8**	**0.8**
Private Consumption		1257.4	57.2	-0.4	5.3	0.6	0.6	**0.6**	**1.1**	**1.0**
Public Consumption		397.5	18.1	-0.1	0.8	1.1	1.0	**0.7**	**0.6**	**-0.2**
Gross fixed capital formation		487.3	22.2	-0.3	7.4	10.1	0.5	**2.6**	**2.1**	**1.2**
Exports (goods and services)		715.0	32.5	1.5	9.9	-0.2	0.0	**0.4**	**1.5**	**1.9**
Imports (goods and services)		666.9	30.3	1.1	12.9	-1.9	-0.4	**2.8**	**2.6**	**2.0**
GNI (GDP deflator)		2193.8	99.7	-0.1	4.6	-0.4	0.9	**0.6**	**0.8**	**0.8**
Contribution to GDP growth:	Domestic demand			-0.3	4.7	2.7	0.6	**1.0**	**1.2**	**0.8**
	Inventories			0.1	0.8	-2.4	0.0	**0.1**	**-0.1**	**0.0**
	Net exports			0.2	-0.7	0.6	0.1	**-0.7**	**-0.3**	**0.0**
Employment				0.2	1.9	2.1	1.6	**1.0**	**0.5**	**0.4**
Unemployment rate (a)				9.7	8.1	7.7	6.5	**6.2**	**6.1**	**6.0**
Compensation of employees / head				1.1	3.7	2.6	3.4	**3.2**	**2.7**	**2.3**
Unit labour costs whole economy				1.4	0.9	3.8	4.4	**3.8**	**2.4**	**1.9**
Saving rate of households (b)				12.9	11.4	11.3	12.0	**12.2**	**12.2**	**11.8**
GDP deflator				1.4	3.5	6.2	2.0	**2.2**	**1.8**	**1.9**
Harmonised index of consumer prices				1.4	8.7	5.9	1.1	**1.7**	**1.3**	**2.0**
Terms of trade goods				0.0	-10.2	11.0	2.9	**2.3**	**1.6**	**0.0**
Trade balance (goods) (c)				1.6	-1.3	1.7	2.5	**2.3**	**2.4**	**2.4**
Current-account balance (c)				0.4	-1.7	0.2	1.1	**1.0**	**0.9**	**0.9**
General government balance (c)				-3.6	-8.1	-7.2	-3.4	**-3.0**	**-2.8**	**-2.6**
Fiscal stance (c)				-0.7	-3.5	-0.2	3.1	**0.6**	**0.0**	**0.5**
Structural budget balance (d)				-2.4	-9.3	-8.3	-4.0	**-3.3**	**-2.9**	**-2.7**
General government gross debt (c)				127.1	138.4	133.9	134.9	**136.4**	**137.9**	**137.2**

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

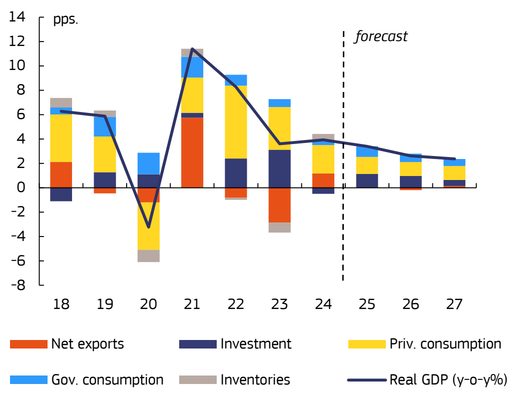
11. CYPRUS

Cyprus's economic growth remains robust, driven primarily by domestic demand. Household consumption is expected to gradually ease as real wage growth slows, but investment is set to be stronger, supported by the completion of RRF projects in 2026. Services exports are also set to remain strong. Headline inflation has been decreasing throughout 2025 and is projected to approach 2% by the end of the forecast horizon, whereas headline inflation excluding energy and food will remain slightly higher. Government fiscal surpluses are projected to hold up and the debt-to-GDP ratio is set to continue its downward trend and move below 50% of GDP in 2027.

Growth remains sustained

Real GDP expanded by 3.2% in the first half of the year, driven by robust aggregate consumption (up 6.2% y-o-y) and accelerating investment (up 18.4% y-o-y). Net exports also had a positive impact on growth due to strong ICT trade and record-breaking tourist arrivals early in the season.

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



The economic momentum is set to remain strong over the second half of 2025, leading to GDP growth of 3.4% for the entire year. The GDP growth rate is projected to moderate to 2.6% in 2026 and 2.4% in 2027. Private consumption is expected to remain the main driver of growth, though its momentum is set to ease as real income growth moderates, and the inflow of foreign workers whose relocation typically supports household spending, slows. This moderation is expected to be partially offset by stronger investment, supported by the timely implementation of the RRF by 2026, and sustained inflows of inward FDI, especially in real estate activities. Exports are also set to remain strong throughout the forecast horizon thanks to a solid tourist outlook and buoyant ICT activity. However, the global trade slowdown is having a negative impact on the outlook for the shipping sector, particularly in 2026. Despite a sizeable trade surplus driven by services, the current account remains in deficit due to profit repatriation by the large number of foreign-owned corporates. The current account deficit is projected to narrow only gradually by 2027.

Inflation to stay slightly below 2% in the medium term

Headline inflation decreased sharply over the course of 2025, driven mainly by lower energy prices and, to a lesser extent, by moderating food prices. This decrease reflects the impact that a temporary VAT reduction had on energy bills. Headline inflation is projected to fall to 0.9% in 2025, before gradually rising to 1.9% by 2027, as the impact of the VAT reduction fades and the introduction of ETS2 in 2027, if not delayed, is going to lift energy inflation. Headline inflation excluding energy and food is set to remain slightly higher due to persistent service price pressures linked to strong tourism demand.

Record-low unemployment

Labour market conditions are set to remain strong, in line with the growth outlook. Job creation levels are solid, with employment expanding by 1.6% y-o-y in the first half of 2025. Unemployment fell to a record low of 4.3% over the same period. Employment growth has been supported by significant inflows of foreign workers. However, these inflows are expected to gradually moderate as the initial wave of corporate relocations under the so-called "headquartering policies", designed to attract international companies to Cyprus, is coming to an end.

Public finances remain in good shape

In 2024, Cyprus achieved a sizeable surplus in its general government headline of 4.1% of GDP, with revenue growing more strongly than expenditure. In 2025, the government surplus is projected to remain solid, slightly decreasing to 3.3% of GDP.

Favourable economic growth and labour market conditions continue to support strong revenue growth. This is despite higher spending on support measures and compensation payments following the wildfires in July 2025, as well as VAT reductions for energy and other basic goods. With the RRF entering its final phase, public investment is projected to benefit from a noticeable boost in 2025 and 2026.

In 2026 and 2027, public finances are forecast to remain favourable, and the government headline surplus is projected to hold up, at 3.0% and 3.2% of GDP respectively. The end of the RRF in 2026 is expected to have a dampening effect on government revenue and expenditure in 2027.

The government debt-to-GDP ratio dropped by more than 8 pps. to 62.8% at the end of 2024. This trend is projected to continue with the debt level projected to fall to 56.4% of GDP by the end of 2025. Government debt is projected to further decrease to 51.0% of GDP in 2026 and 45.7% of GDP in 2027.

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

	2024		Annual percentage change						
mio EUR	**Curr. prices**	**% GDP**	**06-21**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
GDP	34770.2	100.0	2.3	8.3	3.6	3.9	**3.4**	**2.6**	**2.4**
Private Consumption	19915.1	57.3	1.9	10.5	6.1	4.0	**2.4**	**2.0**	**2.0**
Public Consumption	6400.7	18.4	2.9	4.7	3.6	1.6	**4.7**	**3.6**	**3.0**
Gross fixed capital formation	7144.8	20.5	1.6	12.5	15.4	-2.2	**5.6**	**4.6**	**2.4**
Exports (goods and services)	33734.1	97.0	5.7	27.5	-1.6	6.1	**3.5**	**1.6**	**3.0**
Imports (goods and services)	32469.3	93.4	5.3	29.9	1.1	5.0	**3.7**	**1.9**	**2.9**
GNI (GDP deflator)	31016.6	89.2	2.7	7.4	2.6	3.6	**3.5**	**3.0**	**2.2**
Contribution to GDP growth:	Domestic demand		2.1	9.3	7.3	2.1	**3.4**	**2.8**	**2.2**
	Inventories		0.0	-0.2	-0.8	0.6	**0.0**	**0.0**	**0.0**
	Net exports		0.3	-0.8	-2.9	1.2	**0.0**	**-0.2**	**0.1**
Employment			1.5	4.0	2.9	2.0	**1.3**	**1.2**	**1.1**
Unemployment rate (a)			9.1	6.3	5.8	4.9	**4.7**	**4.5**	**4.3**
Compensation of employees / head			1.4	7.3	9.4	3.5	**3.7**	**3.3**	**3.6**
Unit labour costs whole economy			0.6	3.1	8.6	1.6	**1.6**	**1.8**	**2.2**
Saving rate of households (b)			6.3	5.6	5.7	5.6	**7.3**	**8.3**	**9.1**
GDP deflator			1.2	6.6	5.6	3.1	**1.6**	**1.7**	**1.9**
Harmonised index of consumer prices			1.1	8.1	3.9	2.3	**0.9**	**1.5**	**1.9**
Terms of trade goods			0.4	-1.6	2.0	0.9	**0.1**	**0.1**	**0.1**
Trade balance (goods) (c)			-21.7	-19.5	-22.7	-19.9	**-19.9**	**-19.6**	**-19.5**
Current-account balance (c)			-7.8	-6.9	-9.7	-8.2	**-7.7**	**-7.4**	**-6.9**
General government balance (c)			-3.2	2.7	1.7	4.1	**3.3**	**3.0**	**3.2**
Fiscal stance (c)			-0.3	0.8	-1.3	2.1	**-0.8**	**-0.4**	**1.2**
Structural budget balance (d)			1.4	0.3	-0.1	2.5	**2.0**	**2.0**	**2.6**
General government gross debt (c)			85.9	80.3	71.1	62.8	**56.4**	**51.0**	**45.7**

(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 is expected to grow by 1% of GDP in 2025 after experiencing stagnation in 2024. Despite geopolitical uncertainties, both private and public investments are set to grow strongly. Private consumption is expected to slowly recover in the second half of the year, driven by wage growth, whereas government consumption is projected to be supportive. GDP growth is forecast to pick up to 1.7% in 2026 and to 1.9% in 2027 driven by private consumption, investment and exports. Inflation is set to rebound as the deflationary impact of energy prices fades, while services and food inflation remains strong. Inflation is projected to reach 3.6% in 2025, before falling to 2.2% in 2026 and picking up to 2.4% in 2027. The general government deficit is forecast to increase to 3.1% of GDP in 2025, driven by weaker revenue growth and increasing current expenditure, and further to 4.3% in 2027, mainly due to higher defence expenditure.

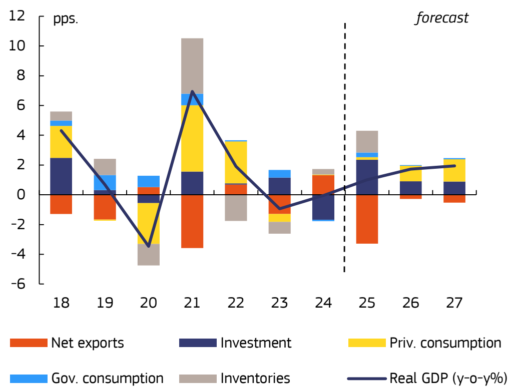
Private consumption and investment set to drive growth in 2026 and 2027

In 2025, the economy is expected to recover from the stagnation experienced in 2024. Real disposable income and private consumption are set to benefit from solid wage growth. However, the challenging geopolitical context is expected to encourage precautionary savings. Consequently, after a significant rise in 2024, the household savings rate is projected to increase further to 6.4% in 2025, higher than the pre-pandemic level. As a result, private consumption is expected to recover only slowly in the second half of 2025 and to pick-up further in 2026 and 2027. After a strong performance in the first half of 2025, investment is expected to remain robust throughout the rest of the year (10.5%) driven by inflows of EU funds and increased defence spending and is set to remain supportive in 2026 and 2027. After a significant decline in 2024, private investments are also set to recover in 2025, fuelled by robust corporate lending and lower borrowing costs. Public consumption is set to be weaker over the forecast horizon, partly due to a government policy to limit the growth of public wages and the phase-out of the RRF as of 2027. After two years of decline, service exports are expected to recover in 2025. However, goods exports are only set to recover in 2026 and 2027. Overall, real GDP growth is projected to reach 1.0% in 2025, before picking up further to 1.7% in 2026 and 1.9% in 2027.

Labour market expected to remain tight

With a recovery in economic growth expected from 2025 onwards, the unemployment rate is forecast to edge down to 6.8% in 2025 and decrease further in 2026 and 2027 on the back of increasing labour demand. After reaching 8.3% in 2024, nominal growth of compensation per employee is set to stay strong in 2025 at 5.8%, decreasing to 5.0% in 2026 and 4.0% in 2027, supported by increases in the minimum wage and tight labour market conditions.

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



Inflation set to increase in 2025

After a strong decline to 1.4% in 2024, fuelled by fast-declining energy prices, HICP inflation surged in the last quarter of 2024 due to higher inflation in services and food (both processed and unprocessed). Robust wage growth drives services' inflation as well as food inflation. As a result, HICP inflation is forecast to reach 3.6% in 2025, and decrease to 2.2% in 2026 and 2.4% in 2027. Due to the introduction of ETS2, if not delayed, energy prices, which have been in decline since 2024, are expected to see a positive inflation in 2027. While services and processed food inflations are set to ease in 2026 and 2027, headline inflation excluding energy and food is expected to remain above HICP inflation over the forecast horizon.

Government deficit set to increase

In 2025, the government deficit is forecast at 3.1% of GDP, up from 1.8% of GDP in 2024. Revenue is expected to decrease due to reduced income tax revenue from the 2025 personal income tax system reform, and lower dividend payments from state-owned companies as a result of normalised energy prices. On the expenditure side, growth of social transfers, intermediate consumption and interest payments are the main factors behind the increase in deficit.

In 2026, the government deficit is forecast to increase to 3.5% of GDP, driven by revenue and expenditure factors. Revenue is expected to grow less than nominal GDP, mainly due to the lingering effects of the personal income tax reform on income tax growth and lower revenue from current transfers. An increase in the deficit from the expenditure side is projected mainly due to higher defence investment. Meanwhile, current expenditure contributes to deficit reduction, as growth in compensation of employees and intermediate consumption lags behind nominal GDP growth.

In 2027, the government deficit is forecast to rise to 4.3% of GDP. In terms of revenue, the deficit increase is driven by a downward adjustment in property income, mainly due to lower dividend payments from state-owned enterprises and lower interest revenue. On the expenditure side, increased defence investment, along with growth in social transfers and interest expenditure, further contribute to the deficit.

The fiscal stance is projected to remain slightly expansionary in 2026, supported by higher EU budget-financed expenditure and an increase in nationally financed investment. However, it is set to turn broadly neutral in 2027, with the RRF no longer providing fiscal support.

The debt-to-GDP ratio reached 46.6% in 2024 and is forecast to increase to 54.6% by 2027, due to high budget deficits and positive stock-flow adjustments impacted by upcoming Eurobond redemptions.

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

		2024		Annual percentage change						
	mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		40359.4	100.0	1.8	1.9	-0.9	0.0	**1.0**	**1.7**	**1.9**
Private Consumption		23745.9	58.8	1.9	5.1	-0.9	0.1	**0.3**	**1.8**	**2.6**
Public Consumption		8824.2	21.9	1.5	0.4	2.5	-0.4	**1.4**	**0.2**	**0.4**
Gross fixed capital formation		9043.0	22.4	0.1	0.3	5.0	-7.0	**10.5**	**3.8**	**3.7**
Exports (goods and services)		26368.5	65.3	4.8	11.4	-7.0	0.1	**0.5**	**2.3**	**2.4**
Imports (goods and services)		27011.9	66.9	3.9	9.9	-5.0	-1.8	**5.4**	**2.6**	**3.1**
GNI (GDP deflator)		39522.6	97.9	1.8	2.0	-1.5	0.2	**1.0**	**1.7**	**1.9**
Contribution to GDP growth:	Domestic demand			1.9	3.0	1.1	-1.7	**2.8**	**2.0**	**2.5**
	Inventories			0.4	-1.8	-0.8	0.4	**1.5**	**0.0**	**0.0**
	Net exports			-0.2	0.7	-1.3	1.3	**-3.3**	**-0.3**	**-0.5**
Employment				-0.4	0.2	1.8	-1.5	**-1.3**	**-0.6**	**-0.5**
Unemployment rate (a)				10.7	6.9	6.5	6.9	**6.8**	**6.6**	**6.5**
Compensation of employees / head				7.4	13.1	5.8	10.5	**8.3**	**6.0**	**4.9**
Unit labour costs whole economy				5.0	11.2	8.7	8.9	**5.8**	**3.5**	**2.4**
Saving rate of households (b)				5.4	3.8	1.7	4.9	**6.4**	**7.0**	**5.7**
GDP deflator				3.9	9.7	10.7	2.1	**4.8**	**3.6**	**2.5**
Harmonised index of consumer prices				3.2	17.2	9.1	1.3	**3.6**	**2.2**	**2.4**
Terms of trade goods				1.3	-3.3	1.8	1.0	**1.8**	**1.5**	**0.1**
Trade balance (goods) (c)				-12.4	-11.4	-9.1	-7.5	**-8.6**	**-8.1**	**-8.4**
Current-account balance (c)				-3.5	-5.5	-3.8	-1.6	**-4.1**	**-3.3**	**-4.2**
General government balance (c)				-3.0	-4.9	-2.4	-1.8	**-3.1**	**-3.5**	**-4.3**
Fiscal stance (c)				-0.8	-1.7	0.5	-0.5	**-1.5**	**-0.5**	**0.1**
Structural budget balance (d)				-2.3	-5.3	-2.1	-1.5	**-2.9**	**-3.5**	**-4.5**
General government gross debt (c)				36.7	44.4	44.4	46.6	**48.3**	**49.9**	**54.5**

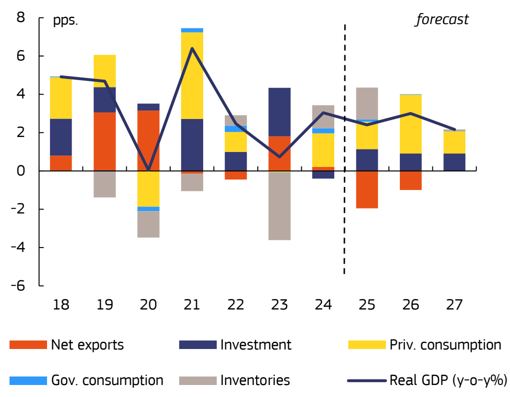
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

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. Despite geopolitical uncertainty, investment is also expected to grow by 5.1% in 2025, and 4% in 2026 and 2027. Real GDP is projected to grow by 2.4% in 2025, 3.0% in 2026 and 2.2% in 2027. Inflation is expected to rise to 3.4% in 2025 driven by services and food prices but ease to 2.8% in 2026, due to lower energy prices. In 2027, energy prices are expected to rise due to introduction of ETS2, with the overall inflation reaching 2.7%. The general government deficit is projected to increase from 2.2% in 2025, to 2.5% in 2026, and to 2.7% in 2027, mainly due to the projected increase in expenditure related to national investments (in particular, in national defence).

Economic activity to continue growing despite some limiting factors

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



In the beginning of 2025, consumption and investment had a significant positive effect on real GDP growth. These factors are expected to continue to play a major role in the second half of 2025, supported by increasing wages and expected lower borrowing costs. In total, GDP growth is projected to be at 2.4% in 2025.

In 2026, private consumption is expected to be the main driver of GDP growth at 5.6% due to strong real wage growth and the pension reform, making the second pillar pension voluntary, which gives a temporary boost to private consumption. With real wage growth expected to continue in 2027, consumption growth is projected to slow but continue as a positive driver of economic activity. The savings rate is expected to be high at 10.0% of disposable income in 2025, 8.1% in 2026, and 9.6% in 2027. Private investments are expected to increase by 5.1% in 2025, and 4% in 2026 and 2027. While US tariffs are expected to weigh on the growth of goods exports, Lithuania's direct exposure to the US remains limited, accounting for around 5% of total exports in 2024. Lithuania is expected to remain competitive vis-à-vis its main trading partners. In addition, services exports are expected to remain robust, leading to total export growth of 2.6% in 2026 and 2.8% in 2027. At the same time, imports continue to outpace exports in the forecast period because of strong growth in public and private demand for imported goods. Overall, real GDP is projected at 3.0% in 2026 and 2.2% in 2027.

Labour market set to gradually tighten

The growth rate in the labour force seen between 2022 and 2024, attributable to the inflow of Ukrainian refugees, is expected to decrease to -0.2% in 2025, -0.34% in 2026, -0.15 in 2027, as natural population decline resumes. In 2025, the unemployment rate is expected to be the same as in 2024 at 7.1% and it is expected to decline to 6.8% in 2026 amid robust growth, remaining at the same level in 2027. The persistence of labour shortages and skills mismatches is expected to support wage growth, projected at 8.1% in 2025, 7.1% in 2026 and 5.9% in 2027. A slower pace is expected compared to previous years, given lower inflation and recent high wage gains.

Inflation is expected to decline due to trade and oil price developments

HICP inflation is expected to increase to 3.4% in 2025 from 0.9% in 2024 following a jump in energy at the beginning of the year, and a steady increase in food and service prices. However, energy prices are set to decline in 2026, due to lower oil and gas prices. Service inflation is expected to exceed 5%, reflecting the dynamics of wage growth. US tariffs are expected to reduce inflation in non-energy goods, due to intensifying competition from diverted Chinese imports. Nevertheless, inflation in non-energy goods is set to be positive due to increased demand (1.4%). The overall HICP inflation in 2026 is expected to be 2.8%. In 2027, an increase in energy prices due to introduction of ETS2 is expected to add around 0.4 pps. to headline inflation, with HICP reaching 2.7%.

General government deficit set to increase

In 2025, the general government deficit is forecast to increase to 2.2% of GDP from 1.3% in 2024. This rise is due to higher social spending, increased intermediate general government consumption, and interest expenditure.

In 2026, the deficit is projected to increase to 2.5% of GDP, driven by rising general government expenditure which is expected to grow by 1.0 pps. of GDP, while revenue is expected to increase at a slower pace of 0.7 pps. of GDP. The main reason behind the widening deficit is the projected increase in expenditure related to national investments, particularly defence, an increase in social spending, intermediate general government consumption, and interest expenditure. General government revenue is forecast to increase mainly due to higher excise duties on polluting fossil fuels, the abolition of the VAT exemption for central heating and hot water supply, the increase in the corporate income tax rate (from 15% in 2024 to 16% in 2025 and 17% in 2026), as well as rising revenues from personal income tax. However, the projected increase in revenue is not expected to fully offset the higher expenditure.

The deficit is expected to reach 2.7% of GDP in 2027, with general government expenditure projected to increase by 0.2 pps. of GDP, more than revenue which is set to grow by less than 0.1 pps. The increase in expenditure is forecast to be driven mainly by rising spending on interest, social benefits, including pensions, and national defence.

Over the forecast horizon, public debt is expected to increase to 39.8% of GDP in 2025, 44.7% in 2026 and 48.2% in 2027, due to the rising deficit in 2026 and 2027, and high stock flow adjustments in 2026 and 2027. These adjustments are needed mostly to offset the significant deficits in the central government budget as the surpluses in the Social Security Fund cannot be used for this purpose.

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

	2024		Annual percentage change						
	bn EUR Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP	79.0	100.0	3.1	2.5	0.7	3.0	**2.4**	**3.0**	**2.2**
Private Consumption	43.5	55.1	2.3	1.9	-0.1	3.1	**2.6**	**5.6**	**2.1**
Public Consumption	14.9	18.8	0.1	1.9	0.0	1.6	**0.6**	**0.1**	**0.1**
Gross fixed capital formation	17.7	22.4	3.9	4.4	11.3	-1.7	**5.1**	**4.0**	**4.0**
Exports (goods and services)	58.4	73.9	6.9	11.7	-3.3	2.6	**3.2**	**2.6**	**2.8**
Imports (goods and services)	54.1	68.5	5.5	13.0	-5.3	2.4	**6.4**	**4.1**	**2.9**
GNI (GDP deflator)	77.1	97.5	2.9	1.8	1.7	3.7	**2.6**	**3.0**	**2.2**
Contribution to GDP growth: Domestic demand			2.5	2.4	2.5	1.6	**2.7**	**4.0**	**2.1**
Inventories			0.0	0.5	-3.5	1.2	**1.7**	**0.0**	**0.1**
Net exports			0.8	-0.4	1.8	0.2	**-1.9**	**-1.0**	**0.0**
Employment			-0.2	5.0	1.4	1.5	**-0.2**	**0.0**	**-0.1**
Unemployment rate (a)			9.4	6.0	6.9	7.1	**7.1**	**6.8**	**6.8**
Compensation of employees / head			7.2	11.6	12.1	7.2	**7.9**	**7.0**	**6.1**
Unit labour costs whole economy			3.8	14.3	12.9	5.6	**5.1**	**3.9**	**3.7**
Saving rate of households (b)			1.0	4.8	5.7	7.6	**10.0**	**8.1**	**9.6**
GDP deflator			3.3	15.4	10.0	3.2	**3.5**	**3.9**	**2.6**
Harmonised index of consumer prices			3.0	18.9	8.7	0.9	**3.4**	**2.8**	**2.7**
Terms of trade goods			-0.3	-10.1	5.4	2.9	**0.8**	**1.4**	**0.5**
Trade balance (goods) (c)			-6.3	-10.9	-6.1	-5.8	**-7.2**	**-7.0**	**-6.6**
Current-account balance (c)			-1.7	-6.2	1.0	3.2	**1.5**	**1.1**	**1.3**
General government balance (c)			-2.5	-0.7	-0.7	-1.3	**-2.2**	**-2.5**	**-2.7**
Fiscal stance (c)			-0.7	0.5	0.3	-1.8	**-1.3**	**-0.6**	**0.8**
Structural budget balance (d)			-1.8	-1.2	0.0	-0.8	**-1.9**	**-2.4**	**-2.7**
General government gross debt (c)			34.3	38.3	37.1	38.0	**39.8**	**44.7**	**48.2**

(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

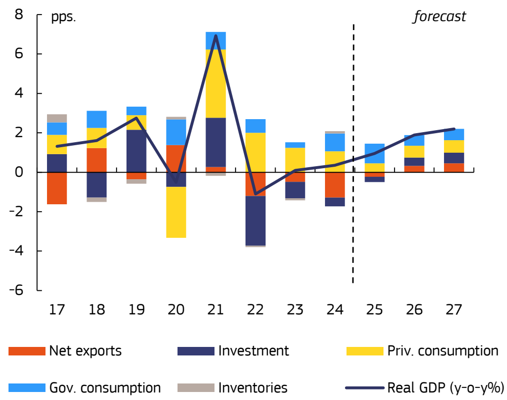
Real GDP growth in Luxembourg is projected to remain subdued in 2025, held back by weaker investment and net exports, but supported by private consumption. Growth is expected to accelerate in 2026 and 2027, benefitting from low interest rates which should stimulate investments and private spending while bolstering the exports of financial services. After remaining high in 2025, headline inflation is set to slow in 2026 following electricity tariff cuts before rising to just below 2% in 2027. Windfall revenues led to a surplus of the general government balance in 2024, which is expected to turn to a deficit over 2025-27.

Subdued growth in 2025

After an expansion of 0.4% in 2024, real GDP expanded by 0.7% and 0.6% q-o-q in 2025-Q1 and 2025-Q2 respectively, largely driven by the frontloading of exports in the first quarter and a steady expansion in government consumption.

Consumption growth rebounded in 2025-Q2 (0.2% after -0.5% in 2025-Q1) thanks to the wage indexation in May. Following improving consumer confidence, consumption growth is expected to grow by 1.4% in 2025, down from 3.2% in 2024. A recent pick-up in household loans demand indicate a slow but steady recovery in the housing sector. The outlook is improving although confidence indicators are still below historical averages. Overall, GDP is projected to grow by 0.9% in 2025.

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



In 2026 and 2027, economic growth is expected to accelerate, supported by continuing favourable financing conditions which should boost investment and private consumption. Domestic demand is expected to continue supporting the economy, while slightly reduced trade uncertainty is set to support net exports. The already recovering financial sector is forecast to also benefit from low interest rates and to push the exports of financial services.

Employment stalled

Following the deceleration of economic activity in recent years, employment growth slowed down and is expected to grow by 1.0% in 2025, well below Luxembourg's historical average, while gradually accelerating to 1.4% and 1.6% in 2026 and 2027, respectively. A slowing population growth is expected to curb the unemployment rate that is set to rise from 6.4% in 2024 to 6.6% in 2025, to peak at 6.7% in 2026 and to edge down to 6.5% in 2027 as employment growth recovers.

Persisting inflation in 2025

Headline inflation is set to persist at 2.3% in 2025, unchanged from 2024, as the moderation in services inflation is broadly offset by a slowing deflation in energy. Inflation is projected to decelerate to 1.7% in 2026, due to the renewed contraction in energy prices (electricity fees) and lower food inflation, before edging up to 1.9% in 2027, reflecting a rebound in energy inflation that more than offsets the slowing in food and services inflation.

General government balance to remain in a small deficit

After a surplus of 0.9% of GDP in 2024, the general government balance is expected to turn to a deficit of 0.8% of GDP in 2025. Total revenues are projected to decline by 0.3 percentage points of

GDP to 47.4% of GDP, while public spending is expected to increase by 1.4 percentage points of GDP to 48.2% of GDP. The projected 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 will be affected by the upward adjustment of personal income tax brackets for 2025 following several wage indexations. Corporate taxes are expected to continue increasing, but at a slower pace than in the previous years. Expenditure growth is projected to accelerate in 2025, also due to impact of the automatic indexation from May. The automatic indexation, compounded by the implementation of the wage agreement in the public sector and a dynamic hiring, is expected to push up the public wage bill. Social transfers, including pension expenditure, are also expected to increase substantially. Public investment, including due to the launch of a military satellite, is projected to further increase.

In 2026, a lower deficit of 0.5% of GDP is projected, primarily due the increase in the social contribution rate from 24% to 25.5%. In line with the projected economic recovery, revenue growth is expected to pick up. Notably, revenues from personal income taxes are expected to increase in line with the improved labour market and the absence of indexation to inflation of the tax brackets this year. Higher private consumption combined with the increase of tobacco excises is set to increase indirect taxes, although partially offset by the government's electricity network cost measure to mitigate the impact of high energy prices.

The deficit is set to increase to 0.8% of GDP in 2027, as expenditure growth is expected to outpace again revenue growth. Public investment is projected to remain at a high level over the forecast horizon and support 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 0.4% and 0.5% of GDP in 2026 and 2027 respectively. The debt-to-GDP ratio is projected to increase from 26.3% in 2024 to 26.8% in 2025 and to pick up to 27.2% of GDP in 2027, due to the budget deficits and to social security fund-related stock-flow adjustments.

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

	2024			Annual percentage change					
mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP	86180.3	100.0	2.6	-1.1	0.1	0.4	**0.9**	**1.9**	**2.2**
Private Consumption	28705.4	33.3	2.5	6.6	3.8	3.2	**1.4**	**1.8**	**1.9**
Public Consumption	16417.9	19.1	3.2	4.0	1.6	4.9	**5.2**	**2.8**	**2.9**
Gross fixed capital formation	13250.3	15.4	3.3	-13.9	-5.1	-2.7	**-1.8**	**2.8**	**3.7**
Exports (goods and services)	165063.7	191.5	4.4	1.5	0.6	-12.2	**0.9**	**2.1**	**2.5**
Imports (goods and services)	137660.0	159.7	4.9	2.4	0.9	-13.6	**1.2**	**2.3**	**2.8**
GNI (GDP deflator)	56362.3	65.4	1.0	-5.5	4.9	-3.2	**0.9**	**2.4**	**2.8**
Contribution to GDP growth: Domestic demand			2.0	0.2	0.7	1.5	**1.2**	**1.6**	**1.7**
Inventories			-0.1	-0.1	-0.1	0.1	**0.0**	**0.0**	**0.0**
Net exports			0.7	-1.2	-0.5	-1.3	**-0.2**	**0.3**	**0.5**
Employment			2.9	3.3	1.9	1.0	**1.0**	**1.4**	**1.6**
Unemployment rate (a)			5.4	4.6	5.2	6.4	**6.6**	**6.7**	**6.5**
Compensation of employees / head			2.6	4.5	7.5	3.5	**4.1**	**2.8**	**2.8**
Unit labour costs whole economy			2.9	9.1	9.5	4.1	**4.2**	**2.2**	**2.2**
Saving rate of households (b)			13.9	13.4	13.0	:	**:**	**:**	**:**
GDP deflator			3.0	6.2	6.9	4.6	**3.0**	**3.0**	**3.1**
Harmonised index of consumer prices			1.9	8.2	2.9	2.3	**2.3**	**1.7**	**1.9**
Terms of trade goods			0.8	-6.3	0.7	0.6	**1.7**	**2.3**	**2.0**
Trade balance (goods) (c)			1.7	-0.6	1.7	2.2	**2.5**	**2.7**	**3.3**
Current-account balance (c)			3.3	-3.9	-0.7	-3.5	**-3.6**	**-2.8**	**-2.0**
General government balance (c)			1.3	0.2	-0.7	0.9	**-0.8**	**-0.5**	**-0.8**
Fiscal stance (c)			-0.7	-1.4	-1.6	0.0	**-1.0**	**0.2**	**-0.4**
Structural budget balance (d)			1.5	0.8	0.6	2.6	**1.0**	**0.9**	**0.3**
General government gross debt (c)			19.0	24.9	24.7	26.3	**26.8**	**27.1**	**27.2**

(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 is expected to sustain strong growth in 2025, driven by robust domestic consumption and tourism. Economic growth is expected to reach 4.0% in 2025, moderating to 3.8% in 2026 and 3.5% in 2027. Inflation is projected to slow down while the labour market remains tight. The government deficit is expected to decrease to 3.2% of GDP in 2025, 2.8% in 2026, and 2.6% in 2027. The debt-to-GDP ratio is expected to stabilise at around 47.3%.

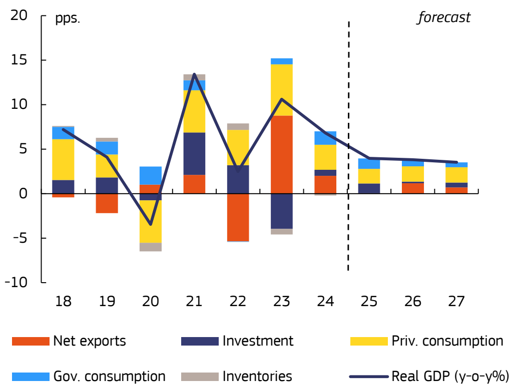
Growth outlook remains robust but slowing

Real GDP is projected to grow by 4.0% in 2025, driven mainly by robust private and public consumption, investment, and supported by growth in tourism, gaming and financial and professional services.

On the back of higher real household incomes, private consumption is expected to grow by 4.0% in 2025, 3.8% in 2026, further slowing to 3.5% in 2027. Government consumption growth is set to reach 6.9% in 2025, but then slow down to 4.1% in 2026 and 3.1% in 2027, still supporting overall GDP growth.

Tourism is expected to continue its strong growth in 2025, following another period of considerable rise in 2024. The tourism arrivals increase is especially pronounced in shoulder months outside summer. Recreational, professional, IT, and financial services are also projected to continue expanding, contributing positively to net exports. Malta's direct exposure to US trade tariff uncertainties is relatively limited.

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



Real GDP growth is forecast to remain robust, though slowing, at 3.8% in 2026 and 3.5% in 2027, reflecting capacity constraints and higher prices in the tourism sector along with labour shortages. Net exports and investment are estimated to positively contribute to growth. Investment is expected to grow strongly by 6.0% in 2025, followed by 1.0% expansion in 2026 and 3.0% in 2027.

Moderating employment growth, with persistent labour shortages

Employment is forecast to grow by 3.7% in 2025, still supported by high immigration flows, which are expected to moderate due to tighter immigration rules. Labour shortages are expected to persist. Employment growth is expected to slow to 2.9% in 2026 and 2027. The unemployment rate is estimated to remain low and stable around 2.9%. Despite the tight labour market, the nominal wage growth per employee is forecast to moderate but still exceed inflation, slowing from 5.9% in 2025 to 2.9% in 2027.

Inflation expected to slow further

Inflation is set to slow to 2.4% in 2025, then decrease to 2.1% in 2026 and 2.0% in 2027, mainly driven by food and services inflation. The Maltese authorities are expected to keep retail energy prices unchanged over the forecast horizon through state subsidies.

Decline in government deficit driven by higher revenue from economic growth

In 2024, the general government deficit fell to 3.5% of GDP from 4.4% in 2023. This was due to strong revenue growth and significant tax windfalls which were partially offset by increased expenditure and capital spending on the national airline.

In 2025, the deficit is forecast to decrease to 3.2% of GDP, reflecting an increase in indirect tax revenue as a result of favourable economic conditions and tourism, though changes in income tax brackets will reduce personal income tax intakes. Despite the fact that the above-mentioned transfers to the national airline were not repeated, government expenditure is expected to increase significantly in 2025, driven by strong increases in intermediate consumption and gross fixed capital formation.

The deficit is set to decline to 2.8% of GDP in 2026, with strong revenue growth despite slower economic expansion. Public sector wages are expected to increase at a slower pace, following the sharp increases in 2024-2025. Subsidies and intermediate consumption as a share of GDP are also expected to decrease. By 2027, based on unchanged policies, the deficit is expected to decline slightly to 2.6% of GDP.

The public debt-to-GDP ratio is expected to broadly stabilise at around 47.3% over the forecast horizon.

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

		2024		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**06-21**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
GDP		23.1	100.0	5.1	2.5	10.6	6.8	**4.0**	**3.8**	**3.5**
Private Consumption		10.5	45.3	2.9	9.6	13.0	6.2	**3.6**	**3.8**	**3.8**
Public Consumption		3.9	16.9	5.6	-0.2	3.8	9.2	**6.9**	**4.1**	**3.1**
Gross fixed capital formation		4.3	18.5	5.6	14.4	-15.9	3.6	**6.0**	**1.0**	**3.0**
Exports (goods and services)		27.3	118.5	8.7	11.7	4.9	6.2	**3.6**	**3.6**	**3.1**
Imports (goods and services)		23.0	99.7	7.4	19.0	-2.2	5.3	**4.3**	**3.1**	**2.9**
GNI (GDP deflator)		20.3	87.8	4.5	7.5	6.5	6.7	**4.2**	**3.8**	**3.5**
Contribution to GDP growth:	Domestic demand			3.7	7.1	2.5	5.0	**3.9**	**2.6**	**2.8**
	Inventories			-0.2	0.7	-0.6	-0.2	**0.0**	**0.0**	**0.0**
	Net exports			1.7	-5.4	8.8	2.0	**0.0**	**1.2**	**0.7**
Employment				3.3	5.1	6.8	5.0	**3.7**	**2.9**	**2.9**
Unemployment rate (a)				5.5	3.5	3.5	3.1	**3.0**	**2.9**	**2.9**
Compensation of employees / head				3.9	6.8	2.4	7.0	**5.9**	**4.8**	**2.9**
Unit labour costs whole economy				2.1	9.5	-1.1	5.2	**5.6**	**3.9**	**2.3**
Saving rate of households (b)				7.9	19.1	14.7	18.8	**:**	**:**	**:**
GDP deflator				2.4	5.1	5.2	3.3	**2.7**	**2.2**	**2.0**
Harmonised index of consumer prices				1.7	6.1	5.6	2.4	**2.4**	**2.1**	**2.0**
Terms of trade goods				0.3	1.3	0.7	0.2	**0.2**	**0.1**	**0.1**
Trade balance (goods) (c)				-15.8	-17.8	-15.2	-11.7	**-12.0**	**-11.6**	**-11.4**
Current-account balance (c)				1.0	2.5	5.8	6.5	**5.1**	**5.6**	**5.6**
General government balance (c)				-2.1	-5.3	-4.4	-3.5	**-3.2**	**-2.8**	**-2.6**
Fiscal stance (c)				0.2	0.0	0.5	-1.8	**0.9**	**0.9**	**0.9**
Structural budget balance (d)				-1.7	-3.6	-4.5	-4.2	**-3.2**	**-2.3**	**-1.7**
General government gross debt (c)				57.0	50.3	47.0	46.2	**47.0**	**47.2**	**47.3**

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

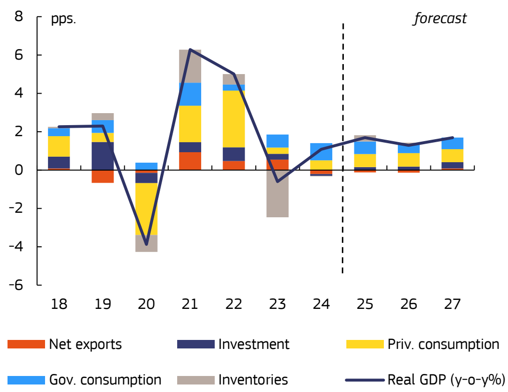
16. THE NETHERLANDS

The Netherlands' real GDP is projected to increase by 1.7% in 2025, due to strong domestic demand and despite global uncertainties such as US tariffs affecting trade. Higher wages are expected to boost private consumption, while government consumption growth stays high. HICP inflation continues to be elevated due to rising costs in services and processed food but is expected to gradually decrease in 2026. GDP growth is expected to decelerate to 1.3% as uncertainties persist, but to then recover to 1.7% in 2027. The government deficit is forecast to increase to 1.9% in 2025 and to widen further to 2.7% in 2026 before decreasing to 2.0% in 2027. Public debt is set to reach 48.1% of GDP in 2027.

Strong domestic demand amid global uncertainties

Nominal wage growth in the Netherlands increased to over 6% in 2024 and is expected to remain robust over the forecast period. This is set to improve households' real disposable income, raising growth in private consumption to 1.6% in 2025. However, consumer confidence remains low, prompting a further increase in precautionary savings, as consumption growth lags behind income growth. Investment will contribute only modestly to growth in 2025-26 mainly thanks to an public investment agenda, particularly in the areas of defence, the green transition and housing, while private investment, except in construction, remains subdued due to global economic uncertainties and domestic challenges related to excessive nitrogen deposition and electricity grid congestion.

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



While the Netherlands feels the impact of US trade policy indirectly through lower global trade growth, US tariffs haven't yet significantly harmed the economy. Currently, only 5% of Dutch goods exports, including high-tech machinery less affected by tariffs, are sent to the US. However, the Netherlands also faces domestic competitiveness challenges like high wage growth and elevated energy prices not matched by productivity gains. As domestic demand remains robust, imports are expected to outgrow exports in 2025-26, leading to a negative impact from net exports on growth.

In 2026, real GDP growth is forecast to slow to 1.3% due to the aforementioned uncertainties and challenges affecting investments and exports. Growth will be mostly driven by private consumption and is predicted to recover to 1.7% in 2027 thanks to steady private consumption, substantial government consumption, increased growth in private investments spurred by lower interest rates, and better trade conditions.

The labour market is becoming less tight

The unemployment rate rose to 4.0% by September 2025, up from 3.6% in mid-2024, marking the highest rate in four years. This increase was mainly due to more people entering the labour market than the number of job losses. Looking ahead, slower employment growth and some job losses are expected to raise the unemployment rate from 3.9% in 2025 to 4.1% in 2026 and 4.3% in 2027. Despite this upward trend, the labour market is expected to remain tight, leading to higher wages over the forecast period. Nominal wage growth is projected at 5.2% in 2025 and, while remaining elevated, is predicted to gradually decrease to 3.8% in 2026 and 3.1% in 2027.

Inflation remains relatively high

HICP inflation was 3.3% in the first two quarters of 2025, up from 3% the previous year. The relatively high inflation in the Netherlands is due to rising costs in services and processed food. Strong growth in nominal wages and rental prices have increased services inflation, while higher excise duties on products like tobacco have led to a surge in the price of processed food. Substantial but gradually moderating wage growth, together with a higher VAT rate on overnight stays starting from 1 January 2026, is projected to keep services inflation elevated throughout 2025-26, with a decrease only anticipated in 2027. Overall, annual HICP inflation is forecast at 3.0% in 2025, gradually decreasing to 2.5% in 2026 and 2.1% in 2027.

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

In 2025, the deficit is set to increase to 1.9%, up from 0.9% in 2024, largely due to structural cuts in personal income tax, impacting the budget by 0.3% of GDP.

The government balance in 2026 is set to be temporarily affected by a military pension system reform, requiring a transfer of approximately 0.7% of GDP to a private pension fund. While VAT rate increases for accommodation services and limited personal income tax bracket adjustments are expected to boost revenue in 2026, they won't fully offset the increase in spending. Defence spending is expected to increase from 1.7% of GDP in 2025 to 1.8% in 2026. The deficit for 2026 is forecast to reach 2.7%.

The deficit in 2027 is expected to drop to 2.1%, mainly because the temporary impact of the military pension reform will taper off. The budget will be influenced by rising health care premiums due to a lower deductible (which will also increase expenditure) and an increase in excise duties on motor fuels. These measures, planned by the outgoing government, are included in the forecast but future changes under a new government are likely.

After a slightly expansionary fiscal stance in 2025, fiscal policy is set to be broadly neutral in 2026 and 2027.

The general government debt is expected to increase to 45.2% of GDP in 2025, up from 43.7% in 2024. Due to deficits in 2026 and 2027 public debt is expected to reach 47.9% and then 48.1%.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1122.5	100.0	1.5	5.0	-0.6	1.1	**1.7**	**1.3**	**1.7**
Private Consumption		488.3	43.5	0.5	6.9	0.7	1.1	**1.6**	**1.6**	**1.6**
Public Consumption		289.7	25.8	2.0	1.3	2.8	3.6	**2.5**	**1.8**	**2.3**
Gross fixed capital formation		222.8	19.8	1.7	3.4	1.5	-0.4	**0.8**	**0.9**	**1.6**
Exports (goods and services)		925.2	82.4	3.7	4.4	-3.0	-0.2	**1.9**	**1.4**	**1.8**
Imports (goods and services)		801.4	71.4	3.8	4.4	-3.9	0.1	**2.4**	**1.8**	**2.0**
GNI (GDP deflator)		1112.5	99.1	1.6	2.2	0.7	0.0	**1.8**	**1.4**	**1.8**
Contribution to GDP growth:	Domestic demand			1.1	4.0	1.3	1.3	**1.5**	**1.4**	**1.6**
	Inventories			0.1	0.5	-2.5	0.0	**0.3**	**0.1**	**0.0**
	Net exports			0.3	0.5	0.5	-0.2	**-0.1**	**-0.1**	**0.1**
Employment				0.9	3.2	1.7	1.0	**0.4**	**0.3**	**0.3**
Unemployment rate (a)				6.0	3.5	3.6	3.7	**3.9**	**4.1**	**4.3**
Compensation of employees / head				2.1	3.7	6.2	6.6	**4.5**	**3.8**	**3.1**
Unit labour costs whole economy				1.6	1.9	8.6	6.5	**3.2**	**2.7**	**1.7**
Saving rate of households (b)				14.0	14.4	14.8	16.6	**18.2**	**18.3**	**17.6**
GDP deflator				1.5	6.2	6.3	5.7	**3.2**	**3.3**	**2.1**
Harmonised index of consumer prices				1.6	11.6	4.1	3.2	**3.0**	**2.5**	**2.1**
Terms of trade goods				0.0	-4.1	1.8	3.3	**0.5**	**1.5**	**0.2**
Trade balance (goods) (c)				8.7	5.5	6.4	7.2	**7.0**	**7.1**	**7.1**
Current-account balance (c)				6.7	6.8	9.4	9.1	**9.1**	**9.5**	**9.4**
General government balance (c)				-1.7	0.0	-0.4	-0.9	**-1.9**	**-2.7**	**-2.1**
Fiscal stance (c)				-0.1	0.1	-0.1	0.6	**-0.9**	**0.2**	**0.1**
Structural budget balance (d)				-0.2	-1.3	-0.7	-0.3	**-1.3**	**-1.3**	**-1.6**
General government gross debt (c)				56.4	48.4	45.8	43.7	**45.2**	**47.9**	**48.1**

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

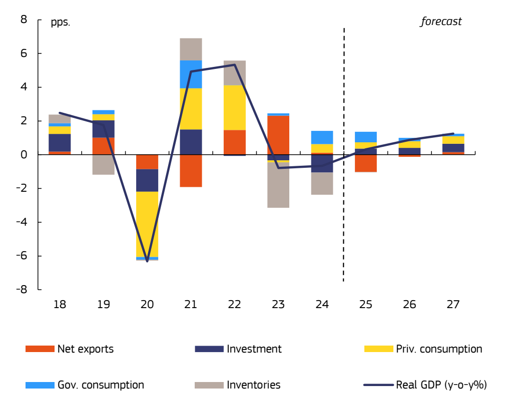
17. AUSTRIA

After two years of recession, Austria is projected to resume with modest growth in 2025, driven by increased private consumption and a stabilisation of investment. Growth is set to strengthen in 2026 and 2027. After a surge to 3.5% in 2025, inflation is projected to decline over the coming years. The government deficit is projected to remain above 4% of GDP between 2025 and 2027. The government debt-to-GDP ratio is forecast to increase from around 80% in 2024 to 83.9% in 2027.

Overcoming the recession and modest growth ahead

Real GDP contracted in 2024 for the second year in a row, reflecting weakness in the industrial sector, as evidenced by declines in investment, inventories and industrial production. High energy prices and strongly increasing unit labour costs have reduced industrial competitiveness. In 2025, industrial production is showing signs of recovery.

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



Private consumption is expected to grow at a steady pace in 2025, supported by strong real income gains in 2024 and the slow unwinding of high saving rates. In 2026, these factors are projected to continue to support private consumption, despite contained collective bargaining agreements and new fiscal consolidation measures. Investment has stabilised in 2025 and is expected to gain strength in 2026 and 2027 in line with increased corporate loan demand. Non-residential construction recovered in 2025 whereas construction of dwellings continues to decline. In 2026 and 2027, the construction of dwellings is expected to benefit from lower housing loan rates. Net exports are expected to dampen growth in 2025 against the backdrop of reduced competitiveness and trade tensions. Exports to the US declined by 14% in the first half of 2025, mostly driven by a drop in volatile chemicals exports. A stabilisation of net exports is expected in 2026 and 2027.

Overall, GDP is expected to grow by 0.3% in 2025, by 0.9% in 2026 and 1.2% in 2027.

Rising unemployment

The prolonged period of weak growth has affected the labour market, with the unemployment rate increasing steadily since its post-COVID-19 low of 4.8% in 2022. It is expected to peak at 5.6% in 2025 and then moderately decline to 5.5% in 2026 and 5.3% in 2027. Although the working-age population is starting to decline, labour supply is still growing slowly. This is mostly due to rising female participation, as a result of female retirement age adjustments. After strong wage growth in 2024 to compensate for past inflation, wages are set to grow more moderately over the forecast horizon. Collective bargaining agreements for 2026 provide for wage increases below inflation in export-oriented industries and the public sector. Compensation of employees is expected to grow by 3.7% in 2025, by 2.4% in 2026 and 2.3% in 2027.

Inflation increases strongly in 2025 but declines thereafter

Electricity prices rose sharply in early 2025, as three energy relief measures expired at the same time. Already high services inflation increased further over the summer due to higher public service fees, arising from fiscal consolidation. Food prices and industrial goods prices also came in higher than expected. Overall, inflation is projected at 3.5% in 2025. In 2026, the inflation rate is expected to decline as the effect of the higher electricity prices fades and limited wage growth slows services inflation. In 2027, the introduction of an EU-wide emission trading scheme ETS2–if not postponed–may reduce energy prices, as the CO_2 price is expected to be lower than under the current national scheme. The inflation rate is forecast at 2.4% in 2026 and 2.2% in 2027.

Government deficit remains above 4% despite consolidation efforts

The general government deficit is projected to decline from 4.7% of GDP in 2024 to 4.4% in 2025 and 4.1% in 2026 before increasing again to 4.3% of GDP in 2027. These reductions reflect fiscal consolidation measures adopted for 2025 and 2026.

In terms of expenditure, many consolidation measures will take effect in the second half of 2025 or from 2026, limiting their impact in 2025. Savings this year mainly stem from abolishing the climate bonus (a lump-sum compensation for CO_2 pricing), suspending the state-financed upskilling programme, and cutting ministry expenses and climate subsidies. In 2026, a pension adjustment and an average salary increase for public employees both below the rolling inflation rate, along with stricter early retirement rules, will contribute to budget consolidation. However, demographic pressures continue to weigh on public finances and rising healthcare and long-term care costs partly offset these savings.

Taxes on production and social contributions are expected to help reduce the deficit. Additional revenue is projected to come from a stability levy on banks, a prolonged energy crisis contribution from energy producers, and higher health insurance contributions from pensioners. In 2026, retaining a portion of the tax bracket creep and extending the tax rate for top earners are expected to increase revenues further. In 2027, the switch from national carbon pricing to ETS2, if not delayed, will temporarily reduce revenues due to a different accounting treatment.

The government debt ratio is expected to continue rising over the forecast horizon. After reaching 79.9% of GDP in 2024, it is projected to increase to 81.4% in 2025, 82.8% in 2026, and 83.9% in 2027, mainly due to fiscal deficits and subdued GDP growth.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		494.1	100.0	1.2	5.3	-0.8	-0.7	**0.3**	**0.9**	**1.2**
Private Consumption		257.6	52.1	0.7	5.4	-0.2	1.0	**0.7**	**0.7**	**0.9**
Public Consumption		106.7	21.6	1.5	0.0	0.6	3.8	**2.9**	**1.0**	**0.7**
Gross fixed capital formation		116.3	23.5	1.6	-0.3	-1.3	-4.3	**1.5**	**1.7**	**2.2**
Exports (goods and services)		275.1	55.7	2.7	9.4	-0.6	-2.3	**-0.3**	**1.7**	**2.4**
Imports (goods and services)		262.6	53.1	2.8	6.9	-4.3	-2.6	**1.6**	**2.0**	**2.2**
GNI (GDP deflator)		493.1	99.8	1.3	3.9	-0.4	-1.5	**-0.1**	**0.8**	**1.3**
Contribution to GDP growth:	Domestic demand			1.1	2.6	-0.3	0.2	**1.4**	**1.0**	**1.1**
	Inventories			0.1	1.4	-2.7	-1.3	**0.0**	**0.0**	**0.0**
	Net exports			0.0	1.5	2.3	0.1	**-1.0**	**-0.1**	**0.1**
Employment				1.0	2.7	0.8	0.1	**0.1**	**0.4**	**0.6**
Unemployment rate (a)				5.6	4.8	5.1	5.2	**5.6**	**5.5**	**5.3**
Compensation of employees / head				2.3	4.8	6.8	7.2	**3.7**	**2.4**	**2.3**
Unit labour costs whole economy				2.1	2.2	8.5	8.0	**3.4**	**2.0**	**1.7**
Saving rate of households (b)				15.2	15.2	14.7	17.3	**16.5**	**16.3**	**16.0**
GDP deflator				1.8	5.0	7.2	4.1	**3.6**	**2.8**	**2.6**
Harmonised index of consumer prices				1.9	8.6	7.7	2.9	**3.5**	**2.4**	**2.2**
Terms of trade goods				-0.3	-6.8	-0.2	1.1	**2.5**	**2.2**	**1.5**
Trade balance (goods) (c)				0.2	-2.1	0.6	1.2	**1.2**	**1.8**	**2.3**
Current-account balance (c)				2.4	-1.1	1.8	1.7	**1.2**	**1.6**	**2.3**
General government balance (c)				-2.5	-3.4	-2.6	-4.7	**-4.4**	**-4.1**	**-4.3**
Fiscal stance (c)				-0.7	-3.7	0.4	-1.9	**1.2**	**0.8**	**0.0**
Structural budget balance (d)				-1.5	-4.7	-2.7	-4.0	**-3.7**	**-3.4**	**-3.9**
General government gross debt (c)				78.8	78.1	77.8	79.9	**81.4**	**82.8**	**83.9**

(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.

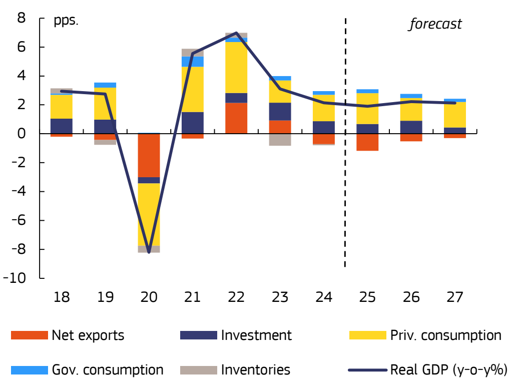
18. PORTUGAL

Domestic demand is set to continue supporting economic growth in Portugal amid global trade uncertainty. Headline inflation is projected to ease further to 2% in 2026 and 2027, driven by a recent drop in energy and industrial goods prices and a marginal slowdown in services prices. Unemployment is set to further decrease amid strong job creation. Past government balance surpluses are expected to fade with an estimated deficit of 0.3% of GDP in 2026 while public debt is forecast to continue declining to less than 90% of GDP by the end of the forecast horizon.

Domestic demand continues to support growth, helped by EU funds

Portugal's GDP grew by 0.7% q-o-q in the second quarter of 2025, following a contraction of 0.3% in the previous quarter. The flash estimate for the third quarter of 2025 showed a further expansion of 0.8% as a pension bonus and personal income tax refunds paid in August and September boosted consumer demand. Private consumption also benefited from a steady increase in employment and wages along with lower interest rates on household loans. Investment rose strongly as well, reflecting a steep rebound in the construction sector in the second quarter of 2025. Meanwhile, export growth slowed substantially against the backdrop of global trade tensions and uncertainty. Foreign tourism decelerated after several years of strong performance while domestic tourism continued to rise at a strong pace. The Economic Sentiment Indicator recovered from the steep fall between February and April but the latest reading in October confirmed that businesses remained concerned about the economic outlook.

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



Private consumption is projected to continue growing at a steady pace over the forecast horizon amid increasing household income and a gradual decrease in the high saving rate reported in 2024 and the first half of 2025. Investment is expected to grow even faster than private consumption in 2025 and 2026 when the use of RRF funds is at its peak. In the external sector, imports are set to continue rising faster than exports although the growth differential is expected to narrow as of 2026. Overall, GDP growth is projected to pick up from 1.9% in 2025 to 2.2% in 2026 before edging down to 2.1% in 2027. The country's current account is expected to remain in positive territory, as the projected surge in import volumes is partly offset by the expected decline in energy import prices in 2025 and 2026.

Labour market remains dynamic as employment breaks new highs

Despite some moderation in tourism, job creation regained momentum during the summer of 2025, contributing to a gradual decline in the unemployment rate to a 12-month average of 6.3% as of August 2025, compared to 6.5% in 2024. Both demand and supply of labour increased at a fast pace, bringing the employment rate to new historic highs in the second and third quarters of 2025. Employment growth is projected to moderate somewhat over the forecast horizon while unemployment is forecast to gradually drop to an annual average of 6.1% in 2027. Wages are expected to keep rising faster than GDP but the corresponding increase in unit labour costs is set to moderate somewhat, broadly in line with developments in main trading partners.

Increase in unprocessed food prices temporarily derails easing of inflation

Headline inflation eased to 2.0% in the second quarter of 2025 but edged up to 2.3% in the third quarter, driven by a notable increase in unprocessed food prices. However, services inflation continued to ease marginally, although still hovering above 3%. Considering the latest drop in energy and industrial goods prices, headline inflation is projected to resume its downward path in the coming months amid a further mild easing in services inflation. For 2025 as a whole, headline inflation is estimated at 2.2%, slowing down from 2.7% in 2024. It is then forecast to ease further to 2.0% in both 2026 and 2027. Headline inflation excluding energy and food is set to remain slightly higher in light of steady household income growth.

Budget balance expected to deteriorate over the forecast horizon

Government revenue growth is forecast to be solid in 2025, only partly offsetting the sustained expansion in government expenditure. As a result, the general government balance is forecast to contract to 0.0% of GDP in 2025, from 0.5% of GDP recorded in 2024. Indirect taxes and social contribution revenues are expected to benefit from the sustained economic activity and dynamic labour market. Nonetheless, direct tax revenue is estimated to grow below nominal GDP, reflecting fiscal policy measures, such as the update of the youth personal income tax scheme and the reduction in personal income tax rates. The sectoral public wages updates and the 2025 pension bonus, among other expenditure measures, are set to weigh on current expenditure. Nationally-financed public investment is expected to remain robust in 2025, partly due to defence investment.

For 2026, the general government balance is forecast to turn into a deficit of 0.3% of GDP, reflecting the impact of new and permanent balance-deteriorating measures. With the steepening of Portugal's yield curve, interest expenditure is estimated to slightly increase. The general government deficit is expected to remain broadly unchanged in 2027 at 0.5% of GDP. Risks to the fiscal outlook are partly related to financial vulnerabilities in state-owned enterprises and to liabilities with public-private partnerships. Overall, Portugal's fiscal stance is expected to stay expansionary in 2026, turning contractionary in 2027 amid less support from EU-funded expenditure.

After recording 93.6% of GDP in 2024, 3.2 pps. of GDP below 2023 levels, Portugal's public debt-to-GDP ratio is projected to continue declining, albeit at a slower pace. It is forecast to reach 91.3% in 2025, 89.2% in 2026 and 88.2% in 2027, driven by primary balance surpluses and favourable growth-interest rate differentials.

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

	2024			Annual percentage change						
	bn EUR Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP	289.4	100.0	0.4	7.0	3.1	2.1	**1.9**	**2.2**	**2.1**
Private Consumption	176.3	60.9	0.4	5.6	2.4	3.0	**3.5**	**2.6**	**2.9**
Public Consumption	48.8	16.9	0.0	1.7	1.8	1.5	**1.6**	**1.7**	**1.3**
Gross fixed capital formation	59.2	20.4	-0.3	3.3	6.0	4.2	**3.3**	**4.4**	**2.1**
Exports (goods and services)	132.5	45.8	3.5	17.2	4.3	3.1	**1.2**	**1.5**	**2.3**
Imports (goods and services)	127.1	43.9	2.6	11.3	2.3	4.8	**4.0**	**2.8**	**3.1**
GNI (GDP deflator)	284.0	98.1	0.4	6.1	2.3	2.9	**1.9**	**2.3**	**2.2**
Contribution to GDP growth: Domestic demand			0.2	4.5	3.1	2.9	**3.1**	**2.8**	**2.4**
Inventories			0.0	0.3	-0.8	-0.1	**0.0**	**0.0**	**0.0**
Net exports			0.2	2.1	0.9	-0.7	**-1.2**	**-0.5**	**-0.3**
Employment			-0.1	3.7	2.0	0.7	**1.7**	**1.1**	**0.9**
Unemployment rate (a)			10.9	6.2	6.5	6.5	**6.3**	**6.2**	**6.1**
Compensation of employees / head			1.9	5.6	9.4	7.5	**5.1**	**3.8**	**3.7**
Unit labour costs whole economy			1.4	2.4	8.2	6.0	**4.9**	**2.6**	**2.4**
Saving rate of households (b)			8.5	7.3	8.9	12.5	**12.4**	**11.5**	**11.1**
GDP deflator			1.6	5.3	7.5	4.8	**3.2**	**2.8**	**2.0**
Harmonised index of consumer prices			1.3	8.1	5.3	2.7	**2.2**	**2.0**	**2.0**
Terms of trade goods			0.5	-2.9	3.3	2.6	**0.5**	**0.6**	**0.0**
Trade balance (goods) (c)			-8.2	-11.2	-9.6	-9.0	**-9.5**	**-9.5**	**-9.7**
Current-account balance (c)			-3.6	-2.3	0.4	1.7	**1.1**	**1.0**	**0.6**
General government balance (c)			-4.8	-0.3	1.3	0.5	**0.0**	**-0.3**	**-0.5**
Fiscal stance (c)			-0.2	-1.1	1.1	-2.0	**-1.3**	**-0.6**	**1.5**
Structural budget balance (d)			-1.5	-0.7	1.1	0.1	**0.1**	**-0.4**	**-0.7**
General government gross debt (c)			112.4	111.2	96.9	93.6	**91.3**	**89.2**	**88.2**

(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

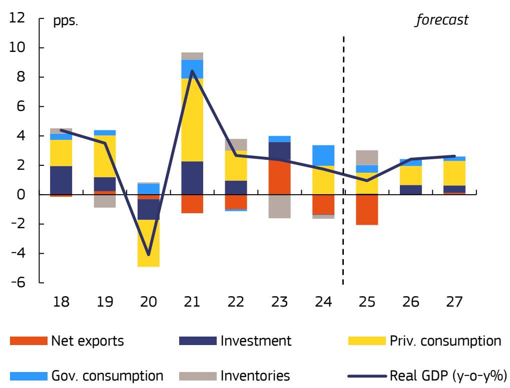
Slovenia's GDP is forecast to increase by 1.0% in 2025, by 2.4% in 2026 and 2.6% in 2027. Employment is expected to be stable and the unemployment rate to remain low. Inflation is forecast to remain elevated over the forecast horizon. The general government deficit is set to increase from 0.9% of GDP in 2024 to 2.2% in 2025, 2.3% in 2026 and peak at 2.5% in 2027. The debt-to-GDP ratio is projected to decrease from 66.6% in 2024 to 63.1% by 2027.

Growth set to recover, supported by domestic demand and exports

After a contraction in the first quarter of 2025, GDP remained almost unchanged in the first half of the year compared to the same period in 2024. While private consumption remained strong, prevailing uncertainty in the beginning of the year led to negative contributions from investments and net exports. In the second half of 2025, both private and public consumption are expected to continue expanding and investment growth is set to turn positive due to improved demand conditions and lower external uncertainty. Additional support for consumption is expected through the introduction of mandatory Christmas bonuses for all Slovenian employees. As conditions in the export markets improve, exports are anticipated to grow while imports growth is forecast to decrease as inventories are reduced. Overall, GDP is expected to grow by 1.0% in 2025.

GDP growth is forecast to accelerate to 2.4% in 2026 and to 2.6% in 2027. Private consumption is projected to continue expanding in both years, supported by employment growth and rising wages. Public investment is set to remain high thanks to the continued deployment of RRF-financed investment in 2026. Private investment is expected to recover as global uncertainty eases. Over the forecast horizon, exports are set to increase in line with export market demand despite some loss in competitiveness due to strong wage increases. Import growth is projected to ease somewhat in 2026, and the growth contribution from net exports is set to be broadly neutral over 2026-27.

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



The labour market remains tight

Employment is projected to decline by 0.2% in 2025, to then increase by 0.3% in 2026 and 2027, driven primarily by the continued inflow of foreign workers. The unemployment rate has reached a historic low and is projected to stand at 3.4% in 2025 and remain stable at around 3.5% in 2026 and 2027. Wages are forecast to increase by 7.9% in 2025, primarily driven by a 10% rise in the public sector due to the public sector wage reform, as well as the tight labour market conditions. Looking ahead, wages are forecast to increase by 5.7% in 2026 and by 5.4% in 2027. Consequently, unit labour cost increased by 6.7% in 2025, but are projected to decline markedly over 2026 and 2027.

Inflation set to remain high

After declining to 2.0% in 2024, inflation accelerated to 2.9% in 2025-Q3 and is expected to average 2.5% in 2025. This uptick is primarily due to higher food and services inflation and energy inflation, which are expected to persist over the forecast horizon, albeit with some moderation. Inflation is expected to average 2.4% in 2026 and 2.2% in 2027. Meanwhile, inflation excluding energy and food will increase to 2.9% in 2025, before easing to 2.5% in 2026 and 2.2% in 2027, driven by stronger service prices.

Higher expenditure pressures despite a downward debt trajectory

In 2025, the general government deficit is set to increase to 2.2% of GDP, reflecting a permanent rise in current expenditures and a cyclical slowdown in revenues. New revenue measures, including the long-term care contribution (0.4% of GDP in 2025 and 0.9% of GDP in 2026) and a higher CO_2 emissions tax (0.1% of GDP) will be offset by higher wage costs stemming from the implementation of the public sector wage system reform—which should help contain wage expenditure growth in the medium to long-run—and higher social transfers in-kind related to the rollout of the new long-term care system. Moreover, subsidies to support the green transition, particularly for the gradual phase-out of coal, will only be partly compensated by the withdrawal of the remaining temporary measures aimed at mitigating the impact of high energy prices. In addition, the introduction of a mandatory 14th salary for employees in both the public and private sectors—exempt from personal income tax and social contributions—is expected to increase expenditure on public sector compensation by 0.2% of GDP and reduce revenues by 0.2% of GDP in 2025, compared with the baseline.

In 2026, the general government deficit is projected to widen further to 2.3% of GDP, mostly due to the continued phasing in of the public sector wage and long-term care system reforms. The positive effects on revenues from stronger economic growth and the full-year impact of the long-term care contribution are expected to be outweighed by current expenditure pressures.

In 2027, the general government deficit is forecast to increase to 2.5% of GDP. On the expenditure side, current spending will continue to rise due to the ongoing phasing in of the public sector wage reform. The end of the RRF will not lead to a reduction in public investment, which is projected to remain at 5.3% of GDP thanks to the continued implementation of EU cohesion funds under the 2021–2027 Multiannual Financial Framework and strong nationally-financed investments, including defence investments.

The debt-to-GDP ratio is forecast to decrease gradually from 66.6% in 2024 to 65.1% in 2025, 63.7% in 2026 and 62.6% in 2027 thanks to a debt-decreasing interest-growth-rate differential and debt reducing stock-flow adjustment.

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

		2024		Annual percentage change						
bn EUR		Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		67.4	100.0	1.9	2.7	2.4	1.7	**1.0**	**2.4**	**2.6**
Private Consumption		35.0	51.9	2.0	3.9	0.0	3.8	**2.8**	**2.5**	**3.2**
Public Consumption		13.7	20.4	1.6	-0.6	2.1	7.3	**2.6**	**2.1**	**1.4**
Gross fixed capital formation		14.1	20.9	0.2	4.7	5.5	-0.3	**0.3**	**3.2**	**2.5**
Exports (goods and services)		54.6	80.9	4.8	7.4	-1.9	2.3	**0.0**	**2.6**	**3.1**
Imports (goods and services)		50.4	74.7	4.2	9.3	-4.5	4.3	**2.7**	**2.8**	**3.2**
GNI (GDP deflator)		66.7	98.9	1.9	1.9	3.0	1.7	**0.9**	**2.3**	**2.6**
Contribution to GDP growth:	Domestic demand			1.4	2.9	1.6	3.3	**2.0**	**2.4**	**2.5**
	Inventories			0.0	0.8	-1.6	-0.2	**1.0**	**0.0**	**0.0**
	Net exports			0.6	-1.0	2.4	-1.3	**-2.1**	**0.0**	**0.1**
Employment				0.8	2.9	1.5	0.5	**-0.2**	**0.3**	**0.3**
Unemployment rate (a)				6.8	4.0	3.7	3.7	**3.4**	**3.5**	**3.5**
Compensation of employees / head				3.4	4.9	9.6	6.2	**7.9**	**5.7**	**5.4**
Unit labour costs whole economy				2.3	5.2	8.7	4.9	**6.7**	**3.5**	**3.0**
Saving rate of households (b)				13.8	14.0	14.7	13.3	**15.0**	**15.1**	**15.0**
GDP deflator				1.8	6.5	10.0	3.5	**3.8**	**2.7**	**2.4**
Harmonised index of consumer prices				1.7	9.3	7.2	2.0	**2.5**	**2.3**	**2.1**
Terms of trade goods				-0.2	-2.9	4.0	1.5	**0.7**	**0.1**	**0.2**
Trade balance (goods) (c)				0.6	-4.2	0.9	0.6	**-0.8**	**-0.9**	**-0.7**
Current-account balance (c)				2.1	-0.9	4.7	4.5	**2.9**	**2.8**	**2.9**
General government balance (c)				-3.5	-3.0	-2.6	-0.9	**-2.2**	**-2.3**	**-2.5**
Fiscal stance (c)				-0.6	-2.0	1.0	1.4	**-1.0**	**-0.7**	**0.1**
Structural budget balance (d)				-1.7	-4.5	-3.3	-1.6	**-2.1**	**-2.7**	**-3.0**
General government gross debt (c)				58.0	72.8	68.3	66.6	**65.2**	**63.7**	**63.1**

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

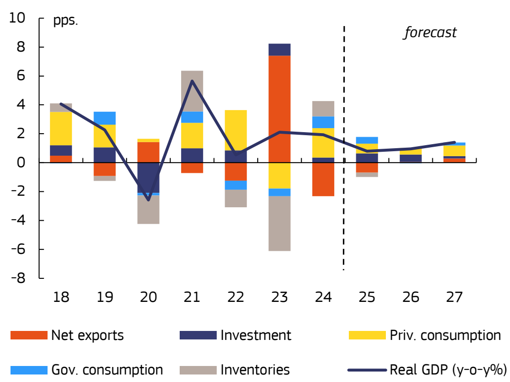
20. SLOVAKIA

Real GDP growth is expected to slow to 0.8% in 2025 due to trade tensions, global uncertainty and fiscal consolidation efforts. In 2026, growth is projected to remain subdued at 1.0% as trade uncertainty persists and further fiscal consolidation weighs on domestic demand, while EU funds support investment. In 2027, real GDP is expected to pick up to 1.4% as exports regain momentum. Inflation is projected at 4.2% for 2025 due to the VAT hike and strong wage growth, while for 2026 it is set to remain elevated at 4.1% as a result of accelerating energy prices due to a more limited use of price ceilings, before moderating to 3.2% in 2027. The public deficit is projected at 5.0% in 2025, before decreasing to 4.6% in 2026 and subsequently increasing to 5.3% in 2027.

Growth moderates due to export challenges and fiscal consolidation

Real GDP growth is expected to slow to 0.8% in 2025, supported by private consumption and investment. Following the strong trade activity in the beginning of the year, likely boosted by the frontloading ahead of the higher US tariffs, exports are expected to contract in the second half of 2025 due to the tariff implementation effects. Net exports are projected to contribute negatively to growth in 2025. Slovakia's exposure to direct and indirect effects of tariffs remains high due to its strong reliance on exports, with its industrial sector underperforming in recent months. Private consumption growth is set to decelerate compared to 2024, affected by the VAT tax increase in early 2025 and high economic uncertainty.

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



For 2026, real GDP growth is projected at 1.0%, before increasing to 1.4% in 2027. In 2026, growth in private consumption is forecast to continue slowing due to fiscal consolidation. Public investment is forecast to remain strong amid economic uncertainties, supported by the deployment of EU funds and defence equipment purchases. Trade activity is expected to slow in 2026 under the impact of higher tariffs and subdued global demand, with Slovakia being exposed to the US market due to its sizeable automotive industry. As foreign demand picks up only slowly, export growth is expected to rebound in 2027, supported by the launch of a new automotive production factory. Private consumption growth is set to increase in 2027, although potential further consolidation efforts pose a downside risk to growth. A weaker economic performance of the country's major trading partners poses another downside risk throughout the forecast horizon.

Resilient labour market amid economic pressures

In 2025, decreasing employment is set to be offset by a shrinking labour force resulting in the unemployment rate of 5.4%, marginally up from 2024. The labour market remains tight, as evidenced by high unfilled vacancies and robust labour demand in specific sectors, alongside a high influx of foreign workers. As of 2026, increased taxes, a planned reduction in public wages, and subdued trade activity are set to weigh on employment and income dynamics. As a result, the unemployment rate is projected to increase to 5.6% in 2026 and 2027. The growth in the compensation of employees is expected to slow down in 2026. With elevated inflation levels, real wage growth in 2026 is expected to be negative, returning to a positive trajectory in 2027.

Inflationary pressures set to rise, as energy price support is restructured

In 2024, headline inflation eased to 3.2%, partly reflecting continued government interventions to mitigate the effects of energy price increases for households, which were extended further into 2025. VAT and other tax increases included in the fiscal consolidation package, together with strong price pressures in services, led to an acceleration of inflation to a projected rate of 4.2% in 2025. In 2026, wage growth and services price pressures are expected to moderate, while energy inflation is set to pick up strongly in view of energy support mechanism adjustments. The technical assumption of the forecast is a full withdrawal of price ceilings for heating, and a partial withdrawal for gas and electricity. HICP inflation is thus set to remain at elevated levels of 4.1% in 2026, moderating to 3.1% in 2027, including the inflationary impact of the ETS2 roll-out, unless postponed.

Reduction of the public deficit driven by fiscal consolidation

In 2025, the general government deficit is expected to decrease to 5.0% of GDP, driven by consolidation measures such as adjustments to VAT and corporate income tax rates, along with the introduction of a financial transaction tax. In 2026, the deficit is projected to further reduce to 4.6% of GDP, as a result of a newly implemented consolidation package. However, in 2027, the deficit is forecast to rise again to 5.3% mainly due to increased public investments in defence expenditures and the national cofinancing of EU-funded projects.

The most significant expenditure-reducing measures in 2026 is a wage freeze in the public sector. Revenue-increasing measures include a more progressive personal income taxation, a halved VAT deduction for company cars used for private purposes, and an amnesty on historical tax arrears, which is expected to increase income tax revenue. At the same time, new expenditure-increasing measures, such as higher wages for teachers and prolonged energy subsidies, are likely to offset some of the effects of the consolidation measures.

The debt-to-GDP ratio for the government is predicted to increase from 61.9% in 2025 to 64.0% in 2026, reaching 66.9% in 2027, primarily due to the expected deficits.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		130.2	100.0	3.3	0.5	2.1	1.9	**0.8**	**1.0**	**1.4**
Private Consumption		76.8	59.0	2.8	4.9	-2.9	3.5	**1.1**	**0.7**	**1.2**
Public Consumption		27.5	21.1	2.5	-2.9	-2.5	4.0	**2.2**	**-0.2**	**1.1**
Gross fixed capital formation		26.6	20.4	1.5	4.3	4.0	1.6	**3.1**	**2.5**	**0.7**
Exports (goods and services)		111.3	85.5	5.6	2.8	-0.7	0.0	**3.6**	**1.0**	**3.1**
Imports (goods and services)		111.6	85.7	4.6	4.1	-7.7	2.6	**4.4**	**1.0**	**2.7**
GNI (GDP deflator)		126.0	96.7	3.2	0.6	1.3	2.3	**0.6**	**0.9**	**1.3**
Contribution to GDP growth:	Domestic demand			2.4	3.0	-1.5	3.2	**1.8**	**0.9**	**1.1**
	Inventories			0.0	-1.2	-3.8	1.1	**-0.3**	**0.0**	**0.0**
	Net exports			0.9	-1.3	7.4	-2.3	**-0.7**	**0.0**	**0.3**
Employment				0.8	1.8	0.3	-0.2	**-0.4**	**-0.5**	**-0.2**
Unemployment rate (a)				10.6	6.1	5.8	5.3	**5.4**	**5.6**	**5.6**
Compensation of employees / head				4.7	5.9	10.4	7.7	**5.7**	**3.7**	**4.0**
Unit labour costs whole economy				2.2	7.2	8.4	5.5	**4.4**	**2.3**	**2.4**
Saving rate of households (b)				9.1	6.0	7.7	8.1	**6.3**	**5.2**	**5.3**
GDP deflator				1.2	7.3	10.0	3.4	**3.8**	**3.6**	**2.9**
Harmonised index of consumer prices				2.0	12.1	11.0	3.2	**4.2**	**4.1**	**3.1**
Terms of trade goods				-0.9	-4.4	0.5	1.5	**-0.3**	**-0.3**	**-0.1**
Trade balance (goods) (c)				0.3	-6.5	0.7	-0.8	**-1.5**	**-1.7**	**-1.5**
Current-account balance (c)				-2.6	-9.3	-1.8	-3.8	**-5.1**	**-5.2**	**-5.0**
General government balance (c)				-3.6	-1.6	-5.3	-5.5	**-5.0**	**-4.6**	**-5.3**
Fiscal stance (c)				-0.2	0.3	-6.2	2.0	**0.2**	**1.3**	**0.9**
Structural budget balance (d)				-2.7	-1.8	-5.5	-5.6	**-4.8**	**-4.3**	**-5.0**
General government gross debt (c)				46.3	57.8	55.8	59.7	**61.9**	**64.0**	**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

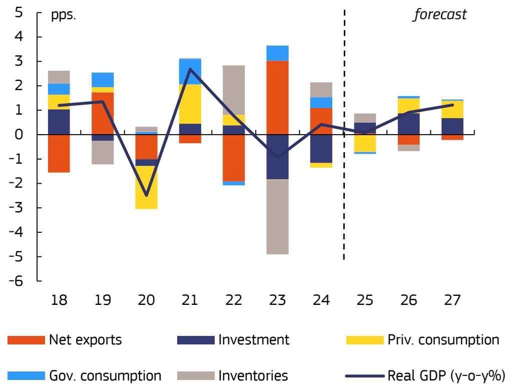
After a contraction in 2023 and limited growth in 2024, Finland's economy is expected to stagnate in 2025. Economic activity is forecast to resume expansion in 2026 and 2027, growing by approximately 1.0% in both years. The unemployment rate is forecast at 9.5% in 2025, declining only slightly to 9.0% by 2027. Headline inflation is projected to slow down from 1.9% in 2025 to 1.6% in 2026 before reaching 2.0% in 2027. The accelerating economic activity and some fiscal consolidation measures are projected to reduce the general government deficit from 4.5% in 2025 to 3.9% by 2027. The public debt-to-GDP ratio is set to increase from 82.5% in 2024 to 92.3% in 2027.

The economy is expected to expand again

After declining by 0.9% in 2023, real GDP rebounded by 0.4% in 2024. This recovery was driven by exports, but investments dragged on growth. In 2025, the expansion of economic activity is expected to come to a halt, with real GDP projected to grow only by 0.1%. Looking ahead, real GDP is expected to increase to 0.9% in 2026 and 1.2% in 2027, thanks to stronger domestic demand.

Investment started to increase in 2025, led by machinery and equipment investments, including public sector investment in defence. After a significant reduction in recent years, residential investment is forecast to expand again in 2026.

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



Domestic demand, excluding changes in inventories, is expected to decline in 2025, due to a decline in private consumption. During the first half of 2025, consumption fell significantly, and the household saving rate increased. Consumer confidence is low due to high unemployment and concerns about the broader economic outlook and the challenging geopolitical context. Falling house prices may have impacted perceived household wealth. In 2026-27, consumption is projected to rise again as household purchasing power improves, supported by recent wage agreements for 2025-27 and higher employment. As consumption and investment rise, domestic demand is set to become the main driver of economic growth in 2026 and 2027.

Despite global trade uncertainty and a stronger euro, manufacturing orders have increased, and cost-competitiveness remains strong. Exports are projected to expand over the forecast horizon. Imports are set to grow slowly in 2025 due to weak domestic demand, but to accelerate in 2026 and 2027. Overall, while net exports are expected to support economic growth in 2025, they are set to negatively impact growth in the outer forecast years.

Rise in unemployment coming to a halt

The unemployment rate increased from 8.4% in 2024 to 9.8% in September 2025, influenced by lower demand for labour due to weak economic activity, and higher labour force participation. As the economy starts to recover, employment is expected to increase gradually, by 0.4% in 2026 and by 0.6% in 2027, after a decline of 0.7% in 2025. Unemployment is expected to average 9.5% in 2025, before decreasing to 9.3% in 2026 and 9.0% in 2027. The significant wage increases agreed for 2025-27, totalling approximately 8%, will support growth in real disposable income.

Price pressures receding

In 2025, consumer inflation accelerated from 1.7% in January to 2.2% in September. While food and services prices pushed inflation higher, energy became cheaper in the course of the year.

However, in October, inflation declined to 1.5%, as the standard VAT rate increase to 25.5% from September 2024 stopped impacting the inflation measurements. Overall, annual average inflation is projected at 1.9% in 2025. Price pressures are expected to moderate afterwards, and the inflation rate is projected at 1.6% in 2026. In 2027, inflation reaches 2.0%.

Public finances remain under pressure

In 2025, the general government deficit is expected to remain steady, at 4.5% of GDP. Revenue increases are mainly driven by the higher VAT rate enacted in late 2024. However, the decline in household consumption limits receipts from taxes on production and imports, while income tax revenue is slowed down due to declining employment. Public expenditure is projected to increase due to employee compensation sustained by recent wage negotiations and public investment, especially in defence. Meanwhile, cuts to social benefits and the freeze of the indexation of certain social transfers (e.g. basic unemployment allowance) adopted in 2023 are expected to contain expenditure growth in 2025. As a result of these developments, the fiscal stance is expected to remain broadly neutral in 2025.

In 2026, the anticipated economic recovery is projected to boost revenues along with the planned increase in social contributions, though this will be partially offset by the implementation of tax cuts decided in April 2025. The measures included in the budget for 2026 are expected to contribute to the reduction of the deficit, which is set to reach 4.0% of GDP. The fiscal stance is projected to become contractionary, in part due to the increase in social contributions. In 2027, while economic growth is set to help improve the deficit, a corporate income tax cut and increases in defence expenditure are forecast to maintain the deficit at 3.9% of GDP. The fiscal stance is expected to be broadly neutral.

The debt-to-GDP ratio reached 82.5% in 2024 and is forecast to increase to 88.1% in 2025, 90.9% in 2026, and 92.3% in 2027 due to persistent large deficits and tepid GDP growth.

Table III.21.1: **Main features of country forecast - FINLAND**

		2024			Annual percentage change						
		bn EUR	**Curr. prices**	**% GDP**	**06-21**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
GDP			276.0	100.0	0.8	0.8	-0.9	0.4	**0.1**	**0.9**	**1.2**
Private Consumption			141.2	51.2	1.0	0.9	0.0	-0.4	**-1.4**	**1.2**	**1.4**
Public Consumption			71.9	26.1	1.1	-0.6	2.6	1.7	**-0.3**	**0.4**	**0.2**
Gross fixed capital formation			60.7	22.0	1.0	1.5	-7.4	-5.0	**2.0**	**4.0**	**3.0**
Exports (goods and services)			115.7	41.9	1.7	4.4	-0.4	1.8	**0.9**	**2.2**	**3.0**
Imports (goods and services)			114.7	41.6	2.2	9.3	-6.7	-0.8	**0.7**	**3.2**	**3.5**
GNI (GDP deflator)			275.1	99.7	0.9	0.0	-1.6	-0.1	**0.1**	**0.9**	**1.2**
Contribution to GDP growth:	Domestic demand				1.1	0.7	-1.2	-0.9	**-0.4**	**1.6**	**1.4**
	Inventories				-0.1	2.0	-3.0	0.6	**0.4**	**-0.3**	**0.0**
	Net exports				-0.1	-1.9	3.0	1.1	**0.1**	**-0.4**	**-0.2**
Employment					0.6	3.5	0.9	-1.1	**-0.7**	**0.4**	**0.6**
Unemployment rate (a)					8.0	6.8	7.2	8.4	**9.5**	**9.3**	**9.0**
Compensation of employees / head					2.1	2.5	3.4	1.8	**2.8**	**2.8**	**3.2**
Unit labour costs whole economy					1.8	5.3	5.3	0.3	**2.0**	**2.3**	**2.5**
Saving rate of households (b)					9.3	10.0	10.8	12.4	**13.2**	**12.9**	**12.8**
GDP deflator					1.8	6.2	3.5	0.7	**0.9**	**1.7**	**1.8**
Harmonised index of consumer prices					1.6	7.2	4.3	1.0	**1.9**	**1.6**	**2.0**
Terms of trade goods					0.0	0.7	-2.4	-2.5	**-0.5**	**-0.1**	**0.0**
Trade balance (goods) (c)					2.6	-0.1	3.0	2.2	**2.3**	**2.1**	**2.0**
Current-account balance (c)					0.2	-2.4	-0.9	-0.7	**-0.9**	**-1.5**	**-1.9**
General government balance (c)					-1.0	-0.2	-2.9	-4.4	**-4.5**	**-4.0**	**-3.9**
Fiscal stance (c)					0.2	0.5	-2.2	-1.1	**0.1**	**0.4**	**-0.1**
Structural budget balance (d)					-1.7	0.1	-1.6	-3.1	**-2.9**	**-2.7**	**-3.0**
General government gross debt (c)					57.7	74.0	77.1	82.5	**88.1**	**90.9**	**92.3**

(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.

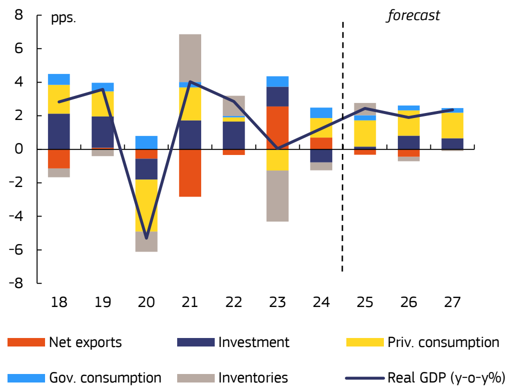
Non-EA Member States

22. CZECHIA

Real GDP growth in Czechia is expected to pick up to 2.4% in 2025, before slowing to 1.9% in 2026, accelerating again to 2.4% in 2027. Private consumption is expected to be the main driver of growth, due to real wage growth and reduction in households' saving rates. At the same time, rising tariffs and economic slowdown affecting key trading partners are forecast to weigh on exports in 2025 and 2026. Headline inflation is projected to drop to 2.3% in 2025, due to a slowdown in services inflation and a decline in energy prices, and in spite of a pick-up in food inflation, and is projected to slow further in 2026 and 2027. Despite the phase-out of energy-related measures, the government's public finance consolidation package of 2024, and the recent pension reforms, public finances are set to stay in deficit at around 2% of GDP.

Economic activity growth driven by internal demand

Graph III.22.1: **Czechia - Real GDP growth and contributions**



Czechia's real GDP growth is forecast to increase to 2.4% in 2025, driven by both domestic and external demand. Growth is set to slow to 1.9% in 2026, due to the negative impact of net exports, then picking up to 2.4% in 2027, supported by continued growth in household consumption and investment. Household consumption is expected to remain the main driver of growth over the forecast horizon. Consumer confidence has improved since April 2024, despite continued economic uncertainty, and household consumption is forecast to expand by over 3% in each forecast year, supported by a continued increase in real wages and a reduction in household saving rates. In 2025, household consumption is expected to rise for the first time above the 2019 levels, following the decline seen in recent years due to the COVID-19 pandemic and high inflation in 2022-23. Household saving rates are expected to moderate but to remain well above the historic average, due to higher consumer uncertainty and structural changes in the distribution of disposable income. Investment is also set to contribute to growth, picking up in 2026 and 2027, following increased absorption of EU funds, recovery in the residential construction sector and higher demand in some industrial segments, both domestically and internationally.

Fiscal expansion and higher defence spending in key trading partners are expected to drive export growth in 2026 and 2027. At the same time, higher US tariffs are expected to weigh on exports, mostly indirectly, via the exposure of its automotive components' producers to other EU countries. As domestic demand expands, imports are projected to grow faster than exports, resulting in a negative contribution of net exports to economic growth in 2026. Significant downside risks remain due to uncertainties in international trade as well as over the scope of Czechia's export growth linked to the fiscal expansion of its trading partners.

The labour market remains tight

The unemployment rate is expected to remain among the lowest in the EU, gradually picking up from 2.7% in 2025 to 2.9% in 2027. Ongoing structural changes are reflected in employment, resulting in increased female participation and employment in services, together with a decline of employment in manufacturing. Growth in nominal wages is expected to remain above inflation for the whole forecast horizon but to decline from 5.9% in 2025 to 5.4% in 2026 and 4.8% in 2027.

Inflation continues its downward path

HICP headline inflation is forecast at 2.3% in 2025 and is expected to slow down further to 2.1% in 2026, before a rebound to 2.4% in 2027. Services inflation remains the main contributor, driven by strong wage growth, which is expected to decelerate over the forecast horizon. Food prices picked up significantly in the first two quarters of 2025, offsetting the declines other components. Energy is set to contribute negatively to inflation in 2025 and 2026, as wholesale energy prices have declined and are expected to ease further. However, the introduction of ETS2, if not delayed, is expected to push up energy inflation in 2027. Headline inflation excluding energy and food is forecast above headline inflation at 3.0 in 2025 and 2.7% in 2026, to then drop 0.2 pps. below it, to 2.2% in 2027.

General government balance to remain in deficit

The budget deficit is set to drop to 1.8% in 2025 from 2.0% in 2024, driven by nominal GDP growth and decreasing expenditure in the context of the recent pension reforms and revenue increase due to a government consolidation package in 2024.

The budget deficit is forecast to increase to 2.0% of GDP in 2026, under a no-policy-change assumption, turning the fiscal stance from contractionary to neutral. 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 continue decreasing as a percentage of GDP, albeit at a slower pace. While the growth of social benefits is set to remain subdued due to reduced indexation of pensions, government employee salaries are expected to rise in line with nominal wage increases.

The deficit is expected to rise to 2.2% in 2027. The revenue-to-GDP ratio is set to decline on the back of decreasing capital transfers, outpacing the decline in expenditure driven by spending on social benefits growing slower than GDP. Overall, this implies a contractionary fiscal stance for 2027.

Public investment is expected to remain strong in 2025 and 2026, partly driven by increased defence expenditure, before dropping in 2027. Public debt is set to remain below the EU average. The public debt-to-GDP ratio is forecast to rise from 43.3% in 2024, to 45.1% in 2027, driven by the negative headline balance, partly offset by nominal GDP growth.

Table III.22.1: **Main features of country forecast – CZECHIA**

		2024			Annual percentage change					
	bn CZK	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		8057.0	100.0	2.1	2.8	0.0	1.2	**2.4**	**1.9**	**2.4**
Private Consumption		3823.8	47.5	1.8	0.5	-2.6	2.4	**3.3**	**3.2**	**3.2**
Public Consumption		1610.2	20.0	1.3	0.4	3.2	3.2	**1.5**	**1.4**	**1.4**
Gross fixed capital formation		2134.1	26.5	2.2	6.3	4.2	-2.8	**0.6**	**3.2**	**2.6**
Exports (goods and services)		5548.7	68.9	4.7	5.1	2.3	1.5	**3.4**	**2.0**	**2.5**
Imports (goods and services)		5045.1	62.6	4.6	5.9	-1.2	0.5	**4.3**	**3.0**	**2.8**
GNI (GDP deflator)		7799.4	96.8	2.2	1.6	0.5	1.7	**2.5**	**2.0**	**2.4**
Contribution to GDP growth:	Domestic demand			1.8	2.0	0.5	1.0	**2.0**	**2.6**	**2.5**
	Inventories			0.1	1.2	-3.0	-0.5	**0.7**	**-0.3**	**-0.1**
	Net exports			0.2	-0.3	2.6	0.7	**-0.3**	**-0.5**	**0.0**
Employment				0.4	1.0	1.6	0.6	**0.7**	**0.1**	**0.0**
Unemployment rate (a)				5.0	2.2	2.6	2.6	**2.7**	**3.0**	**3.1**
Compensation of employees / head				4.2	6.9	7.0	6.1	**5.9**	**5.4**	**4.9**
Unit labour costs whole economy				2.6	5.0	8.6	5.4	**4.2**	**3.5**	**2.5**
Saving rate of households (b)				12.9	18.2	20.6	19.9	**18.7**	**18.4**	**17.8**
GDP deflator				2.1	8.7	8.6	3.9	**3.4**	**3.0**	**2.3**
Harmonised index of consumer prices				2.2	14.8	12.0	2.7	**2.3**	**2.1**	**2.4**
Terms of trade goods				-0.1	-4.2	3.3	1.7	**1.2**	**1.3**	**0.4**
Trade balance (goods) (c)				2.9	-0.3	3.8	5.2	**5.4**	**5.5**	**5.6**
Current-account balance (c)				-2.2	-4.3	0.1	2.1	**2.2**	**2.3**	**2.3**
General government balance (c)				-2.0	-3.1	-3.7	-2.0	**-1.8**	**-2.0**	**-2.2**
Fiscal stance (c)				-0.5	-0.1	0.6	2.0	**0.4**	**-0.4**	**0.1**
Structural budget balance (d)				-1.2	-3.4	-3.3	-1.4	**-1.4**	**-1.8**	**-2.3**
General government gross debt (c)				35.7	42.5	42.2	43.3	**43.4**	**44.1**	**45.1**

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

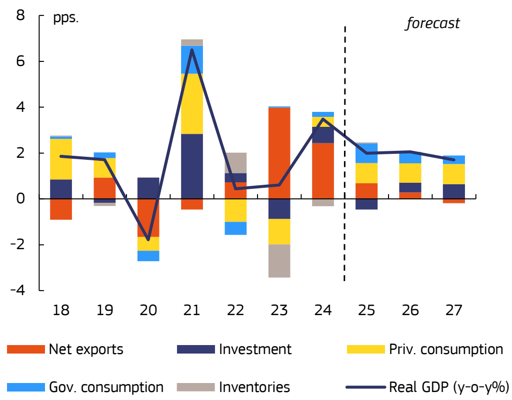
23. DENMARK

The Danish economy is forecast to grow at around 2% annually over the forecast horizon, close to its potential, driven by industrial production and renewed North Sea gas extraction. The source of demand is expected to gradually shift from net exports to domestic demand, notably consumption. Inflation is projected to remain below 2%, helped by moderating wage growth and policy measures. Employment is set to increase, but at a slower pace than in previous years, with solid public finances forecasted to show general government surpluses of 2.3% of GDP in 2025, 1.1% of GDP in 2026 and 0.8% of GDP in 2027.

Economic expansion driven by exports and increasing domestic demand

Recent statistical revisions for 2021-24 implied a smaller carry-over from 2024 to 2025, leading to a lower headline GDP growth figure for 2025. Nevertheless, the Danish economy is expected to expand at solid rates over the coming years, with real GDP projected to grow at about 2% annually in 2025 and 2026 and slightly less in 2027. Industrial production is expected to expand, and the renewal of North Sea gas extraction should further boost real growth this year. Private and public consumption and investments, helped by lower interest rates, are set to become the main factors behind economic growth, replacing net exports. Real wage increases are projected to boost household real incomes, which in turn are expected to translate into higher consumption.

Graph III.23.1: **Denmark - Real GDP growth and contributions**



Slowing export growth in 2027

The pharmaceutical industry—particularly Danish-owned production abroad—has been a key driver of export growth. However, goods exports experienced significant volatility in the first half of 2025, partly due to pharmaceutical exports declining after an unusually high fourth quarter in 2024. Current export levels suggest that export growth in 2025 will likely lag behind previous years. Service exports have declined over the past year, primarily due to reduced sea transportation activity. Looking ahead, export growth is expected to be more subdued as a result of higher US tariffs and weaker global trade. However, substantial growth in pharmaceutical production and exports, much of which is produced abroad, and continued growth in other export markets are forecast to sustain the overall export momentum.

Labour market pressures easing

Employment is expected to rise over the forecast horizon, albeit less sharply than in previous years. The labour force is projected to grow in parallel, helped by a net influx of international workers and older workers staying active beyond retirement age. The number of unemployed persons is projected to fall marginally. Labour market bottlenecks appear to be easing as economic growth is set to slow. Real wages are expected to continue growing over the forecast horizon, supporting the anticipated pickup in private consumption.

Inflation remains at low levels

Headline inflation has been stable, below 2% in recent years, recently moving slightly upwards—mainly as a result of higher food prices. Meanwhile, the price pressure from non-energy industrial goods and services has continued to moderate. Going forward, headline inflation is expected to remain low, with an increase from 1.3% in 2024 to 1.9% in 2025 and 1.0% in 2026, before rising again to 1.8% in 2027. The very low inflation in 2026 reflects a temporary reduction in the levy on electricity to the EU's minimum rate, reducing headline inflation by around 0.8 pps. Headline inflation excluding energy and food is expected to be 1.9% in 2025 and 2026, and 1.7% in 2027.

Strong government finances

Denmark's budget surplus is set to reach 2.3% of GDP in 2025, representing a significantly lower surplus than in 2024. This is due to increased government consumption and investment, including higher defence and other spending such as financial assistance for Ukraine. Denmark is projected to record budget surpluses of 1.1% of GDP in 2026 and 0.8% of GDP in 2027. The agreed 2026 budget includes some cuts in excise duties, notably on electricity, which are expected to lower the budget surplus. Continued government surpluses and denominator effects, which are only partly offset by stock-flow effects, are expected to bring the gross debt level to 28.9% of GDP in 2025, and further down to 27.7% of GDP in 2026 and 26.8% of GDP in 2027.

Strong pharmaceutical sector could imply vulnerabilities

While the Danish economy has benefitted significantly from the growth of the pharmaceutical sector, the concentration of growth, jobs and capital in that sector could represent a future vulnerability in the event of adverse developments affecting it. However, production taking place in main markets, notably in the US, limits trade-related risks. In addition, the flexibility of Danish labour and capital markets, together with the relatively low integration of the pharmaceutical sector with other domestic firms, is expected to mitigate other risks.

Table III.23.1: **Main features of country forecast – DENMARK**

		2024		Annual percentage change						
bn DKK		Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2926.9	100.0	1.3	0.4	0.6	3.5	**2.0**	**2.1**	**1.7**
Private Consumption		1275.8	43.6	1.4	-2.2	-2.5	1.0	**2.0**	**2.0**	**2.0**
Public Consumption		672.2	23.0	1.3	-2.4	0.2	1.0	**3.7**	**2.1**	**1.5**
Gross fixed capital formation		682.9	23.3	2.3	1.8	-3.8	3.0	**-2.0**	**1.9**	**2.9**
Exports (goods and services)		2078.1	71.0	2.7	6.6	7.8	7.1	**1.3**	**3.9**	**2.3**
Imports (goods and services)		1778.5	60.8	3.4	6.0	2.5	4.1	**0.3**	**4.1**	**3.0**
GNI (GDP deflator)		3020.4	103.2	1.5	-0.8	1.1	3.5	**2.0**	**2.1**	**1.7**
Contribution to GDP growth:	Domestic demand			1.5	-1.2	-1.9	1.4	**1.3**	**1.8**	**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	**0.7**	**0.3**	**-0.2**
Employment				0.5	4.0	1.1	0.7	**0.9**	**0.2**	**0.3**
Unemployment rate (a)				5.9	4.5	5.1	6.2	**6.1**	**6.1**	**6.0**
Compensation of employees / head				2.3	2.6	3.4	4.4	**3.5**	**3.3**	**3.5**
Unit labour costs whole economy				1.6	6.2	3.9	1.5	**2.4**	**1.4**	**2.1**
Saving rate of households (b)				6.2	11.1	14.7	14.3	**15.1**	**15.8**	**15.4**
GDP deflator				1.7	10.4	-2.1	1.5	**1.4**	**1.3**	**1.7**
Harmonised index of consumer prices				1.3	8.5	3.4	1.3	**1.9**	**1.0**	**1.8**
Terms of trade goods				0.4	-6.4	3.5	-1.9	**0.0**	**-0.2**	**0.0**
Trade balance (goods) (c)				3.9	2.3	7.6	9.4	**9.4**	**9.3**	**9.1**
Current-account balance (c)				6.1	11.2	11.0	12.2	**12.0**	**11.9**	**11.4**
General government balance (c)				0.9	3.4	3.4	4.5	**2.3**	**1.1**	**0.8**
Fiscal stance (c)				0.7	1.5	-1.5	0.2	**-2.9**	**-1.7**	**-0.7**
Structural budget balance (d)				1.7	4.2	5.3	6.0	**3.1**	**1.6**	**1.1**
General government gross debt (c)				41.9	33.3	33.0	30.5	**28.9**	**27.7**	**26.8**

(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

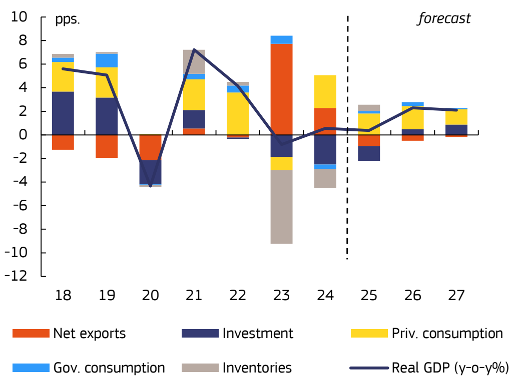
After two years of no or limited growth, GDP is projected to grow by 0.4% in 2025 and by around 2% in 2026 and 2027, supported by consumption and the recovery of investment and exports. Inflation is set to moderate from 4.5% in 2025 to below 4% in 2026 and 2027, but inflationary pressures remain strong. The general government deficit is projected to remain elevated at 4.6% in 2025, and to increase to 5.2% in 2026 due to deficit-increasing measures. The debt-to-GDP ratio is expected to increase slightly to about 75% in 2027, driven by elevated deficits and lower nominal GDP growth.

Domestic demand remains the main growth driver

Real GDP remained unchanged compared to the previous quarter in 2025-Q3, following a decline of 0.2% in Q1 due to weak performance in industry and an increase of 0.5% in Q2 driven by services. Overall, real GDP is expected to grow by 0.4% in 2025 with consumption serving as the main driver of growth. However, the expected 3.5% growth in consumption is anticipated to be offset by rising imports and a decline in investment. Exports are set to decrease, notably due to a decline in manufactured goods and business service exports.

GDP growth is forecast to pick up to 2.3% in 2026, supported by fiscal stimulus, and then to ease to 2.1% in 2027. Consumption is projected to be supported by strong wage growth and fiscal measures. Investment is set to gradually recover and increase by 4.1% in 2027, driven by public investment, a pick-up in dwelling construction and improving business sentiment. Exports are projected to increase by 3.8%, aided by the launch of assembly facilities in the automotive industry, and to rise by a further 4.1% in 2027 as external demand picks up At the same time, this economic recovery is set to lead to an increase in imports shifting the current account balance from a surplus of 0.1% of GDP in 2025 to a deficit of 0.4% by 2027.

Graph III.24.1: **Hungary - real GDP growth and contributions**



Risks to the outlook include continued weakness in investment and exports linked to developments in global supply chains. In addition, inflationary pressures could pose a challenge potentially exacerbated by high minimum wage increases and other government measures.

The labour market is expected to remain tight

The unemployment rate has been hovering around 4.5% over the last year. Job vacancies continue to fall and employment is forecast to grow by 0.2% in 2025. The pick-up in economic growth expected in 2026 is projected to raise private sector employment and lower the unemployment rate to 4.3% by 2027. With the labour market remaining tight, nominal wage growth is set to remain elevated in 2025 and 2026, driven by public sector and minimum wage increases. Wage growth is projected to moderate in 2027 as these impacts ease.

Inflationary pressures persist

Headline inflation rose from 3.7% in 2024 to 4.3% in September 2025, driven by an increase in food prices. HICP inflation excluding energy and food decreased from 5.9% to 4.9% over the same period, supported by declining services inflation, notably in telecommunication and financial services. Although government price regulations temporarily reduced inflation in 2025, prices are likely to adjust upward once those measures end. The recent currency appreciation, along with the expected moderation of commodity prices and somewhat lower wage growth, is set to moderate inflation in 2026 and 2027. Inflation is forecast to decrease to 3.6% in 2026 and remain elevated at 3.5% in 2027, factoring in the introduction of the ETS2 scheme, which, if not delayed, is anticipated to lift energy inflation in 2027.

An elevated and increasing budget deficit

After a significant decrease in 2024, the budget deficit is projected to decrease only slightly in 2025, to 4.6% of GDP. The cost of household energy subsidies continues to fall and interest expenditure declines due to lower coupons on inflation-linked bonds. However, public sector wage increases and other operating costs are expected to lead to strong growth in primary expenditure. Public investment is expected to grow moderately in 2025 as the decrease in spending on nationally-financed investment is outweighed by higher absorption of EU funds. Overall, the fiscal stance is expected to be expansionary in 2025, at -0.5% of GDP.

In 2026, the deficit is projected to widen to 5.1% of GDP, driven by new measures targeting households. Income tax revenue is expected to be impacted by the introduction of a personal income tax exemption for mothers and an increase in the family tax allowance, totalling an estimated 0.6% of GDP. New housing support measures for households and public workers are set to add a further 0.5% of GDP to the deficit. Further public sector wage increases, along with the already-announced bonuses for military and law enforcement employees, estimated at 0.5% of GDP, are projected to drive continued strong public wage growth. These will be only partially offset by the extension of sectoral taxes on windfall profits into 2026. In 2027, the deficit is forecast to remain elevated at 5.1%, in part due to the increasing cost of the income tax measures and the expiry of sectoral taxes. The fiscal stance is set to remain expansionary in 2026 and broadly neutral in 2027. Further measures under consideration, such as the introduction of a 14th month pension, could result in a higher deficit.

The debt-to-GDP ratio is projected to increase over the forecast horizon from 73.5% in 2024 to 74.9% in 2027, driven by elevated deficits and decelerating nominal GDP growth.

Table III.24.1: **Main features of country forecast – HUNGARY**

	2024			Annual percentage change						
	bn HUF	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		81447.7	100.0	1.8	4.2	-0.8	0.6	**0.4**	**2.3**	**2.1**
Private Consumption		42103.4	51.7	1.5	7.4	-2.3	5.6	**3.5**	**3.7**	**2.4**
Public Consumption		16753.3	20.6	1.4	2.8	3.3	-1.8	**1.1**	**1.6**	**0.6**
Gross fixed capital formation		18780.2	23.1	2.6	-0.4	-6.7	-9.9	**-5.4**	**2.2**	**4.1**
Exports (goods and services)		61404.1	75.4	5.4	10.7	17.4	-0.9	**-0.4**	**3.8**	**4.1**
Imports (goods and services)		57920.4	71.1	5.0	10.9	8.3	-3.9	**0.9**	**4.7**	**4.5**
GNI (GDP deflator)		79829.9	98.0	2.1	4.4	-1.1	1.6	**-0.3**	**2.3**	**2.1**
Contribution to GDP growth:	Domestic demand			1.7	4.1	-2.3	-0.1	**0.8**	**2.8**	**2.3**
	Inventories			-0.3	0.3	-6.2	-1.6	**0.5**	**0.0**	**0.0**
	Net exports			0.5	-0.2	7.7	2.3	**-0.9**	**-0.5**	**-0.2**
Employment				0.8	1.6	0.7	0.0	**0.2**	**0.2**	**0.1**
Unemployment rate (a)				7.0	3.6	4.1	4.5	**4.5**	**4.4**	**4.3**
Compensation of employees / head				4.0	17.0	14.4	12.6	**9.1**	**7.9**	**4.9**
Unit labour costs whole economy				3.0	14.2	16.2	11.9	**8.9**	**5.7**	**2.8**
Saving rate of households (b)				13.0	15.7	20.2	18.6	**16.7**	**16.5**	**16.4**
GDP deflator				3.9	14.0	15.1	7.6	**6.4**	**4.3**	**3.0**
Harmonised index of consumer prices				3.5	15.3	17.0	3.7	**4.5**	**3.6**	**3.5**
Terms of trade goods				-0.2	-6.9	1.9	-3.7	**0.1**	**0.3**	**0.1**
Trade balance (goods) (c)				0.3	-9.5	-0.7	-0.6	**-1.7**	**-2.3**	**-2.4**
Current-account balance (c)				-1.2	-9.0	0.1	1.6	**0.1**	**-0.3**	**-0.4**
General government balance (c)				-4.1	-6.2	-6.8	-5.0	**-4.6**	**-5.1**	**-5.1**
Fiscal stance (c)				-0.9	-1.7	3.8	3.2	**-0.5**	**-0.6**	**0.1**
Structural budget balance (d)				-4.0	-7.2	-6.6	-4.5	**-3.8**	**-4.8**	**-5.2**
General government gross debt (c)				74.0	74.1	73.2	73.5	**73.7**	**73.9**	**74.9**

(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

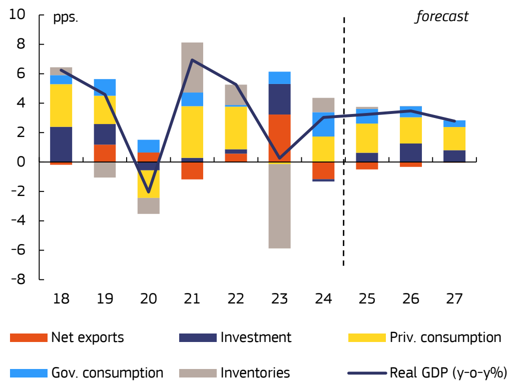
Economic growth in Poland is set to remain strong in 2026, at 3.5%, supported by higher EU-funded investments, but is projected to slow in 2027 to 2.8%. Inflation is forecast to moderate to 2.9% in 2026 and rise to 3.7% in 2027. Trade is set to contribute negatively to growth over the forecast horizon. Following a projected increase in the general government deficit in 2025 to 6.8% of GDP, fiscal consolidation is expected to advance somewhat in 2026, with the deficit estimated at 6.3% of GDP, and 2027, with the deficit forecast to further decrease to 6.1% of GDP. Nevertheless, the debt-to-GDP ratio is set to increase over the forecast horizon, from 55.1% of GDP in 2024 to 69.2% of GDP in 2027.

Growth to remain strong in 2026 but moderate in 2027

In 2025, real GDP is set to increase by 3.2%, broadly in line with the Spring Forecast. Private consumption is projected to be the key driver of growth as real disposable income continues to rise robustly. Investment growth is set to pick up mainly due to higher public investment. The negative contribution from net exports registered already in 2024 is expected to narrow.

In 2026, economic growth is projected to accelerate and reach 3.5%, higher than in the Spring projection. The contribution from private consumption is set to remain robust but weaker than in the previous year as growth of disposable income slows. The positive contribution from investment is forecast to increase significantly reflecting higher absorption of EU funds, especially in the final year of the RRF, and offsetting the lower growth in private consumption. The negative contribution from net exports is projected to shrink further as exports increase.

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, largely reflecting a drop in absorption of EU funds. The contribution from net trade is set to be slightly negative.

Labour market stable

Employment is projected to remain broadly stable over the forecast horizon, with a tight labour market and unemployment remaining around 3%. Growth in nominal compensation per employee is projected to slow gradually from 8.6% in 2025 to 6% in 2027.

Inflation easing

HICP inflation is set to reach 3.4% in 2025, lower than forecast in spring. In 2026, headline inflation is set to moderate further and reach 2.9% due to slower growth in energy and non-energy industrial goods prices. In 2027, inflation is forecast to increase to 3.7%, as the entry into operation of ETS2, if not delayed, is going to lift energy prices.

Delayed fiscal consolidation

In 2025, the general government deficit is expected to increase to 6.8% of GDP from 6.5% of GDP in 2024. This increase is due to higher public spending driven by increased social benefits (including new Active Parent and Widow Pension programmes), elevated costs of servicing the public debt, increased salaries in the public sector and higher spending on healthcare. The level of public investment is also set to increase, notably due to high defence investments.

In 2026, the deficit is projected to decrease to 6.3% of GDP, as the government implements new discretionary revenue-increasing measures to support fiscal consolidation. These include 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. Total nationally financed expenditure is estimated to decline slightly as a share of GDP on the back of strong nominal growth.

In 2027, the deficit is forecast to decrease to 6.1% of GDP. The effects of the adopted revenue measures are set to lead to a further increase of national-budget revenue as a share in GDP.

The fiscal stance is projected to remain expansionary in 2025 and 2026, supported by higher EU-budget-financed expenditure. It is set to turn contractionary in 2027 due to the end of the RRF, despite increasing nationally financed investments in defence.

The public debt-to-GDP ratio is set to increase steadily, from 55.1% in 2024 to 69.2% in 2027, mainly driven by high deficits and debt-increasing stock-flow adjustments related to defence investments.

Entry into force of some of the government's revenue measures is pending, posing a downside risk to the fiscal forecast for 2026 and 2027. Conversely, a series of measures planned to improve tax compliance could offer an upside risk to the fiscal forecast.

Table III.25.1: **Main features of country forecast - POLAND**

		2024			Annual percentage change					
	bn PLN	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		3653.4	100.0	3.9	5.3	0.2	3.0	**3.2**	**3.5**	**2.8**
Private Consumption		2096.5	57.4	3.4	5.2	-0.3	3.0	**3.5**	**3.1**	**2.7**
Public Consumption		760.4	20.8	3.1	0.6	4.5	8.7	**4.7**	**3.6**	**2.2**
Gross fixed capital formation		622.6	17.0	4.5	1.7	12.7	-0.9	**3.7**	**7.4**	**4.6**
Exports (goods and services)		1906.4	52.2	6.7	7.4	3.7	2.0	**2.1**	**2.3**	**2.7**
Imports (goods and services)		1760.2	48.2	6.5	6.8	-1.5	4.5	**3.4**	**3.2**	**3.1**
GNI (GDP deflator)		3531.1	96.7	3.7	5.7	0.1	3.8	**3.2**	**3.5**	**2.7**
Contribution to GDP growth:	Domestic demand			3.6	3.3	2.8	3.2	**3.6**	**3.8**	**2.8**
	Inventories			0.2	1.4	-5.7	1.0	**0.2**	**0.0**	**0.0**
	Net exports			0.1	0.6	3.2	-1.2	**-0.5**	**-0.3**	**-0.1**
Employment				1.3	1.1	0.1	-0.7	**-0.2**	**0.1**	**0.0**
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	10.4	**8.6**	**6.5**	**6.0**
Unit labour costs whole economy				2.2	7.9	14.2	6.4	**4.9**	**3.1**	**3.2**
Saving rate of households (b)				6.8	1.0	4.7	7.8	**7.6**	**7.2**	**6.6**
GDP deflator				2.4	10.7	9.9	3.8	**3.6**	**3.1**	**3.1**
Harmonised index of consumer prices				2.2	13.2	10.9	3.7	**3.4**	**2.9**	**3.7**
Terms of trade goods				0.6	-3.7	1.7	-1.1	**0.2**	**0.1**	**0.0**
Trade balance (goods) (c)				-2.3	-3.3	0.6	-0.7	**-0.9**	**-1.2**	**-1.3**
Current-account balance (c)				-2.9	-2.9	1.5	0.3	**-0.1**	**-0.5**	**-0.8**
General government balance (c)				-3.5	-3.4	-5.2	-6.5	**-6.8**	**-6.3**	**-6.1**
Fiscal stance (c)				0.2	-3.2	-0.9	-1.8	**-0.4**	**-1.0**	**1.7**
Structural budget balance (d)				-2.4	-4.4	-4.7	-6.0	**-6.5**	**-6.3**	**-6.1**
General government gross debt (c)				51.1	48.8	49.5	55.1	**59.5**	**64.9**	**69.2**

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

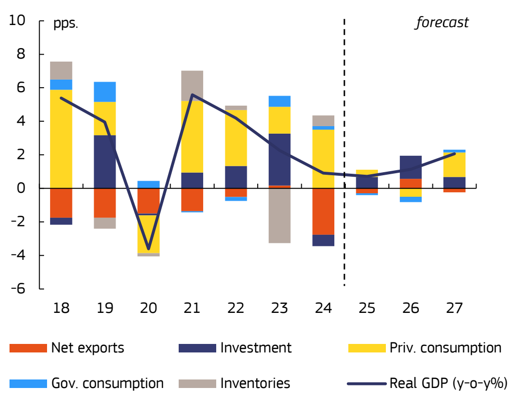
26. ROMANIA

Romania's real GDP growth is expected to remain low at 0.7% in 2025 and 1.1% in 2026, as the necessary fiscal consolidation dampens private and public consumption, in turn further affected by a surge in inflation. Still, the economy continues growing thanks to a gradual recovery in private investment, an acceleration of RRF-funded spending and a sizeable improvement in net exports. In 2027, real GDP growth is set to accelerate above 2% as the pace of fiscal consolidation eases. The labour market is set to cool down, while the slowdown in import-heavy private consumption in combination with resilient exports should gradually reduce the large external deficit. The general government deficit of 9.3% of GDP in 2024 is projected to decline to 8.4% of GDP in 2025 and 6.2% of GDP in 2026 due to several fiscal adjustment packages.

Subdued growth amid sizeable fiscal consolidation

In 2025, real GDP growth in Romania is set to slow down to 0.7% after reaching 0.9% in 2024. Political and fiscal uncertainty impacted private consumption in the first half of the year, whereas the adoption of fiscal consolidation packages over the summer is set to further reduce disposable income, while public consumption should decline. A moderate recovery in gross fixed capital formation as well as resilient exports, are expected to support the economy.

Graph III.26.1: **Romania - Real GDP growth and contributions**



In 2026, the full effect of the large fiscal consolidation measures, i.e. the freeze of public wages and pensions and tax increases, in combination with still elevated inflation, is expected to lead to a small contraction in private consumption. Public consumption is also forecast to drop further. However, gross fixed capital formation is expected to accelerate notably on the back of improved business confidence and completion of RRP investments. The decline in private consumption should also strongly contain the growth of imports, while exports are set to continue their positive trend as wage growth slows further, resulting in a positive contribution to growth of net exports. Overall, real GDP is set to grow by 1.1% in 2026. In 2027, inflation is forecast to decline and monetary policy is expected to ease, providing support to a pick-up in private investment and consumption. Despite the end of the RRF, gross fixed capital formation is set to hold up well, with Romania making larger use of cohesion funds. All in all, the economy is forecast to grow by 2.1%. The current account deficit is projected to gradually decline and reach 6% of GDP in 2027. Risks to the forecast are tilted to the downside. A large deviation from the fiscal consolidation path could erode confidence and macro-economic stability. The full implementation of all RRF investments remains a challenge, together with uncertainty regarding international trade.

Labour market is cooling while wage growth moderates

In 2025, employment started to decline due to softer economic activity, leading to a gradual increase in the unemployment rate. Still, the inflow of foreign workers continued, indicating robust labour demand in some sectors like construction and services. The unemployment rate is projected to increase slightly above 6% in 2025 and to decline gradually to 5.6% over 2026 and 2027. The freeze in public wages and moderation of private ones in 2025 and 2026 are set to strongly slow nominal wage growth, turning it negative in real terms. After large increases, wage growth moderation is likely to support external competitiveness.

Inflation accelerates again in 2025 and 2026

After HICP inflation declined to 5.8% in 2024, price increases accelerated in the third quarter of 2025. The elimination in July of the cap on electricity prices for households together with the rise in VAT and excises pushed up HICP inflation to 8.6% in September. Average HICP inflation is projected to increase to 6.7% in 2025 before declining to below 6% in 2026 in line with weak private consumption and strong disinflationary base effects. The removal of the cap on natural gas prices in March 2026 is likely to slow the disinflation process. In a similar way, the entry into operation of ETS2, if not delayed, is expected to stoke up inflationary pressures in 2027 and defer the return of HICP inflation within the central bank target (2.5 ±1 pp.) to the end of the year.

Government deficit to gradually decline

After peaking at 9.3% of GDP in 2024, mainly driven by rapid expenditure growth, Romania's general government deficit is projected to decline by more than 3pps, and reach 5.9% of GDP in 2027. This decline reflects the adoption of several packages of fiscal consolidation measures since the end of 2024. In December 2024, the parliament adopted a package of fiscal consolidation measures including a nominal freeze in public wages and pensions in 2025, and revenue generating measures amounting to 0.3% of GDP. In July 2025, the parliament adopted additional fiscal consolidation measures, comprising significant tax revenue increases (increase in VAT rates, broadening of the base of health contributions, increases in excises, and a higher dividend tax rate) and an extension of the nominal freeze in wages and pensions into 2026. In September, the parliament also adopted an increase in recurrent taxation on residential property and environmental taxes. The fiscal stance is expected to be contractionary in 2025 and 2026, before turning neutral in 2027. Defence expenditure is projected to gradually increase from 1.6% of GDP in 2024 to 2.0% of GDP in 2027.

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 a projected increase in interest payments.

Table III.26.1: **Main features of country forecast – ROMANIA**

		2024			Annual percentage change					
	bn RON	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		1759.2	100.0	3.1	4.2	2.3	0.9	**0.7**	**1.1**	**2.1**
Private Consumption		1099.4	62.5	4.0	5.4	2.5	5.7	**0.7**	**-0.8**	**2.4**
Public Consumption		325.7	18.5	1.5	-1.4	4.0	1.2	**-0.6**	**-1.7**	**0.9**
Gross fixed capital formation		444.9	25.3	4.7	5.4	12.3	-2.5	**2.7**	**5.4**	**2.6**
Exports (goods and services)		626.3	35.6	8.5	9.3	-1.3	-2.5	**3.4**	**2.7**	**2.9**
Imports (goods and services)		732.0	41.6	9.2	9.3	-1.5	4.0	**3.6**	**0.9**	**3.2**
GNI (GDP deflator)		1716.0	97.5	3.2	2.9	2.8	1.1	**0.6**	**1.2**	**2.0**
Contribution to GDP growth:	Domestic demand			4.3	4.4	5.3	3.0	**1.0**	**0.6**	**2.3**
	Inventories			-0.1	0.3	-3.3	0.6	**0.0**	**0.0**	**0.0**
	Net exports			-1.0	-0.5	0.2	-2.8	**-0.3**	**0.6**	**-0.2**
Employment				-0.4	0.7	-1.2	1.6	**-1.0**	**0.3**	**0.5**
Unemployment rate (a)				7.5	5.6	5.6	5.4	**6.1**	**5.8**	**5.6**
Compensation of employees / head				8.5	13.7	20.3	17.3	**8.0**	**5.5**	**4.9**
Unit labour costs whole economy				4.7	9.9	16.2	18.0	**6.2**	**4.6**	**3.3**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.0	12.1	12.4	9.6	**7.8**	**6.8**	**5.8**
Harmonised index of consumer prices				3.7	12.0	9.7	5.8	**6.7**	**5.9**	**3.8**
Terms of trade goods				1.6	-1.4	1.3	1.3	**1.2**	**1.5**	**1.5**
Trade balance (goods) (c)				-8.5	-11.4	-9.0	-9.3	**-8.9**	**-7.7**	**-7.3**
Current-account balance (c)				-4.8	-9.6	-6.8	-8.3	**-7.9**	**-6.4**	**-6.0**
General government balance (c)				-4.3	-6.5	-6.7	-9.3	**-8.4**	**-6.2**	**-5.9**
Fiscal stance (c)				-1.2	-2.1	0.6	-0.4	**1.7**	**3.0**	**0.0**
Structural budget balance (d)				-3.4	-6.3	-6.5	-9.0	**-7.9**	**-5.6**	**-5.5**
General government gross debt (c)				31.8	48.1	49.3	54.8	**59.1**	**61.1**	**62.7**

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

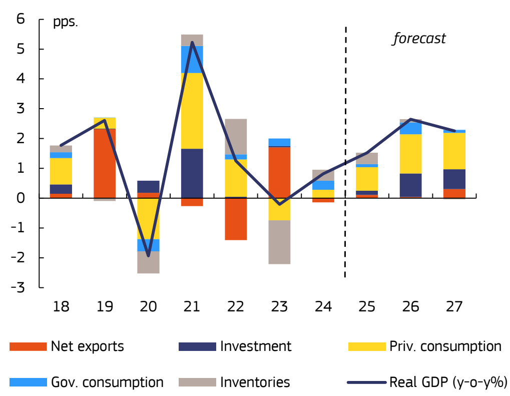
27. SWEDEN

Economic activity in Sweden is projected to pick up from the second half of 2025, primarily driven by a rebound in private consumption. Real GDP growth is set to increase from 1.5% in 2025 to 2.6% in 2026 and reach 2.3% in 2027. With previous inflationary pressures having fallen away, HICP inflation is expected to fall markedly in 2026 on the back of lower VAT on food and to remain below 2% in 2027. The labour market is expected to strengthen, in line with the economic recovery. In view of tax reductions and a marked increase in expenditure, notably on defence, the general government deficit is projected to reach 2.4% of GDP in 2026, before moderating somewhat in 2027. These deficits are set to increase the gross debt-to-GDP ratio to close to 36% in 2027.

Conditions in place for a recovery in domestic demand

After a period of higher inflation and interest rates weighing on the confidence and spending decisions of Swedish households and corporations, conditions are now in place to support a recovery in domestic demand, primarily driven by household consumption, which had remained sluggish in the first part of 2025. Real GDP growth in 2025 is expected to average 1.5 %. In 2026, real household disposable income is set to be supported by fiscal measures, including tax reductions and lower indirect tax on food, gains in real wages, lower interest rates and falling inflation, all factors expected to contribute to increasing private consumption. Gross fixed capital formation is also expected to contribute to the upturn given increases in public investment, including capital outlays on defence, while the previous drag from housing construction is bottoming out. With improving business and consumer confidence, economic growth is set to reach 2.6% in 2026. In 2027, continued albeit slightly weaker momentum in domestic demand and some recovery in exports are projected to allow real GDP growth to grow by 2.3%. The balance of risks remains tilted to the downside, hinging on the willingness of households and firms to consume and invest in the current volatile global environment.

Graph III.27.1: **Sweden - Real GDP growth and contributions**



Labour market set to improve

The labour market has remained broadly resilient despite the weak cycle in the first half of 2025. Employment is set to gradually recover over the forecast horizon, following the increase in economic growth. The unemployment rate is expected to fall from a peak of 9% in 2025 to 7.9% in 2027. Structural unemployment is set to remain relatively high due to challenges in education and skills. Weak inflationary pressures should allow for real wage gains together with contained increases in unit labour costs.

Inflation to fall sharply in 2026 due to lower VAT on food

Consumer price inflation is set to decrease strongly from 2.5% in 2025 to 0.6% in 2026. The fading of supply disruptions, sufficient production capacity after a protracted weak cyclical phase, moderate wage increases, and the delayed impact of krona appreciation are expected to reduce price pressures. For 2026, the main factor pushing down inflation is set to be the temporary decrease in VAT on food from 12% to 6%, to take effect from April 2026 until 1 January 2028. Inflation is set to reach 1.6% in 2027.

Higher general government deficit

The general government balance in 2025 is set to end up with a deficit of 1.7% of GDP, due to weak economic growth. In 2026, despite a pick-up in activity, the deficit is set to deteriorate further to 2.4% of GDP. This is due to budgetary measures adding up to close to 2% of GDP (which is among the last decade's largest packages, apart from the exceptional COVID-19 budgets) notably on defence and support to Ukraine as well as a decrease in income taxes and the temporary VAT reduction on food. As of 2026 the government expects to start spending on the multi-year support scheme for new nuclear facilities. In 2027, the general government deficit is set to decrease to 2% of GDP. With the output gap expected to almost close at the end of the forecast period, the structural balance is projected to show a similar deficit in 2027.

The decreasing trend of debt is expected to reverse in 2025, with the general government gross debt ratio reaching 34.5%. Debt is set to increase to 35.3% of GDP in 2026 and to just below 36% in 2027, still some 4 percentage points below the ceiling of Sweden's own "debt anchor" rule.

Table III.27.1: **Main features of country forecast - SWEDEN**

	2024			Annual percentage change						
	bn SEK	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		6379.8	100.0	1.9	1.3	-0.2	0.8	**1.5**	**2.6**	**2.3**
Private Consumption		2892.7	45.3	2.1	2.8	-1.6	0.6	**1.7**	**2.9**	**2.7**
Public Consumption		1694.9	26.6	1.3	0.7	1.0	1.2	**0.4**	**1.5**	**0.4**
Gross fixed capital formation		1601.1	25.1	2.9	0.2	0.1	0.0	**0.6**	**3.2**	**2.7**
Exports (goods and services)		3464.9	54.3	3.0	6.1	2.6	2.0	**5.0**	**2.6**	**2.6**
Imports (goods and services)		3290.3	51.6	3.6	9.8	-0.6	2.3	**5.0**	**2.6**	**2.1**
GNI (GDP deflator)		6663.0	104.4	2.0	1.6	0.0	0.9	**1.2**	**2.4**	**2.0**
Contribution to GDP growth:	Domestic demand			2.0	1.5	-0.4	0.6	**1.0**	**2.5**	**2.0**
	Inventories			0.0	1.2	-1.5	0.4	**0.4**	**0.1**	**0.0**
	Net exports			-0.1	-1.4	1.7	-0.1	**0.1**	**0.0**	**0.3**
Employment				1.1	3.5	1.2	-0.3	**0.1**	**0.9**	**1.1**
Unemployment rate (a)				7.6	7.5	7.7	8.4	**9.0**	**8.4**	**7.9**
Compensation of employees / head				3.1	2.0	5.3	5.2	**4.1**	**3.1**	**3.5**
Unit labour costs whole economy				2.2	4.3	6.8	4.0	**2.6**	**1.3**	**2.3**
Saving rate of households (b)				13.9	15.8	16.9	18.2	**17.7**	**17.2**	**16.4**
GDP deflator				2.0	6.0	5.8	3.0	**1.6**	**1.4**	**2.2**
Harmonised index of consumer prices				1.5	8.1	5.9	2.0	**2.5**	**0.6**	**1.6**
Terms of trade goods				0.5	-4.2	0.5	0.7	**0.0**	**0.5**	**0.3**
Trade balance (goods) (c)				4.1	3.3	4.4	4.7	**4.7**	**4.9**	**5.1**
Current-account balance (c)				4.7	3.7	5.5	5.4	**4.9**	**4.8**	**4.9**
General government balance (c)				0.0	1.0	-0.9	-1.6	**-1.7**	**-2.4**	**-2.0**
Fiscal stance (c)				0.3	0.5	-0.2	-0.7	**0.4**	**-1.4**	**0.3**
Structural budget balance (d)				-0.1	1.0	0.0	-0.4	**-0.5**	**-1.9**	**-1.8**
General government gross debt (c)				40.5	34.1	32.0	34.0	**34.5**	**35.3**	**35.8**

(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

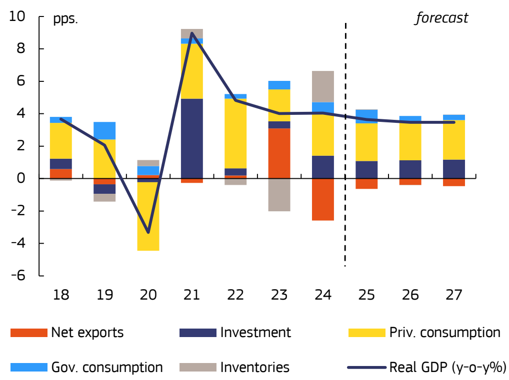
28. ALBANIA

Following robust economic expansion in recent years, real GDP growth is expected to moderate somewhat to 3.6% in 2025 and 3.5% in 2026 and 2027, continuing to be driven by domestic demand. Inflation is projected to rise towards the central bank's target of 3% amid steady wage growth, which in turn supports household purchasing power and consumption. Exports of services, particularly tourism, are expected to continue expanding, though at a slower pace as foreign demand stabilises. The fiscal deficit is set to widen in 2025 but still perform better than budgeted, remaining close to 2% of GDP in 2026 and 2027. The public debt-to-GDP ratio is forecast to decline, supported by a positive primary balance and nominal GDP growth.

Growth momentum to moderate slightly

After two years of strong GDP growth of 4% y-o-y, the Albanian economy maintained positive momentum in the first half of 2025, with real GDP growth expanding by 3.6%. Investment growth averaged 4.1% y-o-y, fuelled by public investment, while private consumption remained robust, thanks to strong real wage growth and private sector lending. Public sector wages continued to grow strongly, by almost 16% y-o-y, which supported a substantial rise in public consumption of more than 10%. Exports of goods decreased, while exports of services kept expanding, though their growth moderated slightly. Most sectors recorded positive growth, although construction slowed, and agriculture and industry continued to contract. Real growth for 2025 is projected at 3.6%.

Graph III.28.1: **Albania - Real GDP growth and contributions**



Albania's economy is set to continue expanding, with GDP growth forecast at 3.5% in 2026 and 2027. Following exceptionally strong growth in recent years, the tourism sector is expected to mature, with slower growth in foreign arrivals and tourism receipts. Investment is projected to remain strong, supported by favourable financing conditions, sustained credit expansion, and high business confidence, along with funds from the EU Reform and Growth Facility. Solid wage growth is expected to continue, supporting robust private consumption. After significant improvements in the external position in recent years, the current account deficit is projected to widen slightly from 2.4% in 2024 to below 3%, driven by an increase in the merchandise trade deficit.

As a small open economy, Albania faces external risks including global uncertainty and geopolitical risks, which may have an economic impact mainly through key trading partners in the EU. Progress in EU accession negotiations represents an upside risk to growth through improved economic sentiment.

Improving labour market situation

Employment increased in 2025 and is expected to grow further over 2026-27, albeit at a more moderate pace. A higher labour force participation rate, encouraged by rising wages and improving job prospects, is expected to be the main driver of labour supply growth while continued emigration will pose a constraint. After reaching a record low in 2024, the unemployment rate is expected to remain stable.

Stable inflation in 2025 followed by a pick-up towards the 3% target

Inflation remained low in 2025, close to its 2024 level of 2.2%. It averaged 2% in 2025-Q1 and then 2.3% in the second quarter and 2.4% in the third quarter. This gradual increase was primarily driven by higher food and rental prices, while prices of other goods and services remained broadly stable. The robust expansion of domestic demand has reinforced domestic inflationary pressures. On the other hand, imported inflationary pressures remained weak, due to an exchange rate appreciation, lower inflation in trading partner countries, and the mitigating effects of various supply-side shocks.

In July 2025, the Bank of Albania decreased the policy rate from 2.75% to 2.5% and has kept it unchanged since. Average annual inflation is projected to be below the 3% target in 2025, increasing in 2026 and stabilising close to the central bank's target.

Fiscal deficit to remain close to 2% of GDP

Albania's fiscal position improved in 2024, with the general government deficit decreasing to 0.7% of GDP. In the first nine months of 2025, revenues were slightly higher than the budget plan, while expenditures were in line with it, with capital expenditures exceeding the target by 4%.

For the whole of 2025, the budget deficit is forecast to reach 2.2% of GDP, which is lower than the 2.6% target. In 2026, the budget deficit is expected to remain close to 2%, before declining slightly to 1.7% of GDP in 2027. The primary balance is projected to remain in surplus, in line with national fiscal rules. The government debt-to-GDP ratio fell below 55% in 2024 and is projected to continue decreasing from 2025 to 2027, supported by a positive primary balance and nominal GDP growth.

Graph III.28.2: **Albania - General government budget balance and gross debt**

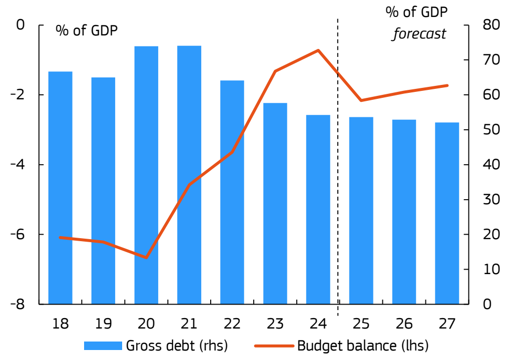


Table III.28.1: **Main features of country forecast - ALBANIA**

		2024			Annual percentage change					
	bn ALL	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2517.8	100.0	3.3	4.8	4.0	4.0	**3.6**	**3.5**	**3.5**
Private Consumption		1750.2	69.5	3.2	6.0	2.7	3.7	**3.3**	**3.4**	**3.5**
Public Consumption		312.7	12.4	3.1	2.2	4.4	6.0	**6.7**	**2.7**	**2.6**
Gross fixed capital formation		613.2	24.4	1.9	1.6	1.7	5.8	**4.5**	**4.6**	**4.8**
Exports (goods and services)		913.6	36.3	5.9	17.0	8.6	0.1	**3.7**	**3.4**	**3.3**
Imports (goods and services)		1086.9	43.2	3.5	11.5	0.2	6.0	**4.6**	**3.7**	**3.8**
GNI (GDP deflator)		2498.4	99.2	:	4.5	4.5	4.6	**3.6**	**3.5**	**3.5**
Contribution to GDP growth:	Domestic demand			3.4	5.0	2.9	4.7	**4.2**	**3.9**	**3.9**
	Inventories			0.0	-0.4	-2.0	1.9	**0.0**	**0.0**	**0.0**
	Net exports			-0.1	0.2	3.1	-2.6	**-0.6**	**-0.4**	**-0.5**
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	**8.5**	**8.4**	**8.3**
Compensation of employees / head				:	5.1	7.3	3.7	**4.5**	**6.3**	**4.5**
Unit labour costs whole economy				:	4.3	4.7	1.0	**1.9**	**3.7**	**2.1**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				1.9	9.9	5.7	2.4	**1.8**	**2.9**	**2.8**
Consumer price index				:	6.7	4.8	2.2	**2.4**	**3.0**	**3.1**
Terms of trade goods				0.4	1.6	3.0	1.9	**0.0**	**0.0**	**0.0**
Trade balance (goods) (c)				-24.1	-23.5	-20.8	-22.3	**-22.4**	**-22.1**	**-22.0**
Current-account balance (c)				-7.7	-5.9	-1.3	-2.5	**-2.6**	**-2.7**	**-2.7**
General government balance (c)				4.3	-3.6	-1.3	-0.7	**-2.2**	**-1.9**	**-1.7**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				64.5	64.1	57.6	54.2	**53.6**	**52.9**	**52.1**

(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.

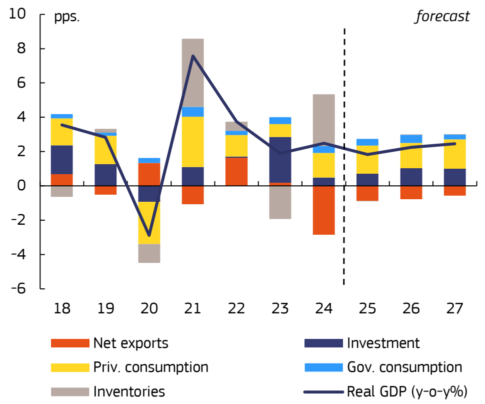
29. BOSNIA AND HERZEGOVINA

Economic activity decelerated in the first half of 2025 due to weak external demand and rising domestic inflation. Employment growth turned negative, yet the number of registered unemployed continued to decline. These factors are expected to dampen growth throughout the rest of 2025, with modest growth projected in 2026 and 2027. Export growth is expected to remain subdued, reflecting weak external demand and reduced price competitiveness due to high domestic wage growth. Disposable income will be negatively affected by persistent inflation and low employment growth.

Economic activity set to remain subdued over the forecast period

Economic growth was around 2.5% in 2024, slowing to 1.8% in the first half of 2025, mainly due to weaker export growth, primarily resulting from softening demand in export markets. Private consumption was the main drive of growth, benefiting from strong real wage growth amid high nominal wage increases. Import growth accelerated, reflecting increased domestic demand. Net financial inflows, largely in the form of transfers–in particular remittances–remained stable in 2024 and the first half of 2025, at approximately 10% of GDP in total. The current account deficit widened due to weaker exports, while net inflows of foreign direct investment remained relatively low at below 3% 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. Private consumption growth is likely to remain stable, benefiting from strong wage increases. However, external demand is projected to remain subdued due to modest growth in the country's export markets and the deteriorating international price competitiveness as a result of rapidly increasing domestic wages. The start of the CBAM's definitive period in January 2026 will increase the costs of CO_2 intensive exports, impacting a significant part of the country's exports. Overall, GDP growth is expected to decelerate in 2025, while stronger investment benefiting from lower political tensions and increased EU financial support is projected to slightly boost GDP growth in 2026 and 2027.

The labour market is set to remain tight; due to shrinking labour supply

Registered employment growth slowed down further from 0.5% in 2024 to -0.3% in the first eight months of 2025. Trade and tourism continued to show the largest employment gains, while employment declined in other sectors such as mining and agriculture. The number of unemployed continued to decline, due to many of those individuals leaving the labour market. Indications of a continued outflow of qualified labour suggests increased labour shortages in sectors such as construction and health. This is set to contribute to further wage pressures exceeding productivity growth, while also helping to reduce the unemployment rate.

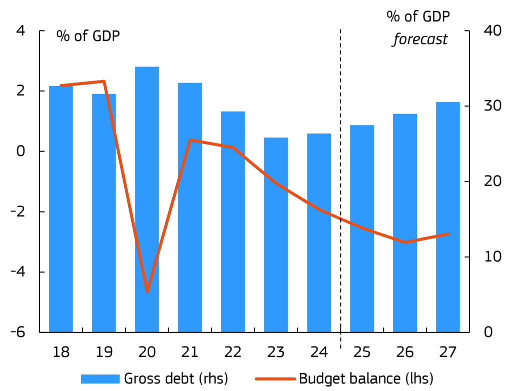
Inflation is expected to remain elevated

Inflation accelerated from 1.4% in 2024 to 3.9% during the first nine months of 2025, mainly driven by higher prices for food, restaurants and hotels, and health services. Nominal wage growth rose from 9.8% in 2024 to 13.8% in the first eight months of 2025, or from 8% to 10% in real terms, significantly higher than productivity growth. Due to labour market bottlenecks, wage pressures are expected to remain high, bringing headline inflation to close to 4% in 2025. While low import prices are projected to bring down headline inflation in 2026 and 2027, domestic price pressures are expected to remain, due to strong wage pressures and overdue electricity price adjustments.

Public finances face additional spending pressures

The general government deficit rose from 1.1% in 2023 to 1.9% of GDP in 2024. Despite strong revenue growth in early 2025, higher wages and social transfers are expected to raise the deficit to 2.5% of GDP in 2025. Revenue is expected to remain stable at around 43% of GDP throughout the forecast period. In 2026, decelerating revenue growth and continued high spending for pensions and social transfers is expected to increase general government deficit by about ½ pps. of GDP. Financing constraints will help to contain spending increases, leading to a reduction in the deficit in 2027. 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 are largely on the upside

The country's direct exposure to the US export market is rather limited. Domestically, economic growth could benefit from the recent reduction in political tensions, improving the investment climate. This could allow the country to access further EU financial support for investment and overdue structural reforms. With general elections planned in 2026, public spending might increase markedly, supporting output growth but also resulting in a significantly higher deficit and debt.

Table III.29.1: **Main features of country forecast - BOSNIA AND HERZEGOVINA**

		2024			Annual percentage change					
	bn BAM	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP (a)		53.8	100.0	:	3.7	1.9	2.5	**1.8**	**2.2**	**2.5**
Private Consumption (a)		35.4	65.7	:	1.9	1.1	2.1	**2.5**	**2.2**	**2.5**
Public Consumption (a)		10.0	18.7	:	1.3	2.1	2.2	**2.0**	**2.5**	**1.5**
Gross fixed capital formation (a)		12.7	23.5	:	0.3	12.1	2.2	**3.0**	**4.5**	**4.5**
Exports (goods and services) (a)		21.9	40.8	:	11.8	-1.2	-3.1	**2.0**	**2.5**	**2.8**
Imports (goods and services) (a)		29.3	54.4	:	6.2	-1.3	2.8	**3.1**	**3.3**	**3.1**
GNI (GDP deflator)		53.6	99.5	:	3.7	2.7	2.6	**1.8**	**2.2**	**2.5**
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	**-0.9**	**-0.8**	**-0.6**
Employment				1.6	1.0	0.8	0.4	**0.3**	**0.5**	**0.7**
Unemployment rate (b)				17.4	15.4	13.4	13.2	**12.9**	**12.5**	**12.0**
Compensation of employees / head				:	13.0	11.9	2.5	**4.4**	**4.6**	**3.7**
Unit labour costs whole economy				:	10.0	10.7	0.5	**2.9**	**2.8**	**2.0**
Saving rate of households (c)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	9.5	9.6	3.1	**3.8**	**2.8**	**2.1**
Consumer price index				:	14.0	6.1	1.7	**4.0**	**3.3**	**3.0**
Terms of trade goods				:	-4.7	-0.7	-1.5	**0.0**	**0.0**	**0.0**
Trade balance (goods) (d)				-25.8	-22.3	-20.1	-21.8	**-21.5**	**-21.6**	**-21.8**
Current-account balance (d)				-5.7	-4.4	-2.3	-4.3	**-3.9**	**-4.1**	**-4.2**
General government balance (d)				-0.6	0.1	-1.1	-1.9	**-2.5**	**-3.0**	**-2.7**
Structural budget balance (e)				:	:	:	:	**:**	**:**	**:**
General government gross debt (d)				35.2	29.3	25.8	26.4	**27.5**	**29.0**	**30.5**

(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.

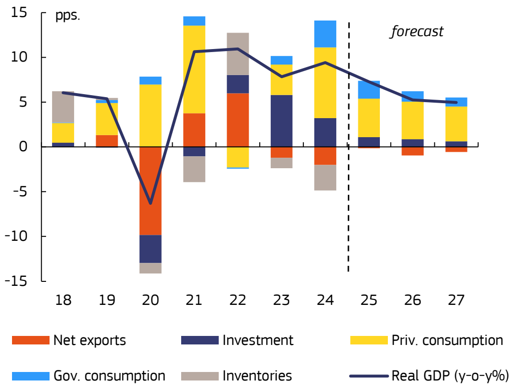
30. GEORGIA

Georgia's economic growth is expected to remain strong, exceeding 7% in 2025 and decelerating to 5-5.5% in 2026 and 2027. Growth is projected to be driven by private and government consumption, while investment is set to slow down on the back of weakened business confidence and domestic political turmoil. The unemployment rate is set to slightly decline by 2027, while remaining structurally high. Inflation picked up in 2025 due to rising food prices, but price pressures are expected to ease going forward. The general government deficit is set to remain limited over the forecast horizon, just above 2% of GDP, while the public debt is forecast to decline towards 35% of GDP.

Strong, but easing economic growth

GDP growth remained strong, despite a slowdown from 9.4% in 2024 to 7.7% in the first nine months of 2025. Private consumption remained the main growth factor, although it has weakened due to slower wage growth, higher inflation and a slight decrease in employment. Government consumption grew strongly, as the government spent part of the windfall revenue gains from a thriving economy. Investment remained strong, despite a temporary slowdown in public investment. Merchandise exports increased substantially in this period, although largely driven by re-exported cars. Imports grew at a slightly slower pace than exports. Remittance inflows remained stable, slightly above 10% of GDP. On the supply side, the fast-rising information and communication technology sector contributed particularly strongly to real GDP growth, followed by other services such as education, financial services and real estate, while the contribution of manufacturing and agriculture to growth is close to zero. Overall, GDP growth is projected to reach 7.3% in 2025.

Graph III.30.1: **Georgia - Real GDP growth and contributions**



Looking ahead, growth is set to ease towards its long-term potential of 5-5.5% in 2026 and 2027. It is expected to remain driven by private and public consumption, which is supported by rising wages and strong consumer lending. Investment growth is set to slow down due to weakened business confidence and a lower FDI inflow, reflecting domestic political turmoil. Merchandise exports are projected to rise slowly due to weak export capacity, while the country has potential to further expand service exports, especially in tourism, ICT and transport sectors. The surplus in services is anticipated to largely offset the impact of gradually rising imports, driven by rising consumption. The current account deficit is expected to shrink towards 4% of GDP. The forecast is subject to both downside and upside risks, including risks related to the uncertain domestic political situation. The end of Russia's war of aggression against Ukraine could potentially reverse some gains for Georgia from migration and transit trade, but the benefits of greater regional stability could offset these effects.

Labour market situation slightly deteriorating

While the situation on the labour market improved significantly in previous years, it showed a modest deterioration in the first half of 2025. The unemployment rate increased from 13.9% in 2024 to 14.3% in the second quarter of 2025. Employment declined by 2.5% over the same period, particularly among self-employed workers. 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. Real wage growth has slowed from 9.5% in 2024 to 6.5% in the second quarter of

2025 (y-o-y), which was below productivity growth in the Georgian economy. Real wage growth is projected to moderate in 2026 and 2027.

Inflation picked up temporarily, but is expected to return to target level

Following a decrease to 1% in 2024, consumer price inflation increased to 5.2% y-o-y in October 2025. This increase was mainly driven by rising prices of food and certain services spurred by strong demand, while prices of imported goods were lower than in the previous year due to a decline in fuel prices. Inflation excluding energy and food was much lower than the headline CPI, at 2.7%. Overall, inflation is projected to average close to 4% in 2025. As the inflationary factors are expected to gradually fade over the course of the next year, inflation is set to return to the target level of 3% in 2027.

Limited fiscal deficit, with public debt on a downward path

General government deficit stood at 2.1% of GDP in 2024. In the first half of 2025 revenue was 11% higher than in the same period of the year before, boosted by robust growth and higher inflation. Current expenditure increased by 16% over the same period, mainly due to a strong increase in public sector salaries in late 2024 and higher social benefits. Capital expenditure declined by 20%, reflecting a temporary slowdown in public investment projects. The consolidated general government deficit is projected at 2.1% of GDP in 2025, below the deficit of 2.4% of GDP projected in the budget law. The deficit-to-GDP ratio in 2026 and 2027 is expected to remain at a similar level, with no new discretionary fiscal measures planned. The general government debt is projected to gradually decrease below 35% of GDP in 2027, partially on the back of the robust nominal GDP growth.

Table III.30.1: **Main features of country forecast - GEORGIA**

		2024		Annual percentage change						
		bn GEL Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		91.9	100.0	:	11.0	7.8	9.4	**7.3**	**5.3**	**5.0**
Private Consumption		65.6	71.3	:	-2.8	4.7	11.0	**6.0**	**6.0**	**5.5**
Public Consumption		12.4	13.4	:	-0.8	7.5	24.7	**15.0**	**8.0**	**7.0**
Gross fixed capital formation		20.3	22.0	:	9.9	29.4	15.0	**5.0**	**4.0**	**3.0**
Exports (goods and services)		44.4	48.4	:	37.4	9.5	5.9	**6.9**	**6.4**	**5.5**
Imports (goods and services)		51.4	56.0	:	16.9	10.0	8.5	**6.2**	**7.4**	**5.8**
GNI (GDP deflator)		85.1	92.6	:	10.2	6.8	9.8	**8.2**	**6.1**	**5.7**
Contribution to GDP growth:	Domestic demand			4.7	-0.5	8.8	12.7	**7.4**	**6.2**	**5.5**
	Inventories			-0.1	4.7	-1.1	-2.9	**0.0**	**0.0**	**0.0**
	Net exports			-0.8	6.0	-1.2	-2.0	**-0.1**	**-1.0**	**-0.6**
Employment				-2.0	5.4	4.0	5.1	**-1.5**	**3.0**	**2.0**
Unemployment rate (a)				21.3	17.3	16.4	13.9	**14.5**	**13.6**	**12.7**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	8.1	2.9	3.8	**4.3**	**3.5**	**3.0**
Consumer price index				5.1	11.9	2.5	1.1	**3.8**	**3.2**	**3.0**
Terms of trade goods				:	0.4	-8.3	5.9	**1.5**	**1.0**	**0.0**
Trade balance (goods) (c)				-22.6	-20.2	-19.8	-19.1	**-19.0**	**-19.6**	**-20.3**
Current-account balance (c)				-10.0	-4.4	-5.5	-5.4	**-4.1**	**-4.2**	**-4.2**
General government balance (c)				-2.3	-2.2	-1.9	-2.1	**-2.1**	**-2.1**	**-2.1**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				37.3	39.2	38.9	37.3	**35.7**	**35.2**	**34.7**

(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.

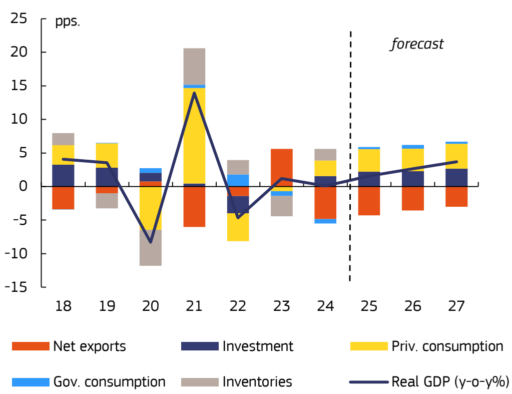
31. MOLDOVA

Economic activity picked up in the first half of 2025, supported by strong private investment growth while energy support payments from the first quarter of 2025 helped to cushion the impact of energy price hikes on private consumption. Net exports are set to continue weighing on GDP, however growth is projected to reach 1.6% in 2025 and strengthen to 3.7% in 2027, supported by robust private consumption growth and the spending from the Reform and Growth Facility. The general government deficit is projected to remain broadly stable in 2025 before widening to nearly 5% of GDP due to the implementation of the Reform Agenda and investments supported through the Facility. The debt-to-GDP ratio is expected to rise over the forecast horizon.

Economic activity set to recover, driven by domestic demand

Following a stagnation in 2024, largely due to a marked decline in agricultural output, real GDP rebounded in the second quarter of 2025 by 1.1% q-o-q. This recovery was mainly driven by robust domestic demand, supported by real wage growth, while broad-based energy support helped to mitigate the negative impact of the winter energy price increase on household's income and companies' operational costs. At the same time, a strong growth in private investments was supported by policies, such as a zero-tax rate for reinvested profits by SMEs and more favourable financing conditions. Net exports continued weighing on growth mainly due to a decline in agricultural exports largely attributed to the 2024 drought and a sharp increase in electricity imports.

Graph III.31.1: **Moldova - Real GDP growth and contributions**



Real GDP growth is projected to reach 1.6% in 2025, and then to gain further momentum over the forecast period, as agriculture recovers, and the Reform and Growth Facility boosts consumption and investment. Supported by the economic recovery, the labour market is set to resume a positive trajectory, with real wage growth continuing to sustain private consumption. Private investment is set to remain the main driver of overall investment growth in 2025, while public investment is expected to accelerate through 2027, supported by the Reform and Growth Facility. Net exports are projected to remain a drag on growth, though their negative contribution is expected to ease. Agricultural exports are set to rebound, supported by favourable weather conditions in the second half of 2025, while import growth is set to slow down. However, this recovery will be partly offset by ongoing declines in re-exports of oil and gas through 2026 and a sharp drop in vegetable oil exports, partly due to new import licensing requirements.

The current account deficit widened significantly in 2025, reflecting a further deterioration in the trade balance. However, services exports, especially in ICT, are set to partly offset the goods trade deficit. Import growth is expected to moderate as domestic renewable energy production increases, while rising investments are set to support import demand. Remittance inflows further declined in the first half of 2025, driven primarily by lower transfers from Russia, while remittances from the EU continued to grow and are expected to remain high. Foreign direct investment inflows showed a positive trend during the first half of 2025, mostly consisting of reinvested earnings, and are projected to strengthen further as EU integration advances. At the same time, the impact of Russia's war of aggression against Ukraine is set to continue weighing on investor confidence.

Downside risks remain high in the short term, particularly the resurfacing of inflationary pressures, climate-related risks, limited capacity to execute planned investments and geopolitical uncertainty.

Upside risks include faster public investment implementation and a stronger agricultural rebound driven by favourable weather conditions and reforms strengthening the sector's resilience.

Labour market rebounds alongside economic recovery

Labour shortages due to a persistent skills mismatch and widespread full-time or seasonal work abroad are set to continue constraining Moldova's labour market. Following a decline of employment and the labour market participation rate towards the end of 2024 and in 2025-Q1 due to the economic slowdown, the labour market is set to resume moderate growth as the economy's expansion gains pace. Real wage growth in the first half of 2025 slowed down on account of higher inflation but is expected to further increase, supported by persistently strong demand for both low and high skilled labour, as well as by legislated increases in public and minimum wages.

Inflation eases after energy price hike in winter 2024/25

Inflation peaked at 9.1% in January 2025 due to a sharp increase in electricity prices after Russian gas to the Transnistrian region was cut off. Lower energy and food prices, supported by improved domestic agricultural production in summer contributed to inflation easing to 6.9% in September. Inflation is expected to fall below 6% by the end of this year, returning to the central bank's target range of 5% ±1.5 pps., supported by a further decline in food and regulated prices. Through 2027, inflationary pressures are expected to rise modestly, reflecting a stronger domestic demand.

Fiscal deficit remained broadly stable but is set to increase

During the first eight months of 2025, revenues outperformed initial expectations, underpinned by higher inflation and improved revenue collection. At the same time, expenditure was under-executed, particularly capital spending. For 2025, the general government deficit is expected to reach 3.8% of GDP, similar to the 2024 level. While the 2026 budget has not been presented yet, the fiscal deficit-to-GDP ratio is expected to widen, reaching close to 5% of GDP by the end of the forecast period, largely on the back of increased current spending linked to the implementation of reforms and due to investments financed under the Reform and Growth Facility. The phase out of the zero-tax rate for SME reinvested profits is set to positively affect revenues from 2027. Public debt is expected to moderately rise from 38.2% of GDP in 2024 to 41.1% of GDP in 2027, supported by a favourable interest-growth differential.

Table III.31.1: **Main features of country forecast – MOLDOVA**

	2024		Annual percentage change						
bn MDL	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP	323.8	100.0	:	-4.6	1.2	0.1	**1.6**	**2.6**	**3.7**
Private Consumption	281.2	86.8	:	-5.0	-0.8	2.7	**3.9**	**3.8**	**4.2**
Public Consumption	57.9	17.9	:	10.7	-4.0	-3.6	**1.7**	**2.9**	**1.7**
Gross fixed capital formation	64.7	20.0	:	-10.5	0.0	8.0	**11.0**	**11.0**	**12.5**
Exports (goods and services)	101.7	31.4	:	29.7	4.8	-5.0	**4.0**	**5.2**	**7.0**
Imports (goods and services)	185.4	57.3	:	18.2	-5.1	5.2	**9.7**	**8.6**	**8.5**
GNI (GDP deflator)	326.6	100.9	:	-6.4	2.4	-0.6	**0.8**	**2.7**	**3.8**
Contribution to GDP growth: Domestic demand			3.7	-5.2	-1.4	3.2	**5.9**	**6.2**	**6.7**
Inventories			0.2	2.1	-3.0	1.7	**0.0**	**0.0**	**0.0**
Net exports			-1.1	-1.4	5.6	-4.8	**-4.3**	**-3.6**	**-3.0**
Employment			:	2.2	2.8	-3.7	**1.0**	**1.3**	**2.0**
Unemployment rate (a)			4.0	3.1	4.6	4.0	**3.9**	**3.7**	**3.5**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	18.9	9.3	6.6	**7.4**	**7.0**	**6.7**
Consumer price index			6.6	28.7	13.4	4.7	**7.3**	**4.7**	**5.0**
Terms of trade goods			:	-3.2	-9.0	1.7	**2.1**	**3.9**	**3.9**
Trade balance (goods) (c)			-28.4	-35.9	-29.1	-30.9	**-33.9**	**-34.9**	**-35.1**
Current-account balance (c)			-4.7	-16.6	-11.3	-16.0	**-19.2**	**-20.4**	**-19.9**
General government balance (c)			-2.0	-3.2	-5.1	-3.9	**-3.8**	**-4.6**	**-4.9**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			34.2	35.0	34.9	38.2	**38.9**	**40.0**	**41.1**

(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.

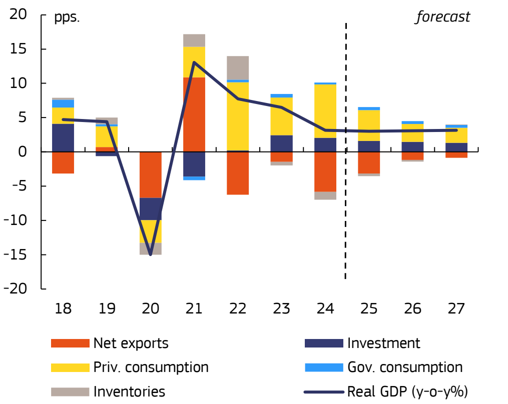
32. MONTENEGRO

Montenegro's economic growth continued at a rate of around 3% in the first half of 2025, supported by strong domestic demand. While higher disposable income and credit expansion are driving private consumption, they also contributed to higher inflation. External imbalances widened due to a temporary fall in electricity exports, muted tourism performance and strong demand for imported goods. The outlook is for moderate economic growth between 2025 and 2027, with gradually recovering exports while private consumption growth is set to decelerate. The revised budget targets a deficit of 3.5% of GDP in 2025 and the deficit is projected to exceed 3% of GDP over the forecast period, while public debt is set to increase to above 60% of GDP.

Domestic demand drives GDP growth

Real GDP growth for 2024 was revised up from 3% to 3.2%. Economy expanded by 3.1% y-o-y in the first half of 2025, driven by a strong increase in investment, growing by 7.4% y-o-y, and private consumption, which grew by 6.4% y-o-y. The growth in private consumption was supported by higher disposable income and credit expansion. The temporary closure of the Pljevlja thermal power plant for renovation and upgrades, and muted tourism performance, led to negative export growth of 2.8% y-o-y. Meanwhile, import growth remained stable at 3.7% y-o-y, resulting in a negative contribution of the external sector to GDP. Government consumption expanded moderately.

Graph III.32.1: **Montenegro - Real GDP growth and contributions**



Economic growth is likely to remain stable in 2025-27, hovering around 3%. The implementation of the Europe Now 2.0 programme, which included cutting pension contributions, increasing the minimum wage and accelerating infrastructure investment, is set to drive private consumption and investment in 2025. The positive impact on private consumption is projected to peter out in 2026-27, while investment growth is set to continue due to the implementation of large road and railway projects. Exports are projected to recover in 2026-27 thanks to the reopening of the Pljevlja thermal power plant, while the growth of service exports, in particular tourism, is expected to remain moderate. Import growth is forecast to ease up in 2026-27 in line with slowing domestic demand. The current account deficit widened in the first half of 2025 due to the poor performance of merchandise exports, in particular electricity, and a muted tourism season. The surplus in the secondary income balance declined, reflecting higher current transfers, while the primary income surplus improved marginally, in line with the historic trend. Large current account deficits are set to persist in 2026-27, driven mainly by the growth of imports.

Improving labour market situation

Employment gains, partially supported by declining informality due to the implementation of the Europe Now 2.0 programme, continued into 2025, with the unemployment rate declining to a new record low of 10.7% in 2025-Q2. Employment growth is expected to continue to decelerate in 2026-27 as higher wages are likely to weigh on job creation in the services sector.

Domestic policy measures contribute to resurging price pressures

Inflation accelerated in the course of 2025 from 2.8% y-o-y in January to 4.9% in September. Key drivers were health services, accommodation, catering and alcoholic beverages. Inflation in 2025 is also driven by domestic price pressures stemming from higher wages. Inflation is expected to moderate in 2026-27 under the assumption that policies do not change. Risks to the GDP outlook are skewed to the downside. While Montenegro's exposure to the US is limited, the uncertain global environment still poses a downside risk, along with a slower-than-expected export recovery. In addition, higher wages weigh on the competitiveness of the services sector. The upside risks are associated with the accelerated implementation of investment programme and the Reform Agenda under the EU's Growth Plan, which is expected to improve the business environment.

Budget deficits to persist

From January to August the budget underperformed and recorded a deficit of 0.9% of projected GDP, compared to a full-year deficit target of 3.5% for 2025. Revenue growth was supported by strong performance of VAT, excises and personal income tax, while pension contributions and grant revenue were lower than expected. Spending was driven by investment, social transfers and interest costs. In the absence of additional consolidation measures, the general government deficit is projected to widen in 2025 and remain above 3% of GDP in 2026-27. Public debt is projected to increase gradually, driven by persistent budget deficits. In March, Montenegro issued a record volume of EUR 850 million Eurobond, amounting to around 10.7% of projected GDP. The balance of risks to the fiscal outlook remains tilted to the downside due to the reliance on consumption taxes and high mandatory spending.

Graph III.32.2: **Montenegro - General government budget balance and gross debt**

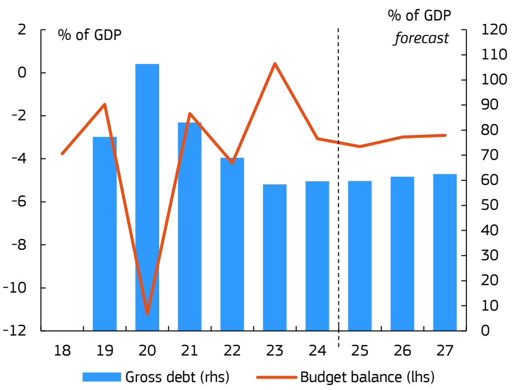


Table III.32.1:

Table 2.1.1:

Main features of country forecast - MONTENEGRO

		2024		Annual percentage change						
	mio EUR	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		7644.5	100.0	2.5	7.7	6.5	3.2	**3.0**	**3.1**	**3.1**
Private Consumption		6033.9	78.9	:	13.5	7.1	10.3	**5.7**	**3.2**	**2.5**
Public Consumption		1348.4	17.6	:	1.9	2.8	1.6	**2.7**	**2.4**	**2.3**
Gross fixed capital formation		1610.0	21.1	:	0.9	11.3	10.1	**7.7**	**6.8**	**6.0**
Exports (goods and services)		3344.3	43.7	:	19.3	9.0	-4.0	**-0.6**	**3.2**	**3.6**
Imports (goods and services)		5060.5	66.2	:	23.3	8.2	5.7	**4.4**	**3.7**	**3.3**
GNI (GDP deflator)		7664.1	100.3	:	7.6	5.4	2.5	**4.1**	**3.3**	**3.1**
Contribution to GDP growth:	Domestic demand			3.7	10.5	8.5	10.1	**6.6**	**4.5**	**3.8**
	Inventories			-0.1	3.4	-0.5	-1.1	**-0.4**	**-0.3**	**0.1**
	Net exports			-1.3	-6.2	-1.4	-5.8	**-3.2**	**-1.2**	**-0.7**
Employment				:	17.3	10.5	2.9	**2.5**	**2.2**	**2.0**
Unemployment rate (a)				18.0	15.0	13.4	11.5	**10.8**	**10.6**	**10.3**
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	**3.8**	**3.2**	**2.8**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-44.2	-44.9	-42.2	-43.2	**-45.3**	**-46.4**	**-46.0**
Current-account balance (c)				-15.5	-12.9	-11.1	-16.8	**-17.1**	**-17.4**	**-17.2**
General government balance (c)				-3.4	-4.2	0.4	-3.1	**-3.5**	**-3.3**	**-3.2**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				56.6	69.0	58.4	59.6	**60.6**	**62.5**	**64.4**

(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.

33. NORTH MACEDONIA

In the first half of 2025, annual GDP growth picked up to 3.2% on average, driven by domestic demand. Headline inflation has been rebounding since September 2024. Growth is projected to continue to accelerate over the forecast horizon, driven by investment and private consumption. Despite strong public revenue performance in the first nine months of 2025, reaching the 2025 deficit target of 4% of GDP poses a challenge as current spending was higher than initially planned. The deficit is projected to decline gradually but will remain above 3% of GDP.

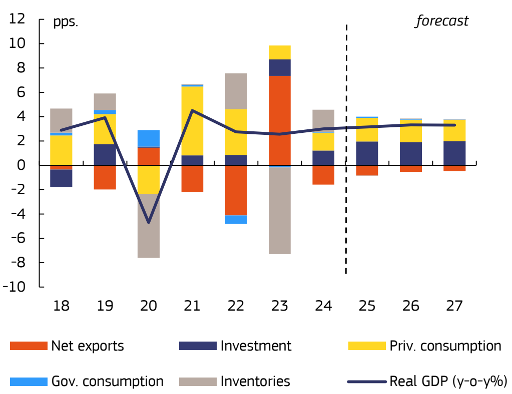
Investment to drive growth

Economic activity was largely driven by investment and private consumption in the first half of 2025, with public consumption remaining flat after significant increases in 2024. Household consumption growth picked up from its sluggish performance in 2024, supported by rising real disposable incomes driven by strong pension and wage growth, household credit expansion and easing inflation. Exports and imports performed better in the first half of 2025 than projected in the spring. Even though North Macedonia's trade links with the US are limited, it is exposed indirectly through its exports of automotive components to Germany, and there was likely some trade frontloading in the first half of the year. However, the contribution of net exports to growth remained negative. Looking ahead, private consumption is likely to remain robust over the forecast horizon, with disposable income gradually increasing further, though at lower rates, given some projected abatement in the rise of wages and pensions. Gross investment is likely to be the main contributor to growth. Public works on Road Corridor 8 and 10d started in 2025, and their contribution to economic growth is expected to peak in 2027. Private investment benefits from improving sentiment and subsidised funding through loans from Hungary and EIB credit lines. Although export growth is projected to slow after a strong first half, and imports rise to meet domestic demand, the negative impact of the external balance on growth is expected to diminish.

Inflation driven by domestic factors

Headline inflation has been rebounding since September 2024. This was initially driven by rising food prices, temporarily broken by the government's price controls at the beginning of 2025, which included limits on gross profit margins of basic food products and expired in April. In 2025, inflation became mainly driven by domestic factors—rising wages and credit growth—rather than by food and energy prices. This was reflected in the rebounding of headline inflation excluding energy and food over the summer. Inflation is projected to be higher in 2025 than previously expected but is set to decline to the central bank's target of 2% by 2027, aided by a more restrictive fiscal policy. The central bank lowered the key policy rate in several steps from 6.30% in September 2024 to 5.35% in February 2025.

Graph III.33.1: **North Macedonia - Real GDP growth and contributions**



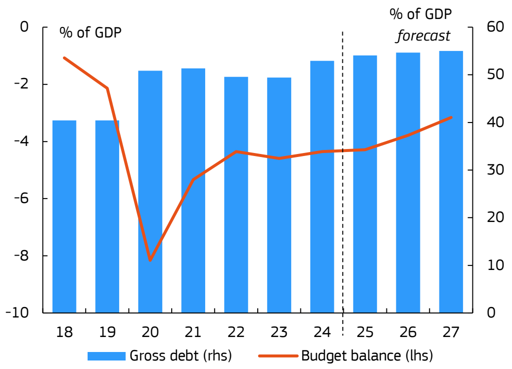
High inactivity and labour shortage put pressure on wages

Despite sustained employment growth in the first half of 2024, and declining unemployment, in particular among women, inactivity among the working-age population remains high. Gross nominal wages rose by 12.9% in 2024, driven by higher minimum wages, collective agreements and labour shortages in many sectors, but wage growth calmed somewhat in the first half of 2025. Against this background, employment growth is likely to remain subdued, until major structural challenges, such as low labour market participation, are addressed.

Fiscal consolidation plans remain uncertain

While tax income increased strongly in the first nine months of the year, a budget revision was needed in July, as current spending spiralled above initial plans in an election year. The revision lifted projections for both revenue and spending without raising the deficit target of 4% of GDP. Revenue was adjusted for a previously unbudgeted transfer of central bank profits to the government. Spending was increased for pensions, wages, and goods and services. Public investment has been low in the first three quarters of 2025, raising concerns that unused funds might be redirected to current spending to reach the 2025 deficit target. The deficit is projected to decline gradually over the forecast horizon, driven by more restrained increases in public sector wages and pensions, focused social spending and robust revenue increases in line with economic growth projections. However, meeting the new deficit rule of 3% of GDP by 2027 seems unlikely if the government does not outline specific consolidation measures. The government has high financing needs in the forecasting period, amounting to 10-12% of projected GDP annually, with a major repayment for a 2020 Eurobond (EUR 700 million) due in June 2026.

Graph III.33.2: **North Macedonia - General government budget balance and gross debt**



Risks are mainly on the downside

The short-term growth outlook could be negatively impacted by weaker than expected domestic demand resulting from lower household spending due to a renewed flare-up in inflation – such as through sustained wage growth or fiscal slippages. Ongoing public infrastructure works and their projected positive repercussions on the domestic economy might be compromised due to implementation problems. Conversely, swift completion of structural reforms, as agreed under the EU's Growth Plan, would improve prospects for productivity and growth.

Table III.33.1: **Main features of country forecast - NORTH MACEDONIA**

	2024			Annual percentage change						
bn MKD	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP	964.1	100.0	2.6	2.8	2.6	3.0	**3.2**	**3.3**	**3.3**
Private Consumption	644.2	66.8	2.4	5.5	1.7	2.1	**2.9**	**2.8**	**2.6**
Public Consumption	149.9	15.5	2.0	-4.3	-1.1	0.4	**0.6**	**0.3**	**0.1**
Gross fixed capital formation	226.5	23.5	5.3	3.7	5.6	5.0	**8.3**	**8.0**	**8.1**
Exports (goods and services)	594.6	61.7	7.2	10.6	-3.0	-4.0	**5.2**	**5.4**	**5.0**
Imports (goods and services)	719.6	74.6	6.6	13.6	-10.2	-1.4	**5.4**	**5.2**	**4.8**
GNI (GDP deflator)	893.3	92.7	2.5	2.5	1.9	0.5	**2.7**	**3.1**	**3.2**
Contribution to GDP growth:	Domestic demand		3.3	3.9	2.3	2.7	**4.0**	**3.8**	**3.8**
	Inventories		0.3	3.0	-7.1	1.8	**0.0**	**0.0**	**0.0**
	Net exports		-0.9	-4.1	7.3	-1.6	**-0.8**	**-0.5**	**-0.5**
Employment			1.9	-6.2	-0.5	1.3	**1.1**	**1.0**	**1.0**
Unemployment rate (a)			25.4	14.4	13.2	12.5	**11.7**	**11.3**	**11.0**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			2.8	8.9	7.9	3.7	**3.5**	**3.1**	**1.8**
Consumer price index			:	14.2	9.4	3.5	**3.9**	**3.2**	**2.3**
Terms of trade goods			0.5	-0.7	-1.2	:	**:**	**:**	**:**
Trade balance (goods) (c)			-21.4	-26.3	-18.0	-19.7	**-19.8**	**-20.2**	**-20.4**
Current-account balance (c)			-3.1	-6.1	0.4	-2.2	**-2.3**	**-2.1**	**-2.2**
General government balance (c)			-2.9	-4.4	-4.6	-4.4	**-4.3**	**-3.8**	**-3.2**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			34.8	49.6	49.4	52.9	**54.1**	**54.6**	**55.0**

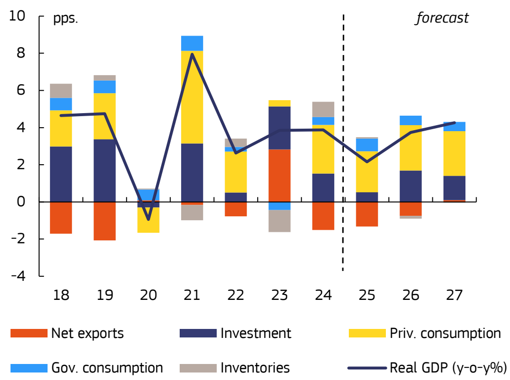
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

34. SERBIA

The Serbian economy slowed markedly in the first half of 2025 to about 2% due to both domestic and external factors, but is projected to rebound to 3.3% in 2026 and 4.2% in 2027 as domestic demand benefits from large-scale public investments and rising household incomes. This would add to the current account deficit and inflationary pressures. The fiscal stance is set to remain loose at a deficit target of 3% of GDP, but public debt is still projected to decrease as a share of GDP to 46.5% by 2027.

Domestic demand stimulated by the government

Graph III.34.1: **Serbia - Real GDP growth and contributions**



Economic growth slowed from about 4% in 2024 to about 2% y-o-y in the first half of 2025. Ongoing domestic political unrest and student-led protests, together with global uncertainties over tariffs and trade, has impacted consumer and business confidence and FDI inflows, which have halved compared to 2024. Household consumption rose by 2.4% y-o-y in the first half of 2025, significantly less than the high wage and pension growth. Investment declined by 2.5% y-o-y, notably due to weaker construction activity, although from a high level after several years of robust growth. A strong negative effect on growth came from a 10.5% surge in imports outpacing a 6.5% growth in exports. As a result, the current account deficit is expected to widen to 5.3% of GDP in 2025, up from 4.7% in 2024. Short-term indicators for construction activity, industrial production and retail trade suggest continued modest economic activity for the rest of 2025. The economic sentiment indicator improved over August and September, but was still below its long-term average. Overall, annual GDP growth is forecast to slow to 2.2% in 2025, before accelerating in 2026 to 3.3% and further strengthening in 2027 to 4.2% as major public works boost investment amid the 'Leap to the Future – Serbia 2027' programme and the specialised EXPO 2027, culminating in expected strong tourist inflows in 2027. Household consumption is projected to eventually regain momentum as a result of solid wage growth as well as the adopted strong increases in both pensions (by 12% from December 2025) and minimum wages (cumulatively by 20% in 2026). In light of strong domestic demand, imports are projected to outpace exports in 2026 and to a smaller extent also in 2027, when EXPO-related tourist inflows are expected to boost services exports.

Downside risks to the outlook prevail, as the political instability has already cut FDI inflows and the business environment faces uncertainties, also from the government's significant intervention into the retail market, capping retail margins at 20% for a period of six months from September 2025 for a large number of food categories and some basic goods. In addition, in October 2025, the United States enforced sanctions on Serbia's oil company NIS, majority-owned by Russia's Gazprom, which supplies around 80% of the country's fuel. This is not included in the current forecast, as the resolution of the sanctions is highly uncertain, but it could have significant economic consequences in the coming months should oil reserves run out.

Wage growth to remain elevated

The labour market has softened over the first half of 2025, with employment down by 0.5% y-o-y in 2025-Q2 due to a notable drop in agriculture jobs and the unemployment rate going up by 0.3 pps. y-o-y to 8.5%. The average monthly wage continued to increase robustly, by about 11% y-o-y in the first half of 2025, well above inflation. In 2026 and 2027 wage growth is projected to moderate from the peak of 2025 amid easing inflationary pressures but is set to remain elevated as labour shortages in several sectors persist and the minimum wage is hiked. Employment is projected to continue to grow slowly as the labour supply has tightened, while unemployment appears to have neared its structural limit and is forecast to decrease only marginally over 2026-27.

Inflation pushed down by one-off measures

Consumer price inflation declined steadily from its peak in early 2023 to 3.8% y-o-y in May 2025, but bounced back again to 4.9% in July and 4.7% in August, breaching the upper limit of the central bank target range (3% ±1.5pps.). A weak agricultural season drove up food inflation (7.8% in August), which was the main driver of inflation, while energy, transport and communication prices registered only minimal increases. The temporary retail margin cap explains the sharp slowdown of inflation to 2.9% y-o-y in September, as food prices declined by 5% compared to the previous month. Overall, inflation is forecast to reach 4% in 2025 and slightly rise to 4.1% in 2026, as the 6-month margin cap expires in March 2026 and households' income growth is set to be relatively strong, boosted by pension and minimum wage hikes. 2027 is expected to experience large tourism inflows for the EXPO, which will likely keep inflation elevated at 3.7%, even with the assumed easing of other inflation drivers such as commodities.

Relaxed deficit target boosts expenditures

According to preliminary data, in January-July 2025 general government revenues grew by 6.6% y-o-y (reflecting the slowdown in consumption-related VAT revenue) while expenditure increased by 10.5%, driven by spending on subsidies, pensions and capital investment. The budget deficit is therefore projected to rise from 2% of GDP in 2024 to 3% in 2025, and to remain at this level in 2026-2027, in line with the relaxed fiscal target agreed by Serbia with the IMF. This was primarily motivated by the investment needs for the EXPO 2027 but has also allowed for increases in pensions and other expenditures. Public debt is nevertheless projected to slightly decrease from 47.5% of GDP in 2024 to 46.5% by 2027, thanks to the relatively strong nominal economic growth. However, several downside risks remain, as the ongoing domestic turmoil may give rise to higher than planned spending in politically important areas. In addition, the sanctions imposed on NIS could also entail unforeseen public expenditures.

Table III.34.1: **Main features of country forecast - SERBIA**

		2024			Annual percentage change					
	bn RSD	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		9748.3	100.0	2.2	2.7	3.7	3.9	**2.2**	**3.3**	**4.2**
Private Consumption		6047.6	62.0	1.8	3.5	0.5	5.2	**3.5**	**3.8**	**3.8**
Public Consumption		1705.3	17.5	1.5	1.3	-2.4	4.0	**3.8**	**3.0**	**2.9**
Gross fixed capital formation		2319.6	23.8	4.9	2.2	9.7	7.7	**2.2**	**7.1**	**5.4**
Exports (goods and services)		5223.5	53.6	7.1	17.0	2.7	5.2	**4.5**	**4.5**	**6.6**
Imports (goods and services)		5667.8	58.1	6.1	16.1	-1.4	8.0	**6.4**	**6.0**	**5.9**
GNI (GDP deflator)		9225.1	94.6	2.3	1.5	3.0	3.9	**1.1**	**2.7**	**4.2**
Contribution to GDP growth:		Domestic demand		2.6	3.0	2.2	5.7	**3.4**	**4.6**	**4.2**
		Inventories		0.1	0.5	-1.1	0.1	**0.1**	**-0.1**	**0.0**
		Net exports		-0.4	-0.7	2.7	-1.9	**-1.3**	**-1.2**	**0.0**
Employment				0.0	2.3	0.8	2.0	**0.1**	**0.4**	**0.7**
Unemployment rate (a)				16.6	9.5	9.4	8.6	**8.9**	**8.7**	**8.6**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				5.7	10.5	13.9	6.3	**3.9**	**4.4**	**4.4**
Consumer price index				:	12.0	12.4	4.7	**4.0**	**4.1**	**3.7**
Terms of trade goods				1.0	-4.0	2.3	1.8	**0.8**	**0.2**	**0.2**
Trade balance (goods) (c)				-12.1	-14.2	-8.5	-7.9	**-8.1**	**-8.7**	**-8.8**
Current-account balance (c)				-6.5	-6.6	-2.5	-4.7	**-5.3**	**-6.1**	**-5.2**
General government balance (c)				-3.1	-3.0	-2.1	-2.0	**-3.0**	**-3.0**	**-3.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				48.2	52.9	48.4	47.5	**47.7**	**47.3**	**46.5**

(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.

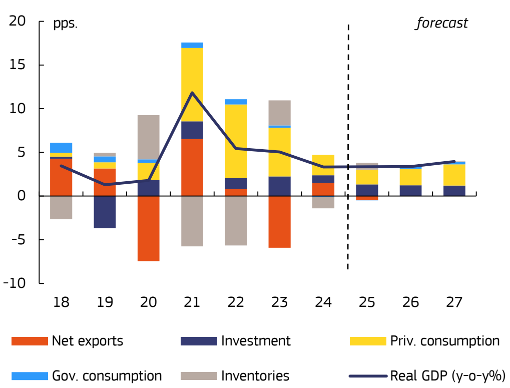
35. TÜRKIYE

Economic growth is expected to remain resilient at 3.4% in 2026 and to pick up to 4.0% in 2027. Despite a tight monetary policy stance, domestic demand remained robust in the first half of 2025. In view of services price stickiness and elevated inflation expectations, inflation is expected to come down only slowly in the next two years. Fiscal consolidation is expected to advance slowly and government indebtedness to remain moderate.

Moderate domestic demand to drive economic growth

A recent national accounts revision for the period 1998-2024 revised real GDP growth slightly upwards from 3.2% to 3.3% in 2024, mainly due to stronger consumption growth. The domestic political tensions in spring 2025 caused a financial market turmoil, which was countered by a strong economic policy reaction. Despite tightening monetary policy in reaction to market volatility, domestic demand remained robust in the first half of 2025. Economic growth accelerated to 4.8% y-o-y in the second quarter of 2025, affected by calendar effects and formalisation gains. Although household consumption weakened in comparison to the previous quarter, its growth remained robust at 5.1% y-o-y, with particularly buoyant growth of spending on durable goods. Investment growth also accelerated to 8.8% y-o-y in the second quarter, driven by machinery and equipment and persistently strong construction investment. High-frequency indicators point to a broadly unchanged economic performance in the third quarter. Economic confidence improved slightly due to small gains in construction, services and real sector confidence and despite worsening retail trade and consumer confidence.

Graph III.35.1: **Türkiye - Real GDP growth and contributions**



Economic growth is expected to slow down to 3.4% by the end of 2025, but to remain resilient in 2026 and to pick up to 4.0% in 2027. Household consumption is forecast to be the main driver of growth, supported by wealth effects driven by high gold prices and continuing employment gains. Although post-earthquake reconstruction is expected to taper off, investment is projected to expand steadily as financial conditions and economic prospects improve. In early 2025 the authorities tightened the fiscal stance to better support their disinflation programme, leading to a contracting government's final consumption expenditure in the second quarter. Public consumption is forecast to remain weak in view of the authorities declared objective to keep tight expenditure controls. Net exports' contribution to growth is expected to be close to zero, with moderate export and import growth. As a result, the trade and the current account deficits are set to remain broadly stable over the forecast horizon.

Limited employment growth set to keep the labour market slack elevated

The labour market remained broadly stable in the first half of 2025, with job gains in construction and services, and losses in agriculture and industry. Employment growth is expected to slowly pick up but to remain marginal in the next few years. The unemployment rate is forecast to remain largely unchanged at around 8.6%. Cost pressures are expected to be limited due to the significant slack on the labour market in view of elevated underemployment and large potential labour force.

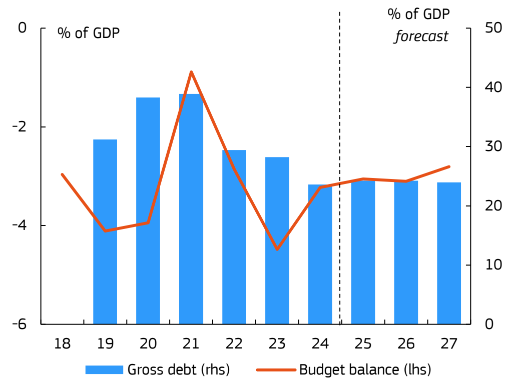
Disinflation remains a priority, but it faces hurdles

Despite falling from very high levels, inflation was still elevated and at 33.3% y-o-y surprised on the upside in September. Adverse weather conditions weighed on agricultural production and resulted in a strong increase in food prices. In addition, sticky services inflation, elevated inflation expectations, and large wealth effects due to rising gold prices, also push inflation up. In this environment, while disinflation remains the key policy priority backed by a tight monetary policy stance, inflation is expected to come down only slowly in the next two years, on average at 24.8% in 2026 and 17.7% in 2027.

Fiscal consolidation to advance slowly

The medium-term fiscal framework was revised in early September, raising the central government deficit target for 2025 from 3.1% to 3.6% of GDP. However, the general government deficit is set to remain around 3% of GDP in the next few years. The tighter fiscal stance net of earthquake-related spending is expected to be mildly supportive of the disinflation efforts both in 2025 and in the next two years. Government indebtedness is forecast to remain moderate at around 25% of GDP, with limited short-term risks but growing sustainability concerns of the social security system in view of the early retirement policies and an ageing population.

Graph III.35.2: **Türkiye - General government budget balance and gross debt**



Risks have come down but are still high

The Turkish economy has navigated the high geopolitical and domestic uncertainties of recent years relatively successfully. Internal political tensions in the spring triggered financial turmoil, but markets stabilised relatively quickly. The political situation remains volatile and risks, both domestic and external, are high. However, a recent track record of sound policies, lower economic imbalances, and higher buffers might help Türkiye withstand these challenges if the orthodox economic policy course is firmly maintained.

Table III.35.1: **Main features of country forecast – TÜRKIYE**

	2024				Annual percentage change					
	bn TRY	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		44587.2	100.0	5.0	5.4	5.0	3.3	**3.4**	**3.4**	**4.0**
Private Consumption		24199.7	54.3	4.8	16.2	10.5	4.3	**3.1**	**3.5**	**4.3**
Public Consumption		6445.6	14.5	6.5	4.5	2.3	-0.8	**0.0**	**1.5**	**2.0**
Gross fixed capital formation		13962.8	31.3	3.5	4.4	7.3	2.7	**4.3**	**4.0**	**4.0**
Exports (goods and services)		12291.9	27.6	6.0	10.5	-2.3	0.1	**1.8**	**3.4**	**3.9**
Imports (goods and services)		12052.2	27.0	2.7	8.3	12.1	-4.4	**3.6**	**3.5**	**3.8**
GNI (GDP deflator)		44004.6	98.7	:	5.8	4.1	3.9	**3.4**	**3.4**	**4.0**
Contribution to GDP growth:	Domestic demand			4.9	10.3	8.1	3.1	**3.0**	**3.4**	**3.9**
	Inventories			-0.5	-5.6	2.9	-1.3	**0.8**	**0.0**	**0.0**
	Net exports			0.8	0.8	-5.9	1.5	**-0.5**	**0.0**	**0.0**
Employment				2.3	6.6	2.9	3.1	**0.8**	**2.0**	**2.2**
Unemployment rate (a)				10.5	10.5	9.4	8.8	**8.6**	**8.6**	**8.6**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				12.2	95.5	68.3	59.3	**32.9**	**22.5**	**15.7**
Consumer price index				:	72.3	53.9	58.5	**35.2**	**24.8**	**17.7**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-6.1	-9.7	-7.6	-4.1	**-4.6**	**-4.8**	**-4.8**
Current-account balance (c)				-3.4	-4.9	-3.6	-0.8	**-1.5**	**-1.6**	**-1.9**
General government balance (c)				-1.9	-2.9	-4.5	-3.2	**-3.1**	**-3.1**	**-2.8**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				36.1	29.4	28.2	23.6	**24.2**	**24.2**	**23.9**

(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.

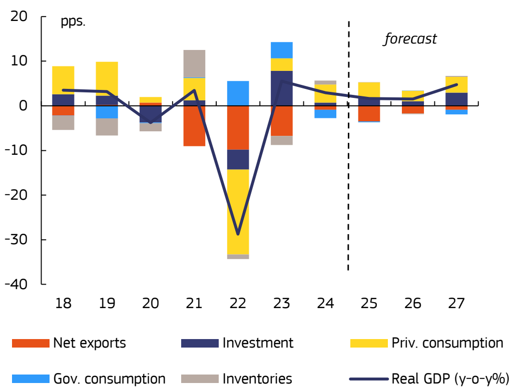
36. UKRAINE

Ukraine's economy continued to demonstrate resilience this year, considering the duration and intensity of Russia's war of aggression. Domestic demand remained dynamic, with private consumption, wages and investment all growing in real terms. However, growth weakened in the first half of 2025 as intensified attacks on critical infrastructure disrupted energy supply, while agricultural output fell, resulting in a GDP growth forecast of 1.6% for 2025. The prolonged war is set to weigh on domestic productive capacity throughout 2026 with growth projected at 1.5%, before rebounding to 4.7% in 2027 when reconstruction efforts are expected to start in earnest. Inflation is projected to rise to 13% in 2025, driven by surging food prices and energy and labour costs, but is expected to gradually ease from 2026 onwards. 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 the first half of 2025. Despite relatively strong private consumption and the growth impetus from the expanding domestic defence industry, real GDP growth stood at 0.9% in 2025-Q1 and 0.7% in 2025-Q2, y-o-y. Relentless Russian attacks on energy infrastructure and unfavourable weather conditions affecting agricultural output contributed to supply-side constraints that drove up imports and reduced exports. Coupled with persistent labour shortages and tight monetary conditions to tackle high inflation, growth in the first half of 2025 was lower than previously forecast. However, an expected improved harvest in the second half of 2025 and a sustained strong private consumption are projected to lift the annual growth rate to 1.6%.

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 disrupt supply chains and cause labour shortages, with GDP growth forecast at 1.5%. Domestic demand is expected to remain the primary driver of growth, as private consumption is set to benefit from rising real wages. Continued defence spending and ongoing emergency repairs and reconstruction are expected to drive investment growth. Exports are projected to recover slightly, as agricultural output normalises. However, strong import demand for energy, coal, and materials related to defence and reconstruction is set to keep import levels elevated, leading to a strong negative contribution of net exports to GDP growth. Under the assumption that conditions for a comprehensive reconstruction are in place from the start of 2027, growth is projected to pick-up significantly to 4.7%. Reconstruction investment, easing labour shortages, and fewer export bottlenecks are expected to outweigh the dampening effect of the gradual decline in defence-related spending. The current account balance is projected to remain negative throughout the forecast horizon, reflecting a persistent large trade deficit and a weakening secondary income balance as international loans replace grants. The outlook is particularly uncertain due to factors outside of Ukraine's control, where a worsened security situation could further damage infrastructure and deepen labour shortages. Conversely, a quicker improvement in security could enable faster and more extensive reconstruction efforts.

Inflation set to peak in 2025

After declining sharply throughout 2023 and early 2024, inflation began to accelerate again from mid-2024, standing at 11.9% y-o-y in September 2025. Driven by rising production costs—

particularly for electricity and labour—and war-related disruptions, inflationary pressures are expected to remain elevated over the forecast horizon. However, as supply shocks fade and the tightened monetary policy helps containing price growth, inflation is forecast to peak at 13.1% in 2025, before gradually easing to 9.8% in 2026 and 8.8% in 2027.

War-related disruptions in the labour market to maintain high unemployment rates

Large-scale displacement, together with conscription, has significantly reduced the labour force since the beginning of the full-scale invasion, resulting in acute shortages and pushing average nominal wage growth above inflation in the first half of 2025. Labour shortages are expected to remain pronounced 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 over the forecast period, but to continue its gradually declining path.

Public deficit to remain high amid sizeable war-related expenditure needs

Despite strong tax revenue growth, the general government deficit is projected to widen in 2025 due to persistent, sizeable war-related spending pressures. Tax revenues, particularly VAT and PIT, increased markedly in the first three quarters of the year, supported by strong nominal GDP growth and policy measures such as the rise in the military levy from 1.5% to 5%. However, strong expenditure growth driven by higher defence procurement and personnel costs outpaced revenue gains, pushing the deficit to an estimated 23.8% of GDP in 2025, up from 18.1% in 2024.

Looking ahead, this forecast assumes that elevated defence and security needs will persist in 2026, keeping expenditure levels high. Nonetheless, new fiscal measures—including efforts to reduce informality in customs, a temporary increase on the tax on bank profits to 50%, and the introduction of a tax on digital platforms—are expected to yield around 1.8% of GDP in additional revenues. Coupled with continued high nominal GDP growth, the deficit is projected to narrow to 21.2% of GDP in 2026. In 2027, stronger economic growth and improved tax collection should further support revenues, while a gradual moderation in defence spending is expected to reduce the deficit to 14.4% of GDP. Public debt [75] is projected to increase to 93.7% of GDP by 2027.

[75] Public debt projections exclude Extraordinary Revenue Acceleration (ERA) loans, in line with the treatment applied in the Debt Sustainability Analysis of the IMF's Eighth Review under the Extended Fund Facility programme. Were all ERA loans included, public debt would be projected to reach 101.9% of GDP in 2025, 110.0% in 2026, and 108.6% in 2027.

Table III.36.1: **Main features of country forecast - UKRAINE**

		2024			Annual percentage change					
	bn UAH	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		7658.7	100.0	:	-28.8	5.5	2.9	**1.6**	**1.5**	**4.7**
Private Consumption		4776.5	62.4	:	-27.5	4.3	6.7	**5.6**	**3.6**	**5.4**
Public Consumption		2904.3	37.9	:	31.4	9.2	-4.5	**-0.5**	**0.1**	**-3.1**
Gross fixed capital formation		1446.0	18.9	:	-33.9	65.9	3.5	**9.3**	**5.1**	**14.0**
Exports (goods and services)		2252.4	29.4	:	-42.0	-5.9	10.3	**-2.4**	**2.9**	**13.0**
Imports (goods and services)		3702.4	48.3	:	-17.4	8.9	7.7	**5.8**	**5.3**	**8.7**
GNI (GDP deflator)		7694.2	100.5	:	-22.7	2.9	0.7	**0.2**	**1.6**	**4.8**
Contribution to GDP growth:	Domestic demand			2.7	-17.9	14.3	2.9	**5.1**	**3.4**	**5.4**
	Inventories			-0.2	-1.1	-2.0	0.9	**0.1**	**-0.2**	**0.2**
	Net exports			-2.5	-9.8	-6.7	-0.9	**-3.5**	**-1.7**	**-0.9**
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**	**12.9**	**11.6**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	34.9	19.9	12.3	**14.8**	**10.8**	**9.6**
Consumer price index				12.1	20.2	12.8	6.5	**13.1**	**9.8**	**8.8**
Terms of trade goods				:	0.4	-2.4	3.3	**-5.8**	**-0.9**	**0.1**
Trade balance (goods) (c)				-7.6	-9.0	-16.1	-17.3	**-19.6**	**-19.3**	**-18.5**
Current-account balance (c)				-2.0	4.9	-5.4	-8.1	**-18.9**	**-17.7**	**-16.2**
General government balance (c)				-0.2	-16.1	-20.0	-18.1	**-23.8**	**-21.2**	**-14.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				59.8	77.8	83.3	91.2	**85.0**	**91.6**	**93.7**

(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.

Other non-EU Countries

37. THE UNITED KINGDOM

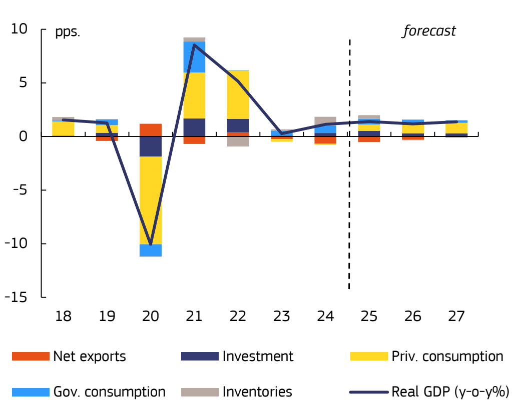
UK real GDP expanded above expectations in the first half of 2025 and is now expected to grow by 1.4% for the year as a whole. However, momentum remains weak and growth in private consumption is subdued. Fiscal policy continues to tighten, while monetary policy is loosening only gradually as inflation remains well above target. The annual growth rate is projected to soften a little to 1.2% in 2026, before edging back up to 1.4% in 2027.

Relatively strong growth in early 2025, but momentum remains weak

Real GDP growth surprised on the upside in 2025-Q1 at 0.7% q-o-q, with strong goods exports and an uptick in investment, including inventories. These drivers reversed abruptly in Q2, as both goods exports and investment decreased, and GDP growth fell back to 0.3% q-on-q, with public consumption providing the main support to demand. Private consumption remained relatively soft, growing by 0.3% in 2025-Q1 and 0.1% in 2025-Q2, while imports outpaced exports over the first half of the year, with a modest negative trade contribution to growth. Recent high frequency indicators have been mixed. The services PMI rose sharply in August to 54 but retrenched to around 51 in September and October. The manufacturing PMI remains below 50 and has been in contractionary territory since September 2024. Retail sales proved stronger in recent months, though consumer confidence indicators show only limited improvement.

Overall, real GDP growth is expected to be 1.4% in 2025, falling to 1.2% in 2026 - mainly due to a lower statistical carryover - then rising back up to 1.4% in 2027. The household saving rate is projected to edge down in 2026 and 2027 as policy interest rates fall, but private consumption is expected to grow only marginally faster than GDP in both years, as household incomes remain under pressure from rising taxes and a weaker labour market. Despite the tight overall fiscal stance, public consumption and investment are expected to underpin growth in 2025 and 2026, before moderating in 2027. Private investment is projected to grow in line with GDP in 2026 and strengthen a little in 2027. Growth in goods exports is set to remain weak. Growth in services exports is expected to be somewhat stronger, though slowing in 2026 and 2027, with a narrowing gap over services imports, resulting in a negative trade contribution to growth in all forecast years.

Graph III.37.1: **The United Kingdom - Real GDP growth and contributions**



The labour market continues to soften, with wage growth moderating

Vacancies have continued to fall, while the unemployment to vacancy ratio has risen, and stood at around 2.5 in July-August 2025, compared to 1.7 over the same period in 2024. The unemployment rate was 4.8% in August, compared to 4% a year previously, with growth in the labour force continuing to outpace a modest rise in employment. Other metrics such as the Bank of England's Decision Maker's Panel survey have also weakened in recent months. Nominal wage growth remained elevated at 4.7% in August but has slowed from around 6% since the start of the year and is expected to decline further as labour market continues to soften.

Rise in inflation likely to be temporary

Headline CPI inflation in August and September was 3.8%, compared to 3% at the start of 2025, but this uptick has been driven by some one-off factors, such as changes to administered prices (including energy). Inflation excluding energy and food fell from 3.8% in July to 3.5% in September. Services inflation has held steady at 4.7% for some months but is expected to start to subside as nominal wage growth edges down. The Bank of England has cut the main policy rate by 25 bps on three occasions in 2025, reaching 4% in August. The August cut was however a split decision, and markets expect further cuts to be only gradual and highly data contingent. Inflation is expected to fall progressively in coming quarters, reaching 2% in early 2027.

Public finances are expected to improve slowly

The fiscal stance is projected to continue to tighten. On current policy, revenues are expected to rise by close to 1% of GDP in each of 2025 and 2026, while expenditure is set to remain stable as a share of GDP. The general government deficit is projected to fall in 2025 but remain high at close to 5% of GDP. On current spending plans and projected tax rises the deficit is expected to narrow to just above 4% of GDP in 2027. General government gross debt is projected to be around 100% of GDP in 2025, and to rise modestly until 2027.

Risks are tilted to the downside

The outlook for consumption is a key risk factor. The saving ratio is unusually elevated at close to 10%, and is projected to edge down, but precautionary savings could stay high in view of the rising tax burden and ongoing uncertainty. There are also risks around projections for inflation, and hence policy interest rates, given the stickiness in wages observed in 2025 and lingering concerns about possible changes in the dynamics between wage growth and labour market slack following the pandemic. Finally, the budget in late November may lead to a further tightening of the fiscal stance, as the government has indicated an intention to widen the headroom available against the current fiscal rules, projected in March to be just 0.3% of GDP.

Table III.37.1: **Main features of country forecast - UNITED KINGDOM**

	2024			Annual percentage change						
bn GBP		Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		2884.0	100.0	1.1	5.1	0.3	1.1	**1.4**	**1.2**	**1.4**
Private Consumption		1755.1	60.9	0.9	7.6	-0.4	-0.2	**1.0**	**1.3**	**1.6**
Public Consumption		600.5	20.8	1.4	0.1	2.1	3.4	**2.4**	**2.4**	**1.0**
Gross fixed capital formation		538.4	18.7	1.6	6.8	0.5	1.8	**2.8**	**1.6**	**1.7**
Exports (goods and services)		893.6	31.0	1.8	15.2	-2.3	0.7	**2.8**	**1.5**	**1.8**
Imports (goods and services)		918.7	31.9	1.8	13.9	-1.6	2.6	**4.4**	**2.3**	**1.8**
GNI (GDP deflator)		2863.0	99.3	1.0	5.2	-1.5	2.1	**1.5**	**1.2**	**1.4**
Contribution to GDP growth:	Domestic demand			1.2	5.8	0.3	0.9	**1.6**	**1.6**	**1.5**
	Inventories			0.0	-0.9	0.2	0.8	**0.3**	**-0.1**	**-0.1**
	Net exports			-0.1	0.4	-0.2	-0.6	**-0.5**	**-0.3**	**0.0**
Employment				0.8	1.2	1.2	0.8	**0.0**	**0.2**	**0.3**
Unemployment rate (a)				5.8	3.8	4.0	4.3	**4.6**	**4.7**	**4.6**
Compensation of employees / head				2.5	6.3	5.7	5.1	**4.0**	**2.4**	**2.2**
Unit labour costs whole economy				2.2	2.4	6.7	4.8	**2.6**	**1.4**	**1.1**
Saving rate of households (b)				9.0	6.0	7.3	10.1	**9.5**	**9.1**	**8.8**
GDP deflator				2.1	5.7	6.3	3.6	**3.3**	**2.0**	**1.7**
Consumer price index (CPIH) (e)				2.2	7.9	6.8	3.3	**3.7**	**2.6**	**2.0**
Terms of trade goods				0.6	-3.7	-0.3	2.2	**-0.5**	**0.0**	**0.0**
Trade balance (goods) (c)				-6.2	-7.6	-7.0	-7.3	**-8.2**	**-8.5**	**-8.4**
Current-account balance (c)				-3.4	-1.9	-3.6	-2.2	**-2.5**	**-2.7**	**-2.7**
General government balance (c)				-5.7	-4.7	-6.0	-6.0	**-5.0**	**-4.2**	**-4.1**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				78.2	97.5	98.9	100.1	**100.5**	**101.6**	**102.7**

(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. (e) CPIH is consumer price index which includes costs of owner-occupied housing

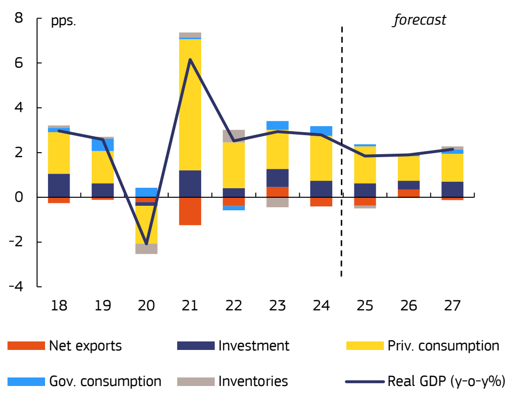
38. THE UNITED STATES

The US economy is projected to expand at a rate of just below 2% in 2025 and 2026. While higher imports tariffs, immigration curbs and policy uncertainty are expected to negatively impact growth, they are counterbalanced by an accommodative fiscal and monetary policy, a strong AI-related investment momentum, and a narrower trade deficit (in 2026). For 2027, the fading drag from tariffs and a supportive policy are expected to boost real GDP growth to 2.1%.

Growth has moderated but is set to remain robust

After having slowed to a standstill in 2025-Q1, US real GDP rebounded in the following two quarters, on the back of solid consumption growth, a narrower trade deficit and strong AI investment. Still, private consumption growth moderated in Q1-Q3 compared to 2024, due to persistent policy uncertainty and slowing employment growth, while healthy household balance sheets and a delayed pass-through of higher tariffs to consumer prices helped. Non-AI related private investment was subdued. Public spending was affected by attempts to reduce public administration and roll back some spending priorities of the previous administration. The trade deficit increased due to surging imports in Q1 ahead of the tariffs, but shrank rapidly as imports fell in Q2.

Graph III.38.1: **The United States - Real GDP growth and contributions**



Private consumption is expected to slow again in 2025-Q4 due to a gradually weakening labour market and a fallout from a record-long full government shutdown. With the unemployment rate rising to 4.4% at the end of 2025, real GDP growth is expected to moderate to 1.8% in 2025, then remain subdued in early 2026 as the pass-through from higher tariffs and slower nominal wage growth weigh on private consumption and investment. Domestic demand is expected to rebound in 2026-Q2, boosted by frontloaded fiscal support from the One Big Beautiful Bill Act (OBBBA) and easing financial conditions. Real GDP is projected to expand by 1.9% in 2026 and by 2.1% in 2027, due to continuing fiscal support, the effects of the Fed's policy rate cuts, and a more dynamic employment growth. The unemployment rate is projected to average 4.4% in 2026, and edge down to 4.3% in 2027.

Temporary surge of inflation due to tariffs

Headline CPI inflation bottomed out at 2.3% y-o-y in April 2025, then restarted rising with rebounding goods prices and persistent housing and services inflation, reaching 3.0% y-o-y in September. While higher imports tariffs have been feeding into consumer prices since May 2025, only a fraction had passed through till September. As tariff increases continue being passed on US consumers, CPI inflation is projected to remain elevated in 2025-Q4 and 2026-Q1, before gradually tailing off as tariffs are absorbed. Inflation should decelerate due to a weaker labour market and lessening shelter and services price pressures, but it is expected to converge towards the 2% Fed target only in 2027.

The Federal Open Market Committee (FOMC) resumed cutting rates in September 2025, after having kept them unchanged since December 2024. The two consecutive cuts by 25 bps. in September and October took place during persistent policy uncertainty (amplified in October by a postponement of some key data releases due to the government shutdown). The decision to cut rates was due to concerns about a weakening labour market, despite robust consumer spending, strong corporate profits and signs of accelerating inflation. The FED regarded price increases due to higher tariffs as one-offs. While the markets are expecting further rate cuts, including in the December FOMC meeting, Chair of the Federal Reserve Jerome Powell has stressed the Fed's data dependence in view of an uncertain inflation and labour market outlook.

The fiscal deficit is forecast to remain elevated

The general government deficit is expected to slightly decrease from 8% of GDP in 2024 to 7.5% in 2025, mainly on the back of higher tariff revenue in the second half of the year of at least 0.5% of GDP and likely higher. With the full effect of the OBBBA in 2026, the deficit is projected to widen again, to 7.8% of GDP in 2026 and 2027, despite an expected further increase in tariff revenue (totalling well above 1% of GDP). The general government debt is projected to keep increasing from 123.6% of GDP in 2024 to 130.0% in 2027.

Risks remain large

On the downside, a further weakening labour market could depress household disposable income, demand, and activity, while more immigration restrictions could give rise to labour supply shortages, fuelling wage and price inflation and depressing potential growth. With the currently elevated asset valuations supporting private consumption via wealth effects, a repricing in financial markets might have significant growth consequences. Should the currently very high expectations about AI-led productivity gains prove wrong, the positive wealth effect could reverse, and the sector's investment boom suddenly stop. Intensifying political pressure on the Fed could undermine public confidence, de-anchor inflation expectations and constrain the Federal Reserve's ability to fulfil its dual mandate. Moreover, the approval of the OBBBA has increased medium-term concerns about US fiscal sustainability. On the upside, a stronger boost from the fiscal expansion, a less negative impact from tariffs, or acceleration of AI-led productivity could lead to a faster growth than currently assumed.

Table III.38.1: **Main features of country forecast - UNITED STATES**

		2024		Annual percentage change						
bn USD		Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		29298.0	100.0	1.8	2.5	2.9	2.8	**1.8**	**1.9**	**2.1**
Private Consumption		19896.0	67.9	2.0	3.0	2.6	2.9	**2.4**	**1.6**	**1.8**
Public Consumption		3991.8	13.6	0.9	-1.3	3.0	3.3	**0.7**	**0.6**	**1.5**
Gross fixed capital formation		6255.1	21.3	1.8	1.9	3.8	3.5	**2.9**	**1.8**	**3.3**
Exports (goods and services)		3215.4	11.0	2.9	7.6	2.8	3.6	**0.6**	**1.1**	**2.0**
Imports (goods and services)		4113.8	14.0	2.5	8.5	-0.9	5.8	**3.2**	**-1.7**	**2.5**
GNI (GDP deflator)		29289.7	100.0	1.8	2.5	2.7	2.4	**1.8**	**1.9**	**2.2**
Contribution to GDP growth:	Domestic demand			1.9	2.3	3.0	3.2	**2.4**	**1.6**	**2.1**
	Inventories			0.0	0.6	-0.4	0.0	**-0.1**	**0.0**	**0.1**
	Net exports			0.0	-0.4	0.5	-0.4	**-0.4**	**0.3**	**-0.1**
Employment				0.5	3.8	1.8	1.2	**0.7**	**0.2**	**0.6**
Unemployment rate (a)				6.3	3.6	3.6	4.0	**4.2**	**4.4**	**4.3**
Compensation of employees / head				3.1	2.9	3.7	4.6	**3.8**	**3.4**	**3.2**
Unit labour costs whole economy				1.8	4.2	2.5	2.9	**2.7**	**1.7**	**1.7**
Saving rate of households (b)				12.1	9.5	11.0	11.1	**10.0**	**9.9**	**9.9**
GDP deflator				2.0	7.1	3.7	2.5	**2.7**	**2.8**	**2.1**
Consumer price index				2.1	8.0	4.1	2.9	**2.8**	**3.0**	**2.3**
Terms of trade goods				0.5	3.9	-1.1	-0.8	**0.6**	**-0.6**	**0.1**
Trade balance (goods) (c)				-4.6	-4.6	-3.8	-4.1	**-4.2**	**-3.8**	**-3.7**
Current-account balance (c)				-3.0	-3.8	-3.4	-4.0	**-4.1**	**-3.7**	**-3.7**
General government balance (c)				-7.8	-3.7	-7.6	-8.0	**-7.5**	**-7.8**	**-7.8**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				97.8	120.6	122.3	123.6	**125.5**	**127.5**	**129.9**

(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.
(*) Employment data from the BLS household survey.

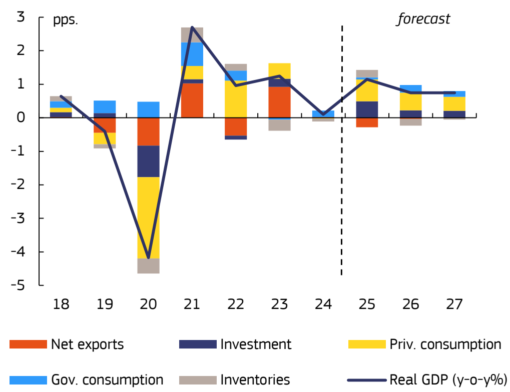
39. JAPAN

Japan's economy rebounded in early 2025 after stagnating in 2024, supported by resilient household spending, investment, and stronger car exports. Growth is expected to moderate in the second half of 2025 and in 2026-27, with domestic demand remaining the main growth driver. The labour market remains tight but shows early signs of softening. Real wage growth is set to pick up as inflation eases toward 2% by 2027. The fiscal deficit is projected to narrow further in 2025, widening again from 2026 due to higher social, defence, and green-transition spending. Public debt is forecast to hover around 240% of GDP by 2027.

Domestic demand set to sustain moderate growth

After stagnating in 2024, when GDP rose by just 0.1%, Japan's economy exceeded expectations in the first half of 2025. Growth reached 0.5% q-o-q in the second quarter, accelerating from the broadly flat first quarter. The rebound was driven by resilient household spending and investment, further supported by strong exports—particularly cars—ahead of looming US tariffs.

Graph III.39.1: **Japan - Real GDP growth and contributions**



Economic activity is expected to soften in the second half of 2025, reflecting a projected weak third quarter following a decline in exports over the summer months, largely due to the introduction of US tariffs on autos and auto parts. Exports are expected to recover gradually, particularly towards the end of the year, with the first signs of improvement already visible in September, when exports rebounded on the back of stronger demand for semiconductors and electronic components. Domestically, the composite PMI edged down in September, dragged by manufacturing, which stayed below the 50 threshold, while services activity continued to improve. Household spending rose by 2.3% in real terms in August 2025, marking the fourth consecutive monthly gain, and consumer sentiment also improved in September, showing resilience amid persistent inflation. Overall, growth in late 2025 is expected to be supported by private consumption and investment, while net exports are projected to weigh on growth as imports recover more strongly. GDP growth for 2025 is forecast at 1.1%.

Growth is expected to moderate to 0.7% in both 2026 and 2027. Domestic demand is projected to remain the main driver of growth, supported by private consumption underpinned by real wage gains in a tight labour market. Investment is expected to continue expanding, driven by spending on labour-saving technologies, decarbonisation and digital transformation, aided by government subsidies. However, US trade restrictions are expected to restrain export growth as exporters' shrinking profit margins limit their ability to absorb the tariff shock. With import growth easing alongside moderating consumption, net exports are set to be broadly neutral for growth in 2026-27, while the current account surplus is projected to fall below 4% of GDP.

Risks to the outlook are broadly balanced: global trade tensions could depress external demand, while persistent inflation could dampen domestic demand. A new package of fiscal measures to ease the burden of inflation on households, as flagged by the recently elected prime minister, could provide an upside boost.

Labour market tensions persist

Although Japan's labour market remains tight, some signs of moderation are emerging. The unemployment rate rose to 2.6% in August from 2.3% in July, while employment growth slowed and the job-to-applicant ratio—still high at 1.2—fell to its lowest since 2022. The Bank of Japan's September 2025 Tankan survey continues to report widespread labour shortages. Overall, labour market conditions are expected to remain tight, as the scope to further expand labour supply through greater participation of women or older workers is limited and immigration inflows are modest. The unemployment rate is projected to stay broadly stable at around 2.5% until 2027. Nominal wage growth slowed to its weakest pace in three months in August 2025, reflecting weak bonus payments, while real wages had been declining for eight consecutive months before that point due to persistent inflation. Going forward, nominal wage growth is expected to moderate but real wages are expected to turn positive as inflation eases.

Inflation eases but remains elevated

Headline inflation has been slowing since early 2025. In August 2025, consumer prices rose by 2.7% y-o-y, down from 3.1% y-o-y in July, reflecting government subsidies for electricity and gas and a moderation in food price increases, particularly rice, which recorded its smallest gain in eight months at 69.7%. Services inflation remained steady at 2.0%. Looking ahead, inflation is projected to decline from 3.2% in 2025 to 2.2% in 2026 and further to 2% in 2027. With inflationary pressures easing and tariff effects, such as weaker corporate profits, starting to feed through, wage growth is expected to slow, reducing cost-push dynamics. Monetary policy is expected to remain broadly accommodative, maintaining negative real interest rates, with further interest rate hikes expected to be postponed until 2026.

Public deficit set to widen again

The general government deficit narrowed to 1.5% of GDP in 2024, down from 2.3% a year earlier. The 2025 budget deficit is projected to narrow to 1.4% of GDP, supported by solid economic activity and a reduction in temporary cost-of-living and energy subsidies. However, as the economy slows down and spending pressures mount, the deficit is expected to widen again to around 2% of GDP in 2026, remaining broadly stable in 2027. Public debt is projected to gradually decline to around 240% of GDP by the end of the forecast horizon, mainly due to a favourable denominator effect from nominal GDP growth.

Table III.39.1: **Main features of country forecast - JAPAN**

		2024		Annual percentage change						
	bn JPY	Curr. prices	% GDP	06-21	2022	2023	2024	2025	2026	2027
GDP		608398.9	100.0	0.4	1.0	1.2	0.1	**1.1**	**0.7**	**0.7**
Private Consumption		329691.3	54.2	0.1	2.1	0.8	-0.1	**1.2**	**1.0**	**0.8**
Public Consumption		125652.4	20.7	1.5	1.4	-0.3	0.9	**0.3**	**1.1**	**0.9**
Gross fixed capital formation		158325.7	26.0	-0.2	-0.4	0.9	0.0	**1.9**	**0.9**	**0.8**
Exports (goods and services)		139220.6	22.9	2.4	5.5	3.3	1.1	**3.1**	**1.2**	**1.8**
Imports (goods and services)		145064.8	23.8	1.8	8.3	-0.8	1.0	**4.2**	**1.3**	**1.7**
GNI (GDP deflator)		647867.1	106.5	0.5	2.3	1.1	0.6	**0.3**	**0.4**	**0.4**
Contribution to GDP growth:		Domestic demand		0.3	1.3	0.7	0.2	**1.2**	**1.0**	**0.8**
		Inventories		0.0	0.2	-0.3	-0.1	**0.2**	**-0.2**	**0.0**
		Net exports		0.1	-0.5	0.9	0.0	**-0.3**	**0.0**	**0.0**
Employment				0.3	0.2	0.4	0.5	**0.4**	**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	1.9	1.5	2.8	**2.9**	**2.1**	**2.0**
Unit labour costs whole economy				-0.1	1.1	0.6	3.2	**2.1**	**1.5**	**1.4**
Saving rate of households (b)				10.9	11.9	8.9	8.9	**7.6**	**7.3**	**7.2**
GDP deflator				-0.1	0.4	4.1	2.9	**3.0**	**1.9**	**1.8**
Consumer price index				0.3	2.5	3.3	2.7	**3.2**	**2.2**	**2.0**
Terms of trade goods				-1.6	-13.3	6.4	3.7	**2.1**	**-0.1**	**0.7**
Trade balance (goods) (c)				0.4	-2.8	-1.1	-0.6	**-0.5**	**-0.6**	**-0.5**
Current-account balance (c)				3.0	2.0	3.8	4.9	**4.1**	**3.9**	**3.8**
General government balance (c)				-5.6	-4.2	-2.3	-1.5	**-1.4**	**-1.9**	**-2.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				219.6	256.8	250.6	251.9	**244.9**	**242.2**	**239.9**

(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.

40. CHINA

China's economy is expected to remain resilient but dependent on policy support and external demand. Growth is projected to moderate as the property downturn, weak confidence, and entrenched deflation continue to constrain domestic demand. While policy efforts are set to focus on infrastructure and credit expansion, these measures offer diminishing returns amid rising debt and structural inefficiencies. Without stronger household income growth or private sector recovery, momentum is expected to remain fragile. Over the medium term, adverse demographics, high leverage, and trade tensions present growing risks to China's outlook and highlight the limits of its policy-driven growth model.

Growth stronger than expected in 2025 but slowing down

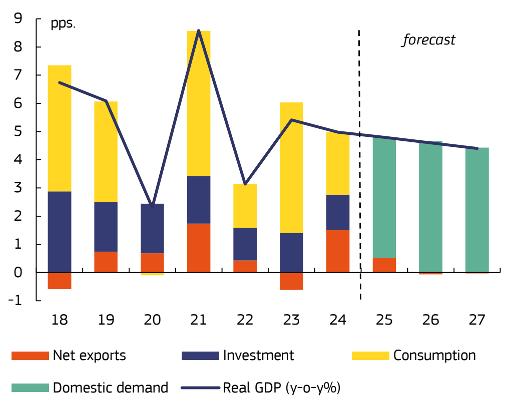
China's economy expanded by 5.3% y-o-y in the first half of 2025 but slowed to 4.8% in Q3, with growth on track to meet the "around 5%" target for the full year. Despite the headline resilience, domestic demand continues to weaken. Real retail sales growth slowed to 2.9% y-o-y in Q3 (from 4.2% in H1), along with a softer labour market and slowing income growth. Even state-supported spending on household appliances has lost momentum, highlighting the waning impact of policy incentives. Investment fell 6.6% y-o-y in Q3 (the first contraction since 2021) with manufacturing, infrastructure, and real estate all declining. Exports drove growth, rising 9.7% y-o-y in the first eight months despite tariff pressures and global uncertainty.

Deflationary pressures persisted through 2025, driven by weak domestic demand and chronic industrial overcapacity. Consumer price inflation remained near zero or negative, while producer prices fell for a third consecutive year—about 3% y-o-y in early 2025, reflecting excess supply and fierce price competition. Years of state-led investment further deepened these imbalances, leaving nearly one-third of industrial firms loss-making. Although targeted fiscal and monetary easing provided some short-term relief, they failed to address the underlying causes of deflation—weak income growth, low confidence, and sustained oversupply.

Resilient headline growth going forward, but fragile foundations

Momentum is set to ease further in 2025-Q4, bringing full-year growth to a projected 4.8%. This gradual slowdown is expected to continue, though less markedly than previously anticipated, with growth now projected to moderate to 4.6% in 2026 and 4.4% in 2027.

Graph III.40.1: **China - Real GDP growth and contributions**



Household consumption is expected to remain weak throughout 2026–27, with the property market crisis continuing to erode household wealth and confidence, and elevated precautionary savings reflecting persistent uncertainty about jobs and income. New fiscal initiatives such as childcare and elderly-care subsidies, tuition waivers, and consumer loan discounts are expected to provide limited support but not enough to offset structural headwinds. China's new pension reform, requiring firms to make full social security contributions for all employees, is likely to raise labour costs, weighing on hiring and disposable incomes.

Investment is expected to remain largely driven by state-led infrastructure projects rather than private sector activity. Persistent overcapacity, weak profitability, and intensifying price competition are weighing heavily on manufacturing investment. The property sector is projected to remain a major drag, as falling prices, sluggish sales, and limited policy easing continue to deter new developments. While infrastructure spending may offer temporary support, local governments' strained finances and high debt burdens are expected to cap the scale of new projects. Overall, investment is forecast to stay concentrated in state and strategic sectors, while private and market-driven investment remains stagnant.

Export growth is expected to moderate. With the frontloading of shipments to the US ending, current US tariffs on Chinese goods significantly higher, and any potential trade deal between both countries unlikely to fundamentally alter tensions over trade and technology, Chinese exports to the US will continue to face considerable hurdles. While China is expected to increasingly rely on other markets to sustain exports, their contribution to growth is set to decline. Import growth is projected to remain muted, constrained by softer household consumption and sluggish investment, which in turn is expected to contribute to a still sizeable but gradually declining trade and current account surplus.

Risks tilted to the downside

China's policy stance is expected to remain moderately supportive into 2026, following the additional RMB 1 trillion stimulus rolled out in late 2025. Fiscal policy will likely remain centred on infrastructure spending, as local government bond quotas are expanded and policy banks continue to channel funds into investment projects. While these measures can temporarily stabilise activity, their effectiveness is diminishing amid falling returns on capital and rising debt burdens. New household benefits, including childcare and consumption subsidies, may provide marginal support to spending, but are unlikely to offset the broader weakness in private demand.

China faces significant downside risks. Externally, rising trade frictions pose downside risks to both exports and technology-intensive sectors. The trade outlook with the US remains highly uncertain and both parties might impose new trade restrictions. Aside from the US, a growing number of economies may also further tighten trade measures in response to rising Chinese exports. In addition, transshipment channels may reduce as recent US trade deals include clauses curbing re-exporting practices, adding further pressure on China's external sector. Domestically, the protracted property downturn and fragile household confidence could further undermine investment and consumption. Finally structural headwinds, including adverse demographics, high debt levels, low productivity growth, and persistently weak domestic demand are set to weigh on potential growth.

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	134908.4	100.0	8.3	3.1	5.4	5.0	**4.8**	**4.6**	**4.4**
Private consumption	53864.6	39.9	-	-	-	-	**-**	**-**	**-**
Public consumption	22439.7	16.6	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation	53787.6	39.9	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	26963.8	20.0	7.1	-0.2	2.6	12.6	**4.8**	**1.2**	**1.7**
Imports (goods and services)	23134.9	17.1	7.7	-2.9	7.4	6.0	**1.7**	**1.9**	**2.2**
GNI (GDP deflator)	-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand		-	-	-	-	**-**	**-**	**-**
	Inventories		-	-	-	-	**-**	**-**	**-**
	Net exports		-	-	-	-	**-**	**-**	**-**
Employment			-	-	-	-	**-**	**-**	**-**
Unemployment rate (a)			4.4	5.5	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	-0.7	**-0.5**	**-0.2**	**0.0**
Consumer price index (c)			2.6	2.0	0.2	0.2	**-**	**-**	**-**
Terms of trade goods (b)			-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (b)			3.9	3.6	3.3	4.1	**4.3**	**3.9**	**3.7**
Current-account balance (b)			3.4	2.4	1.4	2.3	**2.6**	**2.2**	**2.0**
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.

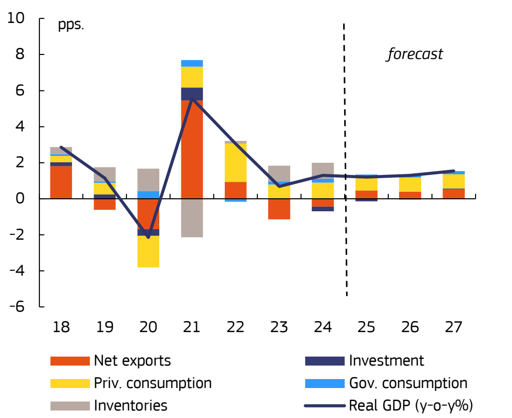
41. EFTA

Heightened trade uncertainties felt by EU Member States also affected the EFTA economies in 2024 and the first half of 2025. However, solid domestic demand and a softening monetary policy supported output growth. Moderate economic growth is forecast in EFTA countries between 2025 and 2027, reflecting weakened external demand, while domestic demand is likely to remain resilient. Overall, GDP growth is expected to reach 2½% in Iceland by 2027 and 1½% in Norway and Switzerland, respectively. Inflation is projected to continue moderating in Iceland and Norway, towards 2.7% and 2.5% by 2027 respectively, while increasing from historic lows to 1¼% in Switzerland. This supports disposable income and domestic demand. Public finances are expected to remain sound despite a challenging environment.

Switzerland

Headline GDP growth stood at 1.9% in the first half of 2025. Private consumption was solid in this period, benefiting from a resilient labour market and low inflation, down to 0.2% in the first half of 2025 after 1.2% the year before. This drop in inflation was supported by low import prices as well as the Swiss currency's recent appreciation, reflecting the CHF's status as a safe-haven currency. In response to weakening inflation, the Swiss National Bank lowered its policy rate in three steps, from 1.0% at the beginning of 2025 to 0.0% by the end of June. Commodity exports rose by 7.7% in the first quarter, benefitting from front-loaded imports from key trading partners. However, investment remained subdued in view of the global uncertainty.

Graph III.41.1: **Switzerland - Real GDP growth and contributions**



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 likely to be affected by tariff increases on exports to the US, which account for around 10% of total exports. However, less price-sensitive sectors, such as watches or machinery, make up a large share of exports, which might soften the negative impact on Swiss exports. The strong export performance at the beginning of the year is expected to keep GDP growth at 1¼% for 2025, while in 2026, the recurring increase in service exports due to international sports events is expected to largely compensate for weaker goods exports, which are negatively impacted by US tariff increases. In 2027, the projected recovery of global demand is expected to help raise GDP growth to about 1½%.

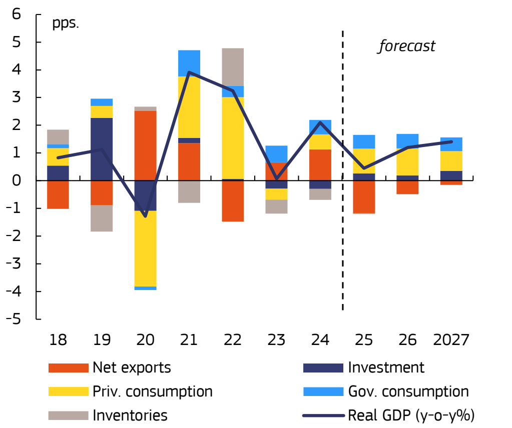
Inflation is expected to remain subdued supported by a strong currency and modest economic growth, which is also forecast to dampen employment growth. Unemployment rates are projected to continue declining, albeit at a more moderate rate. The general government accounts are expected to remain close to balance, reflecting the country's balanced budget rules. 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 additional US trade restrictions on pharmaceuticals, which represent an important share of the country's exports.

Norway

Economic activity contracted in the first half of 2025, with real GDP shrinking by 1.2%, compared to an expansion of 2.6% in the same period one year earlier. The key factor behind the downturn was the negative contribution of the external sector to growth as exports fell, while imports increased moderately. Investment dropped in the first half of 2025, albeit at a slower pace than the previous year, due to a softening decline in residential investment and inventories. Private consumption growth accelerated on the back of higher real disposable incomes. Annual average consumer price inflation accelerated to 3.5% in the third quarter of 2025 from 2.8% in the first half of the year. This brought average annual inflation in the first nine months of the year to 3%, still well above the central bank's target of 2%. On 17 September 2025, the Norges Bank's Executive Board cut the policy rate by 25 bps. to 4%, after having reduced it by 25 bps. in June for the first time since December 2023.

Graph III.41.2: **Norway - Real GDP growth and contributions**



Annual overall economic growth is projected to decelerate to 0.5% in 2025, mainly due to a decline in exports. Private consumption growth is expected to strengthen, supported by further increases in real wages and employment as well as improved consumer confidence. Investment is set to recover, although developments differ across sectors. Housing investment is projected to continue falling, albeit at a much slower pace than in 2024, benefiting from slightly lower input prices and interest rates. The latter is also set to support the recovery of business investment. In contrast, investment in the oil sector is projected to lose some momentum after two years of strong growth, with fewer new projects in the pipeline. The external sector's contribution to growth is expected to be negative due to weaker external demand and increased imports feeding the rise in domestic demand.

Output growth is forecast to strengthen in 2026 and 2027, mainly driven by a further acceleration in private consumption growth, on the back of stronger purchasing power. Investment is set to continue recovering, mainly due to the rebound of housing investment. Imports are projected to grow at a faster pace than exports due to pent-up domestic demand, resulting in a negative contribution of net exports to growth.

The economy is set to receive more support from government spending in 2026 as the government's budget proposal for that year implies a slightly expansionary fiscal stance. The structural non-oil fiscal deficit is expected to increase to 13.1% of mainland GDP, with the overall balance remaining firmly in double-digit surplus, and oil revenue spending equivalent to 2.8% of the sovereign wealth fund's assets.

Domestic risks to the outlook are tilted to the downside. A depreciation of the currency could fuel inflationary pressures and set back household consumption. Housing investment may continue to be affected by uncertainty around interest rate developments and the rising debt service burden, given the high level of household debt. Regarding the external environment, the uncertainty over US trade policy is likely to weigh on export demand, while the volatility of energy prices presents both upside and downside risks.

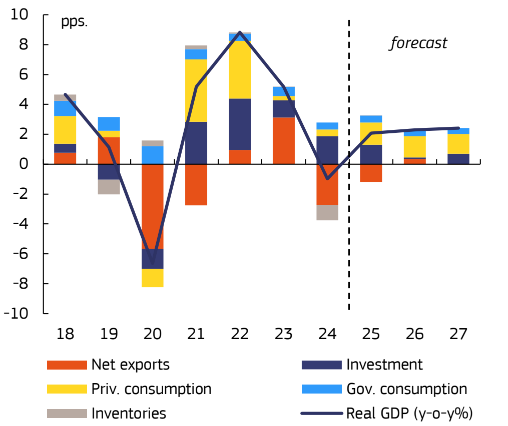
Iceland

According to revised data, the economy contracted in 2024 and remained subdued in the first half of 2025, mainly due to declining exports. Weak tourism, a disappointing fishing season and lower aluminium exports to the EU were the main drivers of the export weakness. Private consumption was modest, reflecting the impact of tight macroeconomic policies. Capital investment increased due to a pickup in residential construction and the expansion of data centres. The first half of 2025 was mixed with GDP expanding by 2.7% y-o-y in 2025-Q1 and contracting by 1.9% in 2025-Q2. The central bank reduced the key interest rate several times, from 9.25% at the beginning of 2024 to 7.5% in October 2025.

The outlook points to a gradual pick-up, with GDP expanding slightly above 2% in 2025-27, underpinned by increasing domestic demand and a recovery in exports. Monetary easing is expected to continue gradually over the forecast horizon, providing some support to private consumption and investment. Private consumption is also set to benefit from increasing real wages as inflation moderates. Innovation-based sectors, such as pharmaceuticals, biotechnologies, and data centres, are projected to bolster export recovery. The direct impact of global uncertainty is expected to be limited as most of Iceland's goods exports are directed to the EU.

Labour market pressures eased as weaker labour demand was accommodated by lower migration inflows. Following the post-pandemic upswing, moderate employment growth is forecast, in line with historical trends and the projected GDP profile. The rate of unemployment is set to hover around 4% over the forecast period.

Graph III.41.3: **Iceland - Real GDP growth and contributions**



Tight monetary and fiscal policies led to a decline in inflation in 2025. This trend is projected to continue in 2026 and 2027, but inflation is set to remain above the central bank's target of 2.5% due to expanding domestic demand.

The 2024 budget deficit widened to 3.7% of GDP due to the additional public spending related to the volcanic eruptions. The 2025 budget targets a deficit of 1.3% of GDP, reflecting some consolidation efforts, while the reinstatement of numerical fiscal rules remains postponed until 2026. A tight fiscal stance is expected for 2026 and 2027, aimed at reducing public debt and supporting disinflation.

Risks to the outlook are tilted to the downside. These risks stem from the effect of tight fiscal policy and persistent high interest rates on domestic demand, and the impact of the uncertain global environment on export recovery.

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		-1.0	**2.1**	**2.3**	**2.4**	2.1	**0.5**	**1.2**	**1.4**	1.3	**1.2**	**1.3**	**1.5**
Private Consumption		0.9	**3.0**	**2.9**	**2.7**	1.4	**2.3**	**2.4**	**1.8**	1.8	**1.4**	**1.5**	**1.5**
Public Consumption		1.9	**1.8**	**1.7**	**1.6**	2.4	**2.2**	**2.3**	**2.1**	1.9	**1.6**	**1.4**	**1.5**
Gross fixed capital formation		7.6	**4.9**	**0.4**	**2.6**	-1.4	**1.2**	**0.8**	**1.5**	-1.0	**-0.5**	**-0.2**	**0.2**
Exports (good and services)		-2.3	**2.4**	**2.4**	**3.1**	5.2	**-1.0**	**0.6**	**1.0**	-0.3	**2.5**	**1.8**	**2.2**
Imports (goods and services)		4.0	**5.1**	**1.5**	**3.0**	4.3	**2.1**	**2.3**	**1.8**	0.4	**2.2**	**1.4**	**1.8**
GNI (GDP deflator)		-0.4	**2.1**	**2.3**	**2.4**	0.6	**-0.3**	**0.7**	**1.4**	2.5	**1.2**	**1.3**	**1.5**
Contribution to GDP growth:	Domestic demand	2.8	**3.3**	**2.0**	**2.4**	0.8	**1.7**	**1.7**	**1.6**	0.9	**0.8**	**0.9**	**1.0**
	Inventories	-1.0	**0.0**	**0.0**	**0.0**	-0.4	**0.0**	**0.0**	**0.0**	0.9	**0.0**	**0.0**	**0.0**
	Net exports	-2.7	**-1.2**	**0.3**	**0.0**	1.1	**-1.2**	**-0.5**	**-0.2**	-0.4	**0.5**	**0.4**	**0.5**
Employment		1.7	**0.8**	**0.7**	**1.0**	0.5	**0.7**	**0.7**	**0.6** ·	0.7	**0.5**	**0.4**	**0.8**
Unemployment rate (a)		3.6	**4.2**	**4.5**	**4.2**	4.0	**4.4**	**4.2**	**4.1**	4.3	**4.5**	**4.7**	**4.5**
Compensation of employees / head		5.5	**3.8**	**3.9**	**3.1**	5.1	**4.6**	**3.9**	**3.3**	2.3	**1.2**	**1.7**	**1.5**
Unit labour cost whole economy		8.3	**2.5**	**2.3**	**1.7**	3.5	**4.8**	**3.4**	**2.5**	1.7	**0.5**	**0.8**	**0.7**
Saving rate of households (b)		12.8	:	:	:	:	:	:	:	:	:	:	:
GDP deflator		6.0	**4.4**	**3.6**	**2.9**	-0.2	**3.0**	**3.0**	**3.1**	1.3	**-0.2**	**0.5**	**0.8**
National index of consumer prices		5.9	**3.8**	**3.2**	**2.7**	3.1	**2.9**	**2.3**	**2.5**	1.1	**0.3**	**0.8**	**1.2**
Terms of trade goods		0.1	**0.0**	**0.0**	**0.0**	-7.3	**0.0**	**0.0**	**0.0**	-0.6	**0.2**	**0.1**	**-0.1**
Trade balance (goods) (c)		-7.0	**-7.1**	**-6.5**	**-6.3**	14.5	**13.0**	**12.2**	**11.6**	13.5	**13.4**	**13.0**	**13.3**
Current account balance (c)		-2.6	**-3.9**	**-3.4**	**-3.4**	14.7	**11.5**	**10.1**	**10.0**	5.3	**5.3**	**5.6**	**5.8**
General government balance (c)		-3.7	**-1.3**	**-0.8**	**-0.7**	13.1	**12.3**	**11.9**	**11.3**	0.5	**-0.2**	**-0.5**	**0.0**
General government gross debt (c)		59.7	**57.2**	**55.0**	**53.0**	55.1	**49.9**	**44.0**	**38.8**	25.5	**25.3**	**25.5**	**25.0**

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c)as a % of GDP.

42. RUSSIAN FEDERATION

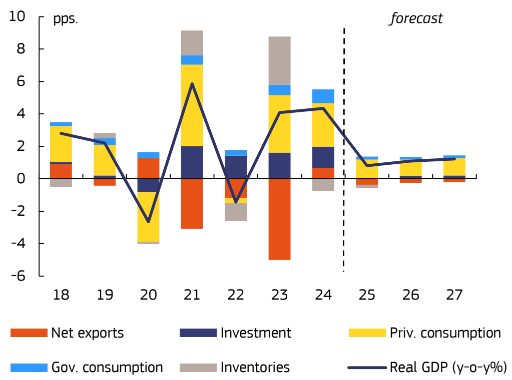
After two years of overheating during which the economy expanded by over 4% annually, Russia's economic growth has decelerated considerably at the beginning of 2025 and is projected to ease further to around 1% over the forecast horizon. Inflation, which peaked at 10.3% in March 2025, has been gradually declining as the impact of high interest rates feeds through to the economy and is expected to fall to 6% by 2027. Low oil prices and an unfavourable exchange rate have weighed on fiscal revenues from hydrocarbons, with only modest improvements expected over the coming years. In the absence of sufficient expenditure restraint, the fiscal balance is set to remain in deficit, with public debt projected to rise to 25.6% of GDP by 2027.

Economic activity weakens considerably after two years of war-related overheating

After two years of overheating, the Russian economy slowed dramatically in 2025 due to capacity constraints and the central bank's tight monetary policy. The economic downturn is primarily caused by the adverse effects of Russia's war of aggression against Ukraine and the economy built around it. Sanctions from the EU and its allies have exacerbated macroeconomic imbalances such as high inflation, rising private debt levels, and a deteriorating fiscal situation. While the economy contracted by 0.6% q-o-q in 2025-Q1, it avoided a technical recession by growing 0.4% q-o-q in 2025-Q2. Investment began to decline in the second quarter as government investment and support measures could no longer offset the effect of high interest rates on industries not related to the war. Government consumption carried over a comparatively low growth momentum from 2024-H2, as military consumption levels off. Even in the face of record-high interest rates, private consumption remained an important driver of growth, in large part thanks to resilient real wage growth, sustained by a continuously tight labour market.

High-frequency indicators are pointing towards a weak performance in the second half of 2025. Real year-on-year GDP growth for July and August stood at 0.4%, its lowest level since early 2023. The Manufacturing PMI remained in contractionary territory for the entirety of Q3, slipping in July to its lowest value since early 2022. On the household side, year-on-year retail sales growth picked up slightly again in July and August after dropping to its lowest value since early 2023 in June. Consumer confidence fell one point to -9 in 2025-Q3, while vehicle sales recovered some ground.

Graph III.42.1: **Russia - Real GDP growth and contributions**



Despite weakening slightly after 2025, private consumption is forecast to remain a central driver of Russia's growth. Investment growth is projected to stagnate in 2025, but an uptick is expected in the following two years, as inflation falls and the central bank lowers interest rates. Continued public investment and subsidised private investment in war-related sectors have prevented a drop in aggregate investment in 2025 and will support it in the following years. Government consumption is set to grow steadily but slow down over the forecast horizon, as war-related expenditure remains high but is plateauing. In the external sector, the deteriorating global economic environment for Russia, paired with the sanctions regime, is expected to impact exports, while imports benefit from trade diversion and favourable terms of trade.

Overall, GDP growth is projected to ease to 0.8% in 2025, before a slight pickup to 1.1% in 2026 and 1.2% in 2027.

Inflation is slowly subsiding, but price pressures remain

Due to tight monetary policy, annual inflation dropped from 10.3% in March 2025 to 8% in September. The central bank started reducing its key interest rate in June, but its monetary policy remains tight and continues to impact economic activity. Recent disinflation has slowed down, with CPI inflation only decreasing by 0.1 pp. in September, due to slower but still substantial real wage increases, fiscal expansion, and preferential lending. Inflation is forecast to continue falling, averaging 8.9% for 2025. These trends are projected to broadly continue in 2026 and 2027, pushing CPI inflation down to an average of 5.4% for 2026 and 4.6% for 2027.

Strained government revenue continues to drive deficits

The federal budget recorded a considerable deficit in the first three quarters of 2025, standing at RUB 3.8 trillion (1.7% of GDP). Weak global oil prices and Western sanctions on the Russian oil sector, along with an appreciating Ruble, reduced federal oil and gas revenues by 20.6% y-o-y in the first three quarters. These external conditions are assumed to persist, with a slight improvement expected in 2027. Domestically, the Russian government reacted by increasing the VAT by 2 pps. to 22% in 2026. Despite efforts to control defence spending in the federal budgets for 2026 and 2027, some spending increases are still expected, as federal plans appear overly optimistic and continued recruitment efforts are expected to impact regional budgets. These developments are projected to push the Russian budget deficit to 3.1% of GDP in 2025, narrowing to 2.7% in 2026 and 2.4% in 2027. Meanwhile, the Russian debt-to-GDP ratio is projected to gradually increase from 22.1% in 2025 to 24.2% in 2026 and 25.6% in 2027.

Risks to the Russian growth outlook are diverse but largely tilted downwards

Russian growth prospects are facing several risks, mostly tilted to the downside. Externally, key risks include lower oil prices and tightening of the sanctions regime, which could negatively impact growth and fiscal projections. Domestically, sectors not related to the war that are exposed to high interest rates could trigger a credit event, potentially requiring fiscal intervention or monetary financing, further weighing on growth. On the upside, growth prospects could be improved by an end to the country's war of aggression in Ukraine, combined with potential sanctions relief and easing of global trade tensions.

Table III.42.1: **Main features of country forecast - RUSSIA**

	2024			Annual percentage change						
bn RUB	Curr. prices	% GDP		06-21	2022	2023	2024	2025	2026	2027
GDP	201152.1	100.0		2.3	-1.4	4.1	4.3	**0.8**	**1.1**	**1.2**
Private Consumption	99307.6	49.4		3.7	-0.6	7.4	5.4	**2.3**	**2.0**	**2.1**
Public Consumption	37320.5	18.6		1.0	2.0	3.8	4.8	**1.0**	**0.9**	**0.8**
Gross fixed capital formation	44520.8	22.1		3.2	7.4	7.8	6.0	**0.2**	**0.8**	**0.9**
Exports (goods and services)	44085.7	21.9		2.5	-13.8	-11.0	3.0	**-0.9**	**-0.1**	**-0.3**
Imports (goods and services)	35385.8	17.6		3.9	-14.3	13.0	0.0	**1.0**	**1.5**	**1.0**
GNI (GDP deflator)	198493.1	98.7		2.3	-1.1	4.9	4.3	**0.9**	**1.2**	**1.4**
Contribution to GDP growth:	Domestic demand			2.8	1.5	6.2	5.0	**1.4**	**1.4**	**1.4**
	Inventories			-0.1	-1.1	3.0	-0.8	**-0.2**	**0.0**	**0.0**
	Net exports			-0.3	-1.2	-5.0	0.7	**-0.4**	**-0.3**	**-0.2**
Employment				0.3	0.4	-0.1	0.5	**0.3**	**0.1**	**0.1**
Unemployment rate (a)				5.9	3.9	3.2	2.5	**2.3**	**2.6**	**2.8**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				9.1	18.2	8.0	9.3	**8.0**	**4.8**	**5.1**
Consumer price index				7.6	13.7	5.9	8.4	**8.9**	**5.4**	**4.6**
Terms of trade goods				:	29.5	-16.6	-0.1	**-3.5**	**-2.8**	**0.5**
Trade balance (goods) (c)				9.3	13.6	5.9	6.1	**4.8**	**3.9**	**3.6**
Current-account balance (c)				4.4	10.4	2.4	2.9	**1.6**	**0.9**	**0.8**
General government balance (c)				1.1	-1.3	-2.2	-1.6	**-3.1**	**-2.7**	**-2.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				12.6	18.5	19.5	20.3	**22.1**	**24.2**	**25.6**

(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.

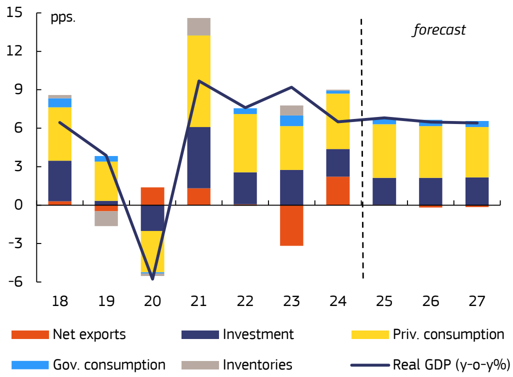
43. INDIA

India's economy continues to expand at a strong pace, driven by resilient domestic demand and supportive macroeconomic policies. Private consumption and investment are projected to remain the main growth drivers, reinforced by the Goods and Services Tax reform, monetary easing, and improving rural conditions. External headwinds and new U.S. tariffs are expected to weigh on exports, leading to a mild deterioration in the current account balance. Fiscal consolidation is progressing gradually, with debt ratios edging down as growth remains robust. While India's medium-term fundamentals remain solid, the near-term outlook points to a gradual moderation in growth and increasing downside risks.

Domestic momentum powers growth as external winds turn less favourable

In the first quarter of FY2025-26, India's real GDP grew by 7.8% y-o-y, up from 7.4% in the previous quarter, driven by strong domestic demand. Private consumption rose by 7%, supported by resilient urban spending and steady income gains, while rural demand showed early signs of recovery. Investment grew by 7.8%, reflecting sustained public infrastructure spending and improving private capital expenditure, and government consumption increased by 7.4% due to front-loaded expenditure. Net exports continued to detract from growth as weak global demand weighed on merchandise exports, while robust domestic activity kept imports high.

Graph III.43.1: **India - Real GDP growth and contributions**



Real GDP growth is projected to moderate gradually over the forecast horizon, following the strong performance in early FY2025-26. Growth is expected at 6.8% in FY2025-26, easing to 6.5% in FY2026-27 and 6.4% in FY2027-28, as fiscal support is gradually withdrawn and external demand remains subdued. Despite persistent challenging global conditions, India's growth momentum is set to remain among the strongest among major economies, underpinned by resilient domestic demand, improving investment conditions, and continued policy support.

Domestic demand is projected to remain the main driver of growth over the forecast horizon, supported by a real income growth, subdued inflation and monetary tailwinds. Private consumption is expected to expand by 6.8 % in FY2025-26, 6.6 % in FY2026-27 and 6.4 % in FY2027-28, as purchasing power benefits from reduced inflation, more stable energy prices, and rising employment. The rationalisation of the Goods and Services Tax (GST), adopted in August 2025—including lower rates on select household goods and services and streamlined compliance procedures—is expected to underpin consumption growth. Rural demand recovery is projected to strengthen, aided by above-average monsoon rains boosted farm incomes, easing inflation, and rising real rural wages

Investment is set to grow by around 7% annually, sustained by continued public capital expenditure in transport, energy and digital infrastructure, along with improving business sentiment and supply chain diversification. The government's production-linked incentive schemes and recent simplification of import duties on key inputs are expected to support manufacturing investment. The ongoing monetary policy shift should provide more accommodative conditions for new private sector investments, with the Reserve Bank of India having already lowered policy rates by more than 100 basis points since early 2025.

India's external position is expected to weaken moderately as export growth softens and imports stay firm. Real goods exports will remain constrained by subdued global demand and new U.S. tariffs affecting key sectors such as textiles and machinery, while resilient IT and business services will partly offset the drag. Import growth will reflect strong domestic investment and energy needs, though lower commodity prices should limit the rise in the import bill. Consequently, the trade deficit is set to widen slightly, with the current account balance deteriorating gradually to about 1.4% of GDP by FY2027-28.

Gradual fiscal consolidation amid strong fundamentals and rising external risks

Public finances in India are set to gradually improve, albeit from a challenging starting point. The general government fiscal deficit for FY2024-25 came in at about 7.5% of GDP, while the debt-to-GDP ratio remains elevated, with recent estimates placing general government debt at 81.6% of GDP. Looking ahead, the fiscal framework now emphasises a shift from focusing exclusively on the annual deficit to using the debt-to-GDP ratio as the primary anchor from FY 2026-27. The outlook suggests continued consolidation, with deficits expected to trend downward gradually and debt ratios slowly edging down under the assumption of strong nominal GDP growth and stable interest costs. Nevertheless, the pace will be moderate, with risks stemming from weaker revenue growth, higher interest costs, or unexpected expenditure shocks.

Consumer price inflation is expected to remain contained in the near term before gradually firming over the forecast horizon. Headline inflation is projected at 2.3% in FY2025-26, reflecting lower food and energy prices, favourable monsoon conditions, and the lagged impact of recent monetary easing. As domestic demand strengthens and policy stimulus gains traction, inflation is forecast to rise to 3.5% in FY2026-27 and 4.0% in FY2027-28, approaching the midpoint of the Reserve Bank of India's target range.

Risks to the outlook remain tilted to the downside. Externally, weaker global growth, prolonged trade tensions with the United States, and renewed volatility in commodity prices could weigh on exports and widen the current account deficit further. Domestically, fiscal risks could persist if revenue collection underperforms or if fiscal consolidation is delayed. Inflation could rise faster than anticipated if food prices rebound following a weak monsoon or if oil prices spike, forcing a tighter monetary stance. Financial conditions may also tighten more than expected if global risk sentiment deteriorates, raising refinancing costs. Stronger-than-expected rural consumption, faster disbursement of public investment, or an acceleration of structural reforms could lift the baseline.

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		330681.5	100.0	5.7	7.6	9.2	6.5	**6.8**	**6.5**	**6.4**
Private consumption		202984.1	61.4	6.0	7.5	5.6	7.2	**6.8**	**6.6**	**6.4**
Public consumption		33031.2	10.0	4.4	4.3	8.1	2.3	**5.0**	**5.0**	**5.0**
Gross fixed capital formation		98861.3	29.9	5.5	8.4	8.8	7.1	**7.0**	**7.0**	**7.0**
Exports (goods and services)		69978.3	21.2	5.1	10.3	2.2	6.3	**3.1**	**3.4**	**3.8**
Imports (goods and services)		77668.6	23.5	3.2	8.9	13.8	-3.7	**2.7**	**3.9**	**4.0**
GNI (GDP deflator)		326588.4	98.8	10.5	7.4	9.2	6.6	**6.9**	**6.6**	**6.5**
Contribution to GDP growth:	Domestic demand			5.6	7.5	7.0	6.7	**6.8**	**6.7**	**6.6**
	Inventories			-0.4	0.0	5.4	-2.4	**0.0**	**0.0**	**0.0**
	Net exports			0.4	0.1	-3.2	2.2	**0.0**	**-0.2**	**-0.2**
Employment				0.9	2.6	0.8	1.8	**1.8**	**1.9**	**2.0**
Unemployment rate (a)				-	5.3	4.9	5.1	**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	2.6	3.1	**2.4**	**3.5**	**4.0**
Consumer price index (c)				5.9	6.7	5.7	4.9	**2.3**	**3.5**	**4.0**
Terms of trade goods (b)				-0.5	-3.9	17.0	-10.4	**-3.2**	**-2.4**	**-2.4**
Trade balance (goods) (b)				-3.8	-7.9	-6.6	-7.2	**-7.6**	**-8.0**	**-8.3**
Current-account balance (b)				-1.2	-1.9	-0.6	-0.4	**-0.6**	**-1.0**	**-1.3**
General government balance (b)				-7.9	-8.8	-8.8	-7.5	**-7.1**	**-7.0**	**-6.9**
Structural budget balance				-	-	-	-	**-**	**-**	**-**
General government gross debt (b)				72.8	82.2	80.7	81.6	**81.7**	**81.2**	**80.3**

(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).

ACKNOWLEDGEMENTS

This report was prepared in the Directorate-General for Economic and Financial Affairs under the responsibility of Maarten Verwey – Director-General - and Reinhard Felke – Director "Policy coordination, economic forecasts and communication". Laura Bardone – Head of Unit "Economic situation, forecasts, business and consumer surveys" - held executive responsibility.

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Part I was prepared by Christos Axioglou, Piotr Bogumił, Reuben Borg, Lucian Briciu, Christian Buelens, Alessandra Cepparulo, Vítor Dias Martins, Norbert Gaál, Áron Kiss, Clara Krause, Anna Chiara Küffel, Ivan Kušen, Vincent Löwe, Gábor Márk Pellényi, José Ramón Perea, Rafał Raciborski, Vito Ernesto Reitano, Hugo Segard, Farzaneh Shamsfakhr, Vladimír Solanič, Tsvetan Tsalinski, Bořek Vašíček, Rupert Willis, Przemysław Woźniak, Tomasz Zdrodowski and Alexandru Zeana.
GM model support for the risk section was provided by Olga Croitorov, Adrian Ifrim, Marco Membretti, Beatrice Pataracchia, Philipp Pfeiffer, Marco Ratto, Joss Roman, and Jan Teresiński, using input from financial markets prepared by Daniel Monteiro. Box I.1.1. "The exposure of global and EU trade to US tariff" was prepared by Hugo Segard; Box I.1.2. "Spillovers to the EU from US tariffs imposed on third countries – model-based simulations" was prepared by Gergő Motyovszki; Box I.3.1 "The financial health of non-financial corporations in the EU" was prepared by Christine Frayne, Anna Chiara Küffel, Mirjam Salish; I.4.1. "The role of EU funds over the forecast horizon" was prepared by Gábor Márk Pellényi, Box I.6.1. "What do selling price expectations tell us about the near-term consumer price pressures in the euro area" was prepared by Christos Axioglou, Fiona Morice, Roberta Friz and Przemyslaw Wozniak.

In Part II, Special Issue 1 "The cost of EU Member States' proximity to the war in Ukraine" was prepared by Christos Axioglou, Gábor Márk Pellényi; Special Issue 2 "Migration, mobility and the EU labour market" was prepared by Áron Kiss, Kristine Van Herck; and Special Issue 3 "Trends in carbon intensity and the macroeconomic role of the EU Emissions Trading System" was prepared by Clara Krause, Jan Nill, Przemyslaw Wozniak.

Part III – Prospects by individual economy - The sections on "Member States" were prepared under the supervision of Isabel Grilo, Luc Tholoniat and Javier Yaniz Igal (acting), DG for Economic and Financial Affairs - Directors for the "Economies of the Member States". The country-specific sections benefited from contributions by Ronald Albers, Lucian Albulescu, Judit Antal, Martin Åström, Luca Barbieri, Paolo Battaglia, Annika Beermann, Barbara Bernardi, François Blondeau, Paul Brans, Francisco de Castro Fernández, Eglė Čeponytė, Boris Chafwehe, Polona Cigoj, Alessandro Cisotta, Fanny Dellinger, Marika Demkowicz, Živilė Didžiokaitė, László Dózsa, Igor Fedotenkov, Miriam Franzelin, Carmine Gabriele, Sotirios Giannoulis, Oscar Gómez Lacalle, Leyre Gómez-Oliveros Duran, Peter Harvan, Martijn Hoogeland, Zuzanna Iskierka, Dirk Kamps, Leena Kerkelä, Szabolcs Klubuk, Daniel Kosicki, Radoslav Krastev, Cvetan Kyulanov, Iris Larmi, Jens Larsen, François Le Helloco, Felix Lödl, Natalie Lubenets, Simone Macchi, Ardi Priks, Ruslan Lukach, Mihai Macovei, Janis Malzubris, Dorin Mantescu, Robert Markiewicz, Tiago Pereira, Benedetta Martinelli, Jakub Mazur, Clíona McDonnell, Fabrizio Melcarne, Leopoldo Miotto, Laurent Moulin, Ján Mutkovič, Thomas Ouin-Lagarde, Balázs Pálvölgyi, Mona Papadakou, Angeliki Paritsi, Martin Pažický, Samuli Pietiläinen, Sabine Prevost, Marija Roguljić, Leonard Salzmann, Matilde Santini, Johannes Schuffels, Ana Seco Justo, Suada Sela, Roberto Sigismondo, Peeter Soidla, Cristina Tinti, Gints Trupovnieks, Susanna Ulinski, Daniel Vâlcu, Milda Valentinaitė, Vasiliki Vasilopoulou, Michael Vedsø, Alberto Vidan Bermudez, Goran Vukšić, Kai-Young Weißschädel, Kristina Xuereb, Christos Zavos and Pieterjan van der Zwan.

The sections on "Candidate Countries" and "Other non-EU countries" were prepared under the supervision of Annika Eriksgaard, DG for Economic and Financial Affairs - Director of the "International economic and financial relations and institutions". These sections, and forecasts for all other non-EU economies, benefited from contributions by Piotr Bogumił, Bernhard Böhm, Samir Chouman, Hugo Ferradans Ramonde, Norbert Gaál, Dalia Grigonytė, Leonhard Jering, Plamen Kaloyanchev, Lisa Klinger, Ivan Kušen, Vincent Löwe, Andreea Maerean, Maria Maierean, Mart Maiväli, Alexandros Mouzakitis, José Ramón Perea, Jerzy Pieńkowski, Rafał Raciborski, Barbara Stearns-Bläsing, Vladimír Solanič, and Rupert Willis.

Support in editing the report by Barry Scanlon and Lorenzo Rosati, and for its communication and publication by Barry Scanlon, Lorenzo Rosati, Nicolas Carpentiers, Manuel De La Red Carino, Robert Gangl, Olivier Glorieux, Tamás Nagy, Sarka Novotna, Yasmina Quertinmont and Susanne Krenzer under the responsibility of Matthieu Hebert and Iciar Rodriguez Miranda, is gratefully acknowledged.

Follow-up calculations were performed by Pedro Arevalo, Francesca D'Auria, Olga Croitorov, Francesca Crucitti, Anna Monisso and Kieran Mc Morrow under the responsibility of Björn Döhring. Forecast assumptions were prepared by Paloma Cortés, Grzegorz Janowicz and Jannik Sielmann. Statistical support for the production of the forecast was provided by Anna Chiara Küffel, Ingo Kuhnert, Christoph Maier, Simone Russo, Jurgen Van Geijstelen, Cédric Viguié and Tomasz Zdrodowski. Technical support was provided by Hubert Droulez, Valentin Hancu, Szymon Lubieniecki, Virat Upadhyay, Tomasz Wlodarczyk. Further statistical and layout assistance was provided by Paloma Cortés, Zuzanna Iskierka, Szabolcs Klubuk, Johann Korner, Andres Martin Pintado, Gianluca Papa, Tiago Pereira, Francisco José Rodríguez, Marija Roguljic, Matilde Santini, Philip Unverzagt and Christos Zavos.

Valuable comments and suggestions by Gerrit Bethuyne, Angela D'Elia, Björn Döhring, María José Doval Tedin, Patrick D'Souza, Miroslav Florian, Joern Griesse, Valeska Gronert, Martin Hallet, Renata Hrůzová, Áron Kiss, Zenon Kontolemis, Bettina Kromen, Stefan Kuhnert, Paul Kutos, Júlia Lendvai, Milan Lisicky, Philipp Mohl, Gilles Mourre, Moisés Orellana, Stéphanie Pamies, Philipp Pfeiffer, András Rezessy, Marie-Luise Schmitz, Dominique Simonis, Michael Sket, Uwe Stamm, András Tari, Lotte Taylor, Michael Thiel, Roberta Torre, Alessandro Turrini, Valerie Vandermeulen, Charlotte Van Hooydonk, Florian Wöhlbier, and Norbert Wunner are gratefully acknowledged.

Maria Symeonidou provided secretarial support.

Comments on the report would be gratefully received and should be sent to:
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Statistical Annex

European Economic Forecast – Autumn 2025

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	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.4	1.0	1.4	4.0	1.7	1.1	**1.0**	**1.1**	**1.3**	*1.0*	*0.8*	*0.9*
Bulgaria	2.6	1.5	2.7	4.1	1.7	3.4	**3.0**	**2.7**	**2.1**	*2.8*	*2.0*	*2.1*
Germany	1.2	1.4	0.9	1.8	-0.9	-0.5	**0.2**	**1.2**	**1.2**	*-0.2*	*0.0*	*1.1*
Estonia	-0.8	2.7	3.6	-1.2	-2.7	-0.1	**0.6**	**2.1**	**2.0**	*-0.3*	*1.1*	*2.3*
Ireland	-0.3	7.0	9.2	7.5	-2.5	2.6	**10.7**	**0.2**	**2.9**	*1.2*	*3.4*	*2.5*
Greece	-3.3	-2.1	0.9	5.5	2.1	2.1	**2.1**	**2.2**	**1.7**	*2.3*	*2.3*	*2.2*
Spain	0.0	0.8	0.4	6.4	2.5	3.5	**2.9**	**2.3**	**2.0**	*3.2*	*2.6*	*2.0*
France	0.9	0.8	0.9	2.7	1.4	1.2	**0.7**	**0.9**	**1.1**	*1.2*	*0.6*	*1.3*
Croatia	-0.3	0.6	2.5	7.3	3.8	3.8	**3.2**	**2.9**	**2.5**	*3.9*	*3.2*	*2.9*
Italy	-0.6	-0.6	0.4	4.8	1.0	0.7	**0.4**	**0.8**	**0.8**	*0.7*	*0.7*	*0.9*
Cyprus	1.9	-0.5	5.1	8.3	3.6	3.9	**3.4**	**2.6**	**2.4**	*3.4*	*3.0*	*2.5*
Latvia	-2.3	3.5	2.3	1.9	-0.9	0.0	**1.0**	**1.7**	**1.9**	*-0.4*	*0.5*	*2.0*
Lithuania	0.7	3.5	4.1	2.5	0.7	3.0	**2.4**	**3.0**	**2.2**	*2.8*	*2.8*	*3.1*
Luxembourg	1.8	2.9	2.4	-1.1	0.1	0.4	**0.9**	**1.9**	**2.2**	*1.0*	*1.7*	*2.0*
Malta	3.0	6.3	6.7	2.5	10.6	6.8	**4.0**	**3.8**	**3.5**	*6.0*	*4.1*	*4.0*
Netherlands	1.1	1.0	1.9	5.0	-0.6	1.1	**1.7**	**1.3**	**1.7**	*1.0*	*1.3*	*1.2*
Austria	1.2	0.9	0.9	5.3	-0.8	-0.7	**0.3**	**0.9**	**1.2**	*-1.2*	*-0.3*	*1.0*
Portugal	-0.1	-0.2	1.2	7.0	3.1	2.1	**1.9**	**2.2**	**2.1**	*1.9*	*1.8*	*2.2*
Slovakia	3.9	2.4	2.4	0.5	2.1	1.9	**0.8**	**1.0**	**1.4**	*2.1*	*1.5*	*1.4*
Slovenia	0.8	0.9	3.4	2.7	2.4	1.7	**1.0**	**2.4**	**2.6**	*1.6*	*2.0*	*2.4*
Finland	0.6	0.0	1.2	0.8	-0.9	0.4	**0.1**	**0.9**	**1.2**	*-0.1*	*1.0*	*1.3*
Euro area (21)	0.5	0.8	1.2	3.6	0.5	0.9	**1.3**	**1.2**	**1.4**	*0.9*	*0.9*	*1.4*
Czechia	1.5	1.8	2.0	2.8	0.0	1.2	**2.4**	**1.9**	**2.4**	*1.1*	*1.9*	*2.1*
Denmark	-0.3	1.6	2.2	0.4	0.6	3.5	**2.0**	**2.1**	**1.7**	*3.7*	*3.6*	*2.0*
Hungary	-0.5	2.2	3.5	4.2	-0.8	0.6	**0.4**	**2.3**	**2.1**	*0.5*	*0.8*	*2.5*
Poland	4.4	2.7	4.1	5.3	0.2	3.0	**3.2**	**3.5**	**2.8**	*2.9*	*3.3*	*3.0*
Romania	2.1	2.5	3.8	4.2	2.3	0.9	**0.7**	**1.1**	**2.1**	*0.8*	*1.4*	*2.2*
Sweden	1.3	1.9	1.9	1.3	-0.2	0.8	**1.5**	**2.6**	**2.3**	*1.0*	*1.1*	*1.9*
EU	0.7	1.0	1.4	3.5	0.4	1.1	**1.4**	**1.4**	**1.5**	*1.0*	*1.1*	*1.5*
United Kingdom	0.2	2.1	0.7	5.1	0.3	1.1	**1.4**	**1.2**	**1.4**	*1.1*	*1.0*	*1.3*
Japan	-0.3	1.2	0.1	1.0	1.2	0.1	**1.1**	**0.7**	**0.7**	*0.1*	*0.7*	*0.6*
United States	0.7	2.2	2.3	2.5	2.9	2.8	**1.8**	**1.9**	**2.1**	*2.8*	*1.6*	*1.6*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2025-27) 31.10.2025

	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	0.3	0.2	0.4	0.3	0.4	0.3	0.3	0.4	0.4	0.4
Bulgaria	0.6	0.9	0.4	0.1	1.5	0.5	0.5	0.4	0.6	0.5	0.5	0.5
Germany	0.3	-0.2	0.0	0.2	0.3	0.3	0.4	0.3	0.3	0.2	0.2	0.2
Estonia	0.2	0.6	0.2	0.3	0.5	0.7	0.7	0.7	0.4	0.4	0.4	0.4
Ireland	7.5	0.2	-0.1	:	:	:	:	:	:	:	:	:
Greece	0.1	0.6	:	:	:	:	:	:	:	:	:	:
Spain	0.6	0.8	0.6	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
France	0.1	0.3	0.5	0.2	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Croatia	0.4	1.1	0.5	0.5	0.8	0.8	0.8	0.8	0.5	0.5	0.5	0.5
Italy	0.3	-0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cyprus	1.1	0.7	:	:	:	:	:	:	:	:	:	:
Latvia	0.3	0.1	0.2	0.4	0.4	0.4	0.5	0.5	0.6	0.5	0.5	0.4
Lithuania	0.3	0.6	-0.2	0.8	0.5	1.4	1.3	0.5	0.3	0.3	0.3	0.3
Luxembourg	0.7	0.6	0.9	1.1	0.2	0.1	0.2	0.2	0.7	0.8	0.7	0.9
Malta	0.2	0.6	:	:	:	:	:	:	:	:	:	:
Netherlands	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5
Austria	0.2	-0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.3	0.2	0.2	0.3
Portugal	-0.3	0.7	0.8	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.5
Slovakia	0.1	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.4	0.4	0.5	0.6
Slovenia	-0.8	0.7	1.0	1.2	0.3	0.3	0.3	0.4	0.8	0.8	0.8	0.8
Finland	0.0	-0.4	-0.1	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Euro area (21)	0.6	0.2	0.2	0.1	0.4	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Czechia	0.7	0.5	0.7	0.2	0.6	0.7	0.4	0.1	0.8	0.8	0.7	0.7
Denmark	-1.3	1.0	0.8	0.8	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Hungary	-0.2	0.5	0.0	0.7	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5
Poland	0.6	0.8	:	:	:	:	:	:	:	:	:	:
Romania	0.0	1.2	:	:	:	:	:	:	:	:	:	:
Sweden	-0.1	0.6	1.1	0.3	0.7	0.7	0.7	0.7	0.5	0.5	0.5	0.5
EU	0.5	0.2	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
United Kingdom	0.7	0.3	0.1	0.2	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Japan	0.1	0.5	-0.4	0.3	0.2	0.2	0.3	0.3	0.2	0.1	0.1	0.1
United States	-0.2	0.9	0.5	0.3	0.3	0.5	0.6	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)** **31.10.2025**

	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	0.9	1.0	1.0	1.1	1.0	1.1	1.2	1.3	1.3	1.3	1.3	1.4
Bulgaria	3.6	3.5	3.0	2.0	2.9	2.4	2.6	2.9	2.0	2.0	2.1	2.2
Germany	0.2	0.3	0.3	0.3	0.4	0.9	1.3	1.3	1.3	1.2	1.0	0.9
Estonia	-0.3	0.5	0.9	1.3	1.7	1.8	2.3	2.7	2.5	2.2	1.8	1.6
Ireland	18.3	18.0	12.3	:	:	:	:	:	:	:	:	:
Greece	2.2	1.7	:	:	:	:	:	:	:	:	:	:
Spain	3.1	3.0	2.8	2.5	2.5	2.3	2.2	2.1	2.1	2.0	2.0	1.9
France	0.6	0.7	0.9	1.2	1.2	1.0	0.7	0.7	0.9	1.0	1.2	1.3
Croatia	3.5	3.4	3.3	2.5	2.9	2.6	2.8	3.1	2.9	2.6	2.4	2.1
Italy	0.7	0.5	0.4	0.5	0.4	0.6	0.8	0.7	0.7	0.8	0.8	0.8
Cyprus	3.3	3.6	:	:	:	:	:	:	:	:	:	:
Latvia	1.4	1.1	0.9	1.0	1.0	1.3	1.6	1.8	2.0	2.0	2.0	1.9
Lithuania	3.0	3.2	1.9	1.4	1.7	2.5	4.1	3.8	3.5	2.4	1.4	1.3
Luxembourg	-1.9	-0.2	2.6	3.3	2.7	2.2	1.5	0.6	1.2	1.9	2.5	3.2
Malta	4.8	2.3	:	:	:	:	:	:	:	:	:	:
Netherlands	2.5	1.7	1.4	1.3	1.3	1.3	1.3	1.4	1.5	1.6	1.8	1.9
Austria	0.4	0.5	0.6	0.2	0.3	0.8	1.1	1.4	1.4	1.4	1.2	1.0
Portugal	1.7	1.8	2.3	1.7	2.5	2.3	2.1	2.1	2.1	2.1	2.2	2.1
Slovakia	0.8	0.7	0.9	0.9	1.0	1.1	1.0	0.8	1.0	1.2	1.5	1.9
Slovenia	-0.6	0.7	1.4	2.2	3.3	2.9	2.2	1.3	1.9	2.4	2.9	3.4
Finland	1.0	0.2	-0.6	-0.3	0.1	0.8	1.3	1.4	1.3	1.3	1.2	1.1
Euro area (21)	1.6	1.6	1.4	1.1	0.9	1.1	1.2	1.4	1.4	1.4	1.3	1.3
Czechia	2.4	2.6	2.7	2.1	1.9	2.1	1.8	1.7	2.0	2.1	2.4	3.0
Denmark	2.4	1.6	1.8	1.3	3.1	2.4	2.0	1.6	1.6	1.7	1.8	1.7
Hungary	-0.3	0.2	0.6	1.0	1.9	2.1	2.7	2.5	2.4	2.1	2.0	1.9
Poland	3.7	2.9	:	:	:	:	:	:	:	:	:	:
Romania	0.7	2.3	:	:	:	:	:	:	:	:	:	:
Sweden	0.8	1.7	2.2	1.9	2.7	2.7	2.3	2.7	2.5	2.3	2.2	2.0
EU	1.7	1.6	1.5	1.2	1.1	1.3	1.4	1.6	1.6	1.5	1.5	1.4
United Kingdom	1.7	1.4	1.2	1.2	0.9	1.0	1.4	1.5	1.4	1.4	1.3	1.3
Japan	1.6	1.7	0.7	0.5	0.7	0.3	1.0	1.0	0.9	0.8	0.7	0.5
United States	2.0	2.1	1.7	1.6	2.1	1.7	1.8	2.0	2.2	2.2	2.1	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)** **31.10.2025**

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	0.4	0.5	0.9	3.1	0.9	0.5	**0.5**	**0.7**	**0.9**	*0.4*	*0.4*	*0.5*
Bulgaria	3.5	2.8	3.8	4.8	2.0	3.5	**3.1**	**2.8**	**2.4**	*3.0*	*2.4*	*2.7*
Germany	1.4	1.0	0.9	1.2	-1.8	-0.8	**0.1**	**1.2**	**1.3**	*-0.5*	*-0.2*	*1.0*
Estonia	-0.5	2.9	3.4	-1.4	-5.2	-0.7	**0.8**	**2.4**	**2.3**	*-0.9*	*1.3*	*2.5*
Ireland	-1.7	6.2	7.7	5.3	-4.3	0.9	**9.1**	**-0.8**	**2.0**	*-0.5*	*2.2*	*1.4*
Greece	-3.5	-1.5	1.1	6.1	2.4	2.2	**2.1**	**2.3**	**1.8**	*2.4*	*2.5*	*2.5*
Spain	-1.1	0.9	0.0	5.4	1.3	2.4	**1.7**	**1.2**	**1.1**	*2.2*	*1.7*	*1.3*
France	0.4	0.3	0.5	2.3	1.2	0.9	**0.4**	**0.7**	**0.8**	*0.8*	*0.2*	*1.0*
Croatia	-0.2	1.4	3.7	7.8	3.7	3.5	**3.0**	**2.9**	**2.6**	*4.0*	*3.3*	*2.9*
Italy	-1.1	-0.6	0.8	5.0	1.0	0.7	**0.5**	**0.9**	**0.9**	*0.8*	*0.8*	*1.0*
Cyprus	-0.7	-0.8	3.8	6.3	1.6	2.3	**2.0**	**1.4**	**1.3**	*1.8*	*1.6*	*1.3*
Latvia	-0.9	4.6	3.1	1.8	-0.7	0.8	**2.2**	**2.8**	**2.9**	*0.7*	*1.2*	*2.8*
Lithuania	2.3	4.6	4.6	1.6	-0.7	2.4	**2.3**	**3.3**	**2.4**	*2.2*	*2.5*	*3.3*
Luxembourg	-0.1	0.5	0.5	-3.2	-1.8	-1.2	**-0.5**	**0.4**	**0.6**	*-0.6*	*-0.1*	*0.3*
Malta	2.5	4.5	3.9	-0.2	6.3	3.9	**1.1**	**1.4**	**1.2**	*2.7*	*1.6*	*2.0*
Netherlands	0.6	0.6	1.3	4.0	-1.6	0.4	**1.2**	**0.8**	**1.2**	*0.3*	*0.8*	*0.8*
Austria	0.9	0.1	0.5	4.2	-1.6	-1.2	**0.0**	**0.6**	**1.0**	*-1.7*	*-0.5*	*0.7*
Portugal	-0.2	0.3	1.1	6.4	2.0	1.0	**1.2**	**1.6**	**1.5**	*0.9*	*1.0*	*1.6*
Slovakia	3.8	2.3	2.4	0.2	2.1	1.9	**1.0**	**1.2**	**1.7**	*2.0*	*1.7*	*1.7*
Slovenia	0.4	0.7	3.0	2.6	1.8	1.4	**0.7**	**2.2**	**2.4**	*1.3*	*1.8*	*2.2*
Finland	0.1	-0.4	1.0	0.5	-1.3	-0.4	**-0.3**	**0.7**	**1.0**	*-0.8*	*0.6*	*1.1*
Euro area (21)	0.2	0.7	1.1	3.2	-0.1	0.5	**0.9**	**1.0**	**1.2**	*0.5*	*0.6*	*1.1*
Czechia	1.1	1.7	2.0	0.4	-1.0	1.1	**2.2**	**1.7**	**2.3**	*1.0*	*1.7*	*1.9*
Denmark	-0.8	1.0	1.8	-0.4	-0.1	3.0	**1.6**	**1.7**	**1.4**	*3.2*	*3.2*	*1.5*
Hungary	-0.3	2.6	3.7	4.4	-0.7	0.9	**0.6**	**2.5**	**2.3**	*0.8*	*1.1*	*2.8*
Poland	4.5	2.8	4.7	3.0	0.6	3.3	**3.5**	**3.7**	**3.0**	*3.3*	*3.4*	*3.1*
Romania	3.2	2.9	4.4	4.7	2.2	1.0	**0.9**	**1.2**	**2.1**	*0.8*	*1.5*	*2.4*
Sweden	0.5	0.9	0.9	0.2	-0.9	0.5	**1.2**	**2.4**	**2.2**	*0.6*	*0.8*	*1.7*
EU	0.4	0.9	1.4	2.9	-0.1	0.8	**1.1**	**1.2**	**1.4**	*0.7*	*0.9*	*1.3*
United Kingdom	-0.5	1.4	0.3	4.1	-1.0	0.0	**0.7**	**0.5**	**0.7**	*0.0*	*0.3*	*0.6*
Japan	-0.3	1.3	0.3	1.4	1.9	0.3	**1.7**	**1.3**	**1.2**	*0.6*	*1.2*	*1.1*
United States	-0.1	1.4	1.8	2.0	2.1	1.9	**1.3**	**1.4**	**1.6**	*1.9*	*0.8*	*0.8*

Table 5: Domestic demand, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.8	1.3	0.8	4.4	1.1	1.4	**1.3**	**1.3**	**1.4**	*0.9*	*1.4*	*1.0*
Bulgaria	0.6	0.9	4.2	5.9	-2.1	4.8	**4.8**	**2.6**	**2.5**	*4.3*	*2.5*	*2.5*
Germany	1.1	1.3	1.2	3.1	-0.9	0.2	**1.6**	**1.8**	**1.6**	*0.4*	*1.1*	*1.2*
Estonia	-2.8	3.9	4.3	-1.3	-2.5	-0.2	**1.7**	**4.0**	**2.1**	*-0.8*	*1.4*	*2.6*
Ireland	-2.5	8.2	1.5	7.7	8.0	-9.8	**11.1**	**3.9**	**2.2**	*-11.6*	*8.4*	*2.3*
Greece	-4.2	-2.4	1.6	7.7	1.0	3.8	**1.1**	**2.8**	**1.6**	*4.3*	*2.9*	*2.4*
Spain	-1.3	0.1	1.0	4.1	1.6	3.4	**3.5**	**2.4**	**2.0**	*2.9*	*2.8*	*2.2*
France	1.1	0.9	1.0	2.8	0.4	-0.1	**1.1**	**0.6**	**1.0**	*0.3*	*0.7*	*1.3*
Croatia	-1.2	0.1	3.1	7.7	1.8	7.4	**4.5**	**3.5**	**2.7**	*6.3*	*4.0*	*3.3*
Italy	-0.6	-1.1	0.5	5.6	0.3	0.6	**1.1**	**1.1**	**0.8**	*0.4*	*0.9*	*1.1*
Cyprus	1.9	-1.1	4.3	9.5	6.7	2.8	**3.5**	**2.9**	**2.3**	*0.6*	*3.0*	*2.4*
Latvia	-4.1	2.3	3.7	1.2	0.3	-1.3	**4.2**	**1.9**	**2.4**	*-1.0*	*0.7*	*2.0*
Lithuania	-0.7	3.4	2.5	3.0	-1.0	2.9	**4.6**	**4.1**	**2.2**	*3.0*	*3.4*	*3.3*
Luxembourg	3.1	2.3	3.3	0.2	0.9	2.4	**1.7**	**2.3**	**2.6**	*-0.1*	*2.8*	*2.8*
Malta	1.8	5.3	5.9	9.5	2.1	5.9	**4.8**	**3.2**	**3.4**	*5.3*	*3.8*	*3.5*
Netherlands	0.7	0.7	2.0	5.0	-1.3	1.4	**2.0**	**1.6**	**1.8**	*0.9*	*1.8*	*1.4*
Austria	1.1	0.9	1.2	4.1	-3.0	-1.1	**1.4**	**1.0**	**1.1**	*-1.5*	*-0.1*	*0.9*
Portugal	-0.8	-0.6	1.9	4.7	2.2	2.9	**3.1**	**2.8**	**2.4**	*2.6*	*2.9*	*2.8*
Slovakia	2.4	1.5	2.4	1.8	-5.0	4.3	**1.5**	**0.9**	**1.1**	*3.9*	*1.6*	*1.9*
Slovenia	0.2	-0.3	3.8	3.9	0.0	3.3	**3.2**	**2.5**	**2.6**	*2.1*	*2.0*	*2.7*
Finland	1.3	0.4	1.0	2.7	-4.2	-0.3	**0.0**	**1.3**	**1.4**	*-0.9*	*1.0*	*1.5*
Euro area (21)	0.3	0.6	1.2	4.0	0.0	0.6	**1.9**	**1.6**	**1.5**	*0.5*	*1.5*	*1.5*
Czechia	1.0	1.4	2.8	3.3	-2.5	0.6	**2.9**	**2.5**	**2.5**	*0.5*	*3.0*	*2.9*
Denmark	-0.6	1.9	2.7	-0.3	-3.7	1.2	**1.5**	**2.0**	**2.1**	*0.4*	*2.4*	*2.0*
Hungary	-2.2	1.7	4.9	4.4	-8.1	-1.8	**1.4**	**2.9**	**2.3**	*-0.1*	*1.5*	*3.0*
Poland	4.4	2.1	4.2	4.8	-3.0	4.5	**3.9**	**3.9**	**2.9**	*4.2*	*4.0*	*3.3*
Romania	2.4	1.9	5.3	4.4	1.9	3.5	**1.0**	**0.5**	**2.2**	*3.5*	*1.9*	*2.4*
Sweden	2.0	2.4	1.5	2.8	-1.9	1.0	**1.5**	**2.7**	**2.0**	*0.6*	*1.0*	*1.6*
EU	0.4	0.8	1.5	3.9	-0.3	0.8	**2.0**	**1.8**	**1.6**	*0.7*	*1.6*	*1.6*
United Kingdom	0.0	2.7	0.6	4.9	0.4	1.7	**2.0**	**1.5**	**1.4**	*2.4*	*1.5*	*1.4*
Japan	-0.4	1.2	0.0	1.5	0.3	0.1	**1.4**	**0.8**	**0.7**	*0.2*	*0.7*	*0.6*
United States	0.2	2.3	2.6	2.7	2.4	3.1	**2.2**	**1.5**	**2.2**	*3.1*	*1.6*	*1.4*

Table 6: Final demand, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.8	2.0	2.0	3.7	-2.9	0.0	**0.3**	**1.4**	**1.6**	*-1.1*	*0.0*	*1.4*
Bulgaria	2.3	2.8	3.5	8.3	-1.2	3.6	**2.8**	**2.7**	**2.7**	*2.3*	*2.2*	*2.4*
Germany	1.6	1.7	1.3	3.4	-1.0	-0.5	**1.1**	**1.5**	**1.6**	*-0.1*	*0.2*	*1.2*
Estonia	1.2	3.4	5.0	1.7	-5.6	-0.8	**1.9**	**3.1**	**2.3**	*-1.0*	*1.7*	*2.5*
Ireland	0.6	11.0	7.4	10.7	-0.4	2.6	**7.8**	**1.5**	**3.3**	*4.0*	*3.3*	*2.6*
Greece	-3.5	-1.2	2.1	7.3	1.4	3.0	**1.3**	**2.7**	**2.0**	*3.3*	*2.9*	*2.6*
Spain	-0.6	1.0	0.7	6.7	1.8	3.3	**3.6**	**2.4**	**2.0**	*3.0*	*2.7*	*2.2*
France	1.2	1.4	0.9	4.3	1.0	0.6	**1.1**	**0.9**	**1.4**	*0.5*	*0.8*	*1.5*
Croatia	-1.0	1.6	3.3	14.0	0.6	5.4	**3.5**	**3.2**	**2.7**	*4.4*	*3.4*	*3.0*
Italy	-0.6	-0.4	0.7	6.6	0.2	0.4	**0.9**	**1.2**	**1.1**	*0.4*	*0.9*	*1.3*
Cyprus	2.1	1.0	7.2	18.3	2.4	4.4	**3.5**	**2.3**	**2.6**	*2.9*	*3.3*	*3.0*
Latvia	-1.4	3.2	3.7	5.2	-2.8	-0.8	**2.8**	**2.1**	**2.4**	*-1.2*	*1.1*	*2.0*
Lithuania	1.6	3.9	5.4	7.0	-2.1	2.8	**4.0**	**3.5**	**2.5**	*2.6*	*3.2*	*3.3*
Luxembourg	2.5	4.2	4.2	1.2	0.6	-8.7	**1.1**	**2.2**	**2.6**	*0.2*	*3.0*	*3.1*
Malta	3.4	7.5	7.6	10.8	3.7	6.1	**4.1**	**3.5**	**3.2**	*5.3*	*3.6*	*3.2*
Netherlands	1.5	2.4	2.7	4.7	-2.1	0.6	**2.0**	**1.5**	**1.8**	*0.7*	*1.3*	*1.6*
Austria	1.5	1.3	1.6	6.0	-2.1	-1.5	**0.7**	**1.3**	**1.6**	*-2.6*	*-0.4*	*1.3*
Portugal	-0.1	0.9	1.8	8.3	2.9	3.0	**2.5**	**2.4**	**2.4**	*2.9*	*2.5*	*2.8*
Slovakia	3.5	3.6	2.6	2.3	-2.9	2.3	**2.4**	**1.0**	**2.0**	*2.2*	*1.7*	*1.8*
Slovenia	1.4	1.7	4.4	5.6	-0.9	2.8	**1.7**	**2.6**	**2.8**	*2.6*	*2.1*	*2.9*
Finland	0.9	0.5	1.5	3.2	-3.0	0.3	**0.3**	**1.6**	**1.9**	*-0.6*	*1.4*	*1.7*
Euro area (21)	0.8	1.6	1.7	5.1	-0.4	0.6	**1.8**	**1.5**	**1.7**	*0.7*	*1.1*	*1.6*
Czechia	2.8	2.8	2.5	4.1	-0.5	1.0	**3.1**	**2.3**	**2.5**	*1.0*	*2.2*	*2.7*
Denmark	0.2	2.1	2.7	2.4	1.3	3.7	**1.4**	**2.8**	**2.2**	*3.4*	*3.7*	*2.2*
Hungary	1.2	3.1	4.3	7.2	3.6	-1.4	**0.6**	**3.3**	**3.1**	*-1.4*	*0.9*	*2.9*
Poland	4.9	3.3	5.0	5.8	-0.4	3.5	**3.3**	**3.4**	**2.9**	*3.4*	*3.2*	*3.0*
Romania	4.1	4.1	4.9	5.8	1.0	1.9	**1.6**	**1.1**	**2.4**	*1.7*	*1.8*	*2.5*
Sweden	1.8	2.5	2.3	3.9	-0.3	1.3	**2.7**	**2.6**	**2.2**	*1.2*	*1.3*	*1.7*
EU	1.0	1.8	2.0	5.0	-0.3	0.8	**1.9**	**1.7**	**1.9**	*0.9*	*1.3*	*1.8*
United Kingdom	0.3	2.6	0.4	7.1	-0.2	1.4	**2.2**	**1.5**	**1.5**	*1.5*	*1.2*	*1.4*
Japan	-0.3	1.5	0.2	2.1	0.8	0.3	**1.7**	**0.9**	**0.9**	*0.3*	*0.9*	*0.7*
United States	0.7	2.3	2.4	3.2	2.5	3.1	**2.0**	**1.5**	**2.2**	*3.1*	*1.6*	*1.4*

Table 7: **Private consumption expenditure, volume (percentage change on preceding year, 2007-2027)** 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.9	1.4	0.6	3.7	1.1	2.0	2.1	1.3	1.4	2.0	1.5	1.1
Bulgaria	2.9	1.2	4.0	4.0	1.1	4.9	5.8	2.6	2.3	4.2	3.5	2.5
Germany	0.4	1.3	-0.1	6.5	-0.7	0.5	1.1	1.2	1.0	0.3	0.7	1.1
Estonia	-1.8	4.6	3.5	2.9	-1.3	0.1	0.5	2.6	2.7	-0.3	1.4	2.4
Ireland	0.0	1.7	1.9	10.8	4.4	3.0	2.9	2.5	2.3	2.3	2.4	2.3
Greece	-1.8	-2.4	1.2	9.3	2.3	2.4	1.8	1.9	1.8	2.1	1.9	1.8
Spain	-0.6	0.2	0.0	4.9	1.8	3.1	3.4	2.3	1.9	2.9	2.9	2.1
France	1.3	0.9	0.5	3.3	0.7	1.1	0.4	0.6	0.8	1.0	1.0	1.4
Croatia	-0.4	-0.6	3.1	6.9	3.3	6.0	4.2	3.8	3.2	5.6	3.8	3.4
Italy	0.0	-0.6	-0.8	5.3	0.6	0.6	0.6	1.1	1.0	0.4	1.2	1.1
Cyprus	2.9	-0.4	2.7	10.5	6.1	4.0	2.4	2.0	2.0	3.8	2.5	2.2
Latvia	-3.0	3.8	1.8	5.1	-0.9	0.1	0.3	1.8	2.6	0.5	1.0	1.9
Lithuania	-0.8	3.7	2.8	1.9	-0.1	3.1	2.6	5.6	2.1	3.5	4.2	4.0
Luxembourg	2.4	2.5	2.2	6.6	3.8	3.2	1.4	1.8	1.9	1.3	2.0	2.4
Malta	1.7	2.8	4.4	9.6	13.0	6.2	3.6	3.8	3.8	5.7	4.1	3.9
Netherlands	0.2	0.5	0.7	6.9	0.7	1.1	1.6	1.6	1.6	1.2	1.9	1.8
Austria	1.1	0.7	0.1	5.4	-0.2	1.0	0.7	0.7	0.9	0.1	0.3	1.0
Portugal	0.0	-0.1	1.1	5.6	2.4	3.0	3.5	2.6	2.9	3.2	3.3	2.8
Slovakia	2.8	1.6	3.3	4.9	-2.9	3.5	1.1	0.7	1.2	2.9	0.9	1.6
Slovenia	2.6	0.2	3.1	3.9	0.0	3.8	2.8	2.5	3.2	1.6	2.2	2.3
Finland	1.5	0.7	0.3	0.9	0.0	-0.4	-1.4	1.2	1.4	-0.1	0.5	1.6
Euro area (21)	0.4	0.6	0.2	5.3	0.5	1.3	1.3	1.3	1.3	1.1	1.4	1.5
Czechia	1.8	1.7	1.7	0.5	-2.6	2.4	3.3	3.2	3.2	2.2	3.3	3.0
Denmark	0.0	1.4	2.5	-2.2	-2.5	1.0	2.0	2.0	2.0	0.9	1.6	1.7
Hungary	-1.6	1.9	4.2	7.4	-2.3	5.6	3.5	3.7	2.4	5.1	3.4	3.2
Poland	4.4	2.3	3.4	5.2	-0.3	3.0	3.5	3.1	2.7	3.0	3.4	2.8
Romania	2.8	2.5	5.3	5.4	2.5	5.7	0.7	-0.8	2.4	6.0	2.0	2.3
Sweden	2.2	2.4	1.5	2.8	-1.6	0.6	1.7	2.9	2.7	0.3	1.3	2.1
EU	0.6	0.8	0.6	5.0	0.3	1.5	1.5	1.5	1.5	1.3	1.5	1.6
United Kingdom	0.3	2.7	-0.3	7.6	-0.4	-0.2	1.0	1.3	1.6	0.6	1.0	1.4
Japan	0.1	0.6	-0.6	2.1	0.8	-0.1	1.2	1.0	0.8	0.0	0.6	0.5
United States	1.0	2.3	2.6	3.0	2.6	2.9	2.4	1.6	1.8	2.8	2.0	1.3

Table 8: **Government consumption expenditure, volume (percentage change on preceding year, 2007-2027)** 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.5	0.6	1.5	3.2	2.7	1.8	1.5	1.5	1.3	2.6	2.2	0.6
Bulgaria	-0.2	0.5	4.1	8.0	1.1	3.6	2.0	2.6	2.7	4.6	0.3	1.9
Germany	2.2	2.3	2.7	0.6	-0.2	2.6	2.3	2.4	1.3	3.5	1.9	1.3
Estonia	1.8	2.6	2.8	-1.6	0.6	1.8	1.7	3.3	0.3	0.3	1.2	2.5
Ireland	0.3	1.1	6.5	3.7	6.4	4.8	3.9	4.5	3.1	4.0	2.9	3.6
Greece	-1.4	-1.9	0.5	0.0	2.8	-2.6	1.5	2.5	0.9	-4.1	2.6	1.1
Spain	3.0	-0.8	2.5	0.8	4.5	2.9	1.7	1.8	1.7	4.1	2.3	1.6
France	1.7	1.4	1.1	2.7	1.4	1.4	1.0	0.1	1.1	2.1	1.0	1.1
Croatia	2.1	0.3	2.6	2.2	6.6	7.3	4.7	3.0	2.3	7.0	3.9	2.9
Italy	-0.1	-0.6	0.5	0.8	1.1	1.0	0.7	0.6	-0.2	1.1	0.9	0.9
Cyprus	3.6	-2.6	7.1	4.7	3.6	1.6	4.7	3.6	3.0	1.5	3.7	2.5
Latvia	-2.2	2.0	3.8	0.4	2.5	-0.4	1.4	0.2	0.4	7.6	1.7	1.5
Lithuania	-0.5	0.5	-0.1	1.9	0.0	1.6	0.6	0.1	0.1	1.4	0.3	0.2
Luxembourg	3.0	2.4	4.9	4.0	1.6	4.9	5.2	2.8	2.9	4.9	4.4	2.6
Malta	2.8	6.1	8.4	-0.2	3.8	9.2	6.9	4.1	3.1	7.3	4.7	4.2
Netherlands	2.3	0.2	2.4	1.3	2.8	3.6	2.5	1.8	2.3	3.6	1.8	1.3
Austria	1.4	0.7	1.9	0.0	0.6	3.8	2.9	1.0	0.7	1.6	-0.4	-0.4
Portugal	-0.3	-0.9	1.4	1.7	1.8	1.5	1.6	1.7	1.3	1.1	1.2	1.2
Slovakia	2.2	2.3	1.6	-2.9	-2.5	4.0	2.2	-0.2	1.1	3.7	0.9	0.8
Slovenia	1.6	0.0	3.1	-0.6	2.1	7.3	2.6	2.1	1.4	8.5	2.8	3.7
Finland	0.8	0.7	1.9	-0.6	2.6	1.7	-0.3	0.4	0.2	0.7	-0.2	-0.1
Euro area (21)	1.5	0.9	1.9	1.3	1.5	2.3	1.8	1.5	1.2	2.7	1.6	1.2
Czechia	0.3	1.1	2.7	0.4	3.2	3.2	1.5	1.4	1.4	3.3	2.4	2.2
Denmark	1.7	1.0	1.1	-2.4	0.2	1.0	3.7	2.1	1.5	1.4	4.4	2.1
Hungary	-0.1	1.9	2.5	2.8	3.3	-1.8	1.1	1.6	0.6	-4.6	0.3	1.5
Poland	2.3	2.1	4.5	0.6	4.5	8.7	4.7	3.6	2.2	8.2	2.8	3.2
Romania	0.1	1.9	3.5	-1.4	4.0	1.2	-0.6	-1.7	0.9	0.7	0.6	1.0
Sweden	1.3	2.0	0.6	0.7	1.0	1.2	0.4	1.5	0.4	1.2	1.3	0.4
EU	1.5	1.0	2.0	1.1	1.6	2.4	1.8	1.5	1.2	2.7	1.7	1.3
United Kingdom	0.9	1.1	2.1	0.1	2.1	3.4	2.4	2.4	1.0	3.0	3.3	1.3
Japan	1.5	1.5	1.7	1.4	-0.3	0.9	0.3	1.1	0.9	0.9	1.0	0.8
United States	1.0	-0.1	1.7	-1.3	3.0	3.3	0.7	0.6	1.5	2.5	1.3	1.2

Table 9: Total investment, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	1.4	2.3	1.5	2.5	3.1	2.0	-1.0	1.2	1.5	1.4	0.5	1.2
Bulgaria	-2.2	0.3	1.0	6.5	10.2	1.5	5.5	3.0	3.0	-1.1	2.0	3.5
Germany	1.5	1.5	1.2	-0.1	-2.0	-3.3	-0.8	3.5	3.8	-2.7	0.2	2.6
Estonia	-4.4	2.4	10.2	-14.4	2.3	-6.5	4.3	7.9	2.6	-6.9	1.6	3.1
Ireland	-9.0	23.6	-1.1	2.8	13.4	-28.5	34.4	2.0	1.9	-25.4	22.4	1.4
Greece	-12.2	-5.9	4.7	22.1	6.5	4.5	6.9	7.1	1.5	4.5	7.8	7.3
Spain	-6.2	0.1	2.2	4.2	5.9	3.6	5.6	3.4	2.5	3.0	3.4	3.1
France	0.1	0.4	2.9	-0.4	0.4	-1.1	-0.1	1.0	1.5	-1.3	-1.0	1.4
Croatia	-4.3	1.0	3.3	10.7	22.7	5.3	4.8	3.2	2.0	9.9	4.3	3.2
Italy	-2.8	-2.7	4.1	7.4	10.1	0.5	2.6	2.1	1.2	0.5	0.8	1.5
Cyprus	-2.6	-1.6	5.8	12.5	15.4	-2.2	5.6	4.6	2.4	0.1	3.5	3.0
Latvia	-7.7	-0.2	5.5	0.3	5.0	-7.0	10.5	3.8	3.7	-6.7	-1.2	2.6
Lithuania	-2.4	3.9	7.8	4.4	11.3	-1.7	5.1	4.0	4.0	-1.3	3.5	4.0
Luxembourg	4.9	1.0	4.0	-13.9	-5.1	-2.7	-1.8	2.8	3.7	-7.3	2.5	3.9
Malta	1.7	10.8	6.9	14.4	-15.9	3.6	6.0	1.0	3.0	2.4	2.5	2.1
Netherlands	-0.1	1.1	3.2	3.4	1.5	-0.4	0.8	0.9	1.6	-0.5	0.8	1.5
Austria	0.5	1.7	2.6	-0.3	-1.3	-4.3	1.5	1.7	2.2	-3.4	-0.7	1.9
Portugal	-3.7	-2.4	5.6	3.3	6.0	4.2	3.3	4.4	2.1	3.0	3.5	4.3
Slovakia	2.4	0.5	0.6	4.3	4.0	1.6	3.1	2.5	0.7	1.8	3.6	3.8
Slovenia	-5.3	-1.5	5.7	4.7	5.5	-0.3	0.3	3.2	2.5	-3.7	0.7	2.8
Finland	0.9	0.3	1.8	1.5	-7.4	-5.0	2.0	4.0	3.0	-7.1	3.5	3.0
Euro area (21)	-1.4	0.8	2.4	2.1	2.4	-2.0	2.2	2.5	2.3	-1.8	1.3	2.2
Czechia	1.2	0.8	4.1	6.3	4.2	-2.8	0.6	3.2	2.6	-1.2	0.6	3.2
Denmark	-4.2	4.5	4.8	1.8	-3.8	3.0	-2.0	1.9	2.9	2.7	2.4	2.5
Hungary	-3.0	2.4	9.0	-0.4	-6.7	-9.9	-5.4	2.2	4.1	-11.1	-1.5	4.0
Poland	5.8	1.6	4.1	1.7	12.7	-0.9	3.7	7.4	4.6	-2.2	6.9	5.3
Romania	4.5	1.3	4.3	5.4	12.3	-2.5	2.7	5.4	2.6	-3.3	2.3	3.6
Sweden	1.4	3.2	2.8	0.2	0.1	0.0	0.6	3.2	2.7	-1.1	1.0	2.0
EU	-1.0	1.0	2.6	2.1	2.6	-1.9	2.0	2.7	2.5	-1.8	1.5	2.4
United Kingdom	-1.4	5.3	0.8	6.8	0.5	1.8	2.8	1.6	1.7	1.5	0.6	1.5
Japan	-3.1	2.5	-0.1	-0.4	0.9	0.0	1.9	0.9	0.8	0.3	0.6	0.3
United States	-2.3	4.3	3.3	1.9	3.8	3.5	2.9	1.8	3.3	4.3	1.4	1.7

Table 10: Investment in construction, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	1.5	1.5	1.1	-1.5	3.0	-2.0	-1.2	1.2	1.4	-0.8	0.8	1.2
Bulgaria	-2.0	-0.4	-4.3	10.7	2.5	1.6	2.6	4.0	0.7	-3.7	1.8	3.9
Germany	1.3	0.7	1.1	-4.3	-5.9	-3.4	-1.9	2.1	3.1	-3.3	-0.1	1.8
Estonia	-5.5	1.5	8.2	0.2	-0.4	-13.1	-4.8	2.3	3.0	-10.3	1.4	2.9
Ireland	-18.4	7.4	3.7	2.2	6.0	-4.8	9.6	7.6	6.8	-1.9	2.0	2.1
Greece	-13.2	-9.8	-2.3	27.2	16.8	9.9	6.9	10.1	3.5	5.7	13.1	10.3
Spain	-8.8	-2.5	3.2	4.0	5.5	4.0	4.3	3.3	2.7	3.5	2.7	3.6
France	-0.6	-0.9	3.1	-2.9	-2.3	-1.9	-0.5	0.5	1.5	-2.0	-1.0	3.0
Croatia	-5.4	-1.6	2.2	5.4	23.7	9.3	5.6	3.1	1.0	14.2	5.4	2.2
Italy	-3.9	-5.7	5.7	9.2	17.7	1.5	2.8	2.3	0.9	2.0	0.5	1.9
Cyprus	-4.0	-7.9	13.7	5.0	2.3	4.0	3.5	4.1	2.5	3.7	3.7	3.4
Latvia	-9.0	-2.1	4.1	-3.1	1.0	-5.0	10.0	5.6	2.7	-5.0	2.1	2.7
Lithuania	-3.6	1.3	6.1	8.0	13.2	0.4	1.9	2.9	2.9	1.8	2.0	2.9
Luxembourg	3.1	1.2	2.2	-8.1	-9.2	0.5	-1.6	3.3	3.4	-9.4	3.1	3.4
Malta	-0.3	3.7	12.4	-25.1	0.5	5.9	5.5	1.5	2.8	7.0	4.0	4.0
Netherlands	-2.3	1.3	4.2	1.6	-0.1	-2.8	1.6	1.4	1.6	-3.4	3.1	1.3
Austria	-1.6	0.2	2.4	-2.1	-4.5	-5.9	-0.5	1.4	2.2	-5.4	1.0	2.2
Portugal	-4.9	-6.2	6.2	0.9	4.5	3.1	5.1	5.0	2.6	1.5	4.9	5.1
Slovakia	-2.1	-1.1	2.6	4.6	8.3	-14.7	3.4	3.2	0.8	-13.5	3.4	5.3
Slovenia	-7.8	-4.4	5.5	6.8	9.8	-2.0	1.1	4.4	2.3	-5.3	1.5	2.2
Finland	1.4	0.5	0.7	-0.5	-12.5	-9.1	-1.1	2.0	3.0	-8.9	2.4	2.9
Euro area (21)	-2.8	-1.2	2.8	-0.1	1.0	-1.4	0.8	2.2	2.2	-1.5	0.8	2.4
Czechia	-0.6	-1.2	4.0	1.1	3.8	-2.8	1.9	4.7	4.1	-0.7	1.1	6.3
Denmark	-6.1	3.2	5.7	-1.3	-6.6	-2.2	1.8	3.4	2.2	0.3	2.7	2.1
Hungary	-5.8	-1.1	11.1	2.5	-12.1	-15.6	-7.6	2.8	4.5	-7.9	-0.6	4.1
Poland	6.7	-0.3	4.7	1.0	8.0	-6.5	-3.5	3.7	4.4	-9.2	0.9	5.5
Romania	6.0	6.7	6.1	9.5	-15.3	-0.3	5.3	6.5	2.3	-4.6	3.7	4.1
Sweden	-0.8	4.3	2.2	-0.5	-4.5	-1.0	-2.3	3.8	2.7	-1.1	5.1	1.8
EU	-2.5	-0.7	3.0	0.2	0.4	-1.8	0.6	2.5	2.4	-1.9	1.1	2.7
United Kingdom	-3.7	4.9	0.8	5.8	-2.6	4.0	5.7	2.1	2.0	2.5	1.2	1.6
Japan	-4.4	2.5	-0.5	-2.2	1.3	-1.5	0.1	0.5	0.7	-1.1	1.0	1.2
United States	-8.1	4.4	1.8	-4.3	3.2	3.3	-1.8	0.3	2.7	5.4	1.1	1.5

Table 11: Investment in equipment, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	-0.6	3.1	-0.1	5.5	5.2	6.0	-2.6	1.0	1.5	4.6	-1.0	1.1
Bulgaria	-3.7	0.5	5.4	2.3	16.3	4.3	10.1	1.7	5.1	1.5	4.4	3.0
Germany	1.0	1.8	0.5	4.7	-0.5	-5.4	-1.9	5.5	4.7	-5.5	-0.3	3.6
Estonia	-5.0	2.8	7.3	-21.5	-1.7	7.3	19.3	18.4	1.8	-7.4	4.2	3.3
Ireland	-0.9	10.7	0.5	21.4	4.7	-14.1	-2.1	-2.0	-1.6	-7.2	0.5	0.6
Greece	-12.5	-1.9	9.9	23.1	0.4	0.9	7.4	6.1	-0.4	4.5	5.6	6.1
Spain	-4.3	2.5	0.6	2.1	2.6	1.9	8.6	3.7	2.4	2.8	5.5	2.7
France	0.0	2.1	1.1	0.6	2.6	-2.9	-2.6	1.1	0.9	-4.4	-4.4	-3.4
Croatia	-3.4	3.2	4.0	16.1	17.9	0.6	4.4	3.7	3.6	5.4	3.1	5.9
Italy	-2.3	-1.3	3.2	3.7	3.4	-2.1	1.0	2.4	1.5	-2.6	0.9	1.1
Cyprus	:	:	-11.3	-9.0	107.5	-4.9	1.4	3.8	1.9	-3.7	2.6	2.6
Latvia	-8.0	1.5	7.6	2.4	10.1	-9.5	10.6	3.6	5.3	-9.6	-5.4	2.2
Lithuania	-3.4	8.1	10.3	0.0	12.8	-8.5	17.3	6.4	6.2	-6.5	6.9	6.3
Luxembourg	8.2	0.5	5.8	-27.0	1.0	-11.1	-3.4	0.8	3.6	-3.5	1.9	4.5
Malta	1.3	20.8	-1.3	63.4	-41.5	-1.7	:	:	:	-11.8	:	:
Netherlands	2.7	0.0	2.6	7.0	5.7	3.3	-0.6	-0.1	1.6	3.2	-4.1	1.6
Austria	1.3	2.6	1.9	-1.7	1.2	-4.4	3.6	2.2	2.1	-4.5	-3.5	2.9
Portugal	-4.5	4.8	4.6	7.4	11.3	7.6	0.9	4.6	2.2	6.1	1.6	3.9
Slovakia	7.2	1.3	-2.4	1.6	-1.1	26.8	3.2	2.0	0.7	23.6	4.3	2.6
Slovenia	-5.0	1.3	6.1	3.0	1.8	-0.1	0.5	1.9	2.9	-3.3	-2.7	0.8
Finland	0.6	3.6	2.5	3.9	-4.3	4.8	7.3	8.7	3.0	-10.1	8.7	3.2
Euro area (21)	-0.8	1.6	1.5	4.1	2.3	-1.9	0.5	3.0	2.4	-2.3	-0.2	1.6
Czechia	3.2	1.5	2.4	12.3	7.2	-5.3	-1.3	2.0	1.2	-3.0	0.5	-0.6
Denmark	-6.8	7.2	2.3	-8.6	0.4	13.0	-4.1	-0.1	4.0	6.9	10.4	4.0
Hungary	-1.2	5.9	7.8	-2.2	-2.7	-5.2	-4.9	1.7	4.3	-18.2	-2.2	4.2
Poland	4.7	3.5	2.4	2.0	20.9	6.7	15.4	9.3	3.3	6.6	12.9	4.9
Romania	3.2	-4.5	-0.2	-5.4	82.8	-4.9	1.2	4.8	3.1	1.9	1.3	3.1
Sweden	3.2	2.9	0.7	-1.0	3.1	1.3	3.9	2.9	2.1	-1.7	-5.0	1.8
EU	-0.4	1.7	1.6	3.4	4.5	-1.4	1.1	3.3	2.5	-2.0	0.5	1.9
United Kingdom	-1.0	5.8	-2.9	16.3	4.0	-0.6	-2.0	0.4	1.2	0.3	-2.6	1.3
Japan	-2.8	3.0	0.7	-0.6	0.9	0.8	5.1	1.2	0.8	0.7	2.7	1.0
United States	1.5	3.9	1.5	2.0	3.0	3.4	7.7	1.6	3.2	3.2	0.5	0.6

Table 12: Public investment (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	2.2	2.5	2.7	2.7	2.9	3.1	3.2	3.2	3.3	3.0	3.3	3.2
Bulgaria	4.7	4.4	3.0	2.4	3.8	3.2	4.2	3.8	4.2	3.0	3.6	3.3
Germany	2.5	2.4	2.7	2.9	2.9	3.1	3.2	3.4	3.4	2.9	3.0	3.0
Estonia	5.6	5.3	5.5	5.4	6.5	6.2	6.9	8.0	7.8	6.1	7.2	7.1
Ireland	3.9	2.0	2.1	2.1	2.3	2.6	2.5	2.9	2.9	2.7	2.8	3.1
Greece	4.5	3.5	3.4	3.7	3.9	3.6	4.4	4.2	5.0	3.7	4.2	3.8
Spain	4.6	2.4	2.3	2.7	3.0	2.7	2.9	3.1	2.9	2.7	3.0	3.0
France	4.6	4.3	4.0	4.2	4.2	4.3	4.3	4.2	4.3	4.3	4.3	4.2
Croatia	5.0	3.6	4.2	4.1	5.7	5.2	5.7	5.6	5.4	5.1	5.4	5.2
Italy	3.2	2.4	2.4	2.6	3.1	3.6	3.7	3.9	3.9	3.5	3.8	3.9
Cyprus	4.2	2.7	3.2	2.4	3.1	2.8	3.2	3.5	3.0	3.0	3.2	3.2
Latvia	5.5	4.8	5.5	4.8	5.6	6.3	7.3	7.7	7.8	5.7	7.0	7.2
Lithuania	5.0	3.8	3.5	3.2	4.2	4.2	4.8	5.6	5.0	4.2	4.9	4.6
Luxembourg	4.1	3.7	4.2	4.3	4.6	4.6	4.8	4.9	4.9	4.5	4.7	4.6
Malta	2.7	3.2	3.3	3.3	3.5	3.2	3.7	3.6	3.5	3.3	3.8	3.9
Netherlands	4.2	3.6	3.4	3.2	3.3	3.3	3.4	3.5	3.6	3.2	3.2	3.3
Austria	3.2	3.0	3.2	3.4	3.7	3.9	4.0	4.0	4.1	3.9	3.9	4.0
Portugal	4.0	2.1	2.1	2.4	2.6	2.7	3.5	3.8	2.4	2.7	3.7	4.2
Slovakia	3.6	4.1	3.4	3.1	3.6	3.6	5.2	5.4	5.0	3.6	5.1	5.2
Slovenia	4.7	4.3	3.9	5.5	5.5	5.1	5.3	5.3	5.3	5.1	5.3	5.2
Finland	3.7	4.1	4.4	4.1	4.1	4.4	5.0	5.1	5.1	4.4	4.9	4.8
Euro area (21)	3.6	3.0	3.0	3.1	3.3	3.5	3.6	3.7	3.7	3.4	3.5	3.6
Czechia	5.0	4.0	4.2	4.5	4.8	4.7	4.8	4.8	4.7	4.7	4.9	4.6
Denmark	3.1	3.7	3.3	3.1	3.2	3.2	3.8	4.2	4.3	3.1	3.8	3.9
Hungary	3.6	4.6	5.8	5.3	5.1	4.3	4.1	4.2	4.2	4.2	4.2	4.2
Poland	5.1	4.3	4.2	3.8	5.1	4.8	5.0	5.4	5.6	4.9	5.1	5.2
Romania	5.8	4.5	3.4	4.4	5.4	5.9	6.4	6.5	6.5	5.7	6.1	6.5
Sweden	4.4	4.6	5.1	5.1	5.4	5.5	5.7	6.0	6.0	5.4	5.5	5.6
EU	3.7	3.2	3.2	3.3	3.6	3.7	3.8	4.0	4.0	3.6	3.8	3.8
United Kingdom	3.0	2.6	2.9	3.1	3.2	3.2	3.2	3.3	3.3	3.3	3.4	3.5
Japan	3.7	3.8	4.0	3.9	3.9	3.8	3.9	3.9	4.0	3.8	3.9	3.9
United States	4.0	3.3	3.4	3.2	3.3	3.4	3.4	3.4	3.3	3.5	3.5	3.5

Table 13: Potential GDP, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.6	1.1	1.5	2.0	2.1	1.8	**1.6**	**1.5**	**1.4**	*1.7*	*1.4*	*1.3*
Bulgaria	2.9	1.7	2.4	2.5	2.9	3.8	**3.3**	**2.8**	**2.7**	*3.3*	*2.9*	*2.5*
Germany	1.0	1.6	1.0	0.7	0.6	0.5	**0.4**	**0.5**	**0.6**	*0.5*	*0.3*	*0.3*
Estonia	1.2	2.2	3.4	0.6	0.7	-0.1	**0.0**	**0.4**	**0.5**	*0.1*	*0.2*	*0.3*
Ireland	0.4	6.5	8.5	5.1	4.9	3.7	**4.5**	**3.7**	**3.5**	*2.6*	*2.8*	*2.5*
Greece	0.1	-2.3	-0.8	0.1	0.5	1.0	**1.5**	**1.8**	**1.8**	*1.2*	*1.7*	*1.9*
Spain	2.0	-0.1	0.7	1.9	2.4	2.6	**2.8**	**2.6**	**2.4**	*2.3*	*2.4*	*2.2*
France	1.4	0.9	0.9	1.3	1.3	1.3	**1.2**	**1.1**	**1.0**	*1.2*	*1.1*	*1.0*
Croatia	0.9	0.6	2.0	3.6	4.5	4.8	**4.2**	**3.6**	**3.1**	*4.3*	*4.0*	*3.6*
Italy	0.2	-0.3	0.3	1.3	1.1	1.3	**0.9**	**0.9**	**0.9**	*1.3*	*1.0*	*0.9*
Cyprus	2.9	-0.2	4.4	4.6	4.7	4.2	**3.8**	**3.5**	**3.2**	*3.9*	*3.6*	*3.1*
Latvia	0.9	1.6	2.5	1.0	1.0	0.0	**0.9**	**1.1**	**1.5**	*0.8*	*1.3*	*1.4*
Lithuania	2.9	2.2	3.9	3.4	3.3	2.6	**2.3**	**2.1**	**2.1**	*2.7*	*2.8*	*2.2*
Luxembourg	2.5	2.3	2.3	1.6	1.6	1.2	**1.1**	**1.2**	**1.3**	*1.1*	*1.2*	*1.3*
Malta	3.3	6.0	6.6	6.3	6.5	5.5	**5.4**	**4.7**	**4.6**	*5.3*	*4.6*	*4.5*
Netherlands	1.3	0.9	1.9	2.1	2.0	1.8	**1.7**	**1.4**	**1.3**	*1.9*	*1.6*	*1.5*
Austria	1.2	1.1	1.2	1.1	1.3	0.7	**0.5**	**0.7**	**0.7**	*0.3*	*0.2*	*0.4*
Portugal	0.0	-0.3	1.7	2.4	2.7	2.6	**2.5**	**2.2**	**2.0**	*2.4*	*2.2*	*2.0*
Slovakia	4.5	2.3	2.0	1.4	2.2	2.3	**1.5**	**1.4**	**1.3**	*2.8*	*2.1*	*2.0*
Slovenia	2.4	1.0	2.1	2.3	2.8	2.4	**2.3**	**2.3**	**2.3**	*2.3*	*2.3*	*2.3*
Finland	0.9	0.3	1.0	1.0	0.7	0.5	**0.5**	**0.5**	**0.6**	*0.6*	*0.5*	*0.5*
Euro area (20)	1.1	0.8	1.2	1.4	1.4	1.4	**1.3**	**1.2**	**1.2**	*1.2*	*1.1*	*1.1*
Euro area (21)	1.1	0.9	1.2	1.4	1.4	1.4	**1.3**	**1.2**	**1.2**	*:*	*:*	*:*
Czechia	2.7	1.6	2.1	1.3	1.9	1.9	**1.5**	**1.5**	**1.4**	*1.4*	*1.3*	*1.4*
Denmark	1.2	1.2	1.9	2.3	2.2	2.1	**1.7**	**1.5**	**1.4**	*2.5*	*2.3*	*2.1*
Hungary	0.9	1.2	3.5	2.7	2.0	1.2	**1.0**	**1.1**	**1.2**	*1.1*	*1.1*	*1.2*
Poland	4.2	3.4	3.7	4.3	3.0	2.8	**2.9**	**2.9**	**2.8**	*2.6*	*2.7*	*2.7*
Romania	3.7	2.3	4.0	2.2	2.4	1.4	**1.3**	**1.4**	**1.5**	*1.9*	*1.7*	*1.7*
Sweden	1.9	1.8	2.0	1.6	1.4	1.4	**1.5**	**1.5**	**1.6**	*1.3*	*1.3*	*1.4*
EU	1.3	1.0	1.4	1.6	1.6	1.5	**1.4**	**1.3**	**1.3**	*1.4*	*1.2*	*1.2*
United Kingdom	1.2	1.6	1.3	1.1	1.5	1.4	**1.2**	**1.2**	**1.3**	*1.4*	*1.4*	*1.4*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	1.4	1.8	2.3	2.3	2.5	2.8	**2.4**	**2.3**	**2.2**	*2.5*	*2.4*	*2.3*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	0.5	-0.6	-1.1	0.9	0.5	-0.2	**-0.8**	**-1.1**	**-1.2**	*-0.2*	*-0.9*	*-1.3*
Bulgaria	1.0	-0.8	-0.6	2.1	0.9	0.5	**0.3**	**0.2**	**-0.4**	*0.7*	*-0.1*	*-0.5*
Germany	-0.3	-0.2	0.1	0.7	-0.8	-1.7	**-2.0**	**-1.3**	**-0.6**	*-1.4*	*-1.7*	*-0.9*
Estonia	-1.9	0.2	1.2	-0.4	-3.8	-3.8	**-3.1**	**-1.5**	**0.0**	*-4.3*	*-3.4*	*-1.5*
Ireland	-1.6	0.9	-1.5	6.7	-0.9	-1.9	**3.8**	**0.3**	**-0.2**	*-1.2*	*-0.6*	*-0.6*
Greece	-4.0	-16.3	-9.1	-0.6	1.0	2.0	**2.6**	**3.0**	**2.9**	*1.8*	*2.4*	*2.7*
Spain	-2.2	-6.6	-1.3	0.9	0.9	1.8	**1.9**	**1.5**	**1.1**	*1.5*	*1.7*	*1.6*
France	-0.3	-1.5	-0.9	0.1	0.3	0.2	**-0.3**	**-0.5**	**-0.4**	*0.0*	*-0.5*	*-0.2*
Croatia	1.9	-4.1	-0.6	4.1	3.3	2.3	**1.3**	**0.6**	**0.0**	*2.2*	*1.4*	*0.7*
Italy	-0.1	-3.8	-2.8	1.6	1.5	0.9	**0.4**	**0.3**	**0.2**	*1.0*	*0.6*	*0.7*
Cyprus	1.7	-6.5	0.1	4.6	3.6	3.3	**2.9**	**2.1**	**1.3**	*2.8*	*2.2*	*1.7*
Latvia	-3.0	0.0	0.6	1.2	-0.7	-0.7	**-0.5**	**0.1**	**0.5**	*-0.5*	*-1.3*	*-0.7*
Lithuania	-2.3	-0.6	2.2	0.8	-1.7	-1.3	**-1.2**	**-0.3**	**-0.2**	*-1.7*	*-1.8*	*-0.9*
Luxembourg	0.4	-1.2	-0.6	-1.3	-2.8	-3.6	**-3.8**	**-3.2**	**-2.4**	*-3.6*	*-3.1*	*-2.5*
Malta	-0.1	0.1	0.5	-3.6	0.1	1.4	**0.0**	**-0.9**	**-1.9**	*-0.1*	*-0.5*	*-1.0*
Netherlands	-0.3	-2.0	-0.5	2.4	-0.3	-1.0	**-0.9**	**-1.1**	**-0.7**	*-0.7*	*-1.0*	*-1.2*
Austria	0.1	-0.8	-0.6	2.3	0.2	-1.1	**-1.3**	**-1.2**	**-0.7**	*-1.2*	*-1.7*	*-1.1*
Portugal	-0.6	-2.8	-0.8	0.9	1.2	0.7	**0.2**	**0.2**	**0.4**	*0.7*	*0.2*	*0.4*
Slovakia	1.6	-1.8	0.5	0.7	0.6	0.3	**-0.5**	**-0.9**	**-0.8**	*-0.3*	*-0.8*	*-1.4*
Slovenia	1.6	-6.1	1.2	3.1	2.7	2.1	**0.7**	**0.8**	**1.2**	*1.3*	*1.0*	*1.2*
Finland	0.4	-2.3	0.0	-0.5	-2.2	-2.2	**-2.6**	**-2.2**	**-1.6**	*-2.9*	*-2.5*	*-1.7*
Euro area (20)	-0.5	-2.3	-1.0	1.1	0.1	-0.3	**-0.4**	**-0.4**	**-0.2**	*-0.3*	*-0.5*	*-0.2*
Euro area (21)	-0.5	-2.3	-1.0	1.1	0.1	-0.3	**-0.4**	**-0.4**	**-0.2**	*:*	*:*	*:*
Czechia	1.4	-2.0	0.7	0.8	-1.1	-1.7	**-0.8**	**-0.5**	**0.5**	*-1.7*	*-1.1*	*-0.5*
Denmark	-1.0	-2.7	-0.7	-1.4	-2.9	-1.6	**-1.4**	**-0.8**	**-0.5**	*-0.8*	*0.4*	*0.3*
Hungary	-2.7	-1.7	1.8	2.3	-0.5	-1.1	**-1.8**	**-0.6**	**0.2**	*-1.0*	*-1.2*	*0.0*
Poland	2.0	-1.5	0.7	1.6	-1.1	-0.8	**-0.5**	**0.1**	**0.0**	*-0.8*	*-0.3*	*0.0*
Romania	0.3	-1.7	-1.0	-0.6	-0.7	-1.2	**-1.7**	**-1.9**	**-1.4**	*-1.7*	*-2.0*	*-1.5*
Sweden	-0.6	-0.9	-0.4	0.0	-1.6	-2.1	**-2.1**	**-1.0**	**-0.4**	*-1.7*	*-1.9*	*-1.4*
EU	-0.4	-2.2	-0.8	1.0	-0.1	-0.5	**-0.5**	**-0.4**	**-0.2**	*-0.4*	*-0.6*	*-0.3*
United Kingdom	-1.4	-1.3	-2.2	0.7	-0.4	-0.7	**-0.6**	**-0.6**	**-0.6**	*-0.3*	*-0.6*	*-0.7*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	-1.3	-0.6	-0.6	0.1	0.5	0.5	**0.0**	**-0.4**	**-0.5**	*0.9*	*0.1*	*-0.6*

[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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.7	1.5	2.0	6.7	5.5	1.9	**2.5**	**1.9**	**2.0**	*1.9*	*2.8*	*2.1*
Bulgaria	5.9	1.8	5.1	15.9	8.0	7.2	**5.8**	**3.5**	**2.5**	*6.5*	*5.4*	*2.5*
Germany	1.3	1.7	2.0	6.4	6.7	3.1	**3.0**	**2.7**	**2.1**	*3.1*	*2.4*	*2.2*
Estonia	5.1	3.0	3.5	16.8	8.6	4.0	**4.0**	**4.3**	**2.5**	*3.7*	*3.9*	*2.6*
Ireland	-1.0	2.6	0.9	8.0	3.4	4.5	**2.1**	**2.0**	**1.8**	*3.3*	*2.7*	*2.1*
Greece	2.4	-1.0	0.2	6.3	6.3	3.2	**2.8**	**2.5**	**2.3**	*3.2*	*3.4*	*2.3*
Spain	1.3	0.2	1.5	4.7	6.2	2.9	**2.5**	**2.1**	**2.0**	*3.0*	*2.3*	*2.0*
France	1.3	0.8	1.4	3.0	5.0	2.1	**1.5**	**1.7**	**1.8**	*2.3*	*1.7*	*1.5*
Croatia	3.1	0.5	1.6	8.0	12.9	4.5	**4.6**	**3.6**	**2.5**	*5.5*	*4.3*	*2.6*
Italy	1.8	1.2	1.1	3.5	6.2	2.0	**2.2**	**1.8**	**1.9**	*2.1*	*2.2*	*1.7*
Cyprus	2.5	-0.4	1.0	6.6	5.6	3.1	**1.6**	**1.7**	**1.9**	*3.5*	*2.6*	*2.3*
Latvia	5.7	1.5	3.3	9.7	10.7	2.1	**4.8**	**3.6**	**2.5**	*2.6*	*3.9*	*2.8*
Lithuania	4.5	1.0	3.6	15.4	10.0	3.2	**3.5**	**3.9**	**2.6**	*3.4*	*3.6*	*2.4*
Luxembourg	3.5	1.9	2.9	6.2	6.9	4.6	**3.0**	**3.0**	**3.1**	*5.2*	*2.5*	*2.8*
Malta	2.4	2.6	2.2	5.1	5.2	3.3	**2.7**	**2.2**	**2.0**	*3.2*	*2.5*	*2.2*
Netherlands	1.2	0.9	2.4	6.2	6.3	5.7	**3.2**	**3.3**	**2.1**	*5.2*	*3.7*	*2.6*
Austria	1.7	2.0	1.7	5.0	7.2	4.1	**3.6**	**2.8**	**2.6**	*3.1*	*3.5*	*2.2*
Portugal	1.3	1.3	1.9	5.3	7.5	4.8	**3.2**	**2.8**	**2.0**	*4.4*	*3.1*	*2.2*
Slovakia	1.0	0.2	2.1	7.3	10.0	3.4	**3.8**	**3.6**	**2.9**	*3.6*	*3.9*	*3.3*
Slovenia	2.4	0.8	1.9	6.5	10.0	3.5	**3.8**	**2.7**	**2.4**	*3.1*	*2.8*	*2.7*
Finland	2.1	1.8	1.7	6.2	3.5	0.7	**0.9**	**1.7**	**1.8**	*1.4*	*1.8*	*1.7*
Euro area (21)	1.5	1.2	1.7	5.3	6.1	3.0	**2.5**	**2.3**	**2.0**	*3.0*	*2.5*	*2.0*
Czechia	1.5	1.6	3.4	8.7	8.6	3.9	**3.4**	**3.0**	**2.3**	*4.0*	*2.9*	*2.8*
Denmark	2.2	1.0	1.7	10.4	-2.1	1.5	**1.4**	**1.3**	**1.7**	*1.8*	*1.7*	*1.9*
Hungary	3.8	2.7	5.2	14.0	15.1	7.6	**6.4**	**4.3**	**3.0**	*7.3*	*4.9*	*3.6*
Poland	3.2	0.9	3.1	10.7	9.9	3.8	**3.6**	**3.1**	**3.1**	*3.6*	*4.2*	*3.1*
Romania	9.0	2.6	5.5	12.1	12.4	9.6	**7.8**	**6.8**	**5.8**	*8.8*	*6.5*	*5.8*
Sweden	2.2	1.5	2.4	6.0	5.8	3.0	**1.6**	**1.4**	**2.2**	*2.8*	*1.7*	*1.7*
EU	1.7	1.2	1.9	5.9	6.3	3.2	**2.7**	**2.4**	**2.2**	*3.1*	*2.7*	*2.2*
United Kingdom	2.2	1.5	2.3	5.7	6.3	3.6	**3.3**	**2.0**	**1.7**	*4.0*	*3.0*	*1.9*
Japan	-1.1	0.6	0.3	0.4	4.1	2.9	**3.0**	**1.9**	**1.8**	*2.9*	*2.0*	*1.9*
United States	1.7	1.6	2.4	7.1	3.7	2.5	**2.7**	**2.8**	**2.1**	*2.4*	*2.7*	*2.1*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.9	1.3	1.8	10.6	6.3	1.7	**2.0**	**1.6**	**2.0**	*1.6*	*2.3*	*1.9*
Bulgaria	4.2	1.4	2.9	16.0	8.1	5.0	**3.7**	**2.7**	**2.6**	*4.9*	*3.5*	*2.5*
Germany	1.5	1.1	1.7	6.7	6.6	2.4	**2.4**	**2.3**	**2.0**	*2.7*	*1.9*	*2.0*
Estonia	4.7	2.0	2.8	17.5	8.8	3.4	**3.3**	**3.3**	**2.2**	*3.2*	*3.8*	*1.8*
Ireland	-0.6	1.1	1.4	7.5	8.7	4.1	**2.5**	**2.3**	**2.1**	*4.3*	*2.0*	*1.7*
Greece	2.9	-1.0	0.0	6.4	3.5	2.1	**3.1**	**2.4**	**2.4**	*3.6*	*3.1*	*2.3*
Spain	2.0	0.6	1.3	6.6	5.1	3.2	**2.5**	**2.1**	**1.9**	*4.0*	*2.4*	*2.0*
France	1.2	0.5	1.1	4.8	6.9	2.2	**0.6**	**1.2**	**1.6**	*2.0*	*0.9*	*1.3*
Croatia	3.0	0.7	1.3	10.6	8.7	3.4	**3.8**	**2.5**	**2.1**	*3.2*	*2.8*	*2.0*
Italy	1.9	0.9	1.1	6.8	5.0	1.5	**1.8**	**1.4**	**2.0**	*1.4*	*1.6*	*1.3*
Cyprus	2.9	-0.6	0.5	6.2	3.5	1.7	**0.7**	**1.3**	**1.7**	*1.8*	*1.6*	*1.5*
Latvia	5.7	0.8	2.3	13.8	7.8	3.4	**3.6**	**2.2**	**2.4**	*3.4*	*3.0*	*1.7*
Lithuania	5.3	0.9	2.9	18.4	8.6	1.3	**2.5**	**3.1**	**2.2**	*0.8*	*2.6*	*1.2*
Luxembourg	1.8	1.2	1.6	5.5	4.7	2.7	**2.4**	**2.0**	**1.8**	*3.2*	*2.4*	*2.0*
Malta	2.4	1.3	1.2	5.4	6.3	3.1	**2.4**	**2.0**	**1.9**	*3.2*	*2.2*	*2.0*
Netherlands	1.5	0.9	2.6	7.5	6.9	2.5	**2.5**	**2.3**	**1.8**	*2.6*	*2.3*	*1.6*
Austria	1.9	1.8	1.8	7.7	8.1	3.3	**3.5**	**2.4**	**2.2**	*3.2*	*2.9*	*2.1*
Portugal	1.6	1.0	1.3	7.3	4.8	2.8	**2.2**	**2.1**	**2.1**	*2.6*	*2.1*	*2.0*
Slovakia	2.3	0.8	2.1	11.5	10.1	3.0	**4.1**	**3.9**	**2.9**	*3.4*	*4.0*	*2.7*
Slovenia	2.7	0.4	1.6	9.6	7.6	2.1	**2.5**	**2.3**	**2.2**	*2.2*	*2.1*	*1.9*
Finland	2.4	1.4	1.2	6.5	4.3	1.0	**1.5**	**1.9**	**2.0**	*2.1*	*2.0*	*1.6*
Euro area (21)	1.7	0.9	1.5	6.8	6.3	2.3	**2.0**	**1.9**	**1.9**	*2.5*	*1.9*	*1.7*
Czechia	2.4	1.0	3.2	14.3	8.6	3.1	**2.9**	**2.0**	**2.2**	*3.0*	*2.4*	*2.0*
Denmark	2.2	0.8	0.9	7.8	3.0	1.8	**1.9**	**1.0**	**1.8**	*1.6*	*1.8*	*1.6*
Hungary	4.7	1.8	4.0	14.5	14.6	7.1	**5.7**	**3.6**	**3.5**	*5.5*	*4.1*	*3.3*
Poland	3.3	0.4	2.9	14.1	9.5	3.4	**3.4**	**2.8**	**3.4**	*3.4*	*3.6*	*3.0*
Romania	6.9	1.7	3.8	13.9	9.0	6.4	**7.3**	**6.4**	**4.5**	*6.2*	*5.8*	*4.7*
Sweden	1.8	0.8	1.9	6.7	6.7	2.7	**2.3**	**0.6**	**1.6**	*2.8*	*2.0*	*1.7*
EU	1.9	0.9	1.6	7.5	6.5	2.5	**2.3**	**2.1**	**2.1**	*2.7*	*2.1*	*1.9*
United Kingdom	2.2	1.2	1.7	8.5	6.9	2.9	**3.7**	**2.0**	**1.6**	*3.0*	*2.5*	*1.9*
Japan	-0.8	0.3	0.5	2.9	3.0	2.3	**2.6**	**1.6**	**1.4**	*2.3*	*1.9*	*1.7*
United States	1.9	1.2	2.1	6.5	3.8	2.6	**2.7**	**2.9**	**2.1**	*2.5*	*2.7*	*2.2*

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	2.4	1.4	1.9	10.3	2.3	4.3	2.8	1.8	2.0	4.3	2.8	1.8
Bulgaria	5.7	-0.2	2.1	13.0	8.6	2.6	3.5	2.9	3.7	2.6	3.6	1.8
Germany	1.8	1.1	1.7	8.7	6.0	2.5	2.3	2.2	1.9	2.5	2.4	1.9
Estonia	5.1	1.8	2.6	19.4	9.1	3.7	4.8	2.8	2.2	3.7	3.8	2.3
Ireland	0.8	0.5	0.8	8.1	5.2	1.3	1.9	1.9	1.7	1.3	1.6	1.4
Greece	3.3	-0.5	0.3	9.3	4.2	3.0	2.8	2.3	2.4	3.0	2.8	2.3
Spain	2.4	0.6	1.4	8.3	3.4	2.9	2.6	2.0	2.0	2.9	2.3	1.9
France	1.8	0.8	1.4	5.9	5.7	2.3	1.0	1.3	1.8	2.3	0.9	1.2
Croatia	2.8	1.0	1.3	10.7	8.4	4.0	4.3	2.8	2.2	4.0	3.4	2.0
Italy	2.2	1.0	1.0	8.7	5.9	1.1	1.7	1.3	2.0	1.1	1.8	1.5
Cyprus	2.6	0.1	0.6	8.1	3.9	2.3	0.9	1.5	1.9	2.3	2.0	2.0
Latvia	6.3	0.7	2.3	17.2	9.1	1.3	3.6	2.2	2.4	1.3	3.0	1.7
Lithuania	5.3	0.9	2.8	18.9	8.7	0.9	3.4	2.8	2.7	0.9	2.6	1.2
Luxembourg	2.7	1.1	1.9	8.2	2.9	2.3	2.3	1.7	1.9	2.3	2.1	1.8
Malta	2.4	1.4	1.2	6.1	5.6	2.4	2.4	2.1	2.0	2.4	2.2	2.1
Netherlands	1.6	1.2	1.9	11.6	4.1	3.2	3.0	2.5	2.1	3.2	3.0	2.0
Austria	2.2	1.6	2.0	8.6	7.7	2.9	3.5	2.4	2.2	2.9	2.9	2.1
Portugal	1.8	0.8	0.8	8.1	5.3	2.7	2.2	2.0	2.0	2.7	2.1	2.0
Slovakia	2.3	0.9	2.3	12.1	11.0	3.2	4.2	4.1	3.1	3.2	4.0	2.9
Slovenia	2.9	0.8	1.4	9.3	7.2	2.0	2.5	2.3	2.1	2.0	2.1	1.9
Finland	2.4	1.4	1.1	7.2	4.3	1.0	1.9	1.6	2.0	1.0	1.7	1.5
Euro area (21)	2.1	0.9	1.5	8.4	5.4	2.4	2.1	1.9	2.0	2.4	2.1	1.7
Czechia	2.6	1.2	2.7	14.8	12.0	2.7	2.3	2.1	2.4	2.7	2.2	2.0
Denmark	2.2	0.7	1.0	8.5	3.4	1.3	1.9	1.0	1.8	1.3	1.6	1.5
Hungary	5.3	1.6	3.5	15.3	17.0	3.7	4.5	3.6	3.5	3.7	4.1	3.3
Poland	3.5	0.7	2.8	13.2	10.9	3.7	3.4	2.9	3.7	3.7	3.6	2.8
Romania	6.1	1.3	3.1	12.0	9.7	5.8	6.7	5.9	3.8	5.8	5.1	3.9
Sweden	2.0	0.7	1.8	8.1	5.9	2.0	2.5	0.6	1.6	2.0	2.2	1.6
EU	2.3	0.9	1.7	9.2	6.4	2.6	2.5	2.1	2.2	2.6	2.3	1.9
United Kingdom	2.8	1.5	2.0	7.9	6.8	3.3	3.7	2.6	2.0	3.3	3.6	2.6
Japan	-0.2	0.7	0.3	2.5	3.3	2.7	3.2	2.2	2.0	2.7	2.6	2.3
United States	2.2	1.3	2.5	8.0	4.1	2.9	2.8	3.0	2.3	2.9	3.0	2.3

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	1.6	1.6	1.4	4.0	6.0	3.4	2.1	1.8	1.6	3.4	2.1	1.8
Bulgaria	4.7	-0.4	1.2	7.6	8.9	3.1	2.9	2.5	2.1	3.1	3.6	1.8
Germany	1.3	1.3	1.4	3.9	5.1	3.2	2.8	2.5	2.4	3.2	2.7	2.1
Estonia	3.2	1.7	1.8	10.3	8.7	5.1	6.0	3.9	2.6	5.1	4.5	2.5
Ireland	0.0	0.8	0.6	4.6	4.4	2.3	1.9	1.9	1.8	2.3	1.7	1.6
Greece	2.4	-0.8	-0.2	4.6	5.3	3.6	3.5	2.6	2.2	3.6	3.5	2.6
Spain	1.6	0.7	0.9	3.8	4.1	2.8	2.5	2.0	1.9	2.8	2.1	1.9
France	1.4	0.9	0.8	3.4	4.0	2.3	1.7	1.6	1.4	2.3	1.7	1.4
Croatia	1.9	0.7	0.9	7.6	8.8	4.8	4.1	2.7	1.7	4.8	3.4	2.4
Italy	1.9	1.0	0.6	3.3	4.5	2.2	2.0	2.0	1.8	2.2	2.0	1.8
Cyprus	1.5	0.1	0.4	5.0	3.8	2.6	2.0	2.1	2.0	2.6	2.4	2.1
Latvia	3.1	0.9	1.7	7.6	8.4	3.7	3.4	2.7	2.3	3.7	3.1	2.4
Lithuania	2.1	1.5	2.6	10.5	9.6	3.2	3.1	3.3	2.9	3.2	3.0	2.7
Luxembourg	2.0	1.6	1.4	4.2	3.9	2.5	1.9	1.8	1.6	2.5	2.0	1.8
Malta	1.3	1.3	1.0	5.8	4.9	2.1	2.3	2.0	1.9	2.1	2.0	1.9
Netherlands	1.3	1.4	1.5	4.8	6.4	3.2	2.8	2.7	1.9	3.2	2.8	2.0
Austria	1.8	1.9	2.0	5.1	7.3	3.9	3.1	2.7	2.5	3.9	2.9	2.4
Portugal	1.3	0.6	0.5	5.0	5.4	2.7	2.3	2.1	2.2	2.7	2.5	2.3
Slovakia	1.6	1.3	2.2	8.2	9.5	4.3	5.4	2.6	2.1	4.3	5.2	3.0
Slovenia	1.5	0.6	1.1	5.9	6.7	2.9	2.4	2.2	2.0	2.9	2.2	2.2
Finland	1.8	1.5	0.6	3.6	4.1	2.2	2.4	1.4	1.7	2.2	1.9	1.5
Euro area (21)	1.5	1.1	1.0	4.0	5.0	2.8	2.4	2.1	2.0	2.8	2.4	1.9
Czechia	1.2	0.9	2.5	12.0	9.3	4.1	3.0	2.7	2.2	4.1	2.4	2.2
Denmark	1.6	0.9	0.7	4.3	4.6	1.3	1.6	1.6	1.5	1.3	1.3	1.4
Hungary	3.5	2.1	2.4	10.7	14.0	5.9	5.3	4.4	3.7	5.9	4.9	3.7
Poland	1.8	0.8	2.4	9.8	9.3	3.9	2.8	2.6	2.6	3.9	3.2	2.9
Romania	4.4	1.9	2.1	6.0	9.7	8.4	6.5	5.6	3.9	8.4	5.4	4.3
Sweden	1.4	0.7	1.4	4.8	6.6	3.2	2.4	1.8	2.1	3.2	2.1	1.6
EU	1.6	1.0	1.2	4.7	5.7	3.1	2.6	2.3	2.1	3.1	2.5	2.0

Table 18: **Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2025-27)** **31.10.2025**

	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	1.9	1.6	2.0	1.6	1.8	2.1	2.0	2.0	2.0
Bulgaria	3.9	2.9	3.7	3.6	2.5	3.6	2.5	2.9	3.5	3.6	3.7	3.8
Germany	2.6	2.1	2.1	2.5	2.4	2.4	2.2	1.9	1.8	1.9	1.9	1.9
Estonia	4.4	4.8	5.7	4.5	3.9	3.0	2.3	2.1	2.0	2.3	2.2	2.2
Ireland	1.6	1.7	2.1	2.5	2.2	1.9	1.7	1.7	1.7	1.7	1.7	1.7
Greece	3.1	3.2	2.9	1.9	2.0	2.4	2.2	2.5	2.6	2.4	2.4	2.4
Spain	2.7	2.2	2.8	2.6	2.2	2.0	1.9	1.9	2.1	2.1	2.0	2.0
France	1.2	0.8	0.9	1.1	1.1	1.4	1.5	1.5	1.8	1.8	1.7	1.7
Croatia	4.7	4.2	4.6	3.9	3.3	3.4	2.4	2.1	2.6	2.1	1.9	2.1
Italy	1.8	1.8	1.7	1.3	0.7	1.3	1.4	1.7	1.9	1.9	2.0	2.2
Cyprus	2.4	0.8	0.0	0.6	1.3	1.5	1.6	1.8	1.8	1.8	1.9	1.9
Latvia	3.4	3.9	4.1	3.1	2.5	2.1	2.2	2.2	2.4	2.4	2.3	2.4
Lithuania	3.4	3.3	3.6	3.3	2.7	2.8	2.7	2.8	2.7	2.6	2.8	2.7
Luxembourg	1.9	2.1	2.8	2.5	1.5	1.9	1.4	1.9	2.0	1.8	1.8	1.9
Malta	2.0	2.6	2.5	2.3	2.2	2.1	2.0	2.1	2.0	2.0	1.9	1.9
Netherlands	3.3	3.3	2.7	2.8	2.7	2.6	2.4	2.2	2.2	2.2	2.0	2.0
Austria	3.3	3.2	3.9	3.8	2.0	2.3	2.3	2.9	2.3	2.2	2.2	2.0
Portugal	2.3	2.0	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9
Slovakia	4.2	4.3	4.5	3.9	4.3	4.3	3.8	4.0	3.2	3.1	3.1	3.1
Slovenia	2.1	2.2	2.9	2.6	2.4	2.4	2.2	2.1	2.3	2.3	2.1	1.9
Finland	1.7	1.9	2.1	1.9	1.4	1.7	1.7	1.7	2.0	2.0	2.0	2.0
Euro area (21)	2.3	2.0	2.1	2.1	1.8	2.0	1.9	1.9	2.0	2.0	2.0	2.0
Czechia	2.8	2.3	2.3	1.9	1.9	1.9	1.8	2.8	2.5	2.7	2.4	2.1
Denmark	1.6	1.6	2.1	2.0	0.9	1.6	0.6	0.8	1.8	1.8	1.8	1.9
Hungary	5.4	4.4	4.2	3.9	2.9	3.9	3.8	3.9	4.1	3.6	3.3	3.0
Poland	4.4	3.6	2.8	2.7	2.7	3.0	2.8	2.8	3.6	3.6	3.7	3.7
Romania	5.2	5.4	7.9	8.4	7.6	6.9	5.1	4.2	4.2	3.9	3.7	3.6
Sweden	2.3	2.4	3.2	2.0	1.5	0.2	0.1	0.6	0.9	2.2	1.7	1.7
EU	2.7	2.3	2.5	2.4	2.1	2.2	2.1	2.0	2.2	2.2	2.2	2.2
United Kingdom	3.7	4.1	3.5	3.4	3.0	2.8	2.3	2.3	2.1	2.0	2.0	2.0
Japan	3.8	3.4	3.1	2.5	2.2	2.2	2.2	2.2	2.1	2.0	1.9	1.8
United States	2.7	2.5	2.9	3.1	2.9	3.2	3.0	2.7	2.5	2.3	2.3	2.2

Table 19: **Price deflator of exports of goods in national currency (percentage change on preceding year, 2007-2027)** **31.10.2025**

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	1.8	-1.1	2.3	15.8	0.3	-0.6	**0.5**	**0.9**	**1.7**	*-0.5*	*1.1*	*1.1*
Bulgaria	6.5	-2.1	5.2	26.1	-5.9	-2.4	**0.0**	**1.0**	**1.3**	*-1.4*	*-0.5*	*1.0*
Germany	1.0	0.0	1.3	12.6	1.6	0.3	**1.0**	**-0.3**	**0.8**	*0.3*	*0.9*	*-0.4*
Estonia	3.6	-0.6	2.9	23.9	1.2	0.9	**2.4**	**1.1**	**1.5**	*0.9*	*1.6*	*1.5*
Ireland	-0.6	1.1	-2.6	5.0	-0.3	1.3	**-0.8**	**-0.3**	**0.1**	*0.7*	*0.6*	*0.8*
Greece	3.7	-3.9	2.6	32.9	-9.0	-0.8	**-2.6**	**-0.2**	**1.0**	*-0.4*	*0.5*	*0.9*
Spain	1.8	-0.3	2.6	18.3	0.8	0.3	**0.5**	**0.4**	**0.3**	*0.0*	*0.7*	*0.3*
France	1.2	-0.3	1.5	17.1	-2.3	-2.6	**-0.3**	**-0.5**	**1.0**	*-2.4*	*1.5*	*1.0*
Croatia	3.8	-1.3	1.0	12.2	2.7	-0.7	**0.2**	**0.7**	**1.4**	*-0.6*	*0.5*	*0.7*
Italy	1.9	0.0	1.9	12.4	1.8	-0.3	**1.1**	**1.0**	**1.3**	*-0.3*	*1.5*	*1.5*
Cyprus	2.4	0.7	0.6	2.9	2.9	1.4	**0.9**	**0.6**	**0.7**	*1.0*	*0.6*	*1.1*
Latvia	6.1	0.3	4.1	17.6	-2.3	-0.9	**1.6**	**1.4**	**1.4**	*-0.9*	*1.6*	*2.2*
Lithuania	4.9	-2.3	1.9	13.1	-3.0	0.1	**0.0**	**0.4**	**1.5**	*0.1*	*1.4*	*1.2*
Luxembourg	3.6	0.4	2.6	14.0	0.5	-1.3	**1.2**	**1.8**	**1.7**	*-2.4*	*-0.5*	*1.8*
Malta	1.8	1.6	-1.2	7.7	4.9	3.3	**2.0**	**1.8**	**1.7**	*3.3*	*2.1*	*2.0*
Netherlands	1.8	-1.5	2.3	23.9	-3.8	-0.4	**-1.8**	**-1.0**	**1.1**	*-0.8*	*0.2*	*0.7*
Austria	1.5	-0.5	1.5	12.0	0.2	-0.8	**1.2**	**1.4**	**1.3**	*1.4*	*1.2*	*1.2*
Portugal	1.6	-1.5	2.1	17.0	-1.2	-1.4	**-1.3**	**-0.9**	**1.2**	*-1.5*	*0.1*	*0.3*
Slovakia	0.5	-1.6	1.2	15.8	4.1	-2.1	**0.4**	**0.1**	**1.3**	*-2.1*	*3.3*	*3.3*
Slovenia	1.5	-0.9	1.5	17.5	0.5	-1.1	**0.3**	**-0.5**	**0.8**	*-1.6*	*0.6*	*1.0*
Finland	0.3	-1.6	3.0	24.1	-7.3	-4.3	**-1.0**	**-0.3**	**1.3**	*-3.6*	*2.0*	*1.8*
Euro area (21)	1.4	-0.4	1.5	15.3	-0.3	-0.5	**0.1**	**0.0**	**1.0**	*-0.5*	*1.0*	*0.7*
Czechia	-1.0	0.8	1.1	9.5	-0.6	3.8	**0.3**	**0.6**	**1.6**	*3.6*	*1.8*	*1.8*
Denmark	2.5	0.0	0.7	12.3	0.1	-2.2	**0.6**	**-0.5**	**1.5**	*-2.2*	*1.5*	*0.5*
Hungary	0.6	0.5	3.7	22.8	-16.0	0.1	**2.5**	**-0.8**	**1.5**	*1.9*	*1.3*	*1.1*
Poland	4.3	1.4	3.8	19.7	-4.7	-8.1	**-2.2**	**-0.3**	**1.0**	*-8.2*	*-1.0*	*0.7*
Romania	8.3	-2.6	4.4	17.0	2.1	0.5	**3.1**	**3.2**	**3.3**	*0.5*	*2.9*	*3.4*
Sweden	1.0	-0.6	2.8	18.5	4.9	-0.8	**-3.5**	**-0.6**	**1.3**	*-1.1*	*-2.5*	*0.1*
EU	1.5	-0.3	1.7	15.6	-0.7	-0.8	**0.0**	**0.0**	**1.1**	*-0.8*	*0.8*	*0.7*
United Kingdom	4.7	-1.1	3.1	15.1	-0.3	-0.9	**-0.1**	**0.4**	**0.8**	*0.4*	*1.6*	*0.9*
Japan	-3.7	0.3	1.1	14.5	4.0	6.8	**-2.6**	**0.3**	**2.0**	*6.8*	*0.4*	*1.0*
United States	2.7	-2.5	2.8	11.7	-4.3	-0.4	**0.8**	**0.3**	**0.0**	*-0.4*	*1.0*	*1.3*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	2.6	-1.7	2.8	22.5	-1.5	-0.9	**-0.2**	**-0.2**	**1.7**	*-1.0*	*-0.1*	*0.8*
Bulgaria	4.3	-2.2	3.7	23.2	-3.6	-1.0	**-0.4**	**0.7**	**1.6**	*-0.6*	*-0.1*	*0.3*
Germany	1.1	-1.7	1.8	18.5	-3.5	-1.4	**-0.4**	**-0.9**	**1.1**	*-1.4*	*-1.6*	*-1.6*
Estonia	3.6	-0.3	2.3	24.0	-2.9	0.3	**1.4**	**0.4**	**1.2**	*0.3*	*1.6*	*1.0*
Ireland	-1.1	0.1	1.1	7.0	0.3	1.7	**-0.5**	**-0.2**	**0.1**	*-3.1*	*-1.2*	*-0.2*
Greece	4.1	-4.3	3.9	25.3	-10.9	-1.5	**-0.9**	**-0.1**	**0.9**	*-2.6*	*-0.2*	*0.6*
Spain	2.7	-0.6	2.1	25.3	-5.8	-0.7	**0.2**	**0.3**	**0.4**	*-0.4*	*0.3*	*0.2*
France	1.4	-1.9	2.1	22.1	-3.2	-2.2	**-2.9**	**-1.5**	**1.0**	*-3.0*	*0.2*	*1.0*
Croatia	2.5	-0.4	2.2	16.1	0.9	-0.9	**0.9**	**1.0**	**1.1**	*-0.5*	*0.1*	*0.5*
Italy	2.6	-2.3	2.7	25.2	-8.3	-3.1	**-1.2**	**-0.6**	**1.2**	*-3.2*	*-1.0*	*0.1*
Cyprus	2.5	-1.5	1.5	4.6	0.9	0.5	**0.8**	**0.5**	**0.6**	*0.5*	*1.2*	*1.3*
Latvia	4.4	-0.2	2.1	21.6	-4.0	-1.8	**-0.2**	**-0.1**	**1.3**	*-1.8*	*1.5*	*0.9*
Lithuania	4.9	-3.0	2.7	25.7	-8.1	-2.7	**-0.8**	**-1.0**	**1.0**	*-2.7*	*1.3*	*0.9*
Luxembourg	2.6	-0.4	2.3	21.6	-0.3	-1.9	**-0.5**	**-0.5**	**-0.3**	*-1.6*	*-1.3*	*0.5*
Malta	1.6	0.9	-1.2	6.3	4.2	3.1	**1.8**	**1.7**	**1.6**	*3.1*	*2.0*	*2.0*
Netherlands	2.6	-2.3	2.3	29.1	-5.5	-3.6	**-2.3**	**-2.5**	**0.9**	*-3.3*	*-1.3*	*-0.8*
Austria	2.2	-1.2	2.1	20.1	0.4	-1.9	**-1.3**	**-0.8**	**-0.2**	*-0.9*	*-1.2*	*1.0*
Portugal	1.7	-2.9	2.0	20.5	-4.4	-3.9	**-1.8**	**-1.5**	**1.2**	*-3.8*	*-1.1*	*0.3*
Slovakia	1.8	-1.2	1.9	21.1	3.7	-3.5	**0.7**	**0.4**	**1.4**	*-3.5*	*3.1*	*2.9*
Slovenia	2.3	-1.5	1.9	21.0	-3.3	-2.6	**-0.5**	**-0.6**	**0.6**	*-2.5*	*0.4*	*0.6*
Finland	1.0	-2.5	2.6	23.3	-5.0	-1.9	**-0.5**	**-0.3**	**1.3**	*-1.2*	*1.5*	*1.3*
Euro area (21)	1.9	-1.8	2.2	22.0	-4.1	-1.9	**-1.1**	**-0.9**	**1.0**	*-2.1*	*-0.6*	*-0.1*
Czechia	-0.4	0.0	1.0	14.3	-3.7	2.1	**-0.9**	**-0.7**	**1.2**	*2.3*	*0.9*	*1.0*
Denmark	2.1	-1.2	1.6	20.0	-3.3	-0.2	**0.6**	**-0.3**	**1.5**	*-1.2*	*1.0*	*0.6*
Hungary	1.1	0.0	4.2	31.8	-17.5	3.9	**2.4**	**-1.1**	**1.4**	*1.3*	*0.7*	*0.9*
Poland	4.1	0.1	3.5	24.3	-6.3	-7.1	**-2.4**	**-0.4**	**1.0**	*-6.9*	*-4.0*	*0.7*
Romania	5.4	-2.0	3.5	18.7	0.7	-0.8	**1.9**	**1.7**	**1.8**	*-0.8*	*1.5*	*1.6*
Sweden	0.4	-1.4	2.5	23.7	4.4	-1.5	**-3.5**	**-1.1**	**1.0**	*-1.6*	*-3.5*	*-0.1*
EU	1.9	-1.6	2.3	22.1	-4.2	-1.9	**-1.0**	**-0.8**	**1.0**	*-2.1*	*-0.7*	*0.1*
United Kingdom	4.2	-1.7	2.5	19.6	0.0	-3.0	**0.4**	**0.4**	**0.8**	*-2.9*	*0.2*	*1.1*
Japan	0.0	-2.3	3.6	32.1	-2.3	2.9	**-4.6**	**0.4**	**1.3**	*2.9*	*0.6*	*1.4*
United States	3.0	-3.4	1.5	7.5	-3.2	0.5	**0.2**	**0.9**	**-0.1**	*0.5*	*0.8*	*1.5*

Table 21: Terms of trade of goods (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	-0.8	0.6	-0.4	-5.5	1.8	0.3	**0.7**	**1.1**	**0.0**	*0.5*	*1.1*	*0.3*
Bulgaria	2.1	0.2	1.5	2.4	-2.4	-1.4	**0.4**	**0.3**	**-0.3**	*-0.8*	*-0.4*	*0.7*
Germany	-0.1	1.7	-0.5	-5.0	5.3	1.7	**1.3**	**0.6**	**-0.3**	*1.7*	*2.5*	*1.2*
Estonia	0.0	-0.3	0.6	-0.1	4.2	0.6	**1.0**	**0.7**	**0.3**	*0.6*	*0.0*	*0.5*
Ireland	0.6	1.0	-3.6	-1.9	-0.6	-0.4	**-0.3**	**-0.1**	**0.0**	*4.0*	*1.8*	*1.0*
Greece	-0.4	0.4	-1.2	6.1	2.2	0.6	**-1.7**	**-0.1**	**0.2**	*2.3*	*0.7*	*0.3*
Spain	-0.8	0.3	0.4	-5.5	7.0	0.9	**0.3**	**0.1**	**-0.1**	*0.4*	*0.4*	*0.1*
France	-0.2	1.6	-0.6	-4.1	0.9	-0.5	**2.7**	**1.0**	**0.0**	*0.6*	*1.3*	*0.0*
Croatia	1.3	-0.9	-1.2	-3.3	1.8	0.2	**-0.7**	**-0.3**	**0.3**	*-0.1*	*0.4*	*0.2*
Italy	-0.8	2.4	-0.7	-10.2	11.0	2.9	**2.3**	**1.6**	**0.0**	*3.0*	*2.5*	*1.4*
Cyprus	-0.1	2.3	-0.9	-1.6	2.0	0.9	**0.1**	**0.1**	**0.1**	*0.5*	*-0.6*	*-0.2*
Latvia	1.7	0.5	1.9	-3.3	1.8	1.0	**1.8**	**1.5**	**0.1**	*0.9*	*0.1*	*1.3*
Lithuania	0.0	0.7	-0.8	-10.1	5.4	2.9	**0.8**	**1.4**	**0.5**	*2.9*	*0.1*	*0.3*
Luxembourg	1.0	0.8	0.3	-6.3	0.7	0.6	**1.7**	**2.3**	**2.0**	*-0.9*	*0.8*	*1.3*
Malta	0.2	0.7	0.1	1.3	0.7	0.2	**0.2**	**0.1**	**0.1**	*0.2*	*0.1*	*0.0*
Netherlands	-0.7	0.8	0.0	-4.1	1.8	3.3	**0.5**	**1.5**	**0.2**	*2.5*	*1.4*	*1.6*
Austria	-0.7	0.7	-0.6	-6.8	-0.2	1.1	**2.5**	**2.2**	**1.5**	*2.3*	*2.4*	*0.2*
Portugal	-0.1	1.4	0.1	-2.9	3.3	2.6	**0.5**	**0.6**	**0.0**	*2.4*	*1.2*	*0.0*
Slovakia	-1.3	-0.4	-0.7	-4.4	0.5	1.5	**-0.3**	**-0.3**	**-0.1**	*1.5*	*0.2*	*0.4*
Slovenia	-0.7	0.6	-0.4	-2.9	4.0	1.5	**0.7**	**0.1**	**0.2**	*0.8*	*0.2*	*0.4*
Finland	-0.7	0.9	0.5	0.7	-2.4	-2.5	**-0.5**	**-0.1**	**0.0**	*-2.5*	*0.5*	*0.5*
Euro area (21)	-0.5	1.4	-0.6	-5.6	4.1	1.4	**1.1**	**1.0**	**0.0**	*1.6*	*1.6*	*0.8*
Czechia	-0.6	0.8	0.1	-4.2	3.3	1.7	**1.2**	**1.3**	**0.4**	*1.3*	*0.9*	*0.8*
Denmark	0.4	1.3	-0.9	-6.4	3.5	-1.9	**0.0**	**-0.2**	**0.0**	*-1.0*	*0.5*	*-0.1*
Hungary	-0.4	0.5	-0.5	-6.9	1.9	-3.7	**0.1**	**0.3**	**0.1**	*0.6*	*0.6*	*0.2*
Poland	0.2	1.3	0.3	-3.7	1.7	-1.1	**0.2**	**0.1**	**0.0**	*-1.4*	*3.1*	*0.0*
Romania	2.8	-0.6	0.9	-1.4	1.3	1.3	**1.2**	**1.5**	**1.5**	*1.3*	*1.4*	*1.8*
Sweden	0.6	0.8	0.2	-4.2	0.5	0.7	**0.0**	**0.5**	**0.3**	*0.5*	*1.0*	*0.2*
EU	-0.4	1.3	-0.5	-5.4	3.7	1.0	**1.0**	**0.9**	**0.0**	*1.3*	*1.6*	*0.7*
United Kingdom	0.5	0.7	0.6	-3.7	-0.3	2.2	**-0.5**	**0.0**	**0.0**	*3.4*	*1.4*	*-0.2*
Japan	-3.7	2.7	-2.4	-13.3	6.4	3.7	**2.1**	**-0.1**	**0.7**	*3.7*	*-0.2*	*-0.4*
United States	-0.3	0.9	1.3	3.9	-1.1	-0.8	**0.6**	**-0.6**	**0.1**	*-0.9*	*0.2*	*-0.3*

Table 22: Total population (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	0.9	0.5	0.4	0.8	0.9	0.5	0.5	0.4	0.4	0.6	0.4	0.4
Bulgaria	-0.9	-1.3	-1.1	-0.6	-0.3	-0.1	0.0	-0.1	-0.3	-0.2	-0.4	-0.6
Germany	-0.2	0.4	0.0	0.7	0.9	0.3	0.1	0.0	0.0	0.2	0.2	0.1
Estonia	-0.3	-0.2	0.2	0.1	2.6	0.6	-0.2	-0.2	-0.3	0.6	-0.2	-0.2
Ireland	1.4	0.7	1.4	2.1	1.8	1.7	1.4	1.0	0.9	1.7	1.2	1.0
Greece	0.2	-0.6	-0.3	-0.6	-0.3	-0.2	0.0	0.0	-0.1	-0.2	-0.2	-0.2
Spain	1.0	-0.1	0.4	0.9	1.2	1.0	1.1	1.0	0.9	0.9	0.8	0.7
France	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Croatia	-0.1	-0.9	-1.1	-0.5	0.1	0.3	0.2	0.0	-0.1	-0.1	0.0	0.0
Italy	0.6	0.0	-0.3	-0.2	0.0	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Cyprus	2.5	0.4	1.2	1.9	1.9	1.6	1.4	1.2	1.1	1.6	1.4	1.2
Latvia	-1.5	-1.0	-0.8	0.1	-0.2	-0.9	-1.2	-1.0	-0.9	-1.1	-0.7	-0.8
Lithuania	-1.5	-1.0	-0.5	0.8	1.4	0.6	0.1	-0.3	-0.2	0.6	0.2	-0.3
Luxembourg	1.9	2.4	1.9	2.2	1.9	1.6	1.5	1.5	1.6	1.6	1.8	1.7
Malta	0.5	1.8	2.7	2.7	4.1	2.8	2.8	2.4	2.3	3.2	2.5	2.0
Netherlands	0.4	0.4	0.6	1.0	1.0	0.7	0.5	0.5	0.5	0.7	0.5	0.4
Austria	0.3	0.8	0.5	1.1	0.9	0.5	0.3	0.2	0.2	0.5	0.2	0.2
Portugal	0.1	-0.4	0.1	0.6	1.0	1.1	0.7	0.6	0.6	1.0	0.7	0.6
Slovakia	0.0	0.1	0.0	0.3	0.0	0.0	-0.2	-0.2	-0.2	0.0	-0.2	-0.3
Slovenia	0.4	0.1	0.4	0.1	0.5	0.3	0.2	0.2	0.2	0.3	0.2	0.2
Finland	0.5	0.4	0.2	0.3	0.4	0.8	0.4	0.2	0.2	0.7	0.4	0.2
Euro area (21)	0.3	0.2	0.1	0.5	0.6	0.4	0.3	0.3	0.2	0.4	0.3	0.2
Czechia	0.4	0.0	0.0	2.5	1.1	0.2	0.2	0.2	0.1	0.1	0.2	0.2
Denmark	0.5	0.6	0.4	0.9	0.7	0.5	0.4	0.3	0.3	0.5	0.4	0.5
Hungary	-0.2	-0.4	-0.3	-0.3	-0.1	-0.3	-0.3	-0.2	-0.2	-0.3	-0.3	-0.2
Poland	0.0	0.0	-0.5	2.2	-0.4	-0.3	-0.3	-0.2	-0.2	-0.4	-0.1	-0.1
Romania	-1.0	-0.4	-0.6	-0.5	0.1	0.0	-0.2	-0.1	0.0	0.0	-0.1	-0.1
Sweden	0.8	1.0	1.0	1.1	0.7	0.3	0.3	0.2	0.1	0.4	0.3	0.2
EU	0.2	0.1	0.1	0.6	0.5	0.3	0.2	0.2	0.2	0.3	0.2	0.2
United Kingdom	0.8	0.7	0.4	1.0	1.3	1.1	0.7	0.7	0.7	1.1	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	0.5	0.5	0.9	0.8	0.8

Table 23: Total employment in persons (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	1.0	0.5	1.2	1.9	0.8	0.3	0.5	0.7	0.8	0.3	0.3	0.5
Bulgaria	-0.5	-0.3	-0.3	1.1	1.1	1.1	1.1	0.3	0.3	1.1	0.4	0.3
Germany	1.0	1.0	0.6	1.3	0.7	0.1	0.0	0.2	0.1	0.2	-0.2	0.2
Estonia	-1.7	1.4	0.5	4.6	3.2	0.2	-0.1	0.2	0.2	0.2	-0.1	0.2
Ireland	-2.3	2.5	2.7	6.9	3.5	2.7	2.1	1.5	1.4	2.7	1.7	1.2
Greece	-1.0	-0.1	1.8	3.5	2.0	0.9	1.1	0.9	0.5	1.2	1.1	0.9
Spain	-1.4	-0.1	1.1	3.8	3.3	2.3	2.6	1.9	1.4	2.2	2.1	1.6
France	0.3	0.4	1.2	2.3	1.1	0.8	-0.1	0.0	0.2	0.6	-0.2	0.5
Croatia	-0.7	-0.6	0.8	1.9	1.7	5.6	2.1	1.5	0.9	6.1	2.6	1.1
Italy	-0.1	0.0	0.3	1.9	2.1	1.6	1.0	0.5	0.4	1.6	0.9	0.3
Cyprus	1.8	-1.0	3.7	4.0	2.9	2.0	1.3	1.2	1.1	2.0	1.3	1.1
Latvia	-3.3	0.7	0.4	0.2	1.8	-1.5	-1.3	-0.6	-0.5	-0.9	-0.4	-0.4
Lithuania	-2.3	1.8	0.2	5.0	1.4	1.5	-0.2	0.0	-0.1	1.7	0.4	0.3
Luxembourg	3.0	2.5	3.0	3.3	1.9	1.0	1.0	1.4	1.6	1.1	1.3	1.7
Malta	1.5	4.1	4.8	5.1	6.8	5.0	3.7	2.9	2.9	5.1	3.1	2.8
Netherlands	0.8	0.1	1.7	3.2	1.7	1.0	0.4	0.3	0.3	1.0	0.3	0.2
Austria	1.1	0.9	1.0	2.7	0.8	0.1	0.1	0.4	0.6	0.0	0.1	0.4
Portugal	-1.1	-0.4	1.2	3.7	2.0	0.7	1.7	1.1	0.9	1.6	1.0	0.9
Slovakia	0.7	1.0	0.6	1.8	0.3	-0.2	-0.4	-0.5	-0.2	-0.2	-0.1	-0.1
Slovenia	0.1	0.3	1.8	2.9	1.5	0.5	-0.2	0.3	0.3	0.1	0.6	0.7
Finland	0.5	0.0	0.9	3.5	0.9	-1.1	-0.7	0.4	0.6	-0.6	0.2	0.5
Euro area (21)	0.1	0.4	0.9	2.4	1.5	0.9	0.6	0.5	0.5	1.0	0.5	0.5
Czechia	0.2	0.8	0.2	1.0	1.6	0.6	0.7	0.1	0.0	0.3	0.4	0.2
Denmark	-0.4	0.6	1.1	4.0	1.1	0.7	0.9	0.2	0.3	0.8	0.5	0.0
Hungary	-1.1	2.5	1.1	1.6	0.7	0.0	0.2	0.2	0.1	0.1	0.1	0.3
Poland	1.3	0.8	1.5	1.1	0.1	-0.7	-0.2	0.1	0.0	-0.7	0.1	0.3
Romania	-1.8	-0.2	0.3	0.7	-1.2	1.6	-1.0	0.3	0.5	1.8	0.6	0.7
Sweden	0.7	1.4	1.0	3.5	1.2	-0.3	0.1	0.9	1.1	-0.3	0.2	0.5
EU	0.1	0.5	0.9	2.2	1.3	0.8	0.5	0.5	0.4	0.8	0.5	0.5
United Kingdom	0.2	1.6	0.5	1.2	1.2	0.8	0.0	0.2	0.3	0.8	0.3	0.4
Japan	-0.2	0.2	0.6	0.2	0.4	0.5	0.4	0.2	0.2	0.5	0.4	0.2
United States	-0.8	1.7	0.3	3.8	1.8	1.2	0.7	0.2	0.6	0.8	0.7	0.5

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	7.7	8.3	6.2	5.6	5.5	5.7	6.0	6.2	6.1	5.7	6.1	5.8
Bulgaria	9.2	11.7	6.0	4.2	4.3	4.2	3.5	3.7	3.8	4.2	4.0	3.8
Germany	6.9	4.6	3.4	3.1	3.1	3.4	3.6	3.5	3.3	3.4	3.6	3.3
Estonia	10.5	7.8	5.8	5.6	6.4	7.6	7.6	7.2	7.1	7.6	7.6	7.3
Ireland	10.9	11.9	5.9	4.5	4.3	4.3	4.6	4.7	4.7	4.3	4.3	4.4
Greece	11.5	25.6	18.3	12.5	11.1	10.1	9.3	8.6	8.2	10.1	9.3	8.7
Spain	15.7	23.4	15.4	13.0	12.2	11.4	10.4	9.8	9.6	11.4	10.4	9.9
France	8.6	10.2	8.5	7.3	7.3	7.4	7.6	8.0	8.2	7.4	7.9	7.8
Croatia	10.6	16.0	8.2	6.8	6.1	5.0	4.7	4.5	4.6	5.0	4.6	4.5
Italy	7.6	12.0	10.1	8.1	7.7	6.5	6.2	6.1	6.0	6.5	5.9	5.9
Cyprus	5.4	14.4	8.3	6.3	5.8	4.9	4.7	4.5	4.3	4.9	4.7	4.6
Latvia	13.5	11.5	7.6	6.9	6.5	6.9	6.8	6.6	6.5	6.9	6.8	6.6
Lithuania	11.4	10.6	7.0	6.0	6.9	7.1	7.1	6.8	6.8	7.1	6.8	6.6
Luxembourg	4.7	6.0	5.8	4.6	5.2	6.4	6.6	6.7	6.5	6.4	6.6	6.4
Malta	6.5	5.6	4.2	3.5	3.5	3.1	3.0	2.9	2.9	3.1	3.1	3.1
Netherlands	5.4	7.7	4.9	3.5	3.6	3.7	3.9	4.1	4.3	3.7	3.9	4.0
Austria	5.1	5.9	5.6	4.8	5.1	5.2	5.6	5.5	5.3	5.2	5.3	5.2
Portugal	11.2	14.6	7.4	6.2	6.5	6.5	6.3	6.2	6.1	6.5	6.4	6.3
Slovakia	12.1	12.4	6.8	6.1	5.8	5.3	5.4	5.6	5.6	5.3	5.3	5.3
Slovenia	6.1	9.1	5.2	4.0	3.7	3.7	3.4	3.5	3.5	3.7	3.7	3.8
Finland	7.7	8.6	7.7	6.8	7.2	8.4	9.5	9.3	9.0	8.4	8.6	8.3
Euro area (21)	6.6	11.3	8.1	6.7	6.5	6.3	6.3	6.2	6.1	6.3	6.3	6.2
Czechia	6.1	5.8	2.5	2.2	2.6	2.6	2.7	3.0	3.1	2.6	2.6	2.6
Denmark	5.9	6.9	5.3	4.5	5.1	6.2	6.1	6.1	6.0	6.2	6.2	6.3
Hungary	9.2	7.9	3.8	3.6	4.1	4.5	4.5	4.4	4.3	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	2.9	2.8	2.8
Romania	8.3	8.4	5.6	5.6	5.6	5.4	6.1	5.8	5.6	5.4	5.3	5.2
Sweden	7.5	7.8	7.5	7.5	7.7	8.4	9.0	8.4	7.9	8.4	8.7	8.4
EU	8.9	10.6	7.4	6.2	6.1	5.9	5.9	5.9	5.8	5.9	5.9	5.7
United Kingdom	6.9	6.4	4.3	3.8	4.0	4.3	4.6	4.7	4.6	4.3	4.4	4.4
Japan	4.5	3.7	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.5	2.5
United States	7.6	6.4	5.1	3.6	3.6	4.0	4.2	4.4	4.3	4.0	4.3	4.5

[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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	2.6	1.5	1.9	7.5	7.5	3.4	3.7	2.5	2.3	2.9	3.6	2.2
Bulgaria	10.8	6.7	9.1	14.2	13.4	14.1	12.4	6.3	4.6	10.4	9.6	6.1
Germany	1.8	2.6	2.5	4.3	6.2	5.1	4.2	3.1	3.3	5.2	3.4	2.9
Estonia	6.9	5.6	7.6	7.6	8.6	7.0	5.3	4.9	4.7	5.6	4.5	4.0
Ireland	2.3	1.2	3.1	2.5	6.8	4.2	3.3	3.1	3.0	3.5	3.4	3.3
Greece	1.3	-4.2	-0.3	2.0	3.3	5.8	3.0	3.4	3.7	6.0	3.8	3.5
Spain	3.2	0.0	2.3	4.7	5.0	4.6	3.5	2.8	2.3	5.0	3.4	2.6
France	2.4	1.6	0.9	5.0	4.1	3.2	2.4	2.3	2.2	3.2	2.5	2.0
Croatia	3.1	-0.7	3.3	12.3	13.5	8.9	9.8	5.9	4.5	11.2	8.8	5.3
Italy	1.8	0.2	1.2	3.7	2.6	3.4	3.2	2.7	2.3	3.4	3.4	2.5
Cyprus	2.8	-1.9	2.8	7.3	9.4	3.5	3.7	3.3	3.6	4.5	3.6	3.3
Latvia	6.2	7.2	6.1	13.1	5.8	10.5	8.3	6.0	4.9	9.1	5.5	4.5
Lithuania	4.5	5.2	9.3	11.6	12.1	7.2	7.9	7.0	6.1	9.1	7.6	7.2
Luxembourg	2.8	1.7	2.9	4.5	7.5	3.5	4.1	2.8	2.8	2.2	3.8	3.3
Malta	3.6	3.5	4.4	6.8	2.4	7.0	5.9	4.8	2.9	5.9	4.1	3.5
Netherlands	2.4	1.5	2.6	3.7	6.2	6.6	4.5	3.8	3.1	6.4	5.1	3.7
Austria	2.2	2.2	2.4	4.8	6.8	7.2	3.7	2.4	2.3	8.4	3.2	3.1
Portugal	1.8	0.0	3.9	5.6	9.4	7.5	5.1	3.8	3.7	8.0	4.9	4.0
Slovakia	5.1	2.6	5.7	5.9	10.4	7.7	5.7	3.7	4.0	7.3	4.9	4.4
Slovenia	4.1	1.1	4.8	4.9	9.6	6.2	7.9	5.7	5.4	6.2	5.6	4.7
Finland	3.2	1.4	1.4	2.5	3.4	1.8	2.8	2.8	3.2	0.5	2.3	2.3
Euro area (21)	2.4	1.5	2.1	4.6	5.3	4.5	3.6	2.9	2.8	4.6	3.4	2.8
Czechia	3.3	2.5	6.7	6.9	7.0	6.1	5.9	5.4	4.9	5.9	6.5	5.3
Denmark	3.0	1.6	2.2	2.6	3.4	4.4	3.5	3.3	3.5	4.4	3.9	2.9
Hungary	3.3	1.7	6.9	17.0	14.4	12.6	9.1	7.9	4.9	12.6	8.7	7.8
Poland	6.4	2.8	5.7	12.3	14.4	10.4	8.6	6.5	6.0	12.3	6.2	4.8
Romania	8.7	6.2	9.8	13.7	20.3	17.3	8.0	5.5	4.9	16.6	8.9	6.9
Sweden	3.5	2.5	3.2	2.0	5.3	5.2	4.1	3.1	3.5	4.7	3.7	3.5
EU	2.6	1.5	2.4	5.1	6.0	5.1	4.0	3.3	3.1	5.2	3.7	3.0
United Kingdom	2.5	1.8	2.7	6.3	5.7	5.1	4.0	2.4	2.2	5.1	3.7	2.2
Japan	-1.3	0.6	0.8	1.9	1.5	2.8	2.9	2.1	2.0	2.8	2.9	2.1
United States	2.6	2.1	4.5	2.9	3.7	4.6	3.8	3.4	3.2	4.1	4.2	3.3

Note: See note 6 on concepts and sources.

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	0.7	0.3	0.1	-2.8	1.2	1.6	**1.7**	**0.9**	**0.3**	*1.3*	*1.3*	*0.3*
Bulgaria	6.3	5.3	6.1	-1.6	4.9	8.7	**8.4**	**3.5**	**1.9**	*5.2*	*5.9*	*3.5*
Germany	0.3	1.5	0.8	-2.3	-0.4	2.7	**1.7**	**0.8**	**1.2**	*2.4*	*1.5*	*0.8*
Estonia	2.1	3.6	4.7	-8.4	-0.1	3.5	**1.9**	**1.5**	**2.5**	*2.3*	*0.7*	*2.2*
Ireland	2.9	0.1	1.7	-4.7	-1.8	0.1	**0.8**	**0.8**	**0.8**	*-0.7*	*1.4*	*1.5*
Greece	-1.6	-3.2	-0.4	-4.2	-0.1	3.6	**-0.1**	**1.1**	**1.3**	*2.3*	*0.7*	*1.1*
Spain	1.1	-0.6	1.0	-1.8	-0.1	1.4	**1.0**	**0.8**	**0.4**	*0.9*	*1.0*	*0.7*
France	1.2	1.0	-0.2	0.1	-2.6	0.9	**1.8**	**1.1**	**0.6**	*1.2*	*1.6*	*0.7*
Croatia	0.1	-1.4	1.9	1.5	4.4	5.3	**5.7**	**3.3**	**2.4**	*7.8*	*5.9*	*3.3*
Italy	-0.1	-0.7	0.1	-2.9	-2.2	1.9	**1.3**	**1.3**	**0.4**	*2.0*	*1.7*	*1.2*
Cyprus	-0.1	-1.4	2.2	1.0	5.6	1.8	**3.0**	**1.9**	**1.9**	*2.7*	*2.0*	*1.8*
Latvia	0.5	6.3	3.7	-0.6	-1.9	6.8	**4.5**	**3.7**	**2.5**	*5.4*	*2.5*	*2.8*
Lithuania	-0.8	4.3	6.2	-5.7	3.2	5.8	**5.3**	**3.8**	**3.8**	*8.2*	*4.8*	*5.9*
Luxembourg	1.0	0.5	1.3	-1.0	2.7	0.8	**1.7**	**0.7**	**0.9**	*-1.0*	*1.3*	*1.3*
Malta	1.2	2.1	3.1	1.4	-3.6	3.9	**3.4**	**2.7**	**1.0**	*2.5*	*1.8*	*1.5*
Netherlands	0.8	0.5	0.0	-3.6	-0.6	4.0	**2.0**	**1.4**	**1.3**	*3.7*	*2.7*	*2.1*
Austria	0.2	0.3	0.6	-2.7	-1.2	3.8	**0.1**	**0.0**	**0.2**	*5.0*	*0.3*	*1.0*
Portugal	0.3	-1.0	2.5	-1.6	4.3	4.6	**2.9**	**1.6**	**1.5**	*5.3*	*2.7*	*1.9*
Slovakia	2.7	1.7	3.5	-5.0	0.3	4.6	**1.5**	**-0.2**	**1.1**	*3.8*	*0.9*	*1.6*
Slovenia	1.4	0.7	3.2	-4.3	1.8	4.1	**5.3**	**3.4**	**3.1**	*4.0*	*3.4*	*2.8*
Finland	0.8	0.0	0.2	-3.7	-0.9	0.7	**1.3**	**0.9**	**1.2**	*-1.5*	*0.3*	*0.7*
Euro area (21)	0.7	0.6	0.6	-2.1	-0.9	2.1	**1.5**	**1.0**	**0.8**	*2.0*	*1.5*	*1.0*
Czechia	0.9	1.4	3.4	-6.5	-1.5	2.9	**2.9**	**3.3**	**2.6**	*2.8*	*4.0*	*3.2*
Denmark	0.8	0.8	1.3	-4.8	0.3	2.5	**1.5**	**2.3**	**1.7**	*2.7*	*2.0*	*1.3*
Hungary	-1.3	-0.2	2.8	2.2	-0.2	5.1	**3.2**	**4.2**	**1.3**	*6.8*	*4.4*	*4.3*
Poland	3.0	2.4	2.7	-1.6	4.5	6.7	**5.0**	**3.6**	**2.5**	*8.6*	*2.5*	*1.7*
Romania	1.6	4.4	5.8	-0.2	10.4	10.3	**0.6**	**-0.9**	**0.4**	*9.8*	*3.0*	*2.1*
Sweden	1.7	1.7	1.4	-4.4	-1.3	2.3	**1.8**	**2.5**	**1.8**	*1.8*	*1.6*	*1.8*
EU	0.8	0.7	0.8	-2.2	-0.5	2.4	**1.7**	**1.2**	**0.9**	*2.3*	*1.6*	*1.1*
United Kingdom	0.2	0.6	1.0	-2.0	-1.1	2.2	**0.3**	**0.4**	**0.6**	*2.0*	*1.2*	*0.2*
Japan	-0.6	0.3	0.3	-1.0	-1.5	0.5	**0.3**	**0.5**	**0.6**	*0.5*	*1.0*	*0.4*
United States	0.7	0.8	2.3	-3.4	-0.1	1.9	**1.1**	**0.5**	**1.1**	*1.6*	*1.5*	*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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	0.3	0.5	0.2	2.0	1.0	0.8	**0.5**	**0.4**	**0.5**	*0.7*	*0.4*	*0.3*
Bulgaria	3.1	1.9	3.0	3.0	0.6	2.3	**1.9**	**2.3**	**1.7**	*1.7*	*1.7*	*1.8*
Germany	0.2	0.4	0.3	0.5	-1.5	-0.6	**0.2**	**1.0**	**1.1**	*-0.4*	*0.1*	*0.9*
Estonia	1.1	1.4	3.2	-5.6	-5.8	-0.3	**0.7**	**1.9**	**1.8**	*-0.5*	*1.2*	*2.0*
Ireland	2.2	4.4	6.4	0.5	-5.8	-0.1	**8.4**	**-1.3**	**1.5**	*-1.4*	*1.6*	*1.3*
Greece	-2.3	-1.9	-0.8	1.9	0.2	1.1	**1.0**	**1.3**	**1.3**	*1.0*	*1.1*	*1.3*
Spain	1.5	0.9	-0.7	2.5	-0.8	1.1	**0.3**	**0.4**	**0.6**	*0.9*	*0.4*	*0.4*
France	0.5	0.4	-0.2	0.4	0.3	0.4	**0.8**	**0.9**	**0.9**	*0.6*	*0.7*	*0.9*
Croatia	0.4	1.2	1.7	5.3	2.0	-1.7	**1.1**	**1.4**	**1.6**	*-2.0*	*0.6*	*1.8*
Italy	-0.5	-0.6	0.1	2.8	-1.1	-0.9	**-0.6**	**0.3**	**0.4**	*-0.9*	*-0.3*	*0.6*
Cyprus	0.1	0.6	1.3	4.1	0.7	1.9	**2.0**	**1.4**	**1.3**	*1.4*	*1.7*	*1.4*
Latvia	1.3	2.8	1.9	1.7	-2.7	1.4	**2.3**	**2.3**	**2.4**	*0.5*	*0.9*	*2.4*
Lithuania	3.2	1.7	3.9	-2.4	-0.7	1.5	**2.6**	**3.0**	**2.3**	*1.0*	*2.4*	*2.8*
Luxembourg	-1.1	0.5	-0.6	-4.3	-1.8	-0.6	**-0.1**	**0.5**	**0.5**	*-0.1*	*0.4*	*0.2*
Malta	1.5	2.1	1.8	-2.4	3.6	1.7	**0.2**	**0.8**	**0.6**	*0.8*	*1.0*	*1.2*
Netherlands	0.3	0.9	0.2	1.8	-2.2	0.1	**1.3**	**1.0**	**1.4**	*-0.1*	*0.9*	*1.0*
Austria	0.1	0.0	0.0	2.5	-1.6	-0.7	**0.2**	**0.4**	**0.6**	*-1.2*	*-0.4*	*0.5*
Portugal	1.1	0.3	0.0	3.1	1.1	1.4	**0.2**	**1.1**	**1.2**	*0.3*	*0.7*	*1.3*
Slovakia	3.1	1.4	1.9	-1.2	1.8	2.1	**1.2**	**1.4**	**1.6**	*2.2*	*1.6*	*1.5*
Slovenia	0.8	0.6	1.6	-0.2	0.9	1.3	**1.2**	**2.1**	**2.4**	*1.4*	*1.4*	*1.8*
Finland	0.1	0.0	0.3	-2.7	-1.9	1.5	**0.8**	**0.5**	**0.6**	*0.4*	*0.8*	*0.7*
Euro area (21)	0.5	0.4	0.3	1.2	-1.0	0.0	**0.6**	**0.7**	**0.9**	*-0.1*	*0.4*	*0.8*
Czechia	1.3	1.0	1.8	1.8	-1.5	0.6	**1.7**	**1.8**	**2.3**	*0.8*	*1.5*	*1.8*
Denmark	0.1	0.9	1.1	-3.5	-0.5	2.8	**1.0**	**1.8**	**1.4**	*2.8*	*3.1*	*1.9*
Hungary	0.5	-0.3	2.4	2.5	-1.5	0.6	**0.2**	**2.1**	**2.0**	*0.4*	*0.8*	*2.2*
Poland	3.1	1.9	2.6	4.1	0.2	3.8	**3.4**	**3.3**	**2.7**	*3.7*	*3.2*	*2.7*
Romania	4.1	2.7	3.6	3.4	3.5	-0.7	**1.7**	**0.9**	**1.6**	*-1.0*	*0.8*	*1.5*
Sweden	0.6	0.5	0.9	-2.2	-1.4	1.1	**1.5**	**1.8**	**1.2**	*1.3*	*0.9*	*1.4*
EU	0.6	0.5	0.5	1.3	-0.8	0.3	**0.9**	**1.0**	**1.1**	*0.2*	*0.6*	*1.0*
United Kingdom	0.1	0.6	0.2	3.9	-0.9	0.3	**1.4**	**0.9**	**1.0**	*0.3*	*0.7*	*0.9*
Japan	-0.1	1.0	-0.6	0.8	0.9	-0.4	**0.7**	**0.5**	**0.5**	*-0.4*	*0.3*	*0.4*
United States	1.5	0.4	2.1	-1.2	1.2	1.6	**1.1**	**1.7**	**1.5**	*2.0*	*0.9*	*1.1*

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	2.3	1.0	1.7	5.4	6.5	2.5	**3.2**	**2.1**	**1.7**	*2.2*	*3.2*	*1.9*
Bulgaria	7.5	4.8	5.9	10.8	12.8	11.5	**10.3**	**3.9**	**2.8**	*8.5*	*7.8*	*4.2*
Germany	1.7	2.2	2.2	3.8	7.8	5.8	**4.0**	**2.1**	**2.1**	*5.7*	*3.3*	*2.0*
Estonia	5.8	4.2	4.3	13.9	15.3	7.3	**4.6**	**2.9**	**2.9**	*6.1*	*3.3*	*1.9*
Ireland	0.2	-3.1	-3.1	1.9	13.4	4.3	**-4.7**	**4.5**	**1.5**	*5.0*	*1.8*	*2.0*
Greece	3.7	-2.3	0.5	0.1	3.2	4.6	**2.0**	**2.1**	**2.4**	*4.9*	*2.6*	*2.1*
Spain	1.7	-0.9	3.0	2.1	5.9	3.4	**3.2**	**2.5**	**1.7**	*4.0*	*3.0*	*2.2*
France	1.8	1.2	1.2	4.5	3.8	2.7	**1.6**	**1.4**	**1.3**	*2.6*	*1.8*	*1.1*
Croatia	2.7	-1.9	1.5	6.6	11.3	10.8	**8.6**	**4.4**	**2.8**	*13.5*	*8.2*	*3.5*
Italy	2.2	0.8	1.1	0.9	3.8	4.4	**3.8**	**2.4**	**1.9**	*4.3*	*3.6*	*1.9*
Cyprus	2.7	-2.5	1.4	3.1	8.6	1.6	**1.6**	**1.8**	**2.2**	*3.1*	*1.9*	*1.9*
Latvia	4.9	4.2	4.1	11.2	8.7	8.9	**5.8**	**3.5**	**2.4**	*8.5*	*4.6*	*2.1*
Lithuania	1.3	3.5	5.1	14.3	12.9	5.6	**5.1**	**3.9**	**3.7**	*8.0*	*5.0*	*4.3*
Luxembourg	4.0	1.3	3.6	9.1	9.5	4.1	**4.2**	**2.2**	**2.2**	*2.3*	*3.3*	*3.1*
Malta	2.1	1.3	2.6	9.5	-1.1	5.2	**5.6**	**3.9**	**2.3**	*5.0*	*3.1*	*2.2*
Netherlands	2.1	0.6	2.4	1.9	8.6	6.5	**3.2**	**2.7**	**1.7**	*6.5*	*4.1*	*2.7*
Austria	2.0	2.1	2.4	2.2	8.5	8.0	**3.4**	**2.0**	**1.7**	*9.8*	*3.6*	*2.6*
Portugal	0.7	-0.3	3.9	2.4	8.2	6.0	**4.9**	**2.6**	**2.4**	*7.7*	*4.1*	*2.6*
Slovakia	1.9	1.2	3.8	7.2	8.4	5.5	**4.4**	**2.3**	**2.4**	*5.0*	*3.3*	*2.9*
Slovenia	3.3	0.5	3.2	5.2	8.7	4.9	**6.7**	**3.5**	**3.0**	*4.7*	*4.2*	*2.9*
Finland	3.1	1.4	1.1	5.3	5.3	0.3	**2.0**	**2.3**	**2.5**	*0.1*	*1.5*	*1.5*
Euro area (21)	1.9	1.1	1.8	3.3	6.4	4.6	**3.0**	**2.2**	**1.8**	*4.7*	*3.0*	*1.9*
Czechia	1.9	1.5	4.8	5.0	8.6	5.4	**4.2**	**3.5**	**2.5**	*5.0*	*4.9*	*3.4*
Denmark	2.9	0.6	1.1	6.2	3.9	1.5	**2.4**	**1.4**	**2.1**	*1.5*	*0.8*	*1.0*
Hungary	2.8	2.0	4.4	14.2	16.2	11.9	**8.9**	**5.7**	**2.8**	*12.2*	*7.9*	*5.5*
Poland	3.2	1.0	3.0	7.9	14.2	6.4	**4.9**	**3.1**	**3.2**	*8.3*	*2.9*	*2.0*
Romania	4.4	3.4	6.0	9.9	16.2	18.0	**6.2**	**4.6**	**3.3**	*17.8*	*8.0*	*5.3*
Sweden	2.9	1.9	2.3	4.3	6.8	4.0	**2.6**	**1.3**	**2.3**	*3.4*	*2.8*	*2.0*
EU	2.0	1.0	1.9	3.7	6.9	4.8	**3.2**	**2.3**	**1.9**	*4.9*	*3.1*	*2.0*
United Kingdom	2.4	1.3	2.5	2.4	6.7	4.8	**2.6**	**1.4**	**1.1**	*4.8*	*3.0*	*1.3*
Japan	-1.2	-0.3	1.3	1.1	0.6	3.2	**2.1**	**1.5**	**1.4**	*3.2*	*2.6*	*1.7*
United States	1.1	1.6	2.4	4.2	2.5	2.9	**2.7**	**1.7**	**1.7**	*2.1*	*3.3*	*2.2*

[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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	0.5	-0.5	-0.2	-1.2	1.0	0.7	**0.7**	**0.2**	**-0.3**	*0.2*	*0.3*	*-0.2*
Bulgaria	1.5	3.0	0.8	-4.4	4.4	4.0	**4.3**	**0.4**	**0.3**	*1.9*	*2.3*	*1.7*
Germany	0.3	0.5	0.3	-2.4	1.1	2.6	**1.0**	**-0.6**	**0.0**	*2.5*	*0.9*	*-0.2*
Estonia	0.6	1.2	0.8	-2.5	6.1	3.2	**0.5**	**-1.3**	**0.4**	*2.2*	*-0.6*	*-0.6*
Ireland	1.2	-5.5	-4.0	-5.6	9.6	-0.2	**-6.6**	**2.5**	**-0.3**	*1.6*	*-0.9*	*-0.1*
Greece	1.3	-1.3	0.3	-5.8	-2.9	1.3	**-0.8**	**-0.4**	**0.1**	*1.7*	*-0.7*	*-0.2*
Spain	0.4	-1.1	1.4	-2.5	-0.4	0.5	**0.7**	**0.4**	**-0.4**	*1.0*	*0.6*	*0.1*
France	0.5	0.4	-0.2	1.5	-1.1	0.6	**0.1**	**-0.3**	**-0.5**	*0.3*	*0.0*	*-0.4*
Croatia	-0.3	-2.4	-0.1	-1.3	-1.4	6.0	**3.8**	**0.8**	**0.3**	*7.6*	*3.7*	*0.8*
Italy	0.4	-0.3	0.0	-2.5	-2.3	2.4	**1.5**	**0.6**	**0.0**	*2.1*	*1.4*	*0.2*
Cyprus	0.2	-2.1	0.4	-3.3	2.9	-1.4	**0.0**	**0.0**	**0.3**	*-0.4*	*-0.7*	*-0.4*
Latvia	-0.8	2.7	0.8	1.4	-1.8	6.7	**1.0**	**0.0**	**0.0**	*5.8*	*0.6*	*-0.7*
Lithuania	-3.1	2.5	1.5	-1.0	2.6	2.3	**1.6**	**0.0**	**1.0**	*4.4*	*1.4*	*1.9*
Luxembourg	0.5	-0.6	0.6	2.7	2.4	-0.4	**1.1**	**-0.8**	**-0.9**	*-2.8*	*0.8*	*0.3*
Malta	-0.3	-1.2	0.4	4.2	-5.9	1.9	**2.9**	**1.7**	**0.2**	*1.7*	*0.5*	*0.1*
Netherlands	0.9	-0.3	0.0	-4.0	2.2	0.7	**0.0**	**-0.5**	**-0.4**	*1.2*	*0.3*	*0.1*
Austria	0.3	0.1	0.7	-2.7	1.3	3.8	**-0.1**	**-0.8**	**-0.9**	*6.5*	*0.1*	*0.3*
Portugal	-0.5	-1.6	2.0	-2.8	0.6	1.1	**1.7**	**-0.2**	**0.4**	*3.1*	*0.9*	*0.3*
Slovakia	0.9	0.9	1.7	-0.1	-1.5	2.0	**0.6**	**-1.3**	**-0.5**	*1.3*	*-0.6*	*-0.4*
Slovenia	0.9	-0.3	1.2	-1.2	-1.2	1.4	**2.7**	**0.8**	**0.5**	*1.6*	*1.4*	*0.2*
Finland	1.0	-0.3	-0.5	-0.8	1.8	-0.5	**1.1**	**0.6**	**0.7**	*-1.3*	*-0.3*	*-0.2*
Euro area (21)	0.4	-0.1	0.1	-1.9	0.3	1.5	**0.4**	**-0.1**	**-0.2**	*1.7*	*0.5*	*-0.1*
Czechia	0.4	-0.1	1.4	-3.4	0.0	1.5	**0.8**	**0.6**	**0.1**	*1.0*	*1.9*	*0.6*
Denmark	0.7	-0.4	-0.6	-3.8	6.1	0.1	**1.0**	**0.1**	**0.4**	*-0.3*	*-0.9*	*-0.9*
Hungary	-1.0	-0.7	-0.8	0.2	0.9	4.0	**2.4**	**1.3**	**-0.2**	*4.6*	*2.9*	*1.8*
Poland	-0.1	0.1	-0.1	-2.5	3.9	2.4	**1.3**	**0.1**	**0.0**	*4.6*	*-1.3*	*-1.0*
Romania	-4.2	0.8	0.5	-1.9	3.4	7.7	**-1.6**	**-2.1**	**-2.3**	*8.3*	*1.4*	*-0.5*
Sweden	0.7	0.4	0.0	-1.6	0.9	0.9	**1.0**	**-0.1**	**0.1**	*0.6*	*1.1*	*0.3*
EU	0.3	-0.2	0.0	-2.0	0.6	1.6	**0.5**	**-0.1**	**-0.3**	*1.7*	*0.4*	*-0.1*
United Kingdom	0.2	-0.3	0.2	-3.1	0.3	1.1	**-0.7**	**-0.5**	**-0.5**	*0.7*	*-0.1*	*-0.6*
Japan	-0.1	-0.9	1.1	0.7	-3.4	0.3	**-0.8**	**-0.4**	**-0.4**	*0.3*	*0.5*	*-0.2*
United States	-0.6	0.0	0.0	-2.8	-1.2	0.4	**0.0**	**-1.1**	**-0.4**	*-0.3*	*0.5*	*0.0*

[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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
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	25.8	26.6	25.9	24.6	24.0	25.1	**24.7**	**24.3**	**24.3**	*25.1*	*25.1*	*25.0*
Denmark	7.5	7.5	7.4	7.4	7.5	7.5	**7.5**	**7.5**	**7.5**	*7.5*	*7.5*	*7.5*
Hungary	267.3	303.1	332.2	390.8	381.8	395.3	**398.6**	**390.1**	**390.1**	*395.3*	*407.3*	*408.1*
Poland	3.9	4.2	4.4	4.7	4.5	4.3	**4.2**	**4.2**	**4.2**	*4.3*	*4.3*	*4.3*
Romania	3.9	4.5	4.7	4.9	4.9	5.0	**5.0**	**5.1**	**5.1**	*5.0*	*5.0*	*5.0*
Sweden	9.6	9.1	10.2	10.6	11.5	11.4	**11.1**	**11.0**	**11.0**	*11.4*	*11.1*	*11.0*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.8	0.8	0.9	0.9	0.9	0.8	**0.9**	**0.9**	**0.9**	*0.8*	*0.9*	*0.9*
Japan	133.4	124.9	126.1	137.9	151.8	163.9	**168.4**	**176.4**	**176.4**	*163.9*	*161.6*	*162.0*
United States	1.4	1.2	1.2	1.1	1.1	1.1	**1.1**	**1.2**	**1.2**	*1.1*	*1.1*	*1.1*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	0.5	0.1	1.1	-1.5	2.9	1.1	**1.6**	**0.8**	**0.0**	*1.1*	*1.3*	*0.5*
Bulgaria	1.0	1.0	2.4	0.9	4.8	2.7	**2.2**	**1.0**	**0.0**	*2.7*	*1.7*	*0.5*
Germany	0.5	0.0	1.3	-2.4	3.3	1.3	**2.0**	**1.0**	**0.0**	*1.3*	*1.7*	*0.7*
Estonia	0.7	1.8	1.2	-2.1	4.1	1.2	**0.9**	**0.6**	**0.0**	*1.2*	*0.7*	*0.4*
Ireland	1.0	-1.0	1.1	-4.5	3.0	0.7	**2.5**	**1.5**	**0.0**	*0.7*	*1.9*	*1.0*
Greece	0.9	0.9	2.2	0.4	4.9	2.6	**2.4**	**1.1**	**0.0**	*2.6*	*1.9*	*0.6*
Spain	0.6	0.1	1.2	-1.4	3.0	1.3	**1.8**	**0.8**	**0.0**	*1.3*	*1.5*	*0.6*
France	0.5	-0.1	1.2	-2.0	3.3	1.3	**2.0**	**1.0**	**0.0**	*1.3*	*1.6*	*0.7*
Croatia	0.3	0.8	1.3	-0.8	3.6	1.8	**1.1**	**0.5**	**0.0**	*1.8*	*0.9*	*0.3*
Italy	0.5	0.1	1.4	-2.1	3.3	1.4	**2.1**	**1.1**	**0.0**	*1.4*	*1.7*	*0.7*
Cyprus	0.4	-0.3	1.5	-2.7	5.3	2.0	**2.5**	**1.2**	**0.0**	*2.0*	*2.2*	*0.8*
Latvia	0.7	2.5	1.4	-2.4	4.6	1.4	**0.9**	**0.6**	**0.0**	*1.4*	*0.7*	*0.4*
Lithuania	1.1	3.0	1.5	-2.8	4.3	1.4	**1.1**	**0.7**	**0.0**	*1.4*	*0.9*	*0.5*
Luxembourg	0.4	0.1	0.8	-1.1	2.2	0.9	**1.2**	**0.6**	**0.0**	*0.9*	*1.0*	*0.4*
Malta	0.3	-0.4	1.1	-1.5	4.0	1.7	**2.2**	**1.2**	**0.0**	*1.7*	*1.7*	*0.7*
Netherlands	0.6	0.0	1.0	-1.4	2.7	0.9	**1.4**	**0.7**	**0.0**	*0.9*	*1.2*	*0.5*
Austria	3.6	-3.4	0.0	-0.3	-0.8	9.1	**1.3**	**0.6**	**0.0**	*9.1*	*1.2*	*0.5*
Portugal	0.4	0.0	1.0	-1.3	2.4	1.0	**1.4**	**0.7**	**0.0**	*1.0*	*1.2*	*0.5*
Slovakia	4.9	0.7	0.8	-1.0	2.0	0.9	**0.9**	**0.5**	**0.0**	*0.9*	*0.9*	*0.4*
Slovenia	0.6	0.9	0.9	-1.3	2.1	0.8	**0.8**	**0.4**	**0.0**	*0.8*	*0.7*	*0.3*
Finland	0.7	0.9	1.3	-2.3	4.1	1.3	**1.7**	**1.0**	**0.0**	*1.3*	*1.4*	*0.6*
Euro area (20)	1.1	0.1	2.2	-3.3	5.5	:	**2.8**	**1.1**	**0.0**	*2.1*	*2.8*	*1.1*
Czechia	3.5	-1.4	2.0	3.6	4.6	-3.8	**2.7**	**2.1**	**0.0**	*-3.8*	*1.1*	*0.4*
Denmark	0.4	0.2	1.3	-2.0	3.8	1.0	**1.6**	**0.8**	**0.0**	*1.0*	*1.3*	*0.6*
Hungary	-0.5	-1.6	-1.8	-9.2	5.0	-2.4	**0.3**	**2.8**	**0.0**	*-2.4*	*-2.1*	*0.2*
Poland	-0.2	-0.3	0.1	-3.9	6.0	6.8	**2.6**	**0.5**	**0.0**	*6.8*	*2.0*	*-0.1*
Romania	-2.8	-0.3	-0.4	0.0	3.1	1.2	**0.1**	**-0.2**	**0.0**	*1.2*	*1.2*	*0.4*
Sweden	1.1	-0.6	-0.2	-6.6	-3.9	1.5	**5.0**	**1.8**	**0.0**	*1.5*	*4.9*	*1.1*
EU	1.3	-0.1	2.5	-4.7	7.0	3.0	**4.6**	**2.3**	**0.0**	*3.0*	*3.7*	*1.4*
United Kingdom	-4.5	0.9	0.4	-2.2	1.9	4.4	**1.3**	**-0.5**	**0.0**	*4.4*	*0.0*	*0.0*
Japan	6.6	-3.0	-0.3	-11.7	-4.6	-5.8	**1.4**	**-2.8**	**0.0**	*-5.8*	*5.3*	*1.2*
United States	-1.9	5.6	0.3	7.0	0.5	2.3	**0.1**	**-1.4**	**0.0**	*2.3*	*1.6*	*-0.9*

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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	52.6	55.0	54.0	52.5	52.8	54.1	54.6	54.9	54.9	54.5	55.5	55.6
Bulgaria	36.8	38.1	38.3	41.3	38.9	39.2	41.3	42.8	42.4	39.8	41.6	41.2
Germany	45.9	44.8	47.3	48.6	48.1	49.4	50.6	51.4	51.5	49.5	50.2	50.5
Estonia	39.6	38.7	40.7	40.0	43.1	44.0	44.7	46.2	45.3	44.0	45.2	45.3
Ireland	47.2	34.9	24.8	20.7	22.2	22.4	21.4	22.7	22.5	23.5	23.6	23.9
Greece	52.5	55.7	52.2	53.1	49.6	48.2	48.5	49.0	47.6	48.0	47.5	47.6
Spain	43.7	45.2	45.1	46.3	45.4	45.5	45.6	45.6	45.0	45.4	45.6	45.6
France	56.1	58.0	58.1	58.4	56.9	57.3	57.8	57.4	57.7	57.1	57.6	57.5
Croatia	47.8	47.5	47.6	45.0	46.3	48.0	49.6	49.9	49.5	48.0	49.1	49.2
Italy	48.8	50.3	51.7	54.9	53.6	50.4	50.7	50.9	50.5	50.6	51.0	50.8
Cyprus	43.1	47.2	42.3	37.7	40.6	38.3	39.6	39.9	39.3	40.0	41.2	41.0
Latvia	42.7	39.9	42.1	44.2	43.4	45.6	47.5	47.6	47.3	45.7	47.6	47.5
Lithuania	40.3	35.4	36.3	36.5	37.2	39.4	41.3	42.3	42.5	39.5	41.6	41.9
Luxembourg	40.3	40.8	43.2	44.3	46.4	46.8	48.2	48.6	48.8	46.9	48.0	48.2
Malta	41.2	38.9	36.7	38.4	35.8	37.5	36.4	35.7	35.5	38.3	36.3	36.0
Netherlands	46.5	46.2	44.2	43.3	44.0	44.4	45.0	45.9	45.6	43.9	44.3	45.2
Austria	51.9	51.7	52.3	53.0	52.2	55.2	55.2	54.9	54.4	56.3	56.4	56.3
Portugal	48.4	48.7	45.5	43.9	41.9	42.6	44.1	44.9	42.9	42.8	44.0	45.0
Slovakia	39.5	41.6	41.9	43.1	48.2	47.5	49.1	48.9	48.2	47.1	48.5	49.1
Slovenia	48.2	50.9	46.8	47.7	46.5	46.5	48.4	48.9	48.7	46.8	47.8	48.3
Finland	51.3	56.3	53.9	52.6	56.0	57.8	58.9	58.9	58.4	57.6	57.5	57.2
Euro area (21)	48.9	49.3	49.4	49.8	49.3	49.4	49.9	50.2	50.1	49.5	50.0	50.1
Czechia	42.4	42.0	42.0	43.0	43.7	42.9	42.4	42.2	41.7	43.0	43.1	42.5
Denmark	53.8	55.1	50.8	45.1	47.4	47.3	49.4	50.6	51.2	46.5	47.8	48.4
Hungary	49.5	49.3	47.5	49.0	49.5	47.1	47.4	47.2	46.2	46.9	47.1	46.8
Poland	44.4	42.3	43.0	43.2	46.9	49.4	50.2	52.0	51.0	49.4	50.2	50.6
Romania	38.5	35.6	37.2	40.9	41.1	43.6	44.1	42.8	42.7	43.5	43.2	42.9
Sweden	50.7	51.3	50.9	49.4	50.0	50.7	50.2	50.2	49.6	50.0	49.5	48.8
EU	48.7	49.0	48.9	49.2	48.9	49.2	49.6	50.0	49.7	49.2	49.6	49.7
United Kingdom	44.4	43.0	43.9	45.3	46.2	45.9	46.0	46.1	46.1	46.4	46.9	46.9
Japan	38.0	39.6	41.0	43.3	40.7	40.0	39.8	40.1	40.3	40.8	41.3	41.5
United States	41.0	38.6	41.2	38.3	39.0	39.6	39.6	39.8	39.9	39.2	39.6	39.5

Table 33: Total revenue, general government (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	49.5	51.8	50.3	48.9	48.8	49.7	49.3	49.3	49.1	50.0	50.1	50.0
Bulgaria	35.1	36.4	37.8	38.4	36.9	36.1	38.3	40.1	38.1	36.7	38.8	38.4
Germany	44.2	45.4	46.7	46.7	45.7	46.8	47.6	47.4	47.7	46.8	47.5	47.6
Estonia	39.1	38.8	38.9	39.0	40.3	42.2	43.4	41.8	40.9	42.5	43.8	42.8
Ireland	33.9	30.7	23.6	22.2	23.6	26.4	22.8	23.7	23.3	27.8	24.3	24.0
Greece	41.6	49.2	49.3	50.5	48.2	49.5	49.5	49.2	47.6	49.3	48.1	49.0
Spain	37.1	38.3	40.0	41.7	42.1	42.3	43.0	43.5	42.9	42.3	42.8	43.1
France	50.9	53.5	53.4	53.7	51.5	51.4	52.2	52.5	52.4	51.3	52.0	51.8
Croatia	42.6	43.4	45.7	45.2	45.5	46.1	46.8	47.1	46.8	45.6	46.4	46.6
Italy	45.5	47.6	46.8	46.8	46.5	47.1	47.7	48.1	47.9	47.1	47.7	47.9
Cyprus	40.5	41.2	40.9	40.4	42.4	42.4	42.9	42.9	42.5	44.3	44.7	44.4
Latvia	37.1	38.7	39.5	39.4	41.1	43.8	44.3	44.2	43.0	43.9	44.4	44.4
Lithuania	35.1	33.7	35.0	35.8	36.5	38.1	39.1	39.8	39.8	38.2	39.3	39.5
Luxembourg	41.9	42.0	44.3	44.5	45.7	47.7	47.4	48.0	47.9	47.9	47.5	47.6
Malta	38.3	37.6	34.8	33.1	31.4	34.0	33.3	33.0	32.8	34.6	33.1	33.2
Netherlands	43.5	44.1	44.0	43.3	43.6	43.5	43.1	43.2	43.6	43.0	42.1	42.4
Austria	48.8	50.1	49.5	49.6	49.6	50.5	50.8	50.8	50.2	51.6	52.0	52.1
Portugal	41.3	43.7	43.2	43.6	43.2	43.1	44.1	44.6	42.4	43.5	44.2	44.4
Slovakia	34.5	38.5	39.2	41.5	42.9	42.0	44.1	44.3	42.9	41.8	43.6	44.0
Slovenia	44.2	46.0	44.7	44.7	44.0	45.5	46.2	46.7	46.2	45.8	46.5	46.8
Finland	51.9	53.9	51.8	52.5	53.1	53.4	54.5	54.9	54.4	53.2	53.8	53.7
Euro area (21)	45.0	46.7	46.5	46.4	45.8	46.4	46.7	46.9	46.7	46.4	46.8	46.8
Czechia	39.4	40.6	40.5	39.9	40.0	40.8	40.5	40.1	39.6	40.8	40.8	40.3
Denmark	54.1	54.4	53.1	48.5	50.8	51.8	51.8	51.7	52.0	51.0	49.3	49.0
Hungary	44.8	47.0	43.3	42.8	42.7	42.1	42.8	42.1	41.1	42.0	42.5	42.1
Poland	39.4	39.0	40.8	39.9	41.7	43.0	43.4	45.7	44.9	42.8	43.8	44.4
Romania	32.4	33.6	32.0	34.4	34.4	34.2	35.7	36.6	36.7	34.1	34.6	34.5
Sweden	51.5	50.5	50.7	50.4	49.1	49.2	48.6	47.8	47.5	48.5	47.9	48.0
EU	45.0	46.5	46.3	46.0	45.5	46.0	46.3	46.6	46.3	46.0	46.3	46.4
United Kingdom	38.2	38.1	38.8	41.0	40.5	40.3	41.1	41.9	42.0	40.7	41.6	42.4
Japan	31.1	33.9	36.3	39.1	38.4	38.5	38.4	38.3	38.2	38.3	38.5	38.5
United States	31.5	32.5	32.4	34.6	31.4	31.6	32.1	32.0	32.1	31.7	32.9	33.7

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	-3.0	-3.1	-3.7	-3.6	-4.0	-4.4	-5.3	-5.5	-5.9	-4.5	-5.4	-5.5
Bulgaria	-1.7	-1.7	-0.5	-2.9	-2.0	-3.0	-3.0	-2.7	-4.3	-3.0	-2.8	-2.8
Germany	-1.7	0.6	-0.6	-1.9	-2.5	-2.7	-3.1	-4.0	-3.8	-2.8	-2.7	-2.9
Estonia	-0.5	0.1	-1.8	-1.0	-2.7	-1.7	-1.3	-4.4	-4.4	-1.5	-1.4	-2.4
Ireland	-13.3	-4.2	-1.2	1.6	1.4	4.0	1.5	1.0	0.8	4.3	0.7	0.1
Greece	-10.9	-6.5	-2.9	-2.6	-1.4	1.2	1.1	0.3	0.0	1.3	0.7	1.4
Spain	-6.6	-6.9	-5.0	-4.6	-3.3	-3.2	-2.5	-2.1	-2.1	-3.2	-2.8	-2.5
France	-5.3	-4.5	-4.7	-4.7	-5.4	-5.8	-5.5	-4.9	-5.3	-5.8	-5.6	-5.7
Croatia	-5.1	-4.1	-1.8	0.1	-0.8	-1.9	-2.8	-2.9	-2.8	-2.4	-2.7	-2.6
Italy	-3.3	-2.7	-4.9	-8.1	-7.2	-3.4	-3.0	-2.8	-2.6	-3.4	-3.3	-2.9
Cyprus	-2.6	-6.0	-1.5	2.7	1.7	4.1	3.3	3.0	3.2	4.3	3.5	3.4
Latvia	-5.6	-1.2	-2.6	-4.9	-2.4	-1.8	-3.1	-3.5	-4.3	-1.8	-3.1	-3.1
Lithuania	-5.2	-1.7	-1.3	-0.7	-0.7	-1.3	-2.2	-2.5	-2.7	-1.3	-2.3	-2.3
Luxembourg	1.6	1.2	1.0	0.2	-0.7	0.9	-0.8	-0.5	-0.8	1.0	-0.4	-0.5
Malta	-2.9	-1.3	-1.9	-5.3	-4.4	-3.5	-3.2	-2.8	-2.6	-3.7	-3.2	-2.8
Netherlands	-3.0	-2.1	-0.2	0.0	-0.4	-0.9	-1.9	-2.7	-2.1	-0.9	-2.1	-2.7
Austria	-3.1	-1.6	-2.8	-3.4	-2.6	-4.7	-4.4	-4.1	-4.3	-4.7	-4.4	-4.2
Portugal	-7.1	-5.0	-2.4	-0.3	1.3	0.5	0.0	-0.3	-0.5	0.7	0.1	-0.6
Slovakia	-5.0	-3.2	-2.7	-1.6	-5.3	-5.5	-5.0	-4.6	-5.3	-5.3	-4.9	-5.1
Slovenia	-3.9	-5.0	-2.1	-3.0	-2.6	-0.9	-2.2	-2.3	-2.5	-0.9	-1.3	-1.5
Finland	0.6	-2.4	-2.1	-0.2	-2.9	-4.4	-4.5	-4.0	-3.9	-4.4	-3.7	-3.4
Euro area (21)	-4.0	-2.6	-2.8	-3.4	-3.5	-3.1	-3.2	-3.3	-3.4	-3.1	-3.2	-3.3
Czechia	-3.0	-1.5	-1.6	-3.1	-3.7	-2.0	-1.8	-2.0	-2.2	-2.2	-2.3	-2.2
Denmark	0.3	-0.7	2.2	3.4	3.4	4.5	2.3	1.1	0.8	4.5	1.5	0.6
Hungary	-4.7	-2.3	-4.2	-6.2	-6.8	-5.0	-4.6	-5.1	-5.1	-4.9	-4.6	-4.7
Poland	-5.0	-3.3	-2.2	-3.4	-5.2	-6.5	-6.8	-6.3	-6.1	-6.6	-6.4	-6.1
Romania	-6.1	-2.1	-5.2	-6.5	-6.7	-9.3	-8.4	-6.2	-5.9	-9.3	-8.6	-8.4
Sweden	0.7	-0.8	-0.2	1.0	-0.9	-1.6	-1.7	-2.4	-2.0	-1.5	-1.5	-0.8
EU	-3.8	-2.5	-2.6	-3.2	-3.4	-3.1	-3.3	-3.4	-3.4	-3.2	-3.3	-3.4
United Kingdom	-7.0	-5.3	-5.6	-4.7	-6.0	-6.0	-5.0	-4.2	-4.1	-6.0	-5.3	-4.4
Japan	-7.0	-5.7	-4.8	-4.2	-2.3	-1.5	-1.4	-1.9	-2.0	-2.5	-2.8	-3.0
United States	-9.6	-6.0	-8.8	-3.7	-7.6	-8.0	-7.5	-7.8	-7.8	-7.5	-6.7	-5.8

Table 35: Interest expenditure, general government (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	3.8	3.2	2.1	1.6	2.0	2.2	2.4	2.6	2.8	2.3	2.4	2.5
Bulgaria	0.8	0.8	0.6	0.4	0.5	0.5	0.9	1.1	1.1	0.5	0.6	0.7
Germany	2.6	1.7	0.8	0.7	0.9	1.1	1.2	1.2	1.2	1.1	1.1	1.1
Estonia	0.2	0.1	0.1	0.1	0.4	0.6	0.5	0.6	0.7	0.6	0.5	0.6
Ireland	2.1	3.4	1.3	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Greece	5.7	4.1	3.0	2.5	3.4	3.5	3.3	3.1	3.2	3.5	3.1	3.0
Spain	1.8	3.2	2.3	2.3	2.4	2.4	2.5	2.6	2.6	2.4	2.6	2.6
France	2.7	2.2	1.5	1.9	1.9	2.1	2.3	2.5	2.8	2.1	2.5	2.9
Croatia	2.1	3.2	2.1	1.4	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Italy	4.6	4.5	3.5	4.1	3.6	3.9	3.9	4.0	4.1	3.9	3.9	4.0
Cyprus	2.4	3.1	2.1	1.3	1.2	1.2	1.3	1.3	1.3	1.2	1.2	1.2
Latvia	1.3	1.4	0.8	0.5	0.7	1.1	1.2	1.4	1.5	1.1	1.3	1.4
Lithuania	1.2	1.7	0.9	0.3	0.6	0.8	1.0	1.2	1.4	0.8	1.0	1.2
Luxembourg	0.4	0.4	0.3	0.2	0.3	0.3	0.4	0.5	0.5	0.3	0.3	0.3
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	0.8	0.8
Austria	3.0	2.5	1.5	0.9	1.2	1.5	1.7	1.8	1.9	1.5	1.7	1.8
Portugal	3.2	4.6	3.0	1.9	2.1	2.1	2.1	2.2	2.2	2.1	2.1	2.2
Slovakia	1.4	1.8	1.3	1.0	1.2	1.4	1.6	1.7	1.9	1.4	1.6	1.6
Slovenia	1.5	2.9	1.8	1.1	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Finland	1.4	1.3	0.8	0.6	1.2	1.6	1.6	1.8	2.0	1.6	1.5	1.7
Euro area (21)	2.9	2.6	1.7	1.7	1.7	1.9	2.0	2.1	2.2	1.9	2.0	2.1
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	0.7	0.7	0.7	0.7	0.7	0.7
Hungary	4.2	3.9	2.3	2.8	4.7	4.9	4.0	3.9	4.0	5.0	4.2	4.0
Poland	2.4	2.1	1.3	1.5	2.1	2.2	2.5	2.7	2.8	2.2	2.5	2.7
Romania	1.4	1.7	1.2	1.5	2.0	2.4	3.1	3.3	3.3	2.3	2.6	2.8
Sweden	1.4	0.7	0.4	0.5	0.7	0.7	0.7	0.6	0.6	0.6	0.7	0.6
EU	2.8	2.4	1.6	1.6	1.7	1.9	2.0	2.0	2.1	1.9	2.0	2.1
United Kingdom	2.7	2.8	2.6	4.3	3.3	3.0	3.1	3.1	3.1	3.0	3.1	3.2
Japan	1.9	1.9	1.5	1.4	1.3	1.3	1.3	1.3	1.4	1.3	1.3	1.4
United States	4.2	3.9	3.8	3.7	4.3	4.7	4.9	5.0	5.0	4.6	4.8	4.9

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	0.8	0.1	-1.6	-2.0	-2.1	-2.1	**-2.9**	**-2.9**	**-3.1**	*-2.3*	*-3.0*	*-3.0*
Bulgaria	-0.9	-0.8	0.2	-2.5	-1.5	-2.5	**-2.1**	**-1.6**	**-3.1**	*-2.5*	*-2.2*	*-2.1*
Germany	0.9	2.2	0.2	-1.2	-1.6	-1.6	**-1.9**	**-2.8**	**-2.6**	*-1.7*	*-1.6*	*-1.7*
Estonia	-0.3	0.2	-1.8	-0.9	-2.4	-1.1	**-0.8**	**-3.9**	**-3.8**	*-0.9*	*-0.8*	*-1.8*
Ireland	-11.2	-0.8	0.1	2.2	2.0	4.6	**2.0**	**1.5**	**1.4**	*4.9*	*1.3*	*0.6*
Greece	-5.2	-2.4	0.1	-0.1	2.0	4.7	**4.3**	**3.4**	**3.2**	*4.8*	*3.8*	*4.4*
Spain	-4.8	-3.7	-2.7	-2.3	-1.0	-0.8	**0.0**	**0.5**	**0.6**	*-0.7*	*-0.2*	*0.1*
France	-2.6	-2.2	-3.2	-2.8	-3.5	-3.7	**-3.2**	**-2.3**	**-2.5**	*-3.7*	*-3.1*	*-2.8*
Croatia	-3.0	-0.9	0.3	1.5	0.8	-0.4	**-1.4**	**-1.4**	**-1.3**	*-0.8*	*-1.2*	*-1.1*
Italy	1.2	1.8	-1.4	-4.0	-3.5	0.5	**0.9**	**1.2**	**1.5**	*0.4*	*0.6*	*1.1*
Cyprus	-0.2	-2.9	0.7	4.0	2.9	5.4	**4.6**	**4.3**	**4.5**	*5.5*	*4.7*	*4.6*
Latvia	-4.4	0.2	-1.9	-4.4	-1.6	-0.7	**-1.9**	**-2.1**	**-2.8**	*-0.7*	*-1.8*	*-1.7*
Lithuania	-3.9	0.0	-0.4	-0.4	-0.1	-0.5	**-1.3**	**-1.4**	**-1.4**	*-0.5*	*-1.3*	*-1.2*
Luxembourg	2.0	1.6	1.3	0.4	-0.4	1.2	**-0.4**	**-0.1**	**-0.3**	*1.3*	*-0.1*	*-0.2*
Malta	0.3	1.2	-0.6	-4.4	-3.4	-2.4	**-2.0**	**-1.4**	**-1.3**	*-2.5*	*-1.9*	*-1.5*
Netherlands	-1.0	-0.6	0.5	0.6	0.3	-0.2	**-1.2**	**-1.9**	**-1.2**	*-0.2*	*-1.4*	*-2.0*
Austria	0.0	0.9	-1.3	-2.5	-1.4	-3.2	**-2.7**	**-2.3**	**-2.4**	*-3.2*	*-2.7*	*-2.4*
Portugal	-3.9	-0.4	0.7	1.6	3.3	2.6	**2.2**	**2.0**	**1.8**	*2.8*	*2.3*	*1.7*
Slovakia	-3.5	-1.4	-1.5	-0.5	-4.1	-4.1	**-3.4**	**-2.9**	**-3.4**	*-3.9*	*-3.3*	*-3.5*
Slovenia	-2.5	-2.1	-0.3	-1.9	-1.3	0.3	**-0.9**	**-0.9**	**-1.2**	*0.4*	*-0.1*	*-0.2*
Finland	2.0	-1.1	-1.3	0.4	-1.7	-2.8	**-2.8**	**-2.2**	**-2.0**	*-2.8*	*-2.2*	*-1.7*
Euro area (21)	-1.1	0.0	-1.1	-1.7	-1.8	-1.2	**-1.2**	**-1.3**	**-1.2**	*-1.2*	*-1.2*	*-1.2*
Czechia	-1.8	-0.3	-0.9	-2.0	-2.4	-0.7	**-0.5**	**-0.7**	**-0.8**	*-0.9*	*-1.0*	*-0.9*
Denmark	2.0	0.7	2.9	4.1	4.1	5.2	**3.1**	**1.8**	**1.6**	*5.2*	*2.2*	*1.3*
Hungary	-0.5	1.6	-1.9	-3.4	-2.1	-0.1	**-0.6**	**-1.2**	**-1.1**	*0.0*	*-0.4*	*-0.7*
Poland	-2.7	-1.2	-0.9	-1.8	-3.1	-4.3	**-4.3**	**-3.6**	**-3.3**	*-4.4*	*-3.8*	*-3.4*
Romania	-4.7	-0.4	-4.0	-5.0	-4.7	-6.9	**-5.3**	**-3.0**	**-2.6**	*-7.0*	*-6.0*	*-5.6*
Sweden	2.1	-0.1	0.2	1.5	-0.2	-0.9	**-0.9**	**-1.8**	**-1.4**	*-0.9*	*-0.8*	*-0.2*
EU	-1.0	-0.1	-1.0	-1.6	-1.7	-1.3	**-1.3**	**-1.4**	**-1.3**	*-1.3*	*-1.3*	*-1.3*
United Kingdom	-4.3	-2.5	-3.0	-0.4	-2.7	-3.0	**-1.9**	**-1.1**	**-1.0**	*-3.0*	*-2.2*	*-1.3*
Japan	-5.0	-3.9	-3.2	-2.8	-1.0	-0.2	**-0.1**	**-0.5**	**-0.7**	*-1.2*	*-1.5*	*-1.6*
United States	-5.4	-2.1	-5.0	0.0	-3.2	-3.3	**-2.6**	**-2.8**	**-2.8**	*-2.9*	*-1.9*	*-0.9*

[1] Net lending/borrowing excluding interest expenditure.

Table 37: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	0.5	0.4	-0.9	-2.6	-2.3	-2.0	**-2.4**	**-2.2**	**-2.4**	*-2.1*	*-2.5*	*-2.2*
Bulgaria	-1.2	-0.6	0.3	-3.2	-1.8	-2.7	**-2.2**	**-1.7**	**-3.0**	*-2.7*	*-2.1*	*-2.0*
Germany	1.0	2.3	0.1	-1.6	-1.2	-0.7	**-0.9**	**-2.1**	**-2.3**	*-1.0*	*-0.7*	*-1.3*
Estonia	0.5	0.1	-2.4	-0.7	-0.5	0.7	**0.7**	**-3.1**	**-3.8**	*1.2*	*0.8*	*-1.1*
Ireland	-10.8	-1.2	0.9	-1.3	2.5	5.6	**0.0**	**1.4**	**1.5**	*5.5*	*1.6*	*1.0*
Greece	-3.2	6.1	4.8	0.3	1.4	3.6	**3.0**	**1.8**	**1.7**	*3.9*	*2.5*	*3.0*
Spain	-3.5	0.2	-2.0	-2.8	-1.5	-1.9	**-1.1**	**-0.4**	**-0.1**	*-1.6*	*-1.2*	*-0.8*
France	-2.4	-1.3	-2.6	-2.9	-3.7	-3.9	**-3.0**	**-2.1**	**-2.3**	*-3.7*	*-2.8*	*-2.7*
Croatia	-3.8	0.9	0.5	-0.3	-0.6	-1.4	**-2.0**	**-1.7**	**-1.3**	*-1.8*	*-1.8*	*-1.4*
Italy	1.3	3.9	0.1	-4.9	-4.4	0.0	**0.7**	**1.0**	**1.4**	*-0.1*	*0.3*	*0.7*
Cyprus	-1.1	0.3	0.6	1.7	1.1	3.7	**3.1**	**3.3**	**3.9**	*4.1*	*3.6*	*3.8*
Latvia	-3.3	0.2	-2.1	-4.8	-1.4	-0.4	**-1.7**	**-2.1**	**-3.0**	*-0.5*	*-1.3*	*-1.4*
Lithuania	-3.0	0.3	-1.3	-0.7	0.6	0.0	**-0.8**	**-1.3**	**-1.3**	*0.2*	*-0.6*	*-0.8*
Luxembourg	1.7	2.2	1.6	1.0	0.9	2.9	**1.3**	**1.4**	**0.8**	*3.0*	*1.3*	*0.9*
Malta	0.4	1.1	-0.9	-2.7	-3.5	-3.0	**-2.0**	**-1.0**	**-0.4**	*-2.4*	*-1.7*	*-1.0*
Netherlands	-0.8	0.6	0.9	-0.9	0.5	0.4	**-0.6**	**-1.3**	**-0.8**	*0.2*	*-0.8*	*-1.2*
Austria	-0.1	1.3	-1.0	-3.8	-1.5	-2.6	**-2.0**	**-1.6**	**-2.0**	*-2.5*	*-1.7*	*-1.8*
Portugal	-3.6	1.1	1.1	1.1	2.6	2.2	**2.1**	**1.8**	**1.6**	*2.4*	*2.1*	*1.4*
Slovakia	-4.2	-0.7	-1.7	-0.8	-4.4	-4.2	**-3.2**	**-2.5**	**-3.1**	*-3.8*	*-3.0*	*-3.0*
Slovenia	-3.2	0.7	-1.0	-3.4	-2.6	-0.6	**-1.2**	**-1.3**	**-1.7**	*-0.2*	*-0.5*	*-0.8*
Finland	1.8	0.3	-1.3	0.7	-0.5	-1.5	**-1.3**	**-0.9**	**-1.0**	*-1.1*	*-0.8*	*-0.7*
Euro area (21)	-0.8	1.2	-0.6	-2.4	-1.9	-1.0	**-1.0**	**-1.1**	**-1.1**	*-1.1*	*-1.0*	*-1.0*
Czechia	-2.4	0.5	-1.2	-2.3	-2.0	0.0	**-0.2**	**-0.5**	**-1.0**	*-0.2*	*-0.5*	*-0.7*
Denmark	2.6	2.3	3.3	4.9	5.8	6.2	**3.9**	**2.3**	**1.9**	*5.7*	*2.0*	*1.1*
Hungary	0.7	2.4	-2.7	-4.4	-1.9	0.4	**0.2**	**-0.9**	**-1.2**	*0.5*	*0.2*	*-0.7*
Poland	-3.7	-0.5	-1.2	-2.6	-2.6	-3.9	**-4.1**	**-3.6**	**-3.3**	*-4.0*	*-3.7*	*-3.4*
Romania	-4.8	0.2	-3.7	-4.8	-4.4	-6.5	**-4.7**	**-2.3**	**-2.2**	*-6.4*	*-5.4*	*-5.1*
Sweden	2.5	0.4	0.4	1.5	0.7	0.3	**0.2**	**-1.2**	**-1.2**	*0.1*	*0.2*	*0.6*
EU	-0.8	1.2	-0.6	-2.1	-1.7	-1.0	**-1.1**	**-1.1**	**-1.2**	*-1.1*	*-1.1*	*-1.1*

[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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	:	:	-3.2	-4.1	-4.1	-4.1	-4.8	-4.9	-5.1	-4.2	-4.8	-4.7
Bulgaria	:	:	-0.3	-3.6	-2.7	-2.7	-3.5	-2.7	-4.1	-2.7	-3.2	-2.7
Germany	:	:	-0.6	-2.1	-2.1	-1.8	-2.0	-3.3	-3.5	-2.1	-1.8	-2.4
Estonia	:	:	-2.6	-1.0	-0.9	-0.2	0.2	-3.7	-4.4	0.6	0.3	-1.7
Ireland	:	:	-0.4	-1.9	1.8	2.5	-0.5	0.8	0.9	2.3	1.0	0.4
Greece	:	:	1.4	-2.8	-1.8	0.3	-0.1	-1.3	-1.5	0.6	-0.5	-0.1
Spain	:	:	-4.0	-5.1	-3.8	-3.4	-3.2	-2.8	-2.7	-3.2	-3.2	-3.2
France	:	:	-3.9	-4.8	-5.5	-5.9	-5.3	-4.6	-5.0	-5.7	-5.2	-5.6
Croatia	:	:	-1.5	-1.4	-2.3	-3.0	-3.4	-3.1	-2.8	-3.3	-3.3	-2.9
Italy	:	:	-3.5	-9.3	-8.3	-4.0	-3.3	-2.9	-2.7	-4.1	-3.7	-3.4
Cyprus	:	:	0.2	0.3	-0.1	2.5	2.0	2.0	2.6	2.9	2.4	2.6
Latvia	:	:	-3.0	-5.3	-2.1	-1.5	-2.9	-3.5	-4.5	-1.6	-2.6	-2.9
Lithuania	:	:	-2.2	-1.2	0.0	-0.8	-1.9	-2.4	-2.7	-0.6	-1.6	-2.0
Luxembourg	:	:	1.3	0.8	0.6	2.6	1.0	0.9	0.3	2.7	1.0	0.6
Malta	:	:	-2.2	-3.6	-4.5	-4.2	-3.2	-2.3	-1.7	-3.6	-3.0	-2.3
Netherlands	:	:	0.0	-1.3	-0.7	-0.3	-1.3	-1.3	-1.6	-0.4	-1.5	-1.3
Austria	:	:	:	-4.7	-2.7	-4.0	-3.7	-3.4	-3.9	-4.0	-3.4	-3.6
Portugal	:	:	-1.2	-0.7	1.1	0.1	0.1	-0.4	-0.7	0.3	0.0	-0.8
Slovakia	:	:	-2.9	-1.8	-5.5	-5.6	-4.8	-4.3	-5.0	-5.2	-4.5	-4.6
Slovenia	:	:	-2.7	-4.5	-3.3	-1.6	-2.1	-2.7	-3.0	-1.2	-1.2	-2.1
Finland	:	:	:	0.1	-1.6	-3.1	-2.9	-2.7	-3.0	-2.7	-2.3	-2.5
Euro area (21)	:	:	-2.2	-4.0	-3.6	-2.9	-3.0	-3.1	-3.2	:	:	:
Euro area (20)	:	:	-2.2	-4.0	-3.6	-2.9	-3.0	-3.1	-3.2	-3.0	-2.9	-3.1
Czechia	:	:	-1.9	-3.4	-3.3	-1.4	-1.4	-1.8	-2.3	-1.6	-1.7	-2.0
Denmark	:	:	2.7	4.2	5.3	6.0	3.1	1.6	1.1	5.6	1.3	0.4
Hungary	:	:	-5.1	-7.2	-6.6	-4.5	-3.8	-4.8	-5.2	-4.5	-4.0	-4.7
Poland	:	:	-2.6	-4.4	-4.7	-6.0	-6.5	-6.3	-6.1	-6.1	-6.1	-6.1
Romania	:	:	-4.8	-6.3	-6.5	-9.0	-7.9	-5.6	-5.5	-8.8	-7.9	-7.9
Sweden	:	:	0.0	1.0	0.0	-0.4	-0.5	-1.9	-1.8	-0.5	-0.4	0.0
EU	:	:	:	-3.7	-3.4	-2.9	-3.0	-3.1	-3.3	-3.0	-3.0	-3.2

Table 39: Gross debt, general government (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	96.7	105.5	104.1	103.4	102.4	103.9	107.1	109.9	112.2	104.7	107.1	109.8
Bulgaria	14.7	23.1	23.1	22.5	22.9	23.8	28.5	30.6	32.6	24.1	25.1	27.1
Germany	72.1	74.3	63.9	64.4	62.3	62.2	63.5	65.2	67.0	62.5	63.8	64.7
Estonia	6.4	11.0	12.9	19.2	20.2	23.5	23.4	25.9	29.2	23.6	23.8	25.4
Ireland	64.8	96.9	58.3	42.9	41.8	38.3	33.1	32.5	31.3	40.9	38.6	38.2
Greece	133.4	178.0	192.2	177.8	164.3	154.2	147.6	142.1	138.0	153.6	146.6	140.6
Spain	51.6	99.7	106.7	109.3	105.2	101.6	100.0	98.2	97.1	101.8	100.9	100.8
France	78.9	95.5	104.6	111.4	109.8	113.2	116.3	118.1	120.0	113.0	116.0	118.4
Croatia	48.8	78.7	76.9	68.5	60.9	57.4	56.2	56.1	55.9	57.6	56.3	56.4
Italy	112.7	132.3	140.4	138.4	133.9	134.9	136.4	137.9	137.2	135.3	136.7	138.2
Cyprus	58.1	104.9	99.9	80.3	71.1	62.8	56.4	51.0	45.7	65.0	58.0	51.9
Latvia	32.3	41.8	41.3	44.4	44.4	46.6	48.3	49.9	54.5	46.8	48.6	49.3
Lithuania	26.5	40.3	39.5	38.3	37.1	38.0	39.8	44.7	48.2	38.2	41.2	43.9
Luxembourg	15.1	21.2	22.7	24.9	24.7	26.3	26.8	27.1	27.2	26.3	25.7	26.2
Malta	64.7	59.9	45.0	50.3	47.0	46.2	47.0	47.2	47.3	47.4	47.6	47.3
Netherlands	54.7	65.0	51.8	48.4	45.8	43.7	45.2	47.9	48.1	43.3	45.0	47.8
Austria	76.6	83.9	78.0	78.1	77.8	79.9	81.4	82.8	83.9	81.8	84.0	85.8
Portugal	89.9	130.8	124.2	111.2	96.9	93.6	91.3	89.2	88.2	94.9	91.7	89.7
Slovakia	35.9	52.7	53.5	57.8	55.8	59.7	61.9	64.0	66.9	59.3	60.9	63.0
Slovenia	33.0	73.8	73.4	72.8	68.3	66.6	65.2	63.7	63.1	67.0	65.5	63.8
Finland	43.4	64.2	69.1	74.0	77.1	82.5	88.1	90.9	92.3	82.1	85.6	87.5
Euro area (21)	77.6	93.4	91.0	90.6	88.1	88.1	88.8	89.8	90.4	88.4	89.5	90.6
Czechia	33.0	41.0	34.5	42.5	42.2	43.3	43.4	44.1	45.1	43.6	44.5	45.4
Denmark	40.8	46.3	40.4	33.3	33.0	30.5	28.9	27.7	26.8	31.1	29.7	29.4
Hungary	75.2	76.5	72.1	74.1	73.2	73.5	73.7	73.9	74.9	73.5	74.5	74.3
Poland	49.8	53.5	50.7	48.8	49.5	55.1	59.5	64.9	69.2	55.3	58.0	65.3
Romania	21.5	37.6	40.1	48.1	49.3	54.8	59.1	61.1	62.7	54.8	59.4	63.3
Sweden	39.0	42.7	39.2	34.1	32.0	34.0	34.5	35.3	35.8	33.5	33.8	33.3
EU	73.2	87.4	84.6	83.8	81.8	82.0	82.8	83.8	84.5	82.2	83.2	84.5

Table 40: Gross national saving (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	25.8	24.1	24.9	25.3	25.4	24.1	23.2	23.2	23.2	23.8	22.9	22.6
Bulgaria	17.3	21.8	21.8	20.1	20.5	19.8	19.0	19.2	18.8	19.5	19.0	19.2
Germany	26.0	27.4	29.2	27.3	27.9	27.5	26.8	26.7	26.8	27.1	26.6	26.6
Estonia	24.6	26.8	27.9	25.8	23.9	24.0	23.6	23.6	23.5	24.1	23.9	23.9
Ireland	17.6	26.3	34.1	32.1	34.2	34.9	31.5	30.8	30.1	33.8	32.5	31.4
Greece	8.5	9.5	8.4	8.0	8.4	10.9	11.3	11.7	12.1	9.9	10.5	11.4
Spain	19.4	20.4	22.4	23.1	23.9	24.4	24.3	24.4	24.4	23.5	23.3	23.5
France	22.1	21.2	22.3	22.5	21.6	21.4	21.9	22.4	22.5	21.0	21.2	21.1
Croatia	18.6	19.0	22.8	22.5	25.0	22.3	21.4	21.6	21.4	22.4	21.9	21.9
Italy	18.8	18.7	21.8	22.9	23.3	23.6	23.7	23.7	23.7	23.3	23.3	23.6
Cyprus	11.1	11.7	13.9	13.7	11.7	12.5	13.2	13.8	13.9	11.9	12.4	12.9
Latvia	24.7	23.7	23.5	19.2	20.9	19.3	19.8	20.8	20.2	17.8	16.7	17.1
Lithuania	16.7	20.8	22.8	21.6	23.7	23.9	24.0	22.7	23.2	23.0	22.4	22.5
Luxembourg	22.6	22.0	20.3	13.2	15.7	12.4	11.5	12.3	13.1	17.4	15.8	15.5
Malta	16.8	21.8	27.7	28.9	25.6	25.5	24.3	24.2	24.1	22.4	22.2	21.5
Netherlands	26.1	26.5	29.1	29.6	29.5	28.8	29.0	29.2	29.0	29.3	29.5	29.5
Austria	26.9	26.1	28.0	28.1	27.7	25.4	24.5	24.8	25.4	24.0	23.6	23.7
Portugal	12.0	15.6	19.0	19.1	20.9	22.1	21.4	21.5	21.1	21.8	21.4	21.3
Slovakia	21.9	23.2	20.4	14.0	17.9	16.4	15.3	15.6	15.8	18.5	18.6	18.9
Slovenia	24.2	22.9	27.1	23.7	27.2	26.1	24.7	24.5	24.2	25.8	25.5	25.5
Finland	25.8	20.9	24.5	24.9	22.0	21.8	21.8	21.6	21.6	20.8	21.2	21.5
Euro area (21)	22.3	22.9	25.1	24.8	25.0	24.8	24.5	24.6	24.6	24.4	24.2	24.2
Czechia	23.9	24.1	25.8	26.8	28.3	28.4	28.4	28.2	28.0	27.3	26.6	26.5
Denmark	25.1	27.6	30.0	35.9	34.6	35.4	34.3	34.1	33.7	34.7	35.1	35.1
Hungary	19.3	24.6	26.6	25.3	26.1	25.1	22.8	22.3	22.7	26.0	24.6	24.3
Poland	17.3	18.0	20.0	19.2	19.2	18.1	17.6	17.9	17.8	17.9	18.5	18.6
Romania	21.4	23.3	19.3	17.4	19.4	16.6	17.5	19.7	20.3	15.7	16.6	17.8
Sweden	29.0	26.3	28.8	30.6	30.8	30.8	30.3	30.2	30.3	31.7	31.0	31.0
EU	22.4	23.0	25.1	24.9	25.1	24.8	24.5	24.6	24.6	24.4	24.2	24.3
United Kingdom	14.3	13.3	16.2	16.4	14.9	17.0	16.7	16.4	16.4	15.4	15.0	15.0
Japan	27.3	26.6	29.1	28.8	29.9	30.5	30.6	30.4	30.4	30.6	30.8	30.8
United States	15.5	18.9	18.6	18.2	17.0	16.5	17.3	17.6	17.8	17.3	17.9	18.1

Table 41: Gross saving, private sector (as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	25.6	24.0	25.7	26.0	26.3	25.1	25.1	25.2	25.5	25.0	24.8	24.7
Bulgaria	14.7	19.9	19.3	21.4	19.8	20.8	19.1	20.2	20.0	19.8	18.7	19.5
Germany	24.3	23.9	26.4	24.9	26.3	25.7	25.2	25.7	25.7	25.4	25.0	25.2
Estonia	20.3	21.9	24.7	21.5	20.6	19.4	18.6	20.7	20.6	19.4	18.4	19.8
Ireland	21.1	28.2	33.1	28.4	30.3	30.6	27.1	26.6	26.2	29.2	28.6	28.0
Greece	15.6	10.4	7.9	7.3	6.0	5.7	6.3	7.2	7.6	4.5	5.8	5.7
Spain	21.0	24.0	25.0	25.0	24.8	24.7	23.9	23.6	24.1	23.9	23.1	23.0
France	21.8	20.5	22.0	22.3	22.2	22.1	22.3	22.3	22.8	21.8	21.7	22.0
Croatia	16.4	18.7	20.3	17.5	20.5	18.3	18.3	18.7	18.6	18.9	18.7	18.8
Italy	18.3	18.2	22.3	23.8	22.5	22.0	21.7	21.8	21.7	21.6	21.4	21.7
Cyprus	8.8	10.7	11.2	8.9	6.1	5.8	6.8	7.7	8.1	4.8	6.3	6.8
Latvia	24.9	21.3	21.5	18.4	18.2	15.0	16.7	17.8	17.3	13.9	13.9	14.3
Lithuania	17.9	19.3	20.8	18.9	20.3	20.9	22.0	21.0	21.5	20.0	20.5	20.6
Luxembourg	16.0	16.4	14.0	7.7	10.5	5.6	6.3	6.7	7.8	10.6	10.2	10.1
Malta	17.4	20.9	26.5	31.3	26.2	23.7	24.0	23.9	23.6	20.7	22.1	20.9
Netherlands	24.8	25.0	26.1	26.1	26.3	25.9	27.1	27.6	27.5	26.4	28.2	28.2
Austria	25.5	23.7	27.0	26.7	25.8	25.0	24.1	24.3	25.0	23.7	23.2	23.1
Portugal	15.2	17.7	18.3	16.4	16.8	18.9	18.5	18.8	18.9	18.6	18.3	18.6
Slovakia	23.1	23.0	19.9	12.9	19.8	18.5	16.0	15.8	16.2	19.9	19.0	19.2
Slovenia	22.9	22.4	25.4	21.5	24.7	21.8	22.0	22.0	21.8	21.5	21.8	21.9
Finland	21.5	19.2	22.4	21.0	20.8	21.9	21.4	20.6	20.5	20.8	20.2	20.3
Euro area (21)	21.9	21.9	24.2	23.7	24.0	23.6	23.3	23.5	23.6	23.3	23.1	23.2
Czechia	21.8	21.3	23.2	25.3	27.6	26.1	25.9	26.1	25.8	25.2	24.6	24.6
Denmark	21.3	23.5	24.2	29.1	27.1	26.7	27.1	27.6	27.4	26.1	28.8	29.7
Hungary	20.0	22.7	23.8	23.4	26.7	25.0	22.3	22.4	23.1	25.5	24.1	24.2
Poland	17.4	17.7	18.3	18.2	18.7	19.0	18.8	19.0	18.1	18.8	19.5	19.4
Romania	21.4	21.4	21.1	19.7	21.7	20.3	20.8	20.8	21.3	19.5	19.4	20.2
Sweden	23.9	22.6	24.0	24.4	26.2	26.2	25.7	26.1	25.8	27.1	26.5	25.6
EU	21.7	21.8	23.9	23.6	24.0	23.6	23.3	23.4	23.5	23.2	23.1	23.2
United Kingdom	17.4	15.4	17.9	17.8	15.5	17.3	16.0	14.8	14.7	15.5	14.2	13.3
Japan	29.8	28.4	29.7	28.9	28.1	28.0	28.0	28.2	28.3	29.2	29.6	29.7
United States	20.7	21.6	24.2	19.2	20.6	20.9	21.5	21.9	22.1	21.2	20.4	19.7

Table 42: **Saving rate of households (2007-2027)** 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	16.6	12.6	14.0	12.9	14.0	12.9	**12.4**	**12.5**	**12.5**	*13.5*	*13.0*	*12.6*
Bulgaria	-4.3	-1.6	-1.1	-6.6	-5.2	-2.1	**-0.9**	**1.9**	**1.9**	*-4.9*	*-3.2*	*-1.5*
Germany	16.9	16.9	19.8	18.9	19.3	20.0	**19.6**	**19.2**	**18.9**	*20.1*	*20.0*	*19.9*
Estonia	8.3	7.0	10.1	2.0	3.5	7.3	**6.7**	**8.2**	**7.9**	*3.8*	*3.3*	*5.2*
Ireland	12.3	13.1	17.7	14.6	11.8	13.5	13.4	13.4	13.3	*14.2*	*13.6*	*13.4*
Greece	7.0	-3.2	-1.7	-5.0	-2.5	-2.5	**-2.1**	**0.1**	**1.8**	*-2.5*	*-2.5*	*-1.8*
Spain	9.3	7.6	10.6	9.0	11.7	12.7	**12.6**	**12.5**	**12.4**	*13.6*	*13.1*	*12.9*
France	15.0	14.0	16.0	16.5	16.7	17.9	**18.7**	**18.1**	**18.0**	*17.0*	*17.0*	*17.0*
Croatia	7.7	7.8	9.3	6.9	6.8	7.9	**8.2**	**8.3**	**8.1**	:	:	:
Italy	13.8	11.2	13.1	11.4	11.3	12.0	**12.2**	**12.2**	**11.8**	*11.8*	*11.8*	*11.7*
Cyprus	7.4	2.5	8.3	5.6	5.7	5.6	**7.3**	**8.3**	**9.1**	*10.0*	*11.0*	*11.9*
Latvia	7.0	1.2	9.1	3.8	1.7	4.9	**6.4**	**7.0**	**5.7**	*7.5*	*7.5*	*7.7*
Lithuania	0.3	-0.7	3.4	4.8	5.7	7.6	**10.0**	**8.1**	**9.6**	11.4	12.8	14.1
Luxembourg	11.7	13.8	16.9	13.4	13.0	12.2	**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	16.6	**18.2**	**18.3**	**17.6**	*14.4*	*15.8*	*15.6*
Austria	16.4	13.6	15.1	15.2	14.7	17.3	**16.5**	**16.3**	**16.0**	*18.0*	*17.4*	*16.7*
Portugal	8.8	8.0	8.7	7.3	8.9	12.5	**12.4**	**11.5**	**11.1**	*12.2*	*11.9*	*11.6*
Slovakia	8.9	8.5	10.1	6.0	7.7	8.1	**6.3**	**5.2**	**5.3**	*5.9*	*6.0*	*5.6*
Slovenia	13.6	11.0	15.9	14.0	14.7	13.3	**15.0**	**15.1**	**15.0**	*12.9*	*13.5*	*13.1*
Finland	8.9	8.4	11.2	10.0	10.8	12.4	**13.2**	**12.9**	**12.8**	*9.8*	*9.0*	*9.0*
Euro area (20)	13.1	12.3	14.9	13.5	14.2	15.2	**16.0**	**15.7**	**15.4**	*15.3*	*15.6*	*15.5*
Czechia	12.8	11.3	14.5	18.2	20.6	19.9	**18.7**	**18.4**	**17.8**	*18.4*	*17.7*	*17.4*
Denmark	4.8	5.7	8.6	11.1	14.7	14.3	**15.1**	**15.8**	**15.4**	*9.1*	*11.5*	*11.7*
Hungary	10.7	12.5	15.8	15.7	20.2	18.6	**16.7**	**16.5**	**16.4**	*18.0*	*17.4*	*17.1*
Poland	6.7	6.6	6.9	1.0	4.7	7.8	**7.6**	**7.2**	**6.6**	*6.6*	*6.6*	*6.5*
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	11.7	15.0	16.3	15.8	16.9	18.2	**17.7**	**17.2**	**16.4**	*18.1*	*17.4*	*15.9*
EU	12.5	11.6	14.0	12.7	13.5	14.5	**15.2**	**14.9**	**14.5**	*14.5*	*14.7*	*14.5*
United	9.9	8.2	9.1	6.0	7.3	10.1	**9.5**	**9.1**	**8.8**	*10.1*	*10.4*	*10.1*
Japan	11.6	8.6	12.4	11.9	8.9	8.9	**7.6**	**7.3**	**7.2**	*9.8*	*9.9*	*9.8*
United States	10.7	11.5	14.8	9.5	11.0	11.1	**10.0**	**9.9**	**9.9**	*10.3*	*10.0*	*9.6*

Table 43: **Gross saving, general government (as a percentage of GDP, 2007-2027)** 31.10.2025

	5-year averages						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium	0.3	0.1	-0.9	-0.8	-0.9	-1.0	**-1.9**	**-2.0**	**-2.3**	*-1.2*	*-1.9*	*-2.1*
Bulgaria	2.6	1.9	2.5	-1.3	0.7	-0.9	**-0.1**	**-1.0**	**-1.2**	*-0.3*	*0.3*	*-0.3*
Germany	1.8	3.4	2.8	2.4	1.6	1.8	**1.6**	**0.9**	**1.1**	*1.7*	*1.6*	*1.3*
Estonia	4.3	4.9	3.2	4.3	3.2	4.6	**5.1**	**2.8**	**2.9**	*4.7*	*5.5*	*4.1*
Ireland	-3.6	-1.8	1.0	3.8	3.9	4.3	**4.4**	**4.2**	**3.9**	*4.6*	*3.9*	*3.4*
Greece	-7.2	-1.0	0.5	0.7	2.4	5.3	**5.0**	**4.5**	**4.4**	*5.4*	*4.7*	*5.7*
Spain	-1.6	-3.6	-2.5	-1.9	-1.0	-0.4	**0.4**	**0.8**	**0.3**	*-0.4*	*0.2*	*0.5*
France	0.3	0.7	0.2	0.2	-0.6	-0.7	**-0.4**	**0.1**	**-0.3**	*-0.8*	*-0.6*	*-0.9*
Croatia	2.2	0.3	2.6	5.0	4.5	4.0	**3.1**	**2.9**	**2.8**	*3.5*	*3.1*	*3.1*
Italy	0.5	0.5	-0.5	-0.9	0.8	1.6	**2.0**	**1.8**	**2.0**	*1.6*	*1.9*	*2.0*
Cyprus	2.2	1.0	2.7	4.8	5.7	6.6	**6.4**	**6.1**	**5.8**	*7.1*	*6.1*	*6.1*
Latvia	-0.1	2.4	2.0	0.8	2.7	4.3	**3.0**	**3.1**	**2.9**	*4.0*	*2.9*	*2.9*
Lithuania	-1.2	1.4	2.1	2.6	3.4	2.9	**2.0**	**1.7**	**1.7**	*3.0*	*1.8*	*1.9*
Luxembourg	6.6	5.7	6.2	5.5	5.2	6.7	**5.3**	**5.6**	**5.3**	*6.8*	*5.6*	*5.4*
Malta	-0.6	0.9	1.2	-2.4	-0.6	1.7	**0.3**	**0.3**	**0.5**	*1.7*	*0.0*	*0.6*
Netherlands	1.3	1.5	3.0	3.5	3.2	2.8	**1.9**	**1.6**	**1.5**	*2.9*	*1.3*	*1.3*
Austria	1.3	2.4	1.0	1.4	1.9	0.4	**0.5**	**0.5**	**0.4**	*0.4*	*0.4*	*0.5*
Portugal	-3.1	-2.1	0.7	2.7	4.0	3.2	**3.0**	**2.7**	**2.2**	*3.3*	*3.1*	*2.7*
Slovakia	-1.2	0.2	0.5	1.1	-1.9	-2.1	**-0.7**	**-0.1**	**-0.4**	*-1.4*	*-0.4*	*-0.4*
Slovenia	1.3	0.5	1.7	2.2	2.6	4.3	**2.7**	**2.5**	**2.4**	*4.2*	*3.7*	*3.6*
Finland	4.3	1.7	2.1	3.8	1.2	-0.2	**0.4**	**1.0**	**1.1**	*-0.1*	*1.0*	*1.2*
Euro area (21)	0.4	1.0	0.9	1.0	1.0	1.2	**1.2**	**1.1**	**1.0**	*1.1*	*1.1*	*1.0*
Czechia	2.1	2.8	2.6	1.5	0.8	2.3	**2.4**	**2.1**	**2.2**	*2.1*	*2.0*	*1.9*
Denmark	3.8	4.1	5.8	6.8	7.5	8.7	**7.2**	**6.5**	**6.3**	*8.5*	*6.2*	*5.4*
Hungary	-0.7	1.9	2.8	1.9	-0.6	0.1	**0.5**	**-0.1**	**-0.4**	*0.5*	*0.5*	*0.2*
Poland	-0.2	0.3	1.7	1.0	0.4	-0.9	**-1.1**	**-1.1**	**-0.4**	*-0.9*	*-1.1*	*-0.8*
Romania	0.1	1.9	-1.8	-2.2	-2.2	-3.7	**-3.3**	**-1.1**	**-1.0**	*-3.8*	*-2.9*	*-2.4*
Sweden	5.1	3.7	4.8	6.2	4.5	4.6	**4.6**	**4.2**	**4.5**	*4.5*	*4.5*	*5.4*
EU	0.6	1.2	1.2	1.3	1.1	1.3	**1.2**	**1.1**	**1.1**	*1.2*	*1.1*	*1.1*
United Kingdom	-3.1	-2.0	-1.6	-1.4	-0.6	-0.3	**0.7**	**1.6**	**1.6**	*-0.1*	*0.7*	*1.6*
Japan	-2.5	-1.8	-0.6	-0.1	1.8	2.5	**2.6**	**2.2**	**2.1**	*1.5*	*1.2*	*1.1*
United States	-5.2	-2.7	-5.6	-1.0	-3.6	-4.4	**-4.2**	**-4.3**	**-4.3**	*-3.9*	*-2.6*	*-1.6*

Table 44: Exports of goods and services, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	2.0	2.9	3.5	3.1	-7.2	-1.7	-0.9	1.5	2.0	-3.4	-1.8	1.9
Bulgaria	6.2	5.9	2.4	12.1	0.0	1.8	-0.6	2.7	3.2	-0.8	1.6	2.1
Germany	3.0	2.8	1.6	3.9	-1.4	-2.1	-0.2	0.9	1.6	-1.1	-1.9	1.1
Estonia	6.9	2.7	6.1	5.5	-9.1	-1.5	2.1	2.0	2.4	-1.1	2.2	2.4
Ireland	3.7	13.0	10.7	12.0	-3.9	8.6	6.4	0.4	3.8	11.7	1.3	2.8
Greece	-0.2	3.3	3.9	6.2	2.2	1.0	1.8	2.4	3.1	1.0	3.1	3.2
Spain	2.3	3.9	-0.1	14.2	2.2	3.2	3.6	2.3	2.2	3.1	2.4	2.3
France	1.4	2.9	0.5	9.1	2.5	2.5	1.0	1.9	2.4	1.3	1.1	2.3
Croatia	-0.5	5.1	3.8	27.0	-1.4	1.6	1.5	2.4	2.7	0.9	2.3	2.6
Italy	-0.2	2.2	1.4	9.9	-0.2	0.0	0.4	1.5	1.9	0.4	0.9	1.7
Cyprus	2.6	4.5	10.8	27.5	-1.6	6.1	3.5	1.6	3.0	5.3	3.7	3.5
Latvia	5.3	4.7	3.7	11.4	-7.0	0.1	0.5	2.3	2.4	-1.6	1.8	2.0
Lithuania	5.8	4.6	9.3	11.7	-3.3	2.6	3.2	2.6	2.8	2.1	3.0	3.3
Luxembourg	2.2	5.0	4.4	1.5	0.6	-12.2	0.9	2.1	2.5	0.3	3.1	3.2
Malta	5.1	9.4	8.8	11.7	4.9	6.2	3.6	3.6	3.1	5.3	3.5	2.9
Netherlands	2.6	4.4	3.4	4.4	-3.0	-0.2	1.9	1.4	1.8	0.4	0.7	1.9
Austria	2.4	2.2	2.4	9.4	-0.6	-2.3	-0.3	1.7	2.4	-4.3	-1.0	1.9
Portugal	2.2	5.1	1.5	17.2	4.3	3.1	1.2	1.5	2.3	3.4	1.7	2.8
Slovakia	5.1	5.9	2.8	2.8	-0.7	0.0	3.6	1.0	3.1	0.3	1.9	1.8
Slovenia	3.1	4.2	5.2	7.4	-1.9	2.3	0.0	2.6	3.1	3.2	2.2	3.0
Finland	0.1	0.8	2.8	4.4	-0.4	1.8	0.9	2.2	3.0	0.1	2.5	2.4
Euro area (21)	2.2	3.7	2.8	7.4	-1.2	0.6	1.5	1.4	2.3	1.0	0.3	2.0
Czechia	5.5	4.6	2.1	5.1	2.3	1.5	3.4	2.0	2.5	1.8	1.1	2.4
Denmark	1.6	2.5	2.7	6.6	7.8	7.1	1.3	3.9	2.3	7.5	5.4	2.5
Hungary	5.5	4.5	3.7	10.7	17.4	-0.9	-0.4	3.8	4.1	-3.0	0.2	2.8
Poland	6.1	6.0	6.4	7.4	3.7	2.0	2.1	2.3	2.7	2.0	1.6	2.3
Romania	11.0	10.0	4.0	9.3	-1.3	-2.5	3.4	2.7	2.9	-3.1	1.8	2.8
Sweden	1.4	2.5	4.0	6.1	2.6	2.0	5.0	2.6	2.6	2.3	2.0	1.9
EU	2.4	3.8	3.0	7.3	-0.2	0.8	1.6	1.6	2.3	1.2	0.7	2.1
United Kingdom	1.1	1.9	0.4	15.2	-2.3	0.7	2.8	1.5	1.8	-1.2	0.4	1.5
Japan	1.1	3.0	1.5	5.5	3.3	1.1	3.1	1.2	1.8	1.0	1.8	1.3
United States	5.0	2.3	0.1	7.6	2.8	3.6	0.6	1.1	2.0	3.3	1.7	1.6

Table 45: Imports of goods and services, volume (percentage change on preceding year, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	2.6	3.3	2.9	3.5	-7.6	-1.3	-0.6	1.7	2.0	-3.5	-1.0	2.1
Bulgaria	2.0	4.9	4.8	15.3	-5.5	3.9	2.5	2.7	4.1	1.3	2.4	2.8
Germany	3.1	2.8	2.6	7.6	-1.4	-0.6	3.5	2.4	2.5	0.2	0.9	1.5
Estonia	2.6	3.7	7.3	5.1	-7.3	0.4	3.5	4.4	2.6	0.0	2.6	2.9
Ireland	1.5	13.9	5.4	15.0	2.2	2.7	4.9	2.8	3.6	6.5	3.2	2.7
Greece	-4.1	1.5	5.3	10.9	0.0	4.8	-0.3	3.7	2.5	5.5	4.2	3.5
Spain	-2.5	1.6	1.8	7.7	0.0	2.9	5.7	2.7	2.2	2.4	3.2	2.8
France	2.3	3.4	0.9	9.0	-0.3	-1.2	2.2	0.9	2.3	-1.2	1.3	2.1
Croatia	-2.7	4.0	5.0	26.8	-4.2	8.4	4.2	3.7	3.2	5.3	3.8	3.3
Italy	-0.4	0.5	1.8	12.9	-1.9	-0.4	2.8	2.6	2.0	-0.7	1.7	2.4
Cyprus	2.5	3.4	10.0	29.9	1.1	5.0	3.7	1.9	2.9	2.4	3.6	3.5
Latvia	-0.1	2.6	6.0	9.9	-5.0	-1.8	5.4	2.6	3.1	-2.3	2.1	2.1
Lithuania	3.1	4.5	7.3	13.0	-5.3	2.4	6.4	4.1	2.9	2.4	3.9	3.7
Luxembourg	3.1	5.1	5.2	2.4	0.9	-13.6	1.2	2.3	2.8	-0.3	3.8	3.8
Malta	3.7	8.7	8.5	19.0	-2.2	5.3	4.3	3.1	2.9	4.7	3.1	2.4
Netherlands	2.3	4.4	3.8	4.4	-3.9	0.1	2.4	1.8	2.0	0.3	1.2	2.2
Austria	2.2	2.4	3.2	6.9	-4.3	-2.6	1.6	2.0	2.2	-5.0	-0.6	1.9
Portugal	-0.2	3.8	3.4	11.3	2.3	4.8	4.0	2.8	3.1	4.9	4.3	4.1
Slovakia	3.2	5.0	2.8	4.1	-7.7	2.6	4.4	1.0	2.7	2.3	2.1	2.4
Slovenia	2.2	2.8	5.8	9.3	-4.5	4.3	2.7	2.8	3.2	3.9	2.2	3.4
Finland	1.7	1.6	2.6	9.3	-6.7	-0.8	0.7	3.2	3.5	-2.4	2.6	2.9
Euro area (21)	1.5	3.4	2.8	8.4	-2.0	0.0	2.9	2.2	2.5	0.3	1.6	2.2
Czechia	4.9	4.3	3.4	5.9	-1.2	0.5	4.3	3.0	2.8	0.9	2.5	3.6
Denmark	1.2	3.3	3.6	6.0	2.5	4.1	0.3	4.1	3.0	3.0	4.0	2.6
Hungary	3.4	4.1	5.4	10.9	8.3	-3.9	0.9	4.7	4.5	-4.0	1.1	3.5
Poland	6.0	4.6	6.7	6.8	-1.5	4.5	3.4	3.2	3.1	4.2	3.0	3.1
Romania	9.1	8.0	7.5	9.3	-1.5	4.0	3.6	0.9	3.2	3.8	2.9	3.2
Sweden	2.9	3.8	3.3	9.8	-0.6	2.3	5.0	2.6	2.1	1.7	1.8	1.3
EU	1.9	3.5	3.2	8.3	-1.6	0.4	3.0	2.3	2.6	0.6	1.7	2.3
United Kingdom	0.2	4.0	-0.4	13.9	-1.6	2.6	4.4	2.3	1.8	2.7	1.6	1.5
Japan	0.5	3.1	1.2	8.3	-0.8	1.0	4.2	1.3	1.7	1.3	1.6	1.3
United States	0.8	3.1	2.8	8.5	-0.9	5.8	3.2	-1.7	2.5	5.3	1.4	-0.3

Table 46: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2007-2027) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	-0.1	-0.6	1.0	-1.0	1.3	1.7	**1.2**	**1.6**	**1.6**	*1.3*	*1.4*	*1.5*
Bulgaria	-15.3	-6.2	-3.7	-5.9	-4.2	-4.8	**-5.6**	**-5.4**	**-6.0**	*-5.2*	*-5.3*	*-5.3*
Germany	6.4	7.5	6.0	3.3	5.5	5.5	**4.3**	**3.6**	**3.1**	*5.7*	*5.3*	*5.3*
Estonia	-7.6	-5.2	-3.6	-7.3	-6.0	-7.1	**-7.2**	**-8.0**	**-7.6**	*-6.9*	*-6.7*	*-6.4*
Ireland	20.7	28.0	34.9	39.4	29.9	31.2	**34.7**	**29.3**	**28.3**	*33.1*	*32.8*	*31.4*
Greece	-15.0	-10.8	-12.4	-19.1	-14.5	-15.2	**-14.3**	**-14.5**	**-14.3**	*-15.0*	*-15.0*	*-14.9*
Spain	-5.8	-1.8	-1.7	-4.4	-2.3	-2.1	**-3.0**	**-3.1**	**-3.1**	*-2.0*	*-2.4*	*-2.4*
France	-2.1	-1.7	-2.0	-5.0	-2.8	-1.9	**-1.7**	**-1.1**	**-1.1**	*-1.9*	*-1.7*	*-1.7*
Croatia	-17.4	-15.1	-18.2	-27.1	-22.1	-22.1	**-21.1**	**-20.8**	**-20.7**	*-20.4*	*-19.4*	*-19.1*
Italy	-0.4	2.6	3.0	-1.3	1.7	2.5	**2.3**	**2.4**	**2.4**	*2.6*	*2.8*	*3.0*
Cyprus	-25.0	-19.2	-20.1	-19.5	-22.7	-19.9	**-19.9**	**-19.6**	**-19.5**	*-20.4*	*-19.9*	*-19.7*
Latvia	-15.0	-11.2	-8.2	-11.4	-9.1	-7.5	**-8.6**	**-8.1**	**-8.4**	*-8.2*	*-8.5*	*-7.9*
Lithuania	-8.9	-3.9	-4.3	-10.9	-6.1	-5.8	**-7.2**	**-7.0**	**-6.6**	*-6.0*	*-6.7*	*-6.9*
Luxembourg	-0.2	3.7	3.0	-0.6	1.7	2.2	**2.5**	**2.7**	**3.3**	*1.7*	*1.5*	*2.1*
Malta	-19.0	-16.6	-11.2	-17.8	-15.2	-11.7	**-12.0**	**-11.6**	**-11.4**	*-11.8*	*-11.5*	*-11.1*
Netherlands	8.0	9.7	8.5	5.5	6.4	7.2	**7.0**	**7.1**	**7.1**	*8.7*	*9.2*	*9.7*
Austria	0.0	0.1	0.6	-2.1	0.6	1.2	**1.2**	**1.8**	**2.3**	*2.1*	*2.5*	*2.5*
Portugal	-11.1	-5.5	-7.4	-11.2	-9.6	-9.0	**-9.5**	**-9.5**	**-9.7**	*-9.2*	*-9.6*	*-10.0*
Slovakia	-0.5	3.1	-0.7	-6.5	0.7	-0.8	**-1.5**	**-1.7**	**-1.5**	*-0.3*	*-0.7*	*-0.9*
Slovenia	-2.9	2.3	3.1	-4.2	0.9	0.6	**-0.8**	**-0.9**	**-0.7**	*1.0*	*1.1*	*0.9*
Finland	5.1	0.8	0.8	-0.1	3.0	2.2	**2.3**	**2.1**	**2.0**	*2.5*	*2.4*	*2.3*
Euro area (21)	0.7	2.8	2.9	0.2	2.0	2.5	**2.2**	**2.0**	**1.8**	*2.7*	*2.6*	*2.7*
Euro area 20, adjusted 2)	:	2.5	2.7	-0.4	1.8	2.4	**2.1**	**1.9**	**1.7**	*2.5*	*2.4*	*2.4*
Czechia	1.0	4.3	3.9	-0.3	3.8	5.2	**5.4**	**5.5**	**5.6**	*5.2*	*4.9*	*4.6*
Denmark	3.1	4.7	4.2	2.3	7.6	9.4	**9.4**	**9.3**	**9.1**	*9.4*	*10.4*	*10.4*
Hungary	0.8	2.5	-1.6	-9.5	-0.7	-0.6	**-1.7**	**-2.3**	**-2.4**	*0.7*	*0.2*	*-0.1*
Poland	-4.5	-1.2	-0.8	-3.3	0.6	-0.7	**-0.9**	**-1.2**	**-1.3**	*-0.8*	*0.0*	*-0.2*
Romania	-10.6	-5.3	-8.1	-11.4	-9.0	-9.3	**-8.9**	**-7.7**	**-7.3**	*-9.3*	*-9.2*	*-8.7*
Sweden	5.1	3.2	3.4	3.3	4.4	4.7	**4.7**	**4.9**	**5.1**	*5.9*	*6.1*	*6.2*
EU	0.6	2.7	2.6	-0.1	2.0	2.3	**2.1**	**1.9**	**1.7**	*2.6*	*2.6*	*2.6*
EU, adjusted 2)	0.0	2.0	2.2	-0.8	1.5	2.0	**1.8**	**1.6**	**1.5**	*2.1*	*2.2*	*2.2*
United Kingdom	-6.0	-6.6	-6.1	-7.6	-7.0	-7.3	**-8.2**	**-8.5**	**-8.4**	*-7.9*	*-8.1*	*-8.1*
Japan	1.3	-0.7	0.4	-2.8	-1.1	-0.6	**-0.5**	**-0.6**	**-0.5**	*-0.6*	*-0.8*	*-0.9*
United States	-4.9	-4.4	-4.3	-4.6	-3.8	-4.1	**-4.2**	**-3.8**	**-3.7**	*-4.1*	*-4.0*	*-3.8*

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) 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	2.0	0.7	0.2	-2.0	0.1	-0.4	**-0.6**	**-0.6**	**-0.6**	*-0.2*	*-0.7*	*-1.0*
Bulgaria	-11.3	0.9	1.1	-2.6	0.7	-0.6	**-1.8**	**-1.5**	**-2.0**	*-0.8*	*-1.1*	*-1.0*
Germany	5.9	7.6	7.6	4.0	5.9	6.0	**4.8**	**4.2**	**3.6**	*6.1*	*5.3*	*5.3*
Estonia	-3.6	0.2	-0.3	-3.1	-1.3	-1.3	**-1.5**	**-2.4**	**-2.3**	*-2.0*	*-2.1*	*-2.0*
Ireland	-4.0	1.2	-2.1	8.7	7.0	16.2	**9.7**	**7.8**	**7.3**	*17.0*	*12.6*	*11.6*
Greece	-12.1	-2.7	-5.2	-10.8	-7.7	-7.4	**-6.2**	**-6.4**	**-5.9**	*-8.3*	*-8.2*	*-7.9*
Spain	-5.7	1.8	1.7	0.4	2.7	3.2	**2.7**	**2.7**	**2.7**	*3.1*	*2.7*	*2.8*
France	-0.2	-0.5	-0.6	-1.6	-1.3	-0.1	**0.0**	**0.6**	**0.6**	*-0.9*	*-0.6*	*-0.6*
Croatia	-5.7	0.1	0.7	-3.8	0.4	-2.1	**-2.9**	**-3.2**	**-3.2**	*-0.7*	*-1.1*	*-1.1*
Italy	-2.4	1.3	2.8	-1.7	0.2	1.1	**1.0**	**0.9**	**0.9**	*0.9*	*1.3*	*1.6*
Cyprus	-12.4	-2.7	-5.9	-6.9	-9.7	-8.2	**-7.7**	**-7.4**	**-6.9**	*-7.0*	*-6.5*	*-5.9*
Latvia	-5.6	-1.2	0.0	-5.5	-3.8	-1.6	**-4.1**	**-3.3**	**-4.2**	*-3.3*	*-3.9*	*-3.5*
Lithuania	-6.1	0.0	2.7	-6.2	1.0	3.2	**1.5**	**1.1**	**1.3**	*2.6*	*2.0*	*1.9*
Luxembourg	3.9	3.5	2.0	-3.9	-0.7	-3.5	**-3.6**	**-2.8**	**-2.0**	*2.3*	*0.8*	*0.3*
Malta	-4.3	2.3	7.1	2.5	5.8	6.5	**5.1**	**5.6**	**5.6**	*3.6*	*3.7*	*3.4*
Netherlands	4.9	7.2	7.9	6.8	9.4	9.1	**9.1**	**9.5**	**9.4**	*10.0*	*10.2*	*10.6*
Austria	3.1	2.1	2.0	-1.1	1.8	1.7	**1.2**	**1.6**	**2.3**	*2.0*	*2.4*	*2.3*
Portugal	-9.5	0.0	0.0	-2.3	0.4	1.7	**1.1**	**1.0**	**0.6**	*1.7*	*1.2*	*0.9*
Slovakia	-4.4	-0.1	-2.5	-9.3	-1.8	-3.8	**-5.1**	**-5.2**	**-5.0**	*-1.6*	*-2.3*	*-2.5*
Slovenia	-2.7	3.6	6.2	-0.9	4.7	4.5	**2.9**	**2.8**	**2.9**	*4.6*	*4.7*	*4.8*
Finland	1.7	-1.7	-0.3	-2.4	-0.9	-0.7	**-0.9**	**-1.5**	**-1.9**	*-0.8*	*-0.7*	*-0.7*
Euro area (21)	0.3	3.0	3.2	0.9	2.6	3.3	**2.7**	**2.5**	**2.4**	*3.3*	*3.0*	*3.0*
Euro area 20, adjusted 2)	:	2.6	2.7	-0.2	1.7	2.7	**2.0**	**2.0**	**1.8**	*2.8*	*2.5*	*2.6*
Czechia	-4.7	-1.4	-0.2	-4.3	0.1	2.1	**2.2**	**2.3**	**2.3**	*1.2*	*0.8*	*0.5*
Denmark	4.1	7.4	7.4	11.2	11.0	12.2	**12.0**	**11.9**	**11.4**	*13.0*	*13.7*	*13.5*
Hungary	-3.4	2.1	-0.9	-9.0	0.1	1.6	**0.1**	**-0.3**	**-0.4**	*2.4*	*2.0*	*1.5*
Poland	-5.6	-2.3	-0.5	-2.9	1.5	0.3	**-0.1**	**-0.5**	**-0.8**	*0.2*	*1.0*	*0.7*
Romania	-7.9	-1.9	-5.1	-9.6	-6.8	-8.3	**-7.9**	**-6.4**	**-6.0**	*-8.5*	*-7.9*	*-7.0*
Sweden	6.2	3.3	3.9	3.7	5.5	5.4	**4.9**	**4.8**	**4.9**	*7.0*	*6.8*	*7.0*
EU	0.2	2.8	2.9	0.7	2.6	3.2	**2.5**	**2.4**	**2.3**	*3.2*	*3.0*	*3.0*
EU, adjusted 2)	0.0	2.5	2.7	0.0	1.9	2.5	**1.9**	**1.9**	**1.7**	*2.7*	*2.6*	*2.6*
United Kingdom	-3.0	-4.5	-2.6	-1.9	-3.6	-2.2	**-2.5**	**-2.7**	**-2.7**	*-2.7*	*-2.6*	*-2.6*
Japan	3.2	1.9	3.6	2.0	3.8	4.9	**4.1**	**3.9**	**3.8**	*4.8*	*4.4*	*4.3*
United States	-3.7	-2.3	-2.5	-3.8	-3.4	-4.0	**-4.1**	**-3.7**	**-3.7**	*-3.7*	*-3.6*	*-3.4*

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)** 31.10.2025

	5-year averages						Autumn 2025 Forecast			Spring 2025 Forecast		
	2007 - 11	2012 - 16	2017 - 21	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	1.8	0.8	0.3	-1.9	0.3	-0.5	**-0.8**	**-0.8**	**-0.7**	*-0.1*	*-0.5*	*-0.9*
Bulgaria	-10.3	3.1	2.3	-1.7	1.1	0.0	**-0.8**	**0.6**	**-1.2**	*-1.7*	*-1.4*	*-0.9*
Germany	5.8	7.5	7.2	3.3	5.1	5.2	**3.9**	**3.4**	**2.9**	*5.1*	*4.4*	*4.4*
Estonia	-0.9	2.2	2.7	-2.7	-0.1	0.4	**0.3**	**-0.5**	**-0.3**	*-0.8*	*-0.7*	*-0.4*
Ireland	-3.9	0.1	-9.3	8.6	5.4	15.7	**8.0**	**6.2**	**5.7**	*13.6*	*9.4*	*8.5*
Greece	-10.4	-0.6	-3.5	-8.4	-5.6	-5.5	**-3.0**	**-2.4**	**-2.8**	*-7.3*	*-5.4*	*-4.2*
Spain	-5.3	2.3	2.1	1.3	3.9	4.3	**3.9**	**3.9**	**4.0**	*4.2*	*3.9*	*4.0*
France	-0.2	-0.6	-0.5	-1.2	-1.0	0.1	**0.1**	**0.9**	**0.9**	*-0.6*	*-0.5*	*-0.3*
Croatia	-5.5	0.8	2.4	-1.2	3.2	-0.6	**-0.9**	**-0.9**	**-1.1**	*0.7*	*1.4*	*1.6*
Italy	-2.3	1.3	2.8	-1.2	1.0	1.1	**1.2**	**1.2**	**1.0**	*0.9*	*1.6*	*2.0*
Cyprus	-12.2	-2.4	-5.7	-6.8	-9.6	-8.8	**-8.3**	**-7.9**	**-7.5**	*-6.7*	*-6.2*	*-5.6*
Latvia	-3.6	1.4	1.5	-4.7	-1.9	-0.3	**-2.5**	**-1.7**	**-3.3**	*-1.7*	*-1.9*	*-1.4*
Lithuania	-2.9	2.6	4.2	-4.7	2.6	4.7	**3.1**	**2.7**	**2.9**	*4.2*	*3.7*	*3.7*
Luxembourg	2.4	2.6	0.1	-4.6	-1.4	-4.0	**-4.4**	**-3.5**	**-2.6**	*1.6*	*-0.2*	*-0.6*
Malta	-3.1	3.9	8.7	4.0	7.6	8.0	**6.3**	**6.7**	**6.6**	*5.0*	*4.7*	*4.4*
Netherlands	4.8	5.8	7.6	17.4	9.2	8.9	**8.9**	**9.4**	**9.3**	*9.8*	*10.1*	*10.5*
Austria	3.0	2.0	1.9	-1.1	2.2	1.5	**1.0**	**1.4**	**2.1**	*2.5*	*2.9*	*2.7*
Portugal	-8.2	1.5	1.1	-1.3	1.9	2.8	**2.1**	**2.0**	**1.5**	*2.9*	*2.4*	*2.0*
Slovakia	-3.3	1.1	-2.3	-9.5	-2.1	-3.7	**-2.3**	**-2.7**	**-2.9**	*-2.1*	*-1.9*	*-2.3*
Finland	1.8	-1.6	-0.2	-2.4	-0.9	-0.6	**-0.8**	**-1.4**	**-1.8**	*-0.9*	*-0.8*	*-0.8*
Euro area (21)	0.4	3.0	3.0	1.8	2.7	3.3	**2.6**	**2.6**	**2.4**	*3.1*	*2.9*	*3.0*
Euro area 20, adjusted 2)	:	2.6	2.4	0.7	1.8	2.6	**2.0**	**2.0**	**1.9**	*2.6*	*2.5*	*2.6*
Bulgaria	-10.3	3.1	2.3	-1.7	1.1	0.0	**-0.8**	**0.6**	**-1.2**	*-1.7*	*-1.4*	*-0.9*
Czechia	-3.2	0.2	0.8	-3.7	1.1	3.7	**3.9**	**3.9**	**3.7**	*2.9*	*2.5*	*2.0*
Denmark	4.1	7.3	7.4	11.2	10.7	11.8	**11.6**	**11.5**	**10.9**	*12.7*	*13.3*	*13.1*
Hungary	-1.8	5.0	1.0	-7.3	1.3	2.0	**0.8**	**0.5**	**0.4**	*2.8*	*2.6*	*2.4*
Poland	-4.2	-0.6	0.8	-2.7	1.7	0.1	**-0.3**	**-0.7**	**-1.0**	*0.5*	*1.3*	*1.0*
Romania	-7.2	0.5	-3.6	-7.5	-4.0	-6.7	**-6.2**	**-4.7**	**-4.1**	*-7.2*	*-6.5*	*-5.5*
Sweden	6.1	3.2	4.0	3.8	5.5	5.4	**5.0**	**4.8**	**4.9**	*7.1*	*6.8*	*7.0*
EU	0.4	2.9	2.9	1.5	2.7	3.2	**2.6**	**2.6**	**2.4**	*3.1*	*3.0*	*3.1*
EU, adjusted 2)	0.1	2.6	2.6	0.8	2.1	2.5	**2.0**	**2.0**	**1.8**	*2.7*	*2.6*	*2.7*
United Kingdom	-3.0	-4.6	-2.8	-2.0	-3.8	-2.4	**-2.7**	**-2.9**	**-2.8**	*-2.8*	*-2.8*	*-2.8*
Japan	3.1	1.8	3.5	2.0	3.8	4.8	**4.1**	**3.8**	**3.7**	*4.7*	*4.3*	*4.2*
United States	-3.7	-2.3	-2.5	-3.8	-3.4	-4.0	**-4.1**	**-3.7**	**-3.7**	*-3.7*	*-3.6*	*-3.4*

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)** 31.10.2025

							Autumn 2025 Forecast			Spring 2025 Forecast		
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2024	2025	2026
Belgium	0.6	4.3	9.2	-11.5	0.4	-2.3	**-4.0**	**-4.1**	**-3.9**	*-1.5*	*-4.5*	*-6.8*
Bulgaria	1.0	0.3	-0.2	-2.2	0.6	-0.6	**-2.1**	**-1.8**	**-2.6**	*-0.9*	*-1.2*	*-1.2*
Germany	282.3	220.2	257.0	159.7	247.9	261.2	**214.1**	**195.7**	**174.8**	*260.6*	*234.8*	*241.7*
Estonia	0.6	-0.7	-1.2	-1.1	-0.5	-0.5	**-0.6**	**-1.1**	**-1.1**	*-0.8*	*-0.9*	*-0.8*
Ireland	-75.7	-27.3	54.3	45.3	36.9	91.0	**61.7**	**50.7**	**49.7**	*90.8*	*71.2*	*68.7*
Greece	-5.0	-13.8	-15.2	-22.4	-17.4	-17.4	**-15.5**	**-16.7**	**-16.1**	*-19.7*	*-20.6*	*-20.9*
Spain	26.7	8.9	9.6	5.8	40.9	50.6	**45.5**	**46.8**	**50.2**	*48.6*	*45.6*	*48.2*
France	10.4	-44.4	1.2	-41.6	-36.4	-3.4	**0.0**	**17.4**	**19.2**	*-26.5*	*-19.3*	*-18.7*
Croatia	1.0	-1.1	0.1	-2.5	0.3	-1.8	**-2.7**	**-3.1**	**-3.4**	*-0.6*	*-1.0*	*-1.0*
Italy	57.0	62.8	38.7	-34.5	4.3	23.6	**22.7**	**21.3**	**21.7**	*19.8*	*29.7*	*35.9*
Cyprus	-1.3	-2.2	-1.4	-2.0	-3.2	-2.9	**-2.8**	**-2.8**	**-2.8**	*-2.4*	*-2.3*	*-2.2*
Latvia	-0.1	0.9	-1.3	-2.0	-1.5	-0.6	**-1.8**	**-1.5**	**-2.0**	*-1.3*	*-1.6*	*-1.5*
Lithuania	1.8	3.6	0.8	-4.2	0.8	2.5	**1.3**	**1.0**	**1.2**	*2.0*	*1.7*	*1.7*
Luxembourg	-0.3	1.7	0.9	-3.0	-0.6	-3.0	**-3.3**	**-2.7**	**-1.9**	*2.0*	*0.7*	*0.3*
Malta	1.1	0.4	0.7	0.5	1.2	1.5	**1.3**	**1.5**	**1.5**	*0.8*	*0.9*	*0.9*
Netherlands	56.4	46.5	91.4	67.4	98.9	102.7	**107.5**	**117.2**	**120.4**	*113.1*	*122.1*	*131.5*
Austria	9.8	13.3	7.4	-4.9	8.5	8.4	**6.0**	**8.8**	**12.7**	*9.8*	*12.0*	*11.7*
Portugal	0.9	-1.9	-2.0	-5.5	1.0	5.0	**3.2**	**3.1**	**2.1**	*5.0*	*3.7*	*2.8*
Slovakia	-3.4	-0.6	-4.7	-10.2	-2.3	-4.9	**-6.9**	**-7.4**	**-7.4**	*-2.1*	*-3.1*	*-3.6*
Slovenia	3.1	3.6	1.8	-0.5	3.0	3.1	**2.0**	**2.1**	**2.3**	*3.1*	*3.3*	*3.5*
Finland	-0.3	1.0	0.8	-6.4	-2.5	-1.9	**-2.6**	**-4.4**	**-5.6**	*-2.1*	*-2.0*	*-2.1*
Euro area (21)	366.8	275.5	447.7	124.0	380.5	510.3	**423.1**	**420.2**	**409.0**	*497.6*	*469.2*	*488.1*
Euro area 20, adjusted 2)	290.1	213.9	346.5	-24.6	245.2	408.5	**322.7**	**319.5**	**309.2**	*425.9*	*397.8*	*416.7*
Czechia	-1.8	1.0	-1.2	-12.3	0.4	6.6	**7.6**	**8.6**	**9.0**	*3.9*	*2.7*	*1.6*
Denmark	23.0	22.6	29.3	42.5	41.2	47.8	**48.8**	**50.0**	**49.2**	*51.7*	*57.1*	*58.4*
Hungary	-1.1	-1.4	-6.7	-15.2	0.1	3.3	**0.2**	**-0.7**	**-1.1**	*5.0*	*4.2*	*3.5*
Poland	-1.6	12.3	-8.2	-19.1	11.4	2.7	**-1.0**	**-4.6**	**-8.1**	*1.7*	*8.9*	*6.6*
Romania	-11.0	-11.3	-17.6	-27.0	-21.7	-29.5	**-29.8**	**-26.1**	**-26.3**	*-30.2*	*-30.2*	*-28.8*
Sweden	22.9	26.6	31.1	20.3	29.6	30.2	**29.4**	**29.7**	**32.0**	*39.7*	*40.4*	*43.5*
EU	397.1	325.4	474.4	113.1	441.4	571.5	**478.3**	**477.0**	**463.7**	*569.3*	*552.3*	*572.9*
EU, adjusted 2)	343.6	306.6	413.3	3.7	333.7	455.8	**362.6**	**361.4**	**348.0**	*493.5*	*476.5*	*497.0*
United Kingdom	-63.7	-65.0	-20.4	-58.0	-113.0	-74.6	**-89.2**	**-97.5**	**-98.3**	*-89.4*	*-90.3*	*-91.7*
Japan	157.8	131.3	165.3	82.9	148.8	180.2	**155.8**	**144.0**	**144.1**	*178.4*	*171.2*	*168.7*
United States	-399.6	-494.7	-735.2	-951.8	-867.4	-1090.1	**-1117.2**	**-1029.9**	**-1062.9**	*-1004.9*	*-978.6*	*-934.5*

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)** 31.10.2025

								Autumn 2025 Forecast			*Spring 2025 Forecast*		
		2019	2020	2021	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium		3.4	-8.5	9.4	8.2	-0.2	1.0	**3.1**	**2.1**	**2.6**	*1.3*	*1.8*	*2.2*
Bulgaria		2.9	-7.4	11.5	7.9	0.9	2.1	**3.2**	**2.7**	**3.2**	*1.8*	*2.2*	*2.7*
Germany		2.1	-8.1	11.1	7.4	0.3	2.0	**2.9**	**2.0**	**2.6**	*1.5*	*1.8*	*2.2*
Estonia		3.0	-6.3	10.8	8.3	-0.9	1.6	**3.2**	**2.7**	**2.9**	*1.0*	*2.2*	*2.5*
Ireland		1.6	-8.8	10.9	7.5	0.1	2.4	**2.9**	**1.7**	**2.6**	*2.0*	*1.7*	*1.9*
Greece		2.6	-8.8	10.9	10.0	1.1	2.5	**3.4**	**2.6**	**3.2**	*2.0*	*2.3*	*2.6*
Spain		2.5	-9.6	10.2	9.0	0.5	1.6	**3.1**	**2.2**	**2.7**	*1.4*	*1.9*	*2.3*
France		2.7	-8.7	10.4	7.8	0.2	2.0	**3.1**	**2.2**	**2.7**	*1.8*	*1.8*	*2.2*
Croatia		3.2	-8.8	12.4	9.0	-0.5	1.7	**3.1**	**2.7**	**2.9**	*1.4*	*1.8*	*2.6*
Italy		2.3	-8.7	10.5	7.9	0.7	2.1	**3.1**	**2.0**	**2.8**	*1.7*	*1.8*	*2.2*
Cyprus		3.1	-8.1	10.6	7.1	2.5	3.1	**3.2**	**2.6**	**3.1**	*2.7*	*2.4*	*2.7*
Latvia		3.9	-5.9	12.8	7.3	0.2	2.1	**3.6**	**3.1**	**2.8**	*1.9*	*2.5*	*2.7*
Lithuania		3.2	-6.5	11.1	7.2	0.7	1.8	**3.3**	**2.7**	**2.9**	*1.5*	*2.1*	*2.5*
Luxembourg		2.3	-9.5	10.2	8.3	-0.8	1.2	**3.0**	**2.1**	**2.4**	*0.8*	*1.5*	*2.1*
Malta		2.5	-8.7	10.0	8.5	0.3	2.0	**3.1**	**2.5**	**2.8**	*1.8*	*2.0*	*2.4*
Netherlands		2.9	-8.8	10.4	8.1	-0.6	1.4	**2.9**	**2.2**	**2.6**	*1.0*	*1.5*	*2.1*
Austria		2.8	-7.9	10.7	7.9	-0.1	1.4	**3.1**	**2.2**	**2.7**	*1.3*	*1.6*	*2.1*
Portugal		2.7	-10.5	10.3	8.4	0.0	2.0	**3.5**	**2.1**	**2.6**	*1.7*	*2.0*	*2.2*
Slovakia		2.7	-7.8	11.3	7.6	0.4	1.2	**3.1**	**2.5**	**2.8**	*0.9*	*1.6*	*2.4*
Slovenia		2.5	-7.6	11.4	9.1	0.1	1.4	**3.0**	**2.4**	**2.7**	*1.0*	*2.0*	*2.4*
Euro area (20 countries)	**(b)**	2.5	-8.5	10.6	7.9	0.1	1.8	**3.0**	**2.1**	**2.7**	*1.5*	*1.8*	*2.2*
Czechia		3.0	-7.8	10.7	7.6	-0.7	1.2	**3.2**	**2.3**	**2.8**	*1.0*	*1.6*	*2.2*
Denmark		2.4	-8.3	10.4	8.1	0.2	2.4	**3.3**	**2.1**	**2.7**	*2.1*	*1.9*	*2.1*
Hungary		2.9	-8.0	11.5	7.9	-0.8	1.7	**3.3**	**2.2**	**2.8**	*1.4*	*1.7*	*2.2*
Poland		3.0	-8.0	10.4	7.5	-0.1	1.2	**3.3**	**2.4**	**2.8**	*1.2*	*1.8*	*2.3*
Romania		2.6	-8.3	10.6	8.6	0.2	1.3	**3.2**	**2.6**	**3.0**	*1.0*	*1.8*	*2.4*
Sweden		2.6	-8.2	9.7	8.2	-0.2	2.3	**2.7**	**2.3**	**2.7**	*1.8*	*2.0*	*2.2*
EU	**(b)**	2.5	-8.4	10.6	7.9	0.1	1.8	**3.0**	**2.1**	**2.7**	*1.5*	*1.8*	*2.2*
United Kingdom		4.1	-7.7	9.7	7.6	0.8	2.5	**3.0**	**1.8**	**2.9**	*2.6*	*2.0*	*2.1*
Japan		-0.2	-8.3	12.4	5.2	1.5	5.1	**3.0**	**2.0**	**3.0**	*3.2*	*1.9*	*2.2*
United States		2.4	-8.9	10.2	7.4	1.7	2.6	**2.8**	**2.3**	**2.7**	*2.1*	*1.5*	*2.0*

(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)** 31.10.2025

								Autumn 2025 Forecast			*Spring 2025 Forecast*		
		2019	2020	2021	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
Belgium		-0.5	2.8	4.8	-4.7	-6.8	-2.6	**-3.9**	**-0.6**	**-0.6**	*-4.7*	*-3.6*	*-0.3*
Bulgaria		1.1	-2.4	0.1	4.2	-0.4	-0.5	**-3.7**	**0.0**	**0.1**	*-2.6*	*-0.6*	*-0.7*
Germany		0.0	-1.5	-0.8	-3.3	-1.7	-4.0	**-2.9**	**-1.1**	**-1.0**	*-2.6*	*-3.6*	*-1.1*
Estonia		2.0	2.2	11.5	-2.5	-7.7	-2.9	**-1.1**	**-0.6**	**-0.4**	*-2.0*	*-0.1*	*-0.1*
Ireland		9.6	24.3	2.0	4.5	-4.4	5.9	**4.1**	**-2.0**	**1.0**	*9.2*	*-0.3*	*0.6*
Greece		2.3	-15.5	12.2	-3.4	1.1	-1.5	**-1.5**	**-0.3**	**-0.1**	*-1.0*	*0.8*	*0.5*
Spain		-0.2	-11.8	2.9	5.4	2.2	1.8	**0.8**	**0.1**	**-0.6**	*1.9*	*0.8*	*-0.1*
France		-0.6	-8.7	0.8	1.2	2.2	0.6	**-2.0**	**-0.3**	**-0.2**	*-0.5*	*-0.7*	*0.1*
Croatia		3.7	-16.5	18.1	16.6	-0.5	-0.2	**-1.5**	**-0.3**	**-0.2**	*-0.6*	*0.5*	*0.0*
Italy		-1.1	-5.5	3.2	1.9	-0.8	-2.0	**-2.6**	**-0.6**	**-0.8**	*-1.3*	*-0.9*	*-0.5*
Cyprus		5.4	10.6	15.0	19.1	-4.1	2.8	**0.3**	**-1.0**	**-0.2**	*2.4*	*1.2*	*0.9*
Latvia		-4.3	6.0	-3.3	3.9	-7.1	-1.9	**-3.0**	**-0.8**	**-0.5**	*-3.5*	*-0.7*	*-0.7*
Lithuania		6.8	7.0	5.0	4.2	-4.3	0.3	**-0.2**	**-0.1**	**-0.1**	*0.1*	*0.8*	*0.8*
Luxembourg		3.7	12.7	1.0	-6.3	1.3	-13.3	**-2.0**	**0.0**	**0.1**	*-0.5*	*1.6*	*1.1*
Malta		4.8	13.7	-5.0	2.9	4.6	4.1	**0.5**	**1.1**	**0.3**	*3.4*	*1.4*	*0.5*
Netherlands		0.0	5.3	-3.2	-3.2	-2.2	-1.4	**-1.0**	**-0.8**	**-0.8**	*-0.5*	*-0.8*	*-0.3*
Austria		1.2	-2.8	-1.1	1.5	-0.5	-3.6	**-3.3**	**-0.6**	**-0.3**	*-5.5*	*-2.5*	*-0.2*
Portugal		1.3	-9.1	1.6	8.4	4.4	1.1	**-2.2**	**-0.6**	**-0.2**	*1.6*	*-0.3*	*0.6*
Slovakia		-1.3	1.5	-0.6	-4.5	-1.1	-1.1	**0.4**	**-1.4**	**0.3**	*-0.6*	*0.2*	*-0.6*
Slovenia		1.9	-1.0	2.4	-1.4	-1.9	0.9	**-2.9**	**0.2**	**0.5**	*2.1*	*0.3*	*0.6*
Finland		4.7	-1.2	-4.7	-2.7	-0.8	0.0	**-2.4**	**0.0**	**0.4**	*-1.2*	*0.8*	*0.4*
Euro area (20 countries)	**(b)**	0.8	-0.3	0.8	-0.4	-1.3	-1.2	**-1.4**	**-0.8**	**-0.4**	*-0.4*	*-1.4*	*-0.2*
Czechia		-1.7	-0.9	-2.3	-2.2	3.1	0.4	**0.2**	**-0.3**	**-0.3**	*0.8*	*-0.5*	*0.2*
Denmark		1.9	2.0	-2.4	-1.5	7.1	4.8	**-1.7**	**1.6**	**-0.3**	*5.4*	*3.6*	*0.4*
Hungary		2.4	2.1	-2.9	2.7	18.2	-2.6	**-3.6**	**1.5**	**1.3**	*-4.3*	*-1.5*	*0.5*
Poland		2.2	7.5	1.7	0.0	3.7	0.8	**-1.0**	**-0.1**	**0.0**	*0.8*	*-0.2*	*0.1*
Romania		2.7	-1.3	1.8	0.8	-1.6	-3.8	**0.2**	**0.1**	**-0.1**	*-4.2*	*-0.1*	*0.4*
Sweden		4.3	2.9	1.7	-1.9	3.0	-0.2	**2.3**	**0.3**	**-0.1**	*0.7*	*0.0*	*-0.3*
EU	**(b)**	1.0	0.2	0.6	-0.4	-0.2	-0.9	**-1.2**	**-0.6**	**-0.4**	*-0.2*	*-1.1*	*-0.2*
United Kingdom		-2.1	-4.6	-6.2	7.1	-3.0	-1.7	**-0.2**	**-0.3**	**-1.0**	*-3.3*	*-1.5*	*-0.6*
Japan		-1.2	-3.7	-0.4	0.4	1.9	-3.7	**0.2**	**-0.7**	**-1.2**	*-2.1*	*-0.1*	*-0.9*
United States		-1.8	-4.2	-3.4	0.3	1.1	1.0	**-2.1**	**-1.2**	**-0.7**	*1.1*	*0.2*	*-0.4*

(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)** **31.10.2025**

						Autumn 2025 Forecast			*Spring 2025 Forecast*		
	(a)	2021	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
EU	14.2	6.4	3.5	0.4	1.1	**1.4**	**1.4**	**1.5**	*1.0*	*1.1*	*1.5*
Euro area (21)	11.6	6.4	3.6	0.5	0.9	**1.3**	**1.2**	**1.4**	*0.9*	*0.9*	*1.4*
Belgium	0.4	6.3	4.0	1.7	1.1	**1.0**	**1.1**	**1.3**	*1.0*	*0.8*	*0.9*
Bulgaria	0.1	7.8	4.1	1.7	3.4	**3.0**	**2.7**	**2.1**	*2.8*	*2.0*	*2.1*
Czechia	0.3	4.0	2.8	0.0	1.2	**2.4**	**1.9**	**2.4**	*1.1*	*1.9*	*2.1*
Denmark	0.2	6.5	0.4	0.6	3.5	**2.0**	**2.1**	**1.7**	*3.7*	*3.6*	*2.0*
Germany	3.0	3.9	1.8	-0.9	-0.5	**0.2**	**1.2**	**1.2**	*-0.2*	*0.0*	*1.1*
Estonia	0.0	8.3	-1.2	-2.7	-0.1	**0.6**	**2.1**	**2.0**	*-0.3*	*1.1*	*2.3*
Ireland	0.4	16.3	7.5	-2.5	2.6	**10.7**	**0.2**	**2.9**	*1.2*	*3.4*	*2.5*
Greece	0.2	8.7	5.5	2.1	2.1	**2.1**	**2.2**	**1.7**	*2.3*	*2.3*	*2.2*
Spain	1.4	6.7	6.4	2.5	3.5	**2.9**	**2.3**	**2.0**	*3.2*	*2.6*	*2.0*
France	2.2	6.9	2.7	1.4	1.2	**0.7**	**0.9**	**1.1**	*1.2*	*0.6*	*1.3*
Croatia	0.1	12.6	7.3	3.8	3.8	**3.2**	**2.9**	**2.5**	*3.9*	*3.2*	*2.9*
Italy	1.8	8.9	4.8	1.0	0.7	**0.4**	**0.8**	**0.8**	*0.7*	*0.7*	*0.9*
Cyprus	0.0	11.4	8.3	3.6	3.9	**3.4**	**2.6**	**2.4**	*3.4*	*3.0*	*2.5*
Latvia	0.0	6.9	1.9	-0.9	0.0	**1.0**	**1.7**	**1.9**	*-0.4*	*0.5*	*2.0*
Lithuania	0.1	6.4	2.5	0.7	3.0	**2.4**	**3.0**	**2.2**	*2.8*	*2.8*	*3.1*
Luxembourg	0.1	6.9	-1.1	0.1	0.4	**0.9**	**1.9**	**2.2**	*1.0*	*1.7*	*2.0*
Hungary	0.2	7.2	4.2	-0.8	0.6	**0.4**	**2.3**	**2.1**	*0.5*	*0.8*	*2.5*
Malta	0.0	13.4	2.5	10.6	6.8	**4.0**	**3.8**	**3.5**	*6.0*	*4.1*	*4.0*
Netherlands	0.7	6.3	5.0	-0.6	1.1	**1.7**	**1.3**	**1.7**	*1.0*	*1.3*	*1.2*
Austria	0.3	4.9	5.3	-0.8	-0.7	**0.3**	**0.9**	**1.2**	*-1.2*	*-0.3*	*1.0*
Poland	1.0	6.9	5.3	0.2	3.0	**3.2**	**3.5**	**2.8**	*2.9*	*3.3*	*3.0*
Portugal	0.3	5.6	7.0	3.1	2.1	**1.9**	**2.2**	**2.1**	*1.9*	*1.8*	*2.2*
Romania	0.4	5.6	4.2	2.3	0.9	**0.7**	**1.1**	**2.1**	*0.8*	*1.4*	*2.2*
Slovenia	0.1	8.4	2.7	2.4	1.7	**1.0**	**2.4**	**2.6**	*1.6*	*2.0*	*2.4*
Slovakia	0.1	5.7	0.5	2.1	1.9	**0.8**	**1.0**	**1.4**	*2.1*	*1.5*	*1.4*
Finland	0.2	2.7	0.8	-0.9	0.4	**0.1**	**0.9**	**1.2**	*-0.1*	*1.0*	*1.3*
Sweden	0.4	5.2	1.3	-0.2	0.8	**1.5**	**2.6**	**2.3**	*1.0*	*1.1*	*1.9*
Candidate Countries	2.4	9.9	-1.3	4.9	3.4	**3.1**	**3.1**	**4.0**	*3.3*	*2.7*	*3.7*
- Albania	0.0	9.0	4.8	4.0	4.0	**3.6**	**3.5**	**3.5**	*4.0*	*3.6*	*3.5*
- Bosnia and Herzegovina	0.0	7.6	3.7	1.9	2.5	**1.8**	**2.2**	**2.5**	*2.5*	*2.0*	*2.3*
- Georgia	0.1	10.6	11.0	7.8	9.4	**7.3**	**5.3**	**5.0**	*9.4*	*6.0*	*5.2*
- Moldova	0.0	13.9	-4.6	1.2	0.1	**1.6**	**2.6**	**3.7**	*0.1*	*0.9*	*2.8*
- Montenegro	0.0	13.0	7.7	6.5	3.2	**3.0**	**3.1**	**3.1**	*3.0*	*3.0*	*3.2*
- North Macedonia	0.0	4.5	2.8	2.6	3.0	**3.2**	**3.3**	**3.3**	*2.8*	*3.0*	*3.1*
- Serbia	0.1	7.9	2.7	3.7	3.9	**2.2**	**3.3**	**4.2**	*3.9*	*3.2*	*3.8*
- Türkiye	1.8	11.8	5.4	5.0	3.3	**3.4**	**3.4**	**4.0**	*3.2*	*2.8*	*3.5*
- Ukraine	0.3	3.4	-28.8	5.5	2.9	**1.6**	**1.5**	**4.7**	*2.9*	*2.0*	*4.7*
Iceland	0.0	5.2	8.8	5.2	-1.0	**2.1**	**2.3**	**2.4**	*0.5*	*1.7*	*2.7*
Norway	0.3	3.9	3.2	0.1	2.1	**0.5**	**1.2**	**1.4**	*2.1*	*1.5*	*1.4*
Switzerland	0.4	5.6	3.0	0.7	1.3	**1.2**	**1.3**	**1.5**	*1.3*	*0.8*	*1.5*
Australia	1.0	5.4	4.1	2.0	1.1	**1.8**	**2.0**	**2.0**	*1.1*	*1.9*	*2.0*
Canada	1.3	6.0	4.2	1.5	1.6	**1.2**	**1.1**	**1.5**	*1.5*	*1.2*	*1.3*
Japan	3.3	2.7	1.0	1.2	0.1	**1.1**	**0.7**	**0.7**	*0.1*	*0.7*	*0.6*
Korea	1.6	4.6	2.7	1.6	2.0	**1.0**	**1.9**	**2.0**	*2.0*	*1.1*	*1.5*
United Kingdom	2.2	8.5	5.1	0.3	1.1	**1.4**	**1.2**	**1.4**	*1.1*	*1.0*	*1.3*
United States	14.8	6.2	2.5	2.9	2.8	**1.8**	**1.9**	**2.1**	*2.8*	*1.6*	*1.6*
Advanced economies	43.4	6.3	2.8	1.8	1.9	**1.7**	**1.7**	**1.9**	*1.9*	*1.5*	*1.7*
Emerging and Developing Asia	35.3	7.5	4.6	5.8	5.2	**5.1**	**4.9**	**4.9**	*5.2*	*4.7*	*4.7*
- China	19.3	8.6	3.1	5.4	5.0	**4.8**	**4.6**	**4.4**	*5.0*	*4.1*	*4.0*
- India	8.2	9.7	7.6	9.2	6.5	**6.8**	**6.5**	**6.4**	*6.5*	*6.4*	*6.4*
- Indonesia	2.4	3.7	5.3	5.0	5.0	**5.0**	**4.8**	**4.8**	*5.0*	*5.0*	*5.5*
Eastern Neighbourhood and Central Asia	1.1	5.4	3.3	4.9	5.1	**4.9**	**4.1**	**3.9**	*4.9*	*4.3*	*3.8*
Russia	3.5	5.9	-1.4	4.1	4.3	**0.8**	**1.1**	**1.2**	*4.3*	*1.7*	*1.2*
Latin America	4.8	7.4	4.1	2.2	2.2	**2.2**	**2.0**	**2.3**	*2.1*	*1.8*	*1.8*
- Argentina	0.7	10.4	6.0	-1.9	-1.3	**4.2**	**3.4**	**3.2**	*-1.7*	*5.0*	*3.4*
- Brazil	2.4	4.8	3.0	3.2	3.4	**2.2**	**1.8**	**2.0**	*3.4*	*2.0*	*1.5*
- Mexico	1.7	6.0	3.7	3.4	1.4	**0.9**	**1.2**	**1.7**	*1.5*	*-0.6*	*0.5*
MENA	5.8	4.9	7.0	2.5	2.4	**3.2**	**3.6**	**3.6**	*2.2*	*3.2*	*3.7*
- Saudi Arabia	1.3	6.5	12.0	0.5	1.8	**4.0**	**4.1**	**3.6**	*1.3*	*3.1*	*3.8*
Sub-Saharan Africa	3.6	3.4	4.0	2.4	3.6	**3.8**	**4.1**	**4.5**	*2.9*	*3.7*	*4.1*
- South Africa	0.5	4.9	2.1	0.8	0.5	**1.1**	**1.2**	**1.5**	*0.6*	*1.4*	*1.5*
Emerging and Developing Economies	56.5	6.8	4.3	4.7	4.4	**4.2**	**4.2**	**4.2**	*4.3*	*3.9*	*4.0*
World	100.0	6.6	3.6	3.4	3.3	**3.1**	**3.1**	**3.2**	*3.3*	*2.9*	*3.0*
World excluding EU	85.7	6.6	3.6	3.9	3.7	**3.4**	**3.4**	**3.5**	*3.6*	*3.1*	*3.2*
World excluding euro area	88.4	6.6	3.6	3.8	3.6	**3.4**	**3.4**	**3.5**	*3.6*	*3.1*	*3.2*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2024.

Table 53: **World exports of goods and services, volume (percentage change on preceding year, 2021-2027)** **31.10.2025**

						Autumn 2025 Forecast			Spring 2025 Forecast		
	(a)	2021	2022	2023	2024	2025	2026	2027	*2024*	*2025*	*2026*
EU (b)	31.0	11.3	7.3	-0.2	0.8	**1.6**	**1.6**	**2.3**	*1.2*	*0.7*	*2.1*
Euro area (21) (b)	25.8	11.5	7.4	-1.2	0.6	**1.5**	**1.4**	**2.3**	*1.0*	*0.3*	*2.0*
Candidate Countries	1.7	18.6	2.4	-1.7	1.4	**1.9**	**3.6**	**4.9**	*1.9*	*1.7*	*4.7*
- Albania	0.0	52.1	17.0	8.6	0.1	**3.7**	**3.4**	**3.3**	*-0.8*	*3.6*	*3.6*
- Bosnia and Herzegovina	0.0	25.4	11.8	-1.2	-3.1	**2.0**	**2.5**	**2.8**	*-3.1*	*2.4*	*2.8*
- Georgia	0.1	23.5	37.4	9.5	5.9	**6.9**	**6.4**	**5.5**	*5.9*	*6.4*	*5.4*
- Moldova	0.0	17.5	29.7	4.8	-5.0	**4.0**	**5.2**	**7.0**	*-5.2*	*3.9*	*5.4*
- Montenegro	0.0	79.1	19.3	9.0	-4.0	**-0.6**	**3.2**	**3.6**	*-3.2*	*-0.1*	*3.3*
- North Macedonia	0.0	14.3	10.6	-3.0	-4.0	**5.2**	**5.4**	**5.0**	*-3.8*	*2.8*	*3.9*
- Serbia	0.2	20.4	17.0	2.7	5.2	**4.5**	**4.5**	**6.6**	*3.2*	*3.0*	*4.4*
- Türkiye	1.2	25.1	10.5	-2.3	0.1	**1.8**	**3.4**	**3.9**	*0.9*	*1.2*	*3.9*
- Ukraine	0.2	-8.6	-42.0	-5.9	10.3	**-2.4**	**2.9**	**13.0**	*10.3*	*1.8*	*11.4*
Iceland	0.0	12.4	26.1	4.7	-2.3	**2.4**	**2.4**	**3.1**	*-1.2*	*2.0*	*2.8*
Norway	0.7	6.1	5.2	0.4	5.2	**-1.0**	**0.6**	**1.0**	*5.7*	*1.2*	*1.4*
Switzerland	2.1	13.7	6.1	0.7	-0.3	**2.5**	**1.8**	**2.2**	*-0.3*	*1.9*	*2.5*
Australia	1.3	-2.3	2.6	6.9	1.0	**1.3**	**2.7**	**2.4**	*2.0*	*2.2*	*2.5*
Canada	2.3	3.3	4.2	4.9	0.6	**-1.1**	**0.6**	**1.5**	*1.1*	*-0.2*	*-0.8*
Japan	2.9	11.9	5.5	3.3	1.1	**3.1**	**1.2**	**1.8**	*1.0*	*1.8*	*1.3*
Korea	2.6	10.8	3.9	3.4	6.8	**4.3**	**3.3**	**2.3**	*6.9*	*1.4*	*2.0*
United Kingdom	3.6	2.9	15.2	-2.3	0.7	**2.8**	**1.5**	**1.8**	*-1.2*	*0.4*	*1.5*
United States	10.1	6.5	7.6	2.8	3.6	**0.6**	**1.1**	**2.0**	*3.3*	*1.7*	*1.6*
Advanced economies	65.6	10.0	6.1	0.8	2.0	**1.8**	**1.7**	**2.3**	*1.9*	*1.1*	*2.0*
Emerging and Developing Asia	19.4	18.6	2.6	2.0	10.6	**4.1**	**2.0**	**2.4**	*8.1*	*2.2*	*2.0*
- China	12.0	18.3	-0.2	2.6	12.6	**4.8**	**1.2**	**1.7**	*11.1*	*1.2*	*0.4*
- India	2.6	29.6	10.3	2.2	6.3	**3.1**	**3.4**	**3.7**	*4.9*	*5.4*	*6.0*
- Indonesia	1.0	20.3	0.9	4.4	1.8	**2.9**	**4.4**	**4.0**	*0.6*	*3.5*	*5.6*
Easter Neighbourhood and Central Asia	0.8	2.9	7.7	12.0	3.5	**3.4**	**4.1**	**3.6**	*5.2*	*3.9*	*3.9*
Russia	1.5	3.2	-13.8	-11.0	3.0	**-0.9**	**-0.1**	**-0.3**	*3.0*	*0.5*	*0.0*
Latin America	5.4	7.3	7.6	-1.1	3.8	**4.0**	**1.8**	**3.0**	*3.4*	*0.5*	*0.9*
- Argentina	0.3	12.6	-4.9	-13.6	28.8	**5.1**	**4.2**	**3.4**	*19.4*	*4.6*	*3.5*
- Brazil	1.2	2.3	6.1	9.4	-0.3	**2.7**	**2.2**	**2.6**	*4.6*	*3.1*	*2.6*
- Mexico	2.1	7.1	9.5	-7.2	3.3	**5.5**	**1.1**	**3.2**	*0.6*	*-3.0*	*-2.1*
MENA	5.9	5.9	14.1	2.5	1.2	**4.8**	**6.7**	**5.5**	*2.7*	*5.1*	*5.3*
- Saudi Arabia	1.1	2.5	20.0	-5.8	-0.8	**7.5**	**8.1**	**2.8**	*3.1*	*7.1*	*8.3*
Sub-Saharan Africa	1.4	-0.6	6.2	1.9	1.8	**4.6**	**5.3**	**4.9**	*4.6*	*3.9*	*4.8*
- South Africa	0.4	9.7	7.8	5.1	-2.8	**0.3**	**1.8**	**2.3**	*2.3*	*1.3*	*1.9*
Emerging and developing economies	34.4	13.2	4.4	1.2	6.9	**4.0**	**2.8**	**3.0**	*5.9*	*2.5*	*2.5*
World	100.0	11.0	5.5	0.9	3.7	**2.5**	**2.1**	**2.6**	*3.3*	*1.6*	*2.2*
World excluding EU	69.0	10.9	4.7	1.4	5.0	**3.0**	**2.3**	**2.7**	*4.2*	*2.0*	*2.2*
World excluding euro area	74.4	10.9	4.9	1.6	4.8	**2.9**	**2.3**	**2.7**	*4.0*	*2.0*	*2.2*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2024.
(b) Intra- and extra-EU trade.

Table 54: **Shares of main trading partners in goods export of EU and Member States (2024)** **31.10.2025**

	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 (20 countries)	59.2	47.7	2.6	8.5	5.6	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	39.1	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	38.4	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	56.1	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	36.4	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	39.5	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	55.9	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	46.9	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	53.2	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	41.6	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	23.9	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	50.4	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	44.7	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	68.8	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	58.4	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	33.4	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	60.9	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	53.3	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	59.5	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	60.5	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	52.4	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	45.7	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	44.0	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	38.8	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	42.6	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) 31.10.2025

						Autumn 2025 Forecast			Spring 2025 Forecast		
	(a)	2021	2022	2023	2024	2025	2026	2027	2024	2025	2026
EU (b)	29.3	9.7	8.3	-1.6	0.4	**3.0**	**2.3**	**2.6**	*0.6*	*1.7*	*2.3*
Euro area 21 (b)	24.3	9.0	8.4	-2.0	0.0	**2.9**	**2.2**	**2.5**	*0.3*	*1.6*	*2.2*
Candidate Countries	1.9	7.3	5.0	9.1	-0.5	**4.4**	**4.3**	**4.8**	*-0.3*	*2.3*	*4.0*
- Albania	0.0	32.5	11.5	0.2	6.0	**4.6**	**3.7**	**3.8**	*6.0*	*5.0*	*3.4*
- Bosnia and Herzegovina	0.1	20.6	6.2	-1.3	2.8	**3.1**	**3.3**	**3.1**	*2.8*	*2.2*	*3.1*
- Georgia	0.1	8.8	16.9	10.0	8.5	**6.2**	**7.4**	**5.8**	*8.5*	*7.4*	*5.8*
- Moldova	0.0	21.2	18.2	-5.1	5.2	**9.7**	**8.6**	**8.5**	*5.1*	*6.0*	*5.3*
- Montenegro	0.0	16.0	23.3	8.2	5.7	**4.4**	**3.7**	**3.3**	*5.5*	*4.4*	*4.0*
- North Macedonia	0.0	14.8	13.6	-10.2	-1.4	**5.4**	**5.2**	**4.8**	*-0.6*	*3.7*	*4.2*
- Serbia	0.2	17.7	16.1	-1.4	8.0	**6.4**	**6.0**	**5.9**	*8.3*	*4.8*	*5.5*
- Türkiye	1.2	2.1	8.3	12.1	-4.4	**3.6**	**3.5**	**3.8**	*-4.1*	*0.6*	*3.3*
- Ukraine	0.3	14.2	-17.4	8.9	7.7	**5.8**	**5.3**	**8.7**	*7.7*	*5.5*	*6.0*
Iceland	0.0	20.3	22.6	-2.0	4.0	**5.1**	**1.5**	**3.0**	*2.7*	*4.2*	*1.4*
Norway	0.5	1.8	13.3	-1.5	4.3	**2.1**	**2.3**	**1.8**	*3.7*	*2.0*	*2.5*
Switzerland	1.9	5.8	5.8	2.7	0.4	**2.2**	**1.4**	**1.8**	*0.4*	*2.3*	*2.2*
Australia	1.3	5.3	13.7	6.8	5.8	**2.0**	**2.6**	**2.4**	*4.8*	*1.9*	*2.8*
Canada	2.4	8.3	7.5	0.4	0.7	**0.2**	**-0.2**	**1.0**	*0.6*	*-0.6*	*-0.8*
Japan	3.1	5.2	8.3	-0.8	1.0	**4.2**	**1.3**	**1.7**	*1.3*	*1.6*	*1.3*
Korea	2.5	10.2	4.2	3.0	2.5	**4.2**	**3.7**	**2.2**	*2.4*	*1.7*	*2.1*
United Kingdom	3.8	5.3	13.9	-1.6	2.6	**4.4**	**2.3**	**1.8**	*2.7*	*1.6*	*1.5*
United States	13.4	14.6	8.5	-0.9	5.8	**3.2**	**-1.7**	**2.5**	*5.3*	*1.4*	*-0.3*
Advanced economies	66.7	10.1	7.4	-0.5	2.3	**3.1**	**1.6**	**2.5**	*2.1*	*1.7*	*1.9*
Emerging and Developing Asia	18.5	14.0	1.3	5.7	5.6	**2.3**	**2.7**	**3.0**	*3.7*	*2.2*	*3.3*
- China	10.6	10.8	-2.9	7.4	6.0	**1.7**	**1.9**	**2.2**	*3.3*	*0.4*	*1.9*
- India	3.0	22.1	8.9	13.8	-3.7	**2.7**	**3.9**	**4.0**	*5.9*	*6.6*	*6.4*
- Indonesia	0.9	14.2	8.3	-3.1	6.6	**3.6**	**4.5**	**4.9**	*4.8*	*4.5*	*5.7*
Eastern Neighbourhood and Central Asia	0.8	-2.9	9.1	24.0	6.6	**3.9**	**4.4**	**4.2**	*5.8*	*3.2*	*3.8*
Russia	1.2	19.1	-14.3	13.0	0.0	**1.0**	**1.5**	**1.0**	*0.0*	*1.0*	*2.0*
Latin America	5.6	18.4	7.1	1.4	2.8	**3.8**	**2.5**	**3.1**	*1.4*	*1.3*	*1.6*
- Argentina	0.3	29.6	12.5	5.9	-23.4	**21.4**	**0.8**	**3.6**	*-12.9*	*6.9*	*4.1*
- Brazil	1.2	16.7	0.7	0.8	10.0	**3.1**	**2.1**	**2.1**	*2.9*	*2.5*	*1.9*
- Mexico	2.3	15.7	8.6	3.7	2.8	**1.0**	**2.6**	**3.2**	*2.0*	*-1.6*	*-0.6*
MENA	5.6	5.2	12.1	8.9	5.6	**3.9**	**5.1**	**5.8**	*3.0*	*3.1*	*3.7*
- Saudi Arabia	1.0	3.7	12.0	15.2	8.0	**5.4**	**5.1**	**6.0**	*7.6*	*4.4*	*5.5*
Sub-Saharan Africa	1.5	0.2	10.1	-1.3	1.5	**2.9**	**5.5**	**5.3**	*5.0*	*4.2*	*5.2*
- South Africa	0.4	9.7	15.0	3.9	-6.4	**-0.5**	**2.8**	**3.0**	*3.8*	*2.8*	*3.0*
Emerging and Developing Economies	33.3	12.5	3.7	5.7	4.8	**2.8**	**3.2**	**3.6**	*3.2*	*2.2*	*3.1*
World	100.0	10.9	6.2	1.5	3.1	**3.0**	**2.1**	**2.9**	*2.4*	*1.9*	*2.3*
World excluding EU	70.7	11.4	5.3	2.8	4.3	**3.0**	**2.0**	**3.0**	*3.2*	*2.0*	*2.2*
World excluding euro area	75.9	11.5	5.5	2.6	4.2	**3.1**	**2.1**	**3.0**	*3.1*	*2.0*	*2.3*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2024.
(b) Intra- and extra-EU trade.

Table 56: Shares of main trading partners in goods imports of EU and member states (2024) 31.10.2025

	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	49.5	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)	60.4	48.4	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	56.0	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	57.6	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	48.6	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	46.2	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	63.0	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	35.6	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	39.2	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	49.1	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	57.8	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	59.4	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	46.6	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	55.4	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	59.4	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	48.0	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	54.8	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	42.1	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	35.4	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	64.0	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	55.8	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	68.4	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	51.0	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	40.8	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	42.7	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	45.0	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	54.0	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) 31.10.2025

						Autumn 2025 Forecast			Spring 2025 Forecast		
	2020	2021	2022	2023	2024	2025	2026	2027	2024	2025	2026
EU	449.2	377.2	-10.9	364.4	451.7	**443.0**	**422.5**	**405.1**	*497.4*	*533.9*	*562.7*
EU, adjusted[1)]	395.7	313.0	-138.3	286.8	397.9	**386.8**	**364.8**	**347.3**	*415.8*	*449.9*	*477.1*
Euro area (21)	410.6	376.3	35.4	322.8	408.8	**398.5**	**374.8**	**355.9**	*443.9*	*465.1*	*492.0*
Euro area 20, adjusted[1)]	390.0	345.3	-50.8	281.8	387.7	**378.1**	**353.9**	**336.3**	*402.5*	*423.2*	*449.5*
Candidate Countries	-67.7	-65.0	-140.8	-151.0	-127.6	**-157.4**	**-185.7**	**-211.7**	*-126.7*	*-136.9*	*-157.7*
- Albania	-3.4	-4.5	-4.5	-4.9	-6.0	**-6.9**	**-7.5**	**-8.0**	*-6.0*	*-6.7*	*-7.3*
- Bosnia and Herzegovina	-3.7	-4.3	-5.5	-5.7	-6.5	**-7.1**	**-7.7**	**-8.1**	*-6.5*	*-6.9*	*-7.4*
- Georgia	-3.2	-3.8	-5.1	-6.1	-6.5	**-7.1**	**-8.1**	**-9.1**	*-6.5*	*-7.2*	*-8.2*
- Moldova	-3.1	-4.2	-5.2	-4.9	-5.6	**-6.9**	**-8.0**	**-8.9**	*-5.6*	*-6.4*	*-7.1*
- Montenegro	-1.9	-2.3	-2.8	-3.2	-3.6	**-4.2**	**-4.6**	**-4.9**	*-3.5*	*-3.9*	*-4.2*
- North Macedonia	-2.1	-2.8	-3.7	-2.8	-3.3	**-3.7**	**-4.2**	**-4.4**	*-3.3*	*-3.8*	*-4.1*
- Serbia	-5.8	-6.7	-9.5	-6.9	-7.1	**-8.1**	**-9.6**	**-10.6**	*-8.5*	*-10.1*	*-11.8*
- Türkiye	-37.9	-29.7	-90.0	-87.4	-55.9	**-71.4**	**-89.7**	**-106.7**	*-56.2*	*-57.4*	*-71.4*
- Ukraine	-6.7	-6.6	-14.7	-29.2	-33.0	**-42.0**	**-46.4**	**-51.2**	*-30.4*	*-34.4*	*-36.3*
Iceland	-0.6	-1.0	-1.5	-2.1	-2.3	**-2.7**	**-2.8**	**-2.8**	*-2.3*	*-2.8*	*-3.0*
Norway	-1.0	72.4	166.9	78.1	69.9	**67.6**	**68.1**	**67.7**	*70.9*	*71.5*	*73.3*
Switzerland	63.4	116.1	120.7	124.8	126.2	**134.3**	**137.8**	**144.5**	*126.2*	*129.7*	*134.9*
Australia	39.8	86.1	112.2	83.7	44.3	**37.3**	**33.5**	**31.1**	*45.2*	*44.8*	*43.1*
Canada	-30.3	3.0	16.7	-0.5	-5.0	**-16.4**	**-17.0**	**-17.5**	*-5.0*	*-16.4*	*-17.0*
Japan	26.0	16.0	-118.3	-47.1	-24.2	**-21.2**	**-26.2**	**-21.2**	*-25.8*	*-36.5*	*-40.7*
Korea	80.6	75.7	15.6	37.7	100.1	**94.2**	**95.3**	**94.9**	*100.1*	*97.6*	*89.5*
United	-151.0	-208.9	-241.1	-238.8	-269.3	**-327.0**	**-352.1**	**-361.4**	*-288.9*	*-315.2*	*-327.3*
United States	-883.4	-1092.4	-1186.6	-1068.2	-1209.3	**-1285.1**	**-1203.6**	**-1242.5**	*-1201.9*	*-1212.3*	*-1185.3*
Advanced economies	-300.3	-412.2	-1050.9	-589.0	-603.9	**-765.6**	**-778.3**	**-863.7**	*-569.1*	*-625.8*	*-639.0*
Emerging and Developing Asia	501.3	448.4	473.0	416.4	535.0	**573.9**	**481.9**	**403.6**	*554.3*	*416.2*	*295.0*
- China	511.1	562.7	665.0	594.0	768.0	**843.8**	**812.3**	**801.2**	*767.9*	*663.0*	*567.2*
- India	-102.2	-189.5	-265.3	-244.9	-287.2	**-314.9**	**-361.8**	**-417.8**	*-269.5*	*-283.3*	*-298.0*
- Indonesia	28.3	43.8	62.7	46.3	39.8	**37.8**	**37.4**	**34.1**	*39.9*	*35.4*	*37.7*
Eastern Neighbourhood and Central Asia	-0.7	25.7	50.8	10.0	3.1	**-2.6**	**-3.6**	**-2.2**	*4.7*	*0.1*	*0.4*
Russia	92.7	192.6	309.2	121.9	133.3	**124.8**	**112.2**	**110.9**	*133.3*	*126.1*	*116.9*
Latin America	75.9	20.9	-24.1	34.3	44.7	**23.5**	**-7.8**	**-14.1**	*26.4*	*-6.3*	*-23.9*
- Argentina	14.6	18.7	12.4	-2.8	22.4	**13.2**	**15.5**	**14.8**	*22.4*	*21.6*	*21.1*
- Brazil	35.7	42.3	51.5	92.3	65.8	**45.3**	**31.9**	**27.8**	*65.8*	*56.1*	*54.9*
- Mexico	34.2	-10.7	-28.3	-12.4	-18.6	**2.8**	**-7.9**	**-4.9**	*-8.2*	*-23.7*	*-33.2*
MENA	70.8	302.0	560.8	361.5	175.8	**77.4**	**56.8**	**43.3**	*212.2*	*169.6*	*148.3*
- Saudi Arabia	47.9	136.5	235.3	128.2	90.3	**53.9**	**53.3**	**47.1**	*90.5*	*83.7*	*80.5*
Sub-Saharan Africa	-2.8	35.1	32.9	16.4	33.9	**29.6**	**27.9**	**26.9**	*20.7*	*20.9*	*16.9*
- South Africa	17.7	30.8	14.6	7.5	11.6	**10.3**	**9.3**	**8.2**	*11.8*	*11.9*	*11.4*
Emerging and Developing Economies	737.2	1024.7	1402.7	960.4	925.8	**826.6**	**667.4**	**568.3**	*951.6*	*726.6*	*553.5*
World	436.9	612.5	351.8	371.4	321.9	**61.1**	**-110.9**	**-295.4**	*382.5*	*100.8*	*-85.5*
World excluding EU	-12.3	235.3	362.8	7.0	-129.8	**-381.9**	**-533.5**	**-700.4**	*-115.0*	*-433.1*	*-648.1*
World excluding euro area	24.1	232.8	311.1	44.4	-92.3	**-344.7**	**-493.3**	**-660.1**	*-67.3*	*-371.0*	*-584.5*

1) See note 8 on concepts and sources.

Table 58: World current-account balances (in billions of US dollar, 2020-2027) 31.10.2025

	2020	2021	2022	2023	2024	Autumn 2025 Forecast 2025	Autumn 2025 Forecast 2026	Autumn 2025 Forecast 2027	Spring 2025 Forecast 2024	Spring 2025 Forecast 2025	Spring 2025 Forecast 2026
EU	371.3	561.0	118.9	477.2	618.6	**540.5**	**554.3**	**538.8**	*616.2*	*615.0*	*650.0*
EU, adjusted [1)]	349.9	488.7	3.9	360.7	493.4	**409.8**	**419.9**	**404.4**	*534.1*	*530.6*	*564.0*
Euro area (21)	314.5	529.4	130.4	411.3	552.4	**478.1**	**488.2**	**475.3**	*538.6*	*522.4*	*553.8*
Euro area 20, adjusted [1)]	244.1	409.7	-25.8	265.1	442.2	**364.7**	**371.3**	**359.2**	*461.0*	*443.0*	*472.9*
Candidate Countries	-34.5	-18.8	-49.3	-59.1	-38.6	**-79.0**	**-90.0**	**-103.9**	*-39.1*	*-55.0*	*-64.2*
- Albania	-1.3	-1.4	-1.1	-0.3	-0.7	**-0.8**	**-0.9**	**-1.0**	*-0.7*	*-0.7*	*-0.8*
- Bosnia and Herzegovina	-0.6	-0.3	-1.1	-0.6	-1.3	**-1.3**	**-1.5**	**-1.6**	*-1.1*	*-1.1*	*-1.1*
- Georgia	-2.0	-1.9	-1.1	-1.7	-1.8	**-1.5**	**-1.7**	**-1.9**	*-1.5*	*-1.7*	*-2.1*
- Moldova	-0.6	-1.3	-2.4	-1.9	-2.9	**-3.9**	**-4.7**	**-5.0**	*-2.9*	*-3.1*	*-3.4*
- Montenegro	-1.2	-0.5	-0.8	-0.8	-1.4	**-1.6**	**-1.7**	**-1.8**	*-1.4*	*-1.6*	*-1.7*
- North Macedonia	-0.4	-0.4	-0.8	0.1	-0.4	**-0.4**	**-0.4**	**-0.5**	*-0.4*	*-0.4*	*-0.4*
- Serbia	-2.3	-2.7	-4.4	-2.1	-4.2	**-5.3**	**-6.7**	**-6.2**	*-5.6*	*-6.0*	*-6.3*
- Türkiye	-31.2	-6.4	-45.6	-42.0	-10.4	**-23.6**	**-29.7**	**-41.2**	*-10.0*	*-12.4*	*-20.3*
- Ukraine	5.1	-3.8	8.0	-9.8	-15.5	**-40.5**	**-42.6**	**-44.6**	*-15.5*	*-27.9*	*-28.2*
Iceland	0.4	-0.5	-0.5	-0.3	-0.9	**-1.5**	**-1.5**	**-1.5**	*-1.1*	*-1.5*	*-1.7*
Norway	4.1	66.8	175.3	82.9	71.0	**59.7**	**56.3**	**58.5**	*82.7*	*76.1*	*74.7*
Switzerland	-0.5	49.9	71.2	51.2	49.5	**53.3**	**59.3**	**62.7**	*47.5*	*47.3*	*53.5*
Australia	25.0	40.5	6.2	-4.3	-34.6	**-38.6**	**-42.9**	**-45.8**	*-34.3*	*-30.8*	*-34.3*
Canada	-33.3	-0.4	-6.3	-13.8	-10.3	**-20.4**	**-21.0**	**-21.6**	*-11.4*	*-20.2*	*-20.9*
Japan	149.8	195.5	87.2	160.9	195.1	**176.0**	**167.3**	**167.4**	*193.1*	*190.6*	*191.5*
Korea	75.9	85.2	25.8	32.8	99.0	**84.3**	**85.0**	**83.6**	*99.0*	*88.0*	*80.0*
United Kingdom	-74.2	-24.2	-61.0	-122.1	-80.8	**-100.8**	**-113.2**	**-114.2**	*-96.8*	*-100.6*	*-104.0*
United States	-564.6	-869.2	-1001.2	-937.8	-1179.9	**-1262.5**	**-1196.7**	**-1235.0**	*-1087.6*	*-1089.7*	*-1060.3*
Advanced economies	100.7	319.4	-424.0	-120.7	-62.7	**-334.0**	**-295.2**	**-360.0**	*14.6*	*-65.6*	*-50.2*
Emerging and Developing Asia	331.6	302.8	369.7	269.0	430.6	**494.3**	**416.6**	**357.2**	*412.9*	*286.2*	*184.4*
- China	248.8	352.9	443.4	263.4	423.9	**508.0**	**462.8**	**438.3**	*422.0*	*317.4*	*232.9*
- India	27.0	-39.9	-64.6	-20.1	-15.8	**-25.3**	**-44.7**	**-66.9**	*-31.2*	*-40.3*	*-48.0*
- Indonesia	-4.4	3.5	13.2	-2.0	-8.7	**-12.5**	**-15.1**	**-20.7**	*-8.9*	*-14.1*	*-12.9*
Easter Neighbourhood and Central Asia	-15.0	4.5	31.8	-13.2	-9.7	**-18.3**	**-25.5**	**-29.1**	*-5.1*	*-8.8*	*-10.4*
Russia	35.4	124.9	235.8	49.4	63.2	**42.4**	**24.8**	**24.4**	*62.3*	*42.3*	*24.7*
Latin America	-7.1	-88.5	-130.8	-77.7	-75.4	**-80.8**	**-110.2**	**-117.7**	*-75.1*	*-99.6*	*-119.2*
- Argentina	2.7	6.6	-4.0	-20.8	5.7	**-6.6**	**-4.0**	**-5.4**	*6.3*	*2.1*	*0.8*
- Brazil	-24.2	-39.4	-42.0	-27.1	-66.2	**-65.5**	**-74.0**	**-80.1**	*-61.2*	*-58.6*	*-59.4*
- Mexico	26.9	-4.6	-18.9	-12.6	-16.7	**-2.2**	**-10.6**	**-7.9**	*-6.0*	*-22.2*	*-32.5*
MENA	-46.9	162.3	433.3	231.2	150.3	**72.4**	**61.0**	**48.0**	*137.8*	*100.6*	*104.1*
- Saudi Arabia	-25.5	40.5	150.4	35.1	-5.7	**-28.6**	**-36.4**	**-47.6**	*-7.1*	*-11.5*	*-10.5*
Sub-Saharan Africa	-30.7	-2.2	-20.7	-26.4	-5.7	**-11.8**	**-19.1**	**-24.0**	*-19.3*	*-20.7*	*-28.6*
- South Africa	6.8	15.8	-1.2	-4.2	-2.7	**-4.0**	**-7.4**	**-8.8**	*-2.5*	*-3.5*	*-4.9*
Emerging and Developing Economies	267.4	503.8	919.2	432.2	553.2	**498.1**	**347.6**	**258.8**	*513.5*	*299.9*	*155.1*
World	368.1	823.2	495.1	311.4	490.5	**164.1**	**52.4**	**-101.1**	*528.2*	*234.3*	*104.9*
World excluding EU	-3.3	262.2	376.2	-165.8	-128.1	**-376.4**	**-501.9**	**-639.9**	*-88.1*	*-380.7*	*-545.1*
World excluding euro area	54.0	293.6	362.3	-99.2	-62.5	**-316.3**	**-437.9**	**-579.4**	*-11.4*	*-289.4*	*-450.2*

1) See note 8 on concepts and sources.

Table 59: Crude oil prices, 2020-2027 31.10.2025

	2020	2021	2022	2023	2024	Autumn 2025 Forecast 2025	Autumn 2025 Forecast 2026	Autumn 2025 Forecast 2027	Spring 2025 Forecast 2025	Spring 2025 Forecast 2026
Annual percentage change (USD)	-35.1	69.3	42.5	-18.1	-2.5	-14.5	**-9.4**	**1.4**	*-15.9*	*-5.4*
Price per barrel										
- Brent (USD)	41.8	70.7	100.7	82.5	80.5	68.9	**62.4**	**63.3**	*67.7*	*64.0*
- Brent (EUR)	36.6	59.8	95.8	76.3	74.4	60.9	**53.7**	**54.4**	*60.8*	*56.4*

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 2024 are based on outturns as far as available at the cut-off date of this forecast. Data for 2025, 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 avoid population census induced breaks in series and/or to treat Ukrainian refugees under temporary protection consistently across Member States, historical data for the population of working age of CZ, DE, EL, SE, PL and SK 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 :

EA20 (BE, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

EA21 (EA20 and BG)

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)

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 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	
Signals of a turnaround in the housing markets	
The potential economic impact of the reform of Germany's fiscal framework	
The impact of interest rate changes on euro area households' net interest income	
What do different data sources reveal about the EU's export performance?	

EU-US trade relationship through the lens of global value chains	
India's economic surge: from regional to global economic player	*Autumn 2024*
Productivity growth in the EU: is there a trade-off with employment growth?	*November 2024*
The cost of uncertainty – new estimates	
Global trade outlook and the resilience of Global Value Chain	
2024 benchmark and regular revisions: implications for the Autumn Forecast	
Household saving rates in the euro area and in the US: a counterfactual analysis	
Net expenditure indicator and fiscal stance: a consistent approach to assess fiscal policy	
Taking into account the key role of natural capital for economic activity	*Spring 2024*
China's impressive rise and its structural slowdown ahead: implications for the global economy and the EU	*May 2024*
Convergence of new Member States on the 20th anniversary of the 2004 enlargement	
Survey on investment – March/April 2024	
Fiscal stance: gauging the impact of fiscal policy on aggregate demand	
A forecast that is tailored to, and evolves with, the needs of macroeconomic surveillance	
Impact of the Red Sea crisis on the EU economic outlook	*Winter 2024*
EU non-financial corporations in a challenging economic environment	*February 2024*
Household savings and wealth in the euro area – implications for private consumption	
Food inflation in the euro area – what were the driving forces behind the extraordinary surge in 2022-2023?	
A cooling housing market amid mortgage rate increases	*Autumn 2023*
Persistent labour market tightness during a slowdown: a reappraisal of drivers	*November 2023*
Effects of extreme weather events on national accounts and the European Economic forecasts	
Spillover effects to the EU from a potential sharp slowdown in China	
Decomposition of inflation	
Potential economic repercussions of wider tensions in the Middle East: A stylised model-based scenario	
Insights from the Commission's consumer survey: how is inflation shaping consumer confidence and spending.	*Summer 2023* *September 2023*
Medium-term projections of potential GDP growth in turbulent times	*Spring 2023*
The new candidate countries included in the forecast	*May 2023*
European gas market: recent developments and outlook	
Recent developments in bankruptcy declarations in the EU	
Profit margins and their role in euro area inflation	
Which Factors Shape Growth and Inflation Going Forward? Model-Based Insights into the Spring Forecast	
Global trade fragmentation risks	*Winter 2023*

Selling price expectations and core inflation – insights from the Commission's business surveys	*February 2023*
Commodity-driven inflation: Macro effects and risks	*Autumn 2022*
Can the EU labour market withstand a slowdown in economic activity?	*November 2022*
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Future prices in forecast assumptions	
Household wealth and savings in the euro area – the effect of inflation	
Exchange rate pass-through to euro-area consumer price inflation	
Fiscal policy measures to mitigate the impact of high energy prices	
Irish GDP developments and multinational enterprises' activities	*Summer 2022*
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Alternative scenarios on the economic outlook	*Spring 2022*
Carry-over effects and the annual growth forecast for 2022	*May 2022*
Member States' vulnerability matrix	
Production bottlenecks based on the Business and Consumer Surveys	*Winter 2022*
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Supply side bottlenecks	*Autumn 2021*
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Housing market	
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The incorporation of the Recovery and Resilience Facility in the forecast	
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The Trade and Cooperation Agreement between the EU and the UK and model simulation of the short-term economic impact of the included Free Trade Agreement	*February 2021*
The road out of the crisis: an update of alternative scenarios	
The road out of the crisis remains bumpy and uncertain	*Autumn 2020*
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Technical specifications underpinning the QUEST simulations of NGEU	
Some technical elements behind the forecast	
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The inclusion of Next Generation EU and its Recovery and Resilience Facility in the forecast	
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